

BOARD MEETING DATE: March 3, 2023

AGENDA NO. 17

REPORT: Legislative Committee

SYNOPSIS: The Legislative Committee held a meeting remotely on Friday, February 10, 2023. The following is a summary of the meeting.

RECOMMENDED ACTION:
Receive and file.

Michael A. Cacciotti, Chair
Legislative Committee

DJA:LTO:PFC:DPG:ar

Committee Members

Present: Council Member Michael A. Cacciotti, Chair
Senator Vanessa Delgado (Ret.)
Board Member Veronica Padilla-Campos
Supervisor V. Manuel Perez
Council Member Nithya Raman

Absent: None

Call to Order

Chair Michael Cacciotti called the meeting to order at 9:00 a.m.

DISCUSSION/ACTION ITEMS:

- 1. Update on 2023 South Coast AQMD-Sponsored State Legislative Concepts**
Philip Crabbe, Senior Public Affairs Manager/Legislative, Public Affairs & Media, presented an update regarding 2023 South Coast AQMD-sponsored state legislative proposals.

Supervisor Perez asked for additional information regarding the AB 2766 DMV fee increase proposal. Chair Cacciotti commented that the fee has not been increased since it was instituted in 1990. Wayne Nastri, Executive Officer, added that South Coast AQMD sponsored a bill establishing a DMV smog abatement fee in recent years that was signed into law.

Supervisor Perez requested that staff work to secure a Senate co-author for the AB 617 policy sponsor bill and asked for clarification on the independent special district proposal. Mr. Crabbe responded that the independent special district proposal is to ensure local air districts are eligible to receive certain types of state and federal funding such as COVID relief.

Council Member Raman inquired about how proposed AB 617 budget cuts will impact the program. Mr. Nastri responded that the proposed \$50 million cut in AB 617 funding would have a negative impact on the program. Staff is working with CAPCOA on budget letters requesting restoration of the AB 617 funds if the greenhouse gas cap and trade auctions yield sufficient revenues.

Council Member Raman inquired whether a bill proposal for increased civil penalties related to air quality violations is being pursued this year. Mr. Nastri responded that due to higher priority items and other issues, it is not being pursued this year. For additional information, please refer to the [Webcast](#) beginning at 8:10.

There was no public comment.

DISCUSSION ITEMS:

2. Update and Discussion on Federal Legislative Issues

South Coast AQMD's federal legislative consultants (Cassidy & Associates, Kadesh & Associates, and Carmen Group) provided written reports on key Washington, D.C. issues.

Jed Dearborn, Cassidy & Associates, reported that President Biden focused on climate investments and the Inflation Reduction Act (IRA) during his State of the Union Address. The remarks aligned with the meeting South Coast AQMD had with the White House Council on Environmental Quality earlier in the week where funding for air pollution and environmental justice were discussed. The President's Budget is expected to be published on March 9, which is expected to include funding for climate, air pollution and environmental justice.

Mark Kadesh, Kadesh & Associates, provided an overview of South Coast AQMD's meetings with senior Members of Congress and legislative staff. The meetings focused on the need for action by U.S. EPA and other agencies to reduce air

pollution from mobile sources through policies and funding, especially through the Bipartisan Infrastructure Law (BIL) and IRA.

Gary Hoitsma, Carmen Group, reported that South Coast AQMD staff met with the Federal Maritime Administration to discuss funding for research and development for cleaner ships as well as investments and possible collaboration on ports and infrastructure issues. A meeting with the Federal Railroad Administration focused on funding opportunities and the need for research and development for zero-emission locomotives.

Supervisor Perez commented on the need to think through the timeline on how to achieve results. Mr. Nastri concurred on the need to have a presence in Washington, D.C. and added that staff are working on a timeline for advocacy centered around the budget process as well as taking into consideration potential litigation related to U.S. EPA.

Chair Cacciotti commented on the need for funding for rail projects to reduce air pollution. Mr. Nastri shared that the Washington D.C. meetings last week was to gather information on funding opportunities and to discuss how a joint project with many stakeholders such as air agencies, ports, rail operators and others to receive large scale funding. For additional information, see [Webcast](#) at 33:04.

There was no public comment.

3. Update and Discussion on State Legislative Issues

South Coast AQMD's state legislative consultants (California Advisors, LLC, Joe A. Gonsalves & Son, and Resolute) provided written reports on key issues in Sacramento.

Ross Buckley, of California Advisors, LLC, reported on Governor Newsom's appointments to the CARB Board including the reappointed Board Member Gideon Kracov for South Coast AQMD and Supervisor Perez for the Mojave Air District.

Paul Gonsalves, Joe A. Gonsalves & Son, reported that the Legislature has until February 17 to introduce bills. So far, 1,160 bills have been introduced.

Alfredo Arredondo, Resolute, commented that budget hearings will begin on March 1 in the Assembly and March 2 in the Senate. For additional information, see [Webcast](#) beginning at 38:23.

Supervisor Perez commented that now is time to push for air quality priorities. Chair Cacciotti agreed with Supervisor Perez and inquired about the strategy for the AB 2766 bill. Mr. Gonsalves advised that legislation does take time and

coordination, but there may be opportunities given that the fee have not been increased in a long time and other factors.

There was no public comment.

OTHER MATTERS:

4. Other Business

Supervisor Perez commented that he is in support of resurrecting the Climate Change Committee. Mr. Nastri added that climate is at the forefront of issues which presents South Coast AQMD the opportunity to capitalize on co-benefits for air quality. For additional information, see [Webcast](#) beginning at 47:29.

5. Public Comment Period

Harvey Eder commented on alternative energy cooperatives as they relate to special districts.

6. Next Meeting Date

The next regular Legislative Committee meeting is scheduled for Friday, March 10, 2023, at 9:00 a.m.

Adjournment

The meeting adjourned at 9:53 a.m.

Attachments

1. Attendance Record
2. Update on Federal Legislative Issues – Written Reports
3. Update on State Legislative Issues – Written Reports

ATTACHMENT 1

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT LEGISLATIVE COMMITTEE MEETING ATTENDANCE RECORD – February 10, 2023

Council Member Michael Cacciotti.....	South Coast AQMD Board Member
Senator Vanessa Delgado (Ret.).....	South Coast AQMD Board Member
Board Member Veronica Padilla-Campos	South Coast AQMD Board Member
Supervisor V. Manuel Perez.....	South Coast AQMD Board Member
Council Member Nithya Raman.....	South Coast AQMD Board Member

Ken Chawkins	Board Consultant (Cacciotti)
Guillermo Gonzalez.....	Board Consultant (Perez)
Amy Wong	Board Consultant (Padilla-Campos)
Ben Wong.....	Board Consultant (Cacciotti)

Alfredo Arredondo.....	Resolute
Ross Buckley	California Advisors, LLC
Jed Dearborn.....	Cassidy & Associates
Paul Gonsalves	Joe A. Gonsalves & Son
Gary Hoitsma	Carmen Group, Inc.
Mark Kadesh	Kadesh & Associates
Ben Miller	Kadesh & Associates

Mark Abramowitz.....	Public Member
Jackson Guze	Public Member
Farzaneh Khalaj.....	Public Member
Bill La Marr.....	Public Member
Erick Martell.....	Public Member
Melanie Masud	Public Member
Fred Minassian	Public Member
Jacqueline Moore.....	Public Member
Bill Quinn.....	Public Member
David Rothbart	Public Member
Patty Senecal	Public Member
Brissa Sotelo-Vargas.....	Public Member
Denny Zane	Public Member

Derrick Alatorre.....	South Coast AQMD Staff
Debra Ashby.....	South Coast AQMD Staff
Barbara Baird	South Coast AQMD Staff
Philip Crabbe.....	South Coast AQMD Staff
Sheri Hanizavareh.....	South Coast AQMD Staff
Anissa Cessa Heard-Johnson.....	South Coast AQMD Staff
Mark Henninger.....	South Coast AQMD Staff
Sujata Jain	South Coast AQMD Staff
Kathryn Higgins	South Coast AQMD Staff
Aaron Katzenstein	South Coast AQMD Staff
Jason Low.....	South Coast AQMD Staff
Ian MacMillan	South Coast AQMD Staff

Terrence Mann.....	South Coast AQMD Staff
Connie Mejia	South Coast AQMD Staff
Ron Moskowitz	South Coast AQMD Staff
Susan Nakamura	South Coast AQMD Staff
Wayne Nastri	South Coast AQMD Staff
Denise Peralta Gailey.....	South Coast AQMD Staff
Sarah Rees	South Coast AQMD Staff
Mary Reichert.....	South Coast AQMD Staff
Aisha Reyes.....	South Coast AQMD Staff
Lisa Tanaka O'Malley	South Coast AQMD Staff
Anthony Tang	South Coast AQMD Staff
Alejandra Vega.....	South Coast AQMD Staff
Jillian Wong	South Coast AQMD Staff
Victor Yip.....	South Coast AQMD Staff

ATTACHMENT 2A



To: South Coast AQMD
From: Cassidy & Associates
Date: January 25, 2023
Re: January Report

HOUSE/SENATE

Congress

Both the House and Senate are in session this week together for the first time this Congress. Both chambers are still assigning committee seats and ratios and they hope to have final rosters by the end of the week or the beginning of next week.

Legislative activity this week is expected to remain relatively quiet in the Senate as they continue to organize and establish committee rules and assignments. The House will use the majority of the week to consider legislation that would hinder the Biden administration's ability to tap into the Strategic Petroleum Reserve. Outside of any legislative action, we can expect discussions on Capitol Hill related to the debt limit, President Biden's new chief of staff, and Speaker McCarthy's committee organization progress.

EPA

The EPA has announced the availability of \$100 million from the Inflation Reduction Act for environmental justice grants. These grants will advance environmental justice in underserved and overburdened communities. This funding marks the largest amount of environmental justice grant funding ever offered by the EPA. There are two Requests for Applications for this funding through the Environmental Justice Collaborative Problem-Solving (EJCPS) Cooperative Agreement Program and the Environmental Justice Government-to-Government (EJG2G) Program.

The EJCPS Cooperative Agreement Program will provide an estimated \$30 million in funding directly to community-based nonprofit organizations (and partnerships with those

organizations), with \$5 million reserved for small community-based nonprofit organizations. In total, EJCPS will fund 50 awards of \$500,000 and 30 awards of \$150,000.

The EJG2G Program will provide an estimated \$70 million in funding, with \$20 million set aside for State government to be used in conjunction with Community-Based Organization (CBO) partners, \$20 million for local governments with CBO partners, \$20 million for Federally Recognized Tribal Nations with CBO partners, and \$10 million for US Territories and remote tribes with limited access to CBO partners. The Agency anticipates funding approximately 70 projects of up to \$1 million each for a three-year project.

The EPA will host pre-application webinars to answer questions. The first webinar on January 24 will be focused on EJCPS and can be registered for [here](#). The second webinar will be focused on EJG2G and be registered for [here](#).

Earlier in January, the EPA announced a proposal to strengthen a key national ambient air quality standard (NAAQS) for fine particle pollution. The EPA's proposal will specifically take comments on strengthening the primary annual fine particle standard. The Agency will also take comment on the full range standard included in the Clean Air Scientific Advisory Committee's latest report. The EPA is also proposing to revise other aspects related to the PM standards, such as monitoring requirements and the Air Quality Index, that will help states and Tribal Nations meet the revised standards. The EPA will accept public comment for 60 days after the proposal is published in the Federal Register. They will also conduct a virtual public hearing over several days for this proposed rulemaking, with the hearing beginning at 11am Eastern Time and concluding 7pm Eastern Time each day. The EPA will begin pre-registering speakers for the hearing upon publication of the announcement of the public hearings in the Federal Register. Additional information will also be made available on the [National Ambient Air Quality Standards for PM webpage](#).

Cassidy and Associates support in January:

- Secured key meetings with the Biden Administration for Executive staff;
- Worked with South Coast AQMD staff to strategize on DC outreach;
- Continued to monitor and report on activities in Congress and the Administration that impact the District.

IMPORTANT LEGISLATIVE DATES

June 30, 2023:

Pause on student loan payments and interest schedule to expire.

September 30, 2023:

The Farm Bill, an omnibus package of legislation that supports US agriculture and food industries; the bill is reauthorized on a five-year cycle.

AGENCY RESOURCES

USA.gov is cataloging all U.S. government activities related to coronavirus. From actions on health and safety to travel, immigration, and transportation to education, find pertinent actions [here](#). Each Federal Agency has also established a dedicated coronavirus website, where you can find important information and guidance. They include: Health and Human Services ([HHS](#)), Centers of Medicare and Medicaid ([CMS](#)), Food and Drug Administration ([FDA](#)), Department of Education ([DoED](#)), Department of Agriculture ([USDA](#)), Small Business Administration ([SBA](#)), Department of Labor ([DOL](#)), Department of Homeland Security ([DHS](#)), Department of State ([DOS](#)), Department of Veterans Affairs ([VA](#)), Environmental Protection Agency ([EPA](#)), Department of the Interior ([DOI](#)), Department of Energy ([DOE](#)), Department of Commerce ([DOC](#)), Department of Justice ([DOJ](#)), Department of Housing and Urban Development ([HUD](#)), Department of the Treasury ([USDIT](#)), Office of the Director of National Intelligence ([ODNI](#)), and U.S. Election Assistance Commission ([EAC](#)).

Helpful Agency Contact Information:

U.S. Department of Health and Human Services – Darcie Johnston (Office – 202-853-0582 / Cell – 202-690-1058 / Email – darcie.johnston@hhs.gov)

U.S. Department of Homeland Security – Cherie Short (Office – 202-441-3103 / Cell – 202-893-2941 / Email – Cherie.short@hq.dhs.gov)

U.S. Department of State – Bill Killion (Office – 202-647-7595 / Cell – 202-294-2605 / Email – killionw@state.gov)

U.S. Department of Transportation – Sean Poole (Office – 202-597-5109 / Cell – 202-366-3132 / Email – sean.poole@dot.gov)

ATTACHMENT 2B

KADESH & ASSOCIATES

South Coast AQMD Report for the February 2023 Legislative Meeting covering January 2023 Kadesh & Associates

The turbulent kickoff of the congressional session in January provided a likely preview of the year ahead. Ordinarily, the first day of the House session is a quick and ceremonial affair, with the party in power selecting a Speaker, followed by the swearing-in of the members of the 118th Congress. This year, a split within the Republican caucus led to a days-long standoff: the Speaker election took fifteen ballots to resolve, and the House was not sworn in until after midnight four days later.

In order to secure the gavel, new Speaker Kevin McCarthy made a series of concessions to the holdouts in his caucus, notably by allowing any single member of Congress to call a no-confidence vote to remove the Speaker. He also agreed to add three members of the Freedom Caucus to the Rules Committee, which sets the parameters for debate on the House floor. Diluting the power of House leadership was one of the stated goals of Speaker McCarthy's detractors, and they appear to have been successful.

Speaker McCarthy also agreed to allow hardliners in his caucus the opportunity to use the debt ceiling discussions – and to a lesser extent the FY24 budget cycle – as a way to offer significant spending cuts to mandatory and discretionary spending. This sets up a rocky path ahead for the two primary Congressional tasks this year: raising the debt limit and enacting appropriations bills for FY 2024. In fact, the debt ceiling has already been reached, but Treasury is able to use “extraordinary measures” to address the lack of borrowing authority. Secretary Yellin has said these accounting maneuvers will not work past the summer, and it is unclear how this unruly Congress will handle must-pass bills with a firm deadline.

Speaker McCarthy and Democratic Leader Jeffries have finished negotiating the party ratios for House committees, and both Republicans and Democrats are expected to finalize their committee assignments over the next few weeks. The Senate has been out of session since conducting its swearing-in but is expected to return next week. President Biden plans to give the annual State of the Union address on February 7. While not a part of the budget process, the SOTU traditionally kicks off the new year and it usually followed closely by the release of the Administration's proposed budget. This year, however, we are not expecting to see the FY24 budget request until March which will compress the annual appropriations cycle.

Kadesh & Associates Activity Summary-

-Worked with South Coast AQMD and the congressional delegation on efforts to encourage whole-of-government efforts to address air quality through BIL and IRA funding programs.

Contacts:

Contacts included staff and Members throughout the CA delegation, especially the authors of priority legislation, Senate offices, members of the South Coast House delegation, and members of key committees. We have also been in touch with administration staff.

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Carmen Group
I N C O R P O R A T E D

To: South Coast AQMD Legislative Committee

From: Carmen Group

Date: January 26, 2023

Re: Federal Update -- Executive Branch

Goffman EPA Nomination: The President formally resubmitted the nomination of **Joseph Goffman** to be EPA Assistant Administrator for Air and Radiation. While Goffman has been serving in the post in an acting capacity, his nomination died in the last Congress after it deadlocked along party lines in committee and was never brought up for a Senate floor vote. The President also resubmitted the nomination of **David Uhlmann** to be EPA Assistant Administrator for Enforcement and Compliance. Uhlmann's nomination was similarly deadlocked in committee last year and failed to be brought to a final floor vote. Prospects for both nominations are improved now that Democrats have a 51-49 majority in the Senate.

Environmental Protection Agency

EPA Proposes New PM Air Quality Standard: In January, the EPA announced a proposal to strengthen the national ambient air quality standard for particulate matter (PM 2.5). The proposed rule requests public comment on a plan to change the annual PM2.5 standard from a level of 12 micrograms per cubic meter to a level between 9 and 10 micrograms per cubic meter. This would be the first change in the standard since 2012 and results from EPA's June 2021 decision to reconsider the previous administration's December 2020 action to retain the 2012 PM 2.5 standard. EPA says the new proposed rule has the potential to prevent up to 4,200 premature deaths per year. After reviewing comments, EPA plans to issue the new final standard later this year.

EPA Announces EJ Grant Availability: In January, the EPA announced the availability of \$100 million for projects that "advance environmental justice in underserved and overburdened communities across the country." EPA has published two Requests for Applications for this funding through the Environmental Justice Collaborative Problem-Solving (EJCPS) Cooperative Agreement Program and the Environmental Justice Government-to-Government (EJG2G) Program. With funding made possible through the Inflation Reduction Act, this marks the largest amount of environmental justice grant funding ever offered by the EPA. Applications due by April 10, 2023.

EPA Releases Legal Guidance to Advance Environmental Justice: In January, the EPA released the *Cumulative Impacts Addendum to EPA Legal Tools to Advance Environmental Justice (EJ Legal Tools)*. The Addendum builds on *EJ Legal Tools*

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released in May 2022 by identifying a wide range of authorities that can be deployed to address cumulative impacts from pollution and non-pollution sources that have a disproportionate impact on communities with environmental justice concerns. Together, EPA says these are crucial tools for integrating environmental justice considerations and equity in agency programs, policies and activities.

EPA Seeks Comment on Proposal to Address EJ Concerns in All NECIs: In

January, the EPA announced a series of proposed actions to update the agency's National Enforcement and Compliance Initiatives (NECIs) for which it now seeks public comment. Among these is its proposal for the first time to address environmental justice concerns in all of its existing and new NECI initiatives for the FY 2024-2027 cycle. Every four years, EPA selects national initiatives to focus resources on serious and widespread environmental problems where the federal government can make a difference. Comments due by March 13, 2023.

Department of Transportation

DOT Releases Five-Year RD&T Strategic Plan: In January, the Department of Transportation released its *Research, Development and Technology (RD&T) Strategic Plan for Fiscal Years 2022-2026*. Among other things, the plan will guide the more than \$5 billion in research activities funded through the Bipartisan Infrastructure Law.

https://www.transportation.gov/sites/dot.gov/files/2023-01/USDOT%20RDT%20Strategic%20Plan%20FY22-26_010523_508.pdf

Department of Energy

DOE Launches Clean Energy Program to Help Communities: In January, the Department of Energy launched the new \$50 million Clean Energy to Communities (C2C) Program to help communities across the country to transition to clean energy systems. The program will connect local governments, utilities, community-based groups and others with the innovative modeling and tools developed at DOE's national laboratories to advance clean energy and related public health and cost-saving goals.

DOE/DOT/HUD/EPA

Blueprint to Decarbonize America's Transportation Sector Released: In January, the Administration released its *U.S. National Blueprint for Transportation Decarbonization* which was developed jointly by the Departments of Energy, Transportation, Housing & Urban Development, and the Environmental Protection Agency. It is designed to set forth a government-wide strategy for cutting all greenhouse gas emissions from the transportation sector by 2050. <https://www.energy.gov/sites/default/files/2023-01/the-us-national-blueprint-for-transportation-decarbonization.pdf>

Outreach: Contacts included Republican staff at the Senate Environment & Public Works Committee on the outlook for clean air legislation in the 118th Congress, and representatives of our business coalition group in follow-up to the December release of EPA's final rule on heavy-duty truck emissions standards.

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CALIFORNIA ADVISORS, LLC

South Coast AQMD Report
California Advisors, LLC
February 10, 2023, Legislative Committee Hearing

Legislative Update

The Legislature returned to Sacramento on January 4 from their holiday recess. While a handful of bills were introduced in December, most of the new legislation will begin to take shape in the next few weeks. The bill introduction deadline is February 17, so the Legislature will continue to introduce bills up until that day. We expect to see thousands of bills introduced between the two houses before that deadline.

On January 18, Speaker Rendon announced the committee assignments for each member of the Assembly. He had previously only released who was going to be the Chair and Vice-Chair in December. Now, that the committees are filled they can begin their work to set bills for hearing and hold oversight hearings. The Senate also released their full committee memberships ahead of the Assembly on January 5.

Additionally, the California Energy Commission recently released updated data showing the state's accelerating transition to zero-emission vehicles (ZEVs). The data showed that 18.8% of all new cars sold last year in California were ZEVs and 40% of ZEVs sold in the U.S. are sold in California. As you may recall, last May the Governor announced that ZEVs made up 16.32% of vehicles sold. So, there were even more sales and growth in the last six months of 2022.

In a press release, the Governor highlighted that California continues to lead the zero-emission vehicle market:

- 345,818 ZEV sales in California in 2022
- 1,399,913 cumulative ZEV sales in California
- 80,027 shared electric vehicle chargers installed in California
- Up to \$9,500 in grants & rebates available for low-income Californians

Budget Update

On January 10, Governor Gavin Newsom presented his state budget to the Legislature. Subsequently, on January 13, the Legislative Analyst's Office (LAO) provided a summary of the proposal and released a report. Specifically, in the report, the LAO provides an assessment of the budget and raises issues for legislative consideration.

As it pertains to the projected budget deficit – the LAO highlights that the Governor proposes to address the budget problem primarily with spending-related solutions. Notably, the Governor does not propose using any reserves. This approach, according to the LAO, is prudent given the downside risk to revenues posed by the current heightened risk of recession. The LAO recommends the Legislature maintain this approach during its own planning process.

Additionally, the LAO recommended the Legislature:(1) plan for a larger budget problem and (2) address that larger problem by reducing more one-time and temporary spending.

On January 18, the Senate Budget and Fiscal Review Committee held an informational hearing. The purpose of that hearing was to get an overview of the Governor's budget and hear directly from the Department of Finance on some of those proposals. The various Senate and Assembly budget subcommittees will begin their process to have more in-depth discussions on the fiscal outlook and they will start crafting their own versions of the budget for their respective houses in February. The Assembly Budget Committee will hold its first hearing the first week of February.

As a reminder, the state budget must be passed by June 15 in time for the Governor to sign the package and the new fiscal year to begin on July 1. However, the last two years we have seen the Legislature pass budgets to meet that June deadline and continue to negotiate with the Governor over the following weeks. Then they have to pass a subsequent budget that would reflect the deal made between the Governor, Senate, and the Assembly.

ATTACHMENT 3B



Joe A. Gonsalves & Son

Anthony D. Gonsalves

Jason A. Gonsalves

Paul A. Gonsalves

PROFESSIONAL LEGISLATIVE REPRESENTATION
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916 441-0597 • FAX 916 441-5061
Email: gonsalves@gonsalvi.com

TO: South Coast Air Quality Management District
FROM: Anthony, Jason & Paul Gonsalves
SUBJECT: Legislative Update – January 2023
DATE: Thursday, January 26, 2023

On January 4, 2023, the Legislature reconvened for the 2023-24 legislative session. This year, the Legislature has 34 newly elected members, which is the largest class of new members since Proposition 28 in 2012 which established 12-yr terms. 24 of the newly elected members are in the Assembly and 10 are in the Senate. However, 3 of the 10 that are new to the Senate have served previously in the Assembly.

The Assembly is now comprised of 62 Democrats and 18 Republicans while the Senate now has 32 Democrats and 8 Republicans. This is more than enough for a Democratic super majority in both houses, which allows them to pass bills and budgets without a single Republican vote.

On January 10, 2023, Governor Newsom released his January budget proposal. After years of record California budget surpluses that topped \$100 billion, the State is now facing a \$22.5 billion budget deficit. Governor Newsom's January budget proposes to address the fiscal shortfall through delayed spending commitments, trigger cuts, and delaying State debt payments. Fortunately, the State is sitting on \$35 billion in reserves and the Governor's budget proposal keeps those reserves whole. The Legislature will have between now and June 15th to negotiate a final spending plan for the 2023-24 Legislative Session.

The following will provide you with updates of interest to the District:

BUDGET

As previously noted, the State is facing a \$22.5 billion budget shortfall in the 2023-24 fiscal year. Spiraling inflation and a weakening stock market has clouded the economic forecast for the state, which depends heavily on capital gains from its wealthiest residents. The Department of Finance now expects that tax revenues will total \$29.5 billion, or 9.6%, less than what was assumed in last year's budget. Recognizing the fiscal uncertainty in the outyears, Governor Newsom's January budget proposal does not tap into the \$35 billion in cash reserves to address the deficit.

The Governor has proposed to delay \$7.4 billion in spending to future budget years and shift \$4.3 billion in appropriations to other sources, such as construction projects that would now be paid for with bonds. His budget proposal would also eliminate \$5.7 billion in previously funded expenditures, including \$3 billion to address inflation and \$750 million to pay down unemployment insurance debt, with another \$3.9 billion in “trigger” cuts that could be reversed next year if the state has enough money.

Those trigger cuts are largely concentrated on climate and transportation because of the magnitude of those budgets. Zero-emission vehicle credits and infrastructure programs are set to receive \$2.5 billion less from the general fund in the coming years, with about half of those reductions offset with money from the Greenhouse Gas Reduction Fund (GGRF/Cap-and-Trade). The plan proposes to pull back \$2 billion from local rail projects and \$350 million from housing programs.

The proposed cuts in climate programs include \$6 billion for climate initiatives with more than half of the cuts from the state’s clean transportation initiatives. The Governor is proposing to cut \$2.5 billion from zero emission vehicle infrastructure build-out, and about \$1.4 billion of that amount would be shifted to the GGRF. Another \$2.2 billion in funds would be cut from transportation that includes spending for rail and transit projects.

The Assembly and Senate Budget Committees will spend the next few months identifying the Legislature’s budget priorities and negotiating with the Governor. In May, the Governor will release his May Revise to the budget with the final budget being adopted by June 15, 2023. As always, we will continue to keep you apprised as the year progresses.

ZEV SALES

On January 20, 2023, the California Energy Commission released the latest data showing 18.8% of all new cars sold last year in California were ZEVs and 40% of ZEVs sold in the U.S. are sold in California.

ZEV sales are up 38% from 2021 and 138% from 2020. In comparison, the latest estimates show ZEV sales were 5.8% of all U.S. car sales in 2022. There were 345,818 ZEV sales in California in 2022 with 1,399,913 cumulative ZEV sales in California. Additionally, over 80,000 shared electric vehicle chargers were installed in California (both public and shared private). California is home to 55 ZEV and ZEV-related manufacturers and leads the nation in ZEV manufacturing jobs.

Last month, the California Energy Commission approved a \$2.9 billion investment plan that accelerates California’s 2025 electric vehicle charging and hydrogen refueling goals. In November, the California Air Resources Board approved a \$2.6 billion investment plan to support ZEV projects, with 70% of the funds directed to disadvantaged and low-income communities. In addition, California expects to receive \$384 million of federal funding from the National Electric Vehicle Infrastructure Program to install charging stations throughout the state.

2023 LEGISLATIVE DEADLINES

January 4 - Legislature reconvenes

January 10 - Budget must be submitted by Governor

January 20 - Last day to submit bill requests to the Office of Legislative Counsel.

February 17 - Last day for bills to be introduced

March 30 - Spring Recess begins upon adjournment

April 10 - Legislature reconvenes from Spring Recess

April 28 - Last day for policy committees to hear and report to fiscal committees' fiscal bills introduced in their house

May 5 - Last day for policy committees to hear and report to the Floor nonfiscal bills introduced in their house

May 12 - Last day for policy committees to meet prior to June 5

May 19 - Last day for fiscal committees to hear and report to the Floor bills introduced in their house. Last day for fiscal committees to meet prior to June 5

May 30-June 2 - Floor session only. No committee may meet for any purpose except Rules Committee, bills referred pursuant to A.R. 77.2, and Conference Committees

June 2 - Last day for each house to pass bills introduced in that house

June 5 - Committee meetings may resume

June 15 - Budget Bill must be passed by midnight

July 14 - Last day for policy committees to meet and report bills. Summer Recess begins upon adjournment, provided Budget Bill has been passed

August 14 - Legislature reconvenes from Summer Recess

September 1 - Last day for fiscal committees to meet and report bills

September 5-14 - Floor session only. No committees may meet for any purpose, except Rules Committee, bills referred pursuant to Assembly Rule 77.2, and Conference Committees

September 8 - Last day to amend on the Floor

September 14 - Last day for each house to pass bills. Interim Recess begins upon adjournment

South Coast Air Quality Management District Legislative and Regulatory Update – January 2023

❖ Important Upcoming Dates

February 17 – Last Day for Bills to be Introduced

- ❖ **RESOLUTE Actions on Behalf of South Coast AQMD.** RESOLUTE partners David Quintana, and Alfredo Arredondo continued their representation of SCAQMD before the State's Legislative and Executive branches. Selected highlights of our recent advocacy include:
 - Provided key updates regarding the availability of funding for key priorities of South Coast in the Governor's proposed budget.
 - Set and attended meetings with legislative offices to begin discussions on potential legislative proposals for new legislative session.

- ❖ **LAO Assessment of 2022 Scoping Plan Update.** On January 4, the Legislative Analyst's Office (LAO) released their analysis of the Scoping Plan Update adopted by CARB in December of 2022. The full report is available here: <https://lao.ca.gov/Publications/Report/4656>. Summary from report included below:

2022 Scoping Plan Update Identifies Pathway to Long-Term 2045 Greenhouse Gas (GHG) Goal. California has established statutory goals for reducing statewide GHG emissions—down to at least 40 percent below the 1990 level by 2030, and to at least 85 percent below the 1990 level by 2045. The California Air Resources Board (CARB) must develop a plan for meeting these goals, and update this Scoping Plan every five years. In its recently adopted plan, CARB selects its preferred pathway to meeting the state's long-term 2045 GHG goal, and adopts a new, more ambitious goal for 2030 (48 percent reduction below the 1990 level).

Plan Lacks a Clear Strategy for Meeting 2030 GHG Goals. In this brief, we evaluate CARB's plan for meeting the state's 2030 GHG goals. Despite the significant reductions needed to meet these goals, CARB's plan does not identify which specific policies it will implement. For example, the plan is unclear regarding how much the state will rely on financial incentives, sector-specific regulatory programs, or cap-and-trade. Rather, the plan's estimated reductions are driven primarily by assumptions developed by CARB, without specifying how those assumed outcomes might be achieved. The lack of focus on policy options is a missed opportunity that has important ramifications for California's overall GHG reduction efforts, including:

- The lack of specificity likely will lead to delayed action, as it defaults to state departments to identify necessary implementation steps. This increases the risk that the state will not meet its statutory 2030 GHG goal, much less CARB's more ambitious target.
- If the state needs to adopt policy changes in a relatively short period of time to meet its goal, this could be costlier and/or disruptive for private businesses and households.
- The plan does not provide the Legislature with sufficient information—such as about cost-effectiveness, distributional impacts, or other environmental impacts—to evaluate the merits of new policies that might be needed to meet the 2030 goal.
- Failing to develop a credible plan to meet statewide GHG goals could adversely affect California's ability to serve as an effective model for other jurisdictions or demonstrate global leadership.

Cap-and-Trade Program Is Not Currently Positioned to Close 2030 Emissions Gap. CARB indicates that it will evaluate the cap-and-trade program in 2023 to determine whether changes are needed to help meet its 2030 goal. We find that cap-and-trade is not currently positioned to ensure the state meets it

statutory 2030 GHG goal, much less CARB's more ambitious target. In short, the program is not stringent enough to drive the additional emission reductions needed because there will be more than enough allowances available for covered entities to continue to emit at levels exceeding the 2030 target. This could also lead to relatively low allowance prices, as well as reduced and volatile cap-and-trade auction revenue.

Recommend Legislature Require CARB to Clarify 2030 Plan and Consider Cap-and-Trade Changes. We recommend the Legislature direct CARB to submit a report to the Legislature by July 31, 2023 that clarifies its plan for reducing GHG emissions to meet the 2030 statutory goal. We also recommend the Legislature consider changes to the cap-and-trade program to address concerns about program stringency. Potential modification options include: reducing the supply of allowances issued in future years, limiting the use of offsets (credits generated from GHG reductions taken by entities not covered by cap-and-trade), and extending the program beyond 2030.

- ❖ **Governor's Proposed Budget Released.** On January 10 the Governor released his budget proposal for the Budget Act of 2023. With revenues to the State coming in significantly lower than anticipated, the proposal uses three avenues to address the \$22.5 billion budget gap: cuts to General Fund commitments and appropriations made in previous budgets, shifting funds away from using General Fund dollars to special funds that may have the capacity to take on new funding commitments, and delaying funding that would have been available in the budget year to some time in the future.

The full budget summary and budget detail is available online here: <https://ebudget.ca.gov/>

- ❖ **AB 617 Funding Largely Preserved:** As of the 2022 Budget Act, the AB 617 Program was set to get \$300 million from the General Fund in the 2023-24 fiscal year. However, in light of the worsening General Fund condition this is now proposed to be reduced to \$250 million and to be funded with proceeds from the Greenhouse Gas Reduction Fund instead of the General Fund. The budget also includes a provision that would provide an additional \$50 million for the 2023-24 fiscal year should the General Fund condition improve by January 2024.
- ❖ **CalMatters: Environmentalists say Newsom's budget cuts jeopardize climate programs, electric car mandate.** By Nadia Lopez. January 10, 2023
<https://calmatters.org/environment/2023/01/california-climate-budget/>

Environmentalists slammed Gov. Gavin Newsom for slashing billions of dollars from initiatives that the governor has repeatedly called top priorities: efforts to combat climate change and transition to zero-emission vehicles.

Facing a [projected \\$22.5 billion deficit](#), Newsom today proposed to eliminate \$6 billion in climate spending in his [2023-24 budget](#). The governor helped push a five-year [\\$54 billion climate package](#) approved by the Legislature during last year's session, but he now proposes to cut it to \$48 billion.

More than half of those proposed cuts – \$3.3 billion – come from the state's clean transportation initiatives. Newsom hopes to offset those reductions with federal funds and perhaps a new bond reserve, but the move comes just five months after the state approved a [historic mandate for electrifying cars](#).

Now climate advocates are questioning whether the state will be able to fund its ambitious electrification efforts and ensure California transitions to clean cars as it faces an economic downturn.

"We recognize the financial situation, but this is exactly what we've been nervous about," said Mike Young, political and organizing director at California Environmental Voters, an advocacy group. "We actually need to be investing and defending more of our climate investments and really pushing for that. We can't get out of our situation if we're going backwards."

Money for zero-emission vehicle incentive programs, such as rebates for car buyers, and charging infrastructure would be cut by \$2.5 billion. About \$1.4 billion of that amount would be shifted to the state's

fund for its cap-and-trade program, a market that is paid into by fossil fuel companies. That leaves a net decrease of \$1.1 billion.

At a press conference today, Newsom said he is not concerned that the \$1.1 billion cut would keep the state from meeting its electrification goals. He said climate and transportation was cut “because of the magnitude” of the investment those areas already had. He added that he is confident that California could make up those shortfalls with federal Inflation Reduction Act dollars. His budget plan also says he might ask the Legislature for a bond issue.

“We’re committing a \$48 billion package, which is just an unprecedented investment in this space,” he said. “Our commitment is firm.”

Still, those dollars would have been used to build more charging stations in disadvantaged communities and provide electric car subsidies for people who cannot afford to buy electric cars.

The cuts would also affect the construction of chargers and other infrastructure for heavy-duty trucks, a much-needed investment as the state considers another ambitious proposal to [ban sales of high-polluting diesel trucks](#) and phase in zero-emission models. The proposed budget cuts \$1.5 billion from the general fund and shifts responsibility for \$839 million of those dollars to the state’s cap-and-trade fund. Another \$2.2 billion in funds would be cut from transportation spending for some rail and public transit projects.

David Weiskopf, senior policy advisor at NextGen Policy, a progressive climate group, worries that the state’s reduced investments could delay much-needed action on climate change. He said a steady funding stream is necessary to prevent fluctuations in climate investments, especially as the state continues to experience the increasingly dire effects of climate change, including worsening heat waves, droughts and floods.

“Climate needs to be central to every agency’s mission and budget,” Weiskopf said. “Until we adopt a more comprehensive approach, the fate of our state remains tied to the hope that we have only good budget years.”

State Sen. Josh Becker, a Democrat from San Mateo who chairs a budget subcommittee on environmental issues, said the proposed cuts “are concerning at a time when we should be accelerating our work, not tapping the brake pedal.”

“If federal money isn’t available to backfill some of those proposed cuts, pulling back on these climate and environmentally-sensitive investments now is going to make progress that much harder,” he added. Newsom will negotiate over the budget with the Legislature, and then issue a revised budget in May based on updated fiscal projections. He said climate money will be restored if possible. The final budget comes in June.

Newsom’s top environmental official, Secretary for Environmental Protection Yana Garcia, said low-income communities will still be prioritized in climate programs. She said the budget cuts are minimal and that proceeds from future cap-and-trade auctions can play a large role in helping fund these investments.

“Despite the hard decisions we had to make this year I’m proud that we’ve continued to prioritize our zero emission vehicle investments related to equity,” she said. “The proposed budget includes a continued focus on heavy-duty zero emission vehicles and charging infrastructure as well, given the pollution these vehicles spew into communities.”

In addition to relying on federal funding, Newsom shifted much of the funding burden to the state’s landmark cap-and-trade program, which has faced heavy criticism from legislators and activists. The program allows big polluters such as oil refineries and power plants to buy credits to offset their emissions. Businesses that produce excess emissions can buy or trade credits that allow them to keep polluting.

The biggest problem is that an oversupply of credits in the system allows businesses to hoard. That means businesses can keep polluting far past state limits in later years — which could also result in low allowance prices and reduced revenue from auctions, according to [the Legislature’s nonpartisan fiscal advisers](#).

Environmentalists say the state can’t afford to eliminate any investments given the severity of the climate crisis.

“Every dollar that we have to delay means accepting greater harm – losing \$6 billion in climate funding unquestionably hurts the state more in the long-term than it saves in the near term,” Weiskopf, of NextGen Policy, said.

Young, of California Environmental Voters, said environmentalists had long been planning for a potential deficit and were hopeful that the passage of Proposition 30 could have secured long-term funding for much-needed investments in zero-emission vehicles. But the ballot measure failed in November after Newsom opposed it. It would have raised as much as \$5 billion annually by imposing a 1.75% personal income tax increase on Californians with incomes above \$2 million per year. Most of that money was set aside for zero-emission car subsidies and more charging stations.

Environmentalists who campaigned on behalf of the measure had long feared California’s financial challenges and budget shortfalls could further delay the state’s move toward electric vehicles, said Young, who worked on the Prop 30 campaign.

“Our goal for Prop. 30 was always to build stable financial funding for this, because we knew that this would be coming ahead and unfortunately, it came sooner than later,” he added.

Newsom’s proposed budget release comes as California experiences a deadly bout of intense rain and flooding. The governor allocated new funding towards flood preparedness and response, including \$135 million for the next two years to reduce urban flooding. Delta levees will also get \$40.6 million for repairs and upgrades.