



October 8, 2020

TO: Director Joe Wallace, President, and
Members of the Board
Michael Hursh, General Manager
Beverly Greene, Executive Director, External Affairs, Marketing & Communications

FR: Steve Wallauch
Platinum Advisors

RE: Legislative Update

Signing Deadline: Governor Gavin Newsom wrapped up action on legislation for the 2019-20 legislative session on September 30th. Due to the COVID truncated session, only 428 bills were sent to the Governor's desk – a 53% decline to the average passage rate for legislation. Of those measures that made it to his desk 56 bills were vetoed, which matches the average veto rate of 13%.

In addition, this was the year of Executive Orders. Governor Newsom has issued 59 Executive Orders so far this year – most dealing with issues arising from the pandemic and stay at home orders. While the future is unclear under what conditions the 2021-22 legislative session will operate, anything has got to be better than this year.

Special Session: It remains highly unlikely a special session will be called. While a number of unfinished discussions could be revisited, including the continuing COVID-19 pandemic, reopening the economy, housing, homelessness, wildfires, cap & trade funding among other issues, it seems unlikely that Governor Newsom will call a special session prior to the election, particularly if a federal relief has not been enacted. Even though California's revenues continue trending slightly better than budget projections and could be used to offset pending cuts, the federal battles over a coronavirus stimulus deal does not bode well for California. This means that California is unlikely to receive additional federal funding by October 15th. As a reminder, the following restorations negotiated as part of the 2020-21 Budget Act were contingent upon the receipt of \$14 billion in additional flexible federal funds:

- \$150 million restoration to the judicial branch budget.
- \$45 million restoration for moderate-income housing production funding.
- \$203 million restoration of the Infill Infrastructure Grant Program.
- \$46 million restoration to child support administration funding.

- \$5.8 billion reduction in payment deferrals to K-12 schools.
- \$791 million reduction in payment deferrals to community colleges.
- \$472 million restoration to the University of California.
- \$500 million restoration to California State University.
- \$88 million restoration to the Golden State Teacher Grant Program at the Student Aid Commission.
- \$250 million addition to the \$750 million General Fund backfill for realignment funding.
- \$2.8 billion deposit to the Employee Compensation Reduction Offset Fund to be used to offset employee compensation reductions in the budget package.

Working & Natural Lands: The most recent executive order by the Governor focuses on preserving open space and using working lands as a carbon sink. The order also sets a first-in-the-nation goal to conserve 30 percent of the state's land and coastal water by 2030 to fight species loss and ecosystem destruction.

Specifically, state agencies are directed to pursue innovative actions and partnerships to maximize the full climate benefits of our natural and working land, through:

- Healthy soils management, including planting cover crops, hedgerows and compost applications;
- Wetlands restoration to protect coastal areas;
- Active forest management to reduce catastrophic risk and restore forest health; and
- Boosting green infrastructure in urban areas like trees and parks.

Within one year of this order the Natural Resources Agency in collaboration with other state agencies and departments shall develop a Natural and Working Lands Climate Smart Strategy. The order requires CARB as part of the next Scoping Plan process to take into consideration the Natural and Working Lands Climate Smart Strategy and science-based data to update the target for the natural and working lands sector in achieving the State's carbon neutrality goal.