

BOARD MEETING DATE: February 3, 2023

AGENDA NO. 14

REPORT: Legislative Committee

SYNOPSIS: The Legislative Committee held a meeting remotely on Friday, January 13, 2023. The following is a summary of the meeting.

RECOMMENDED ACTION:

Receive and file this report and approve agenda items as specified in this letter.

Michael A. Cacciotti, Chair
Legislative Committee

DJA:LTO:PFC:DPG:ar

Committee Members

Present: Council Member Michael A. Cacciotti, Chair
Senator Vanessa Delgado (Ret.)
Council Member Nithya Raman
Supervisor Janice Rutherford

Absent: Board Member Veronica Padilla-Campos
Supervisor V. Manuel Perez

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**
Derrick Alatorre, Deputy Executive Officer/Legislative, Public Affairs & Media, presented an update on South Coast AQMD concepts for sponsored State bills:
 - AB 2766 DMV Fee Increase: Consumer Price Index increase for program to reduce motor vehicle emissions or lead to indirect motor vehicle emission reductions.

- AB 617: Require non-air quality State agencies to participate in the development and implementation of Community Emission Reduction Plans.
- Designation as Independent Special District for Purposes of Receiving Federal Funds: Clarify that local air agencies are independent special districts for the purposes of receiving federal funding.
- Port Container Fee: Create a goods movement-related port cargo fee to support air quality.
- Increased Civil Penalties: South Coast AQMD will not sponsor a civil penalties bill this session.

Supervisor Rutherford inquired about working with the State Controller's office to update South Coast AQMD's special district designation. Derrick Alatorre responded that legislation is required to change the designation in statute.

For additional information, please refer to the [Webcast](#) beginning at 6:23. There was no public comment.

DISCUSSION ITEMS:

2. Update and Discussion on Federal Legislative Issues

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

Mark Kadesh, Kadesh & Associates, reported on the Fiscal Year 2023 Omnibus Appropriations bill which included increases in funding for air quality related programs. South Coast AQMD also received \$500,000 through a Congressional Directed Spending request for a zero-emission fuel locomotive project.

Gary Hoistma, Carmen Group, advised that Representative Kevin McCarthy (R-CA) has been elected House Speaker and provided an update on Committees for the 118th Congress.

Amelia Morales, Cassidy & Associates, reported that Senator Patty Murray (D-WA) was appointed to Chair the Appropriations Committee.

Chair Cacciotti inquired if there were any local applicants for grants through the Department of Energy Advanced Materials and Manufacturing program for lithium production research. Wayne Natri, Executive Officer, responded that staff will research the issue and report back to the Committee.

For additional information, please refer to the [Webcast](#) beginning at 18:20. There was no public comment.

3. Update and Discussion on State Legislative Issues

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

Paul Gonsalves, Joe A. Gonsalves & Son, reported that the Legislature reconvened on January 4 and provided an update on Committee Chairs as well as upcoming bill deadlines.

Alfredo Arredondo, Resolute, reported on the approximately \$22.5 billion deficit in the Governor's proposed budget and potential cuts that could be enacted by the State Legislature including a reduction in AB 617 funding.

Ross Buckley, California Advisors, LLC, reported that the deficit in the Governor's \$297 billion proposed budget is largely due to a decline in tax revenues and economic uncertainty. In addition to cuts, funding delays account for approximately \$7 billion of the Governor's strategy to address the budget shortfall. Senator Henry Stern has been appointed to CARB.

For additional information, please refer to the [Webcast](#) beginning at 29:49. There was no public comment.

OTHER MATTERS:

4. Other Business

There was no other business to report.

5. Public Comment Period

There was no public comment to report.

6. Next Meeting Date

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

Adjournment

The meeting adjourned at 9:37 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 – January 13, 2023

Council Member Michael Cacciotti.....	South Coast AQMD Board Member
Senator Vanessa Delgado (Ret.).....	South Coast AQMD Board Member
Council Member Nithya Raman.....	South Coast AQMD Board Member
Supervisor Janice Rutherford.....	South Coast AQMD Board Member

Ken Chawkins	Board Consultant (Cacciotti)
Sandra Hernandez.....	Board Consultant (Delgado)
Debra Mendelsohn.....	Board Consultant (Rutherford)
Mark Taylor.....	Board Consultant (Rutherford)
Ben Wong.....	Board Consultant (Cacciotti)

