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To:	Coachella Valley Water District
From:	Syrus Devers, Best Best & Krieger
Date:	June 29th, 2023
Re:	State Legislative Report

**Legislative Report**

Legislative bills have until July 14th to pass out of all assigned policy committees. The last two weeks of June were big ones for both legislation and the budget. Here are the highlights.

**The water rights bills:**

AB 460 (Bauer-Kahan): This bill would have given the SWRCB the power to issue restraining orders on par with a court's power to issue Temporary Restraining Orders. The author pulled the bill from the June 27th hearing date in Senate Natural Resources and Water when it was apparent the bill lacked the necessary 6th vote to get out of committee. A reliable source has indicated the bill is dead for this year.

AB 1337 (Wicks): This bill overturns the court holding in the Curtailment Cases and allows SWRCB to enforce water rights against pre-1914 water right holders. Originally set for June 21st, the bill was pulled and reset for the final hearing date of July 10th. The bill has not been amended in the last month, but there is talk in the halls that this bill is enjoying broader support than its counterpart AB 460.

SB 389 (Allen): This bill would grant the SWRCB broad powers to demand information to support a water right claim. In order to get the bill off the Senate Floor after a tough first vote, Allen agreed to take the more punitive sections out of the bill, although written amendments have yet to be adopted. According to stakeholders, Allen agreed to remove the section allowing for forfeiture of a water right for which there was insufficient proof, and eliminated placing the burden of proof on the holder of the right, which were the two most objectionable provisions of the bill. No hearing had been set at the time this report was prepared.

**The Budget:**

In 2022, California faced unprecedented budget surpluses which led the Governor and the Legislature to set aside the maximum possible savings, give Californians refunds, and spent record amounts on climate



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adaptation programs. The total budget spending plan in 2022 was \$308 billion. So how did the governor and legislators deal with a \$31.5 billion deficit? By spending...\$3 billion more than last year.

There are some real numbers behind the budget total, but at first glance it can be hard to follow. Compared to last year, the budget had to cover a \$31.5 billion deficit and the \$3 billion in additional spending, or about \$35 billion. Here is how it works:

- Lower revenues mean lower constitutionally required, non-discretionary spending. That is worth about \$4.8 billion (call it \$5B).
- Defer \$8 billion in planned spending from last year's budget. (This is where water programs can be impacted.)
- Borrow \$6 billion from special funds.
- Increase taxes on managed care plan providers for another \$8 billion.
- Make up the rest (\$8B) by counting on an automatic increase in the gas tax and a variety of other pots of money.

Just like that, the deficit is covered without tapping the reserve account. Is it budget sleight-of-hand that cannot be sustained? Yes, but it works for now. The stock market seems bullish at the moment so maybe California just needs to stay afloat long enough to catch some economic luck. If things do not go well next year, then they can start tapping the reserves.

What happens to water related spending programs in the Budget? It's too soon for an analysis since there are more budget bills to come. Water was barely mentioned in the press releases that accompanied the announcement of a budget deal. Funds were cut that included spending on water related programs, but staff does not have details on precisely which programs within larger budget funds will be reduced. That kind of detail will be found in Budget Trailer Bills in the coming weeks.

Governor Newsom did drop the Delta Conveyance from a list of major projects that he wanted to expedite with a streamlined permit process. While not exactly a budget item, it was a part of his package of Budget Trailer Bill proposals he released back in May. That said, Newsom got nearly all of the other items he asked for. Here is a partial list of bills that include Newsom's infrastructure package:

AB 124: Green Bank and Energy (Awaiting final Floor vote)

AB 126: Clean Transportation (Awaiting final Floor vote)

SB 146: Progressive Design Build (Assembly Policy Committee—rules suspended)

SB 147: Fully Protected Species (Assembly Policy Committee—rules suspended)

SB 149: Expedited Judicial Review (CEQA) (Assembly Policy Committee—rules suspended)