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

Mark Abramowitz.....	Public Member
Betsy Brien.....	Public Member
Alan Caldwell.....	Public Member
Ramine Cromartie.....	Public Member
Michele Grubbs	Public Member
Jackson Guze	Public Member
Moses Huerta.....	Public Member
Bernice Jimenez Creager.....	Public Member
Bill La Marr.....	Public Member
Matt Klink	Public Member
Erick Martell.....	Public Member
Fred Minassian	Public Member
Jacqueline Moore.....	Public Member
Pami Mukherjee.....	Public Member
Patty Senecal	Public Member
Peter Whittingham.....	Public Member

Derrick Alatorre.....	South Coast AQMD Staff
Debra Ashby	South Coast AQMD Staff
Jason Aspell.....	South Coast AQMD Staff
Barbara Baird	South Coast AQMD Staff
Cindy Bustillos	South Coast AQMD Staff
Philip Crabbe.....	South Coast AQMD Staff
Robert Dalbeck.....	South Coast AQMD Staff

Sindy Enriquez	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
Cristina Lopez	South Coast AQMD Staff
Jason Low.....	South Coast AQMD Staff
Ian MacMillan	South Coast AQMD Staff
Terrence Mann.....	South Coast AQMD Staff
Karin Manwaring.....	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
Paul Rodriguez	South Coast AQMD Staff
Lisa Tanaka O'Malley	South Coast AQMD Staff
Anthony Tang.....	South Coast AQMD Staff
Uyen-Uyen Vo.....	South Coast AQMD Staff
Paul Wright	South Coast AQMD Staff
Victor Yip.....	South Coast AQMD Staff

ATTACHMENT 2A

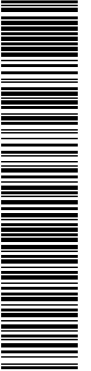
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An act to amend Section 44391.2 of the Health and Safety Code, relating to air pollution.

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THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 44391.2 of the Health and Safety Code, as amended by Section 1 of Chapter 340 of the Statutes of 2022, is amended to read:

44391.2. (a) For purposes of this section, the following provisions shall apply:

(1) “AB 617 Community Steering Committee” means a committee established by an air district for each location selected by the state board pursuant to subdivision (c) to support the community participation requirement pursuant to subdivision (d).

~~(1)~~

(2) “Disadvantaged community” means a community identified as disadvantaged pursuant to Section 39711.

(3) “Public agency” includes a state, regional, or local agency.

~~(2)~~

(4) “Sensitive receptors” includes the same locations as specified in paragraph (5) of subdivision (a) of Section 42705.5.

(b) On or before October 1, 2018, the state board shall prepare, in consultation with the Scientific Review Panel on Toxic Air Contaminants, the districts, the Office of Environmental Health Hazard Assessment, environmental justice organizations, affected industry, and other interested stakeholders, a statewide strategy to reduce emissions of toxic air contaminants and criteria air pollutants in communities affected by a high cumulative exposure burden. The state board shall update the statewide strategy at least once every five years. In preparing the statewide strategy, the state board shall conduct at least one public workshop in each of the northern, central, and southern parts of the state. The statewide strategy shall include criteria for the development of community emissions reduction programs. The criteria presented in the statewide strategy shall include, but are not limited to, all of the following:

(1) An assessment and identification of communities with high cumulative exposure burdens for toxic air contaminants and criteria air pollutants. The assessment shall prioritize disadvantaged communities and sensitive receptor locations based on one or more of the following: best available modeling information, existing air quality monitoring information, existing public health data based on consultation with the Office of Environmental Health Hazard Assessment, and the monitoring results obtained pursuant to Section 42705.5.

(2) A methodology for assessing and identifying the contributing sources or categories of sources, including, but not limited to, stationary and mobile sources, and an estimate of their relative contribution to elevated exposure to air pollution in impacted communities identified pursuant to paragraph (1).

(3) An assessment of whether a district should update and implement the risk reduction audit and emissions reduction plan developed pursuant to Section 44391 for any facility to achieve emissions reductions commensurate with its relative contribution, if the facility’s emissions either cause or significantly contribute to a material impact on a sensitive receptor location or disadvantaged community, based on any data available for assessment pursuant to paragraph (1) or other relevant data.

(4) An assessment of the existing and available measures for reducing emissions from the contributing sources or categories of sources identified pursuant to paragraph (2), including, but not limited to, best available control technology, as defined in Section



40405, best available retrofit control technology, as defined in Section 40406, and best available control technology for toxic air contaminants, as defined in Section 39666.

(c) (1) Based on the assessment and identification pursuant to paragraph (1) of subdivision (b), the state board shall select, concurrent with the statewide strategy, locations around the state for preparation of community emissions reduction programs. The state board shall select additional locations annually thereafter, as appropriate.

(2) (A) Within one year of the state board's selection, the district encompassing any location selected pursuant to this subdivision shall adopt, in consultation with the state board, other relevant public agencies, individuals, community-based organizations, affected sources, and local governmental bodies in the affected community, a community emissions reduction program to achieve emissions reductions for the location selected using cost-effective measures identified pursuant to paragraph (4) of subdivision (b).

(B) A district, with the agreement of the state board and a majority of the persons who are designated by the district to participate in the development and adoption of the community emissions reduction program, may take up to one additional year to adopt a community emissions reduction program pursuant to subparagraph (A).

(3) The community emissions reduction programs shall be consistent with the statewide strategy and include emissions reduction targets, specific reduction measures, a schedule for the implementation of measures, and an enforcement plan.

(4) The community emissions reduction programs shall be submitted to the state board for review and approval within 60 days of the receipt of the program. Programs that are rejected shall be resubmitted within 30 days. To the extent that a program, in whole or in part, is not approvable, the state board shall initiate a public process to discuss options for achieving an approvable program. Concurrent with the public process to achieve an approvable program, the state board shall develop and implement the applicable mobile source elements in the draft program to commence achievement of emissions reductions.

(5) The community emissions reduction programs shall result in emissions reductions in the community, based on monitoring or other data.

(6) In implementing a community emissions reduction program, ~~the district and district,~~ the state ~~board~~ board, and other relevant public agencies shall be responsible for measures consistent with their respective authorities. A relevant public agency shall implement the measures assigned to it as a part of the community reduction program unless that agency finds that those measures are infeasible at a public meeting of its governing body.

(7) A district encompassing a location selected pursuant to this subdivision shall prepare an annual report summarizing both of the following:

(A) The results and actions taken to further reduce emissions pursuant to the community emissions reduction program.

(B) Updates to the community emissions reduction program made to ensure consistency with updates to the statewide strategy prepared pursuant to subdivision (b).

(8) Compliance with a community emissions reduction program prepared pursuant to this section, including its implementation, shall be enforceable by ~~the district and district,~~ state board, and other relevant public agencies, as applicable. A relevant public agency shall enforce the measures assigned to it as a part of the community reduction



program unless that agency finds that those measures are infeasible at a public meeting of its governing body.

(d) The state board shall provide grants to community-based organizations for technical assistance and to support community participation in the implementation of this section and Section ~~42705.5~~. 42705.5, including providing the AB 617 Community Steering Committee established by an air district for each location selected pursuant to this subdivision an allocation of funds to serve as a budget for administrative items, including, but not limited to, translation services, meeting venue costs, meeting coordination, training, and stipends, as authorized by the air district, for members of the committee.

SEC. 2. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because a local agency or school district has the authority to levy service charges, fees, or assessments sufficient to pay for the program or level of service mandated by this act, within the meaning of Section 17556 of the Government Code.

However, if the Commission on State Mandates determines that this act contains other costs mandated by the state, reimbursement to local agencies and school districts for those costs shall be made pursuant to Part 7 (commencing with Section 17500) of Division 4 of Title 2 of the Government Code.



LEGISLATIVE COUNSEL'S DIGEST

Bill No.

as introduced, _____.

General Subject: Community emissions reduction programs.

Existing law requires the State Air Resources Board to prepare, and to update at least once every 5 years, a statewide strategy to reduce emissions of toxic air contaminants and criteria air pollutants in communities affected by a high cumulative exposure burden. Existing law requires the state board to include in the statewide strategy, among other components, an assessment and identification of communities with high cumulative exposure burdens for toxic air contaminants and criteria air pollutants, prioritizing disadvantaged communities and sensitive receptor locations based on specified factors. Existing law requires the state board, based on the assessment and identification of communities with high cumulative exposure burdens, to select locations around the state for preparation of community emissions reduction programs. Existing law requires an air district encompassing any location selected by the state board to adopt, in consultation with the state board, within one year of the state board's selection, a community emissions reduction program to achieve emissions reductions for the location selected using cost-effective measures, as specified. Existing law also requires an air district to submit the community emissions reduction program to the state board for review and approval as prescribed. Existing law requires the air district and the state board to implement and enforce the measures in the community reduction program consistent with their respective authority.

This bill would additionally require the air district, in adopting a community emissions reduction program, to consult with other relevant public agencies. By imposing additional duties on air districts, this bill would impose a state-mandated local program. The bill would require other relevant public agencies to implement and enforce measures assigned to them as a part of the community emissions reduction program unless the relevant public agencies find that those measures are infeasible at a public meeting of their governing body. To the extent it would impose additional duties on regional and local agencies, this bill would impose a state-mandated local program.

Existing law requires the state board to provide grants to community-based organizations for technical assistance and to support community participation in the implementation of the community emissions reduction program. In the implementation of the requirement for community participation, various air districts have established AB 617 community steering committees for each location selected by the state board for the preparation of a community emissions reduction program.

This bill would specify that grants provided include allocations of funds to serve as a budget for the AB 617 community steering committees for administrative items.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.



This bill would provide that with regard to certain mandates no reimbursement is required by this act for a specified reason.

With regard to any other mandates, this bill would provide that, if the Commission on State Mandates determines that the bill contains costs so mandated by the state, reimbursement for those costs shall be made pursuant to the statutory provisions noted above.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: yes.

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ATTACHMENT 2B

Proposed Changes to Legislative Counsel Draft AB 617 Bill Language

➤ **Note:** All changes are highlighted in yellow. Deletions are ~~strikethrough~~ and additions *italicized*.

1. Have bill only impact state public agencies:

- We recommend striking the following definition from the bill on page 2: ~~“(3) “Public agency” includes a state, regional, or local agency.”~~
- This would necessitate changing the phrase: “other relevant public agencies” included in various places in the bill, to “other relevant *state* public agencies.” This phrase appears in Section 44391.2.(c)(2)(A) and (c)(6) and (c)(8) on page 3.

2. CARB previously indicated that they did not want to define “community steering committee” in state law to maintain flexibility regarding the AB 617 program structure.

- Thus, to avoid any opposition from CARB, we recommend striking the following definition from the bill on page 2: ~~“(1) “AB 617 Community Steering Committee” means a committee established by an air district for each location selected by the state board pursuant to subdivision (c) to support the community participation requirement pursuant to subdivision (d).”~~
- As a compromise with CARB and others last year, we drafted generic language that was intended to generally describe a CSC: “persons who are designated by the district to participate in the development and adoption of the community emissions reduction program.” We propose incorporating similar language into this bill, which would replace the reference to “Community Steering Committee” included in Section 44391.2 (d) on Page 4. Please see the following proposed adjusted language:
 - “, including providing the *AB 617 Community Steering Committee established by an air district committee of persons who are designated by a district to participate in the development and adoption of a community emissions reduction program* for each location selected pursuant to this subdivision an allocation of funds to serve as a budget for administrative items, including, but not limited to, translation services, meeting venue ~~costs~~, meeting coordination, training, and stipends, as authorized by the *air* district, for members of the committee.”

ATTACHMENT 2C

Amendments Mock-up for 2021-2022 AB-2852 (Bloom (A))

*******Amendments are in BOLD*******

Mock-up based on Version Number 98 - Amended Assembly 3/24/22
Submitted by: Staff Name, Office Name

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 40701.5 of the Health and Safety Code is amended to read:

40701.5. (a) Funding for a district may be provided by, but is not limited to, any one or any combination of the following sources:

(1) Grants.

(2) Subventions.

(3) Permit fees.

(4) Penalties.

(5) A surcharge or fee pursuant to Section 41081 or 44223 on motor vehicles registered in the district.

(b) Expenses of a district that are not met by the funding sources identified in subdivision (a) shall be provided by an annual per capita assessment on those cities that have agreed to have a member on the district board for purposes of Section 40100.5, 40100.6, 40152, 40322.5, 40704.5, or 40980 and on the county or counties included within the district. Any annual per capita assessment imposed by the district on those cities and counties included within the district shall be imposed on an equitable per capita basis.

(c) Subdivision (b) does not apply to the San Joaquin Valley Unified Air Pollution Control District or, if that unified district ceases to exist, the San Joaquin Valley Air Quality Management District, if that district is created.

(d) (1) Notwithstanding subdivision (b), expenses of the San Diego County Air Pollution Control District that are not met by the funding sources identified in subdivision (a) shall be provided by an annual per capita assessment imposed on an equitable per capita basis on each city and county

Staff name

Office name

01/07/2023

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included in the San Diego County Air Pollution Control District by the governing board of the San Diego County Air Pollution Control District created pursuant to Section 40100.6.

(2) At least 30 days before the assessment is imposed, the governing board shall hold a public hearing which shall include data supporting the annual per capita assessment and any schedule that may apply.

(e) ~~This section shall become operative on March 1, 2021. Notwithstanding any other law, retroactive to January 1, 2020,~~ a district shall be deemed an independent special district for purposes of receiving state funds or funds disbursed by the state, including federal funds. For purposes of this subdivision, "funds" includes, but is not limited to, moneys, loans, grants, financial incentives, and other economic benefits.

ATTACHMENT 2D

AMENDED IN ASSEMBLY MARCH 24, 2022

CALIFORNIA LEGISLATURE—2021–22 REGULAR SESSION

ASSEMBLY BILL

No. 2852

Introduced by Assembly Member Bloom

February 18, 2022

An act to amend Section ~~40700~~ 40701.5 of the Health and Safety Code, relating to air pollution.

LEGISLATIVE COUNSEL’S DIGEST

AB 2852, as amended, Bloom. Air pollution control districts and air quality management ~~districts~~. *districts: independent special districts: funding.*

Existing law provides for the establishment of air pollution control districts and air quality management districts. Existing law declares a district a body corporate and politic and a public agency of the ~~state~~. *state, and prescribes the general powers and duties of a district. Existing law authorizes a district to receive funding from specified sources, including, but not limited to, grants, permit fees, and penalties.*

This bill would ~~make a nonsubstantive change to that latter provision~~. *designate, retroactive to January 1, 2020, a district as an independent special district for purposes of receiving state funds or funds disbursed by the state, including federal funds.*

Vote: majority. Appropriation: no. Fiscal committee: ~~no~~ yes. State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 40701.5 of the Health and Safety Code
- 2 is amended to read:

1 40701.5. (a) Funding for a district may be provided by, but is
2 not limited to, any one or any combination of the following sources:

3 (1) Grants.

4 (2) Subventions.

5 (3) Permit fees.

6 (4) Penalties.

7 (5) A surcharge or fee pursuant to Section 41081 or 44223 on
8 motor vehicles registered in the district.

9 (b) Expenses of a district that are not met by the funding sources
10 identified in subdivision (a) shall be provided by an annual per
11 capita assessment on those cities that have agreed to have a member
12 on the district board for purposes of Section 40100.5, 40100.6,
13 40152, 40322.5, 40704.5, or 40980 and on the county or counties
14 included within the district. Any annual per capita assessment
15 imposed by the district on those cities and counties included within
16 the district shall be imposed on an equitable per capita basis.

17 (c) Subdivision (b) does not apply to the San Joaquin Valley
18 Unified Air Pollution Control District or, if that unified district
19 ceases to exist, the San Joaquin Valley Air Quality Management
20 District, if that district is created.

21 (d) (1) Notwithstanding subdivision (b), expenses of the San
22 Diego County Air Pollution Control District that are not met by
23 the funding sources identified in subdivision (a) shall be provided
24 by an annual per capita assessment imposed on an equitable per
25 capita basis on each city and county included in the San Diego
26 County Air Pollution Control District by the governing board of
27 the San Diego County Air Pollution Control District created
28 pursuant to Section 40100.6.

29 (2) At least 30 days before the assessment is imposed, the
30 governing board shall hold a public hearing which shall include
31 data supporting the annual per capita assessment and any schedule
32 that may apply.

33 ~~(e) This section shall become operative on March 1, 2021.~~
34 *Notwithstanding any other law, retroactive to January 1, 2020, a*
35 *district shall be deemed an independent special district for*
36 *purposes of receiving state funds or funds disbursed by the state,*
37 *including federal funds. For purposes of this subdivision, "funds"*
38 *includes, but is not limited to, moneys, loans, grants, financial*
39 *incentives, and other economic benefits.*

1 ~~SECTION 1. Section 40700 of the Health and Safety Code is~~
2 ~~amended to read:~~
3 ~~40700. A district is a body corporate and politic and a district~~
4 ~~is a public agency of the state.~~

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ATTACHMENT 3A

KADESH & ASSOCIATES

South Coast AQMD Report for the December 2022
Legislative Meeting covering November 2022
Kadesh & Associates

Congress was only in session for one week prior to the Thanksgiving break, but it was a momentous month nonetheless. President Biden and the Democrats defied midterm election history by not losing ground in the Senate at all—they retain the possibility of a 51-seat Senate majority after Georgia's runoff election—and only losing the House majority by a handful of seats. With three House elections remaining to be called, Republicans will hold at least 220 seats in the next session and Democrats will hold at least 212, with 218 needed for a majority. President Biden's approval rating has been in the low 40s in the weeks leading up to the election, making this midterm result even more surprising; other Presidents with similar approval ratings include Clinton in 1994 (46% approval; lost 52 seats), Obama in 2010 (45% approval, lost 63 seats, and Reagan in 1982 (42% approval; lost 26 seats).

Regardless of the margin, the change in the House majority is significant: it will mean new committee chairs and a chamber opposed to President Biden's agenda. The effects are already being felt: Speaker Pelosi and Majority Leader Hoyer will step down in the new Congress, ending their decades-long tenure in the party's top roles, and will instead serve as rank & file members. In their stead, Hakeem Jeffries (NY), Katherine Clark (MA), and Pete Aguilar (CA) will serve as the next Democratic leader, whip, and caucus chair respectively. On the Republican side, Kevin McCarthy (CA) will lead the party, with Steve Scalise (LA) as leader, Tom Emmer (MN) as whip, and Elise Stefanik (NY) as conference chair. However, McCarthy faces internal challenges and will need to make concessions to secure the Speaker's gavel: 31 members of his caucus voted against him in an internal vote, and he will only be able to afford a fraction of those defections on the House floor.

Looking forward to the rest of the lame duck session this year, the omnibus appropriations bill for Fiscal Year 2023 remains the main concern, along with the annual defense authorization bill. Several other year-end bills are likely to hitch a ride with these vehicles, including Water Resources Development Act (already attached to the defense bill), disaster funding, and potentially health and retirement authorizations as well. The current appropriations deadline is Dec 16, but it appears unlikely that any major votes will be held before the Dec. 6 special election in Georgia.

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.
- Continued work with the delegation and South Coast AQMD staff to focus attention on air quality implications of FY23 appropriations

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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KADESH & ASSOCIATES

South Coast AQMD Report for the January 2023 Legislative Meeting covering December 2022 Kadesh & Associates

The end of the 117th Congress was focused on assembling and finalizing several “must pass” bills before the new Congress convenes in January. This flurry of productivity included an omnibus appropriations bill for FY23 and a defense authorization bill, both of which carried several other policies across the finish line in the last days before session adjournment.

The final omnibus appropriations bill includes several important wins for air quality and for South Coast Air Quality Management District (South Coast AQMD) in particular. It increased key air quality funding accounts, continuing the trend from recent years: EPA will have \$100M for DERA in Fiscal Year (FY) 23 (up from \$92M in FY22), \$69.927M for Targeted Airshed Grants (up from \$61.9M), and \$249M for Clean Air Act 103/105 accounts (up from \$231.3M). Importantly, the bill includes the \$500,000 Congressionally Directed Spending for South Coast AQMD’s zero emission fuel cell locomotive project from Senators Feinstein and Padilla, and includes authorization for the Interior Department to work on the Salton Sea, authored by Senator Padilla and Representative Ruiz and supported by South Coast AQMD.

The Senate considered the overall \$1.7T funding bill the week of Dec 19, approving the 4000+ page bill, along with several amendments, by a convincing 68–29 vote on Dec 22, one day before the current funding deadline. That meant that one more continuing resolution was needed to extend FY22 funding levels for one more week -- long enough for the bill to be considered and approved in the House, processed by the chamber’s clerks, sent to the White House, and signed into law.

The House consideration of the bill began on Dec 23. Although the final vote is not truly in doubt despite the close margin in the chamber, it has been made slightly more interesting by House Republicans’ increasingly intense opposition to the bill and the process that it has followed. Presumptive Speaker-to-be Kevin McCarthy has now threatened to block the bills and priorities of any Republican Senator who supported the final fy23 omnibus. A divided Congress always means that governing will be complicated, but it appears that the House Republican majority and Senate Republican minority may also need to work to stay in sync in the 118th Congress.

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.
- Continued work with the delegation and South Coast AQMD staff to secure air quality gains in FY23 appropriations

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.

ATTACHMENT 3B



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

To: South Coast AQMD Legislative Committee

From: Carmen Group

Date: November 23, 2022

Re: Federal Update -- Executive Branch

Midterm Elections/Party Control: By the smallest of margins, the House flipped from Democratic to Republican control, and the Senate stayed in Democratic hands. Here are the unfinished numbers as of two weeks post-election-day:

House

2022: R212 D221

2023: R220 D213 (2 Undecided)

Senate

2022: R50 D50

2023: R49 D50 (1 Undecided)

Congressional Leadership: Expected lineups for the 118th Congress:

House

Speaker-Kevin McCarthy (R-CA)

Maj. Leader-Steve Scalise (R-LA)

Min. Leader-Hakeem Jeffries (D-NY)

Senate

Maj. Leader-Chuck Schumer (D-NY)

Min. Leader-Mitch McConnell (R-KY)

House Key Committee Leadership

Appropriations: Kay Granger (R-TX)-*Chair*; Rosa DeLauro (D-CT)-*Ranking*

Energy & Commerce: Cathy M. Rodgers (R-WA)-*Chair*; Frank Pallone (D-NJ)-*Rnk*

Transp & Infrastructure: Sam Graves (R-MO)-*Chair*; Eleanor H. Norton (D-DC)-*Rnk*

Natural Resources: Bruce Westerman (R-AR)-*Chair*; Raul Grijalva (D-AZ)-*Ranking*

Science, Space, Technology: Frank Lucas (R-OK)-*Chair*; Zoe Lofgren (D-CA)-*Ranking*

Ways & Means: Vern Buchanan (R-FL)-*Chair*; Richard Neal (D-MA)-*Ranking*

Senate Key Committee Leadership

Appropriations: Patty Murray (D-WA)-*Chair*; Susan Collins (R-ME)-*Ranking*

Environment Public Works: Tom Carper (D-DE)-*Chair*; Shelly M. Capito (R-WV)-*Rnk*

Commerce: Maria Cantwell (D-WA) *Chair*; Ted Cruz (R-TX)-*Ranking*

Energy & Natural Resources: Joe Manchin (D-WV)-*Chair*; John Barrasso (R-WY)-*Rnk*

Finance: Ron Wyden (D-OR)-*Chair*; Mike Crapo (R-ID)-*Ranking*

Top Takeaways for South Coast AQMD

- By and large, significant new legislation on virtually any topic (including climate, energy, environment and clean air) -- that is not predominantly bipartisan -- will not be able to be passed in the next two years.
- Program initiatives of importance to South Coast AQMD included in the 2021 five-year Bipartisan Infrastructure Law and the 2022 ten-year Inflation Reduction Act will not be repealed, and should continue to be a major focus of future funding opportunities at the federal level.

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Department of Transportation

Port Infrastructure Grants Announced: In late October, DOT announced \$703 million in 41 new grants under the Port Infrastructure Development Program. These included six grants in California, including a grant of \$30,141,080 for the Middle Harbor Terminal Zero Emission Conversion Project at the Port of Long Beach.

Transit Development Grants Announced: In November, the Federal Transit Administration announced \$13.1 million in 9 new grants under the Pilot Program for Transit-Oriented Development (TOD) Planning. These included four grants in California, two of which (a \$1 million grant and a \$960,000 grant) went to the Los Angeles County Metropolitan Transportation Authority.

Department of Energy

Projects to Advance Battery Recycling: In November, DOE's Vehicle Technology Office (VTO) began management of 10 research and development projects to support research and development for domestic Electric Vehicle battery recycling and reuse, funded by \$74 million from the Bipartisan Infrastructure Law. Four of the projects are in California—one at UC San Diego and three at companies in Carlsbad, Fairfield, and Menlo Park.

Funding Opportunity for Lithium Production Research: In November, DOE's Advanced Materials and Manufacturing Technologies Office (AMMTO) announced the availability of \$12 million for a research project focused on the domestic extraction of lithium (used for EV batteries) from geothermal brine. California's Salton Sea is said to offer the greatest domestic potential for lithium extraction from brines and could produce 600,000 tons annually according to initial estimates. Applications due January 31, 2023.

Environmental Protection Agency

South Coast AQMD Among Recipients of New Air Monitoring Project Funding: In November, the EPA announced discretionary grants totaling \$53.4 million for 132 air monitoring projects in 37 states funded through the Inflation Reduction Act and American Rescue Plan. Among these were 20 projects in California totaling \$8.8 million, including two grants for South Coast AQMD totaling \$999,900.

EPA Seeks Public Input on IRA Programs that Address Air Quality, Climate: In November, the EPA issued a Request for Information (RFI) on a subset of new and existing air quality-related programs funded by the Inflation Reduction Act (IRA). <https://www.epa.gov/air-and-radiation/questions-regarding-oars-implementation-inflation-reduction-act>

EPA Responds to California Petitions to Address Locomotive Emissions: In November, in response to petitions from CARB, CAPCOA and others, the EPA announced it is taking immediate steps to develop options and recommendations to address harmful NOx pollution from locomotives.

Outreach: Contacts included House and Senate staff on appropriations, lame duck, and congressional reorganization issues.

###



To: South Coast AQMD Legislative Committee

From: Carmen Group

Date: December 23, 2022

Re: Federal Update -- Executive Branch

Omnibus Appropriations: Congress finished the year with agreement in both the House and Senate to pass the full Fiscal Year 2023 Omnibus Appropriation bill, a compilation of the 12 regular federal government spending bills along with a myriad of other emergency spending and policy riders that effectively completed the business of the 117th Congress. Topline items of significance for South Coast AQMD include \$100 million for DERA and almost \$70 million for Targeted Airshed Grants. Overall, the Appropriations Committee summary notes a \$32 million year-to-year increase in EPA clean air programs and a \$72 million increase in all EPA enforcement and compliance programs.

Heavy-Duty Truck Final Rule: On December 20, the Environmental Protection Agency adopted a 1,153-page final rule entitled “Control of Air Pollution from Motor Vehicles: Heavy-Duty Engines and Vehicle Standards.” The new rule sets stronger emissions standards to further reduce air pollution -- including pollutants like nitrogen oxides (NOx) that create ozone and particulate matter -- from heavy-duty trucks starting in model-year 2027. South Coast AQMD was a national leader in advocating for this action since the time it coordinated a strong petition to EPA on the matter in 2016. Executive Officer Wayne Nastri commented, “While we were hoping for a more The new standards, which constitute the first update to clean air standards for heavy duty trucks in more than 20 years, are more than 80% stronger than current standards.

Joe Goffman Nomination: With the end of the lame duck session of Congress, the Senate was unable to bring up a vote to confirm Joe Goffman to be EPA Assistant Administrator for Air and Radiation. Party line divisions on the nomination in the 50-50 Senate would have required a successful discharge petition, followed by 100 percent attendance on both sides along with the Vice President’s tie-breaking vote, circumstances which never materialized during the lame duck session. The President will have to resubmit the nomination in the new Congress.

Environmental Protection Agency

Notable Appointment:

Jahi Wise, Sr. Advisor to the Administrator; Acting Dir., GHG Reduction Fund Program
WH Office of Domestic Climate Policy; Roles with clean energy finance, law and policy

Children’s Health Advisory Committee: In late November, EPA announced the appointment of 28 members the Children’s Health Protection Advisory Committee.

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These are external representatives from a cross-section of stakeholder perspectives including research, academia, healthcare, legal, state, environmental organizations and local and tribal governments.

Automotive Trends Report: In December, EPA released its annual Automotive Trends Report covering fuel economy standards, CO2 emissions and GHG emissions standards. <https://www.epa.gov/system/files/documents/2022-12/420r22029.pdf>

Department of Transportation

Notable Appointment:

Shailen Bhattt, *Federal Highway Administrator* (Confirmed by Senate)
State DOT Director -- CO, DE; AECOM Exec.; ITS America CEO; FHWA Assoc. Adm.

RAISE Grants NOFA: In December, the Department of Transportation (DOT) issued a Notice of Funding Availability (NOFA) of \$1.5 billion for its flagship discretionary grant program known as RAISE (formerly TIGER) designed to help communities with projects of significant local or regional impact. Applications due February 28, 2023.

Intercity Rail Grants NOFA: In December, DOT issued a NOFA of almost \$2.3 billion for the Federal-State Partnership for Intercity Passenger Rail Grant Program. Selected projects will improve existing rail corridors (including high-speed rail) and create new ones. Applications due March 7, 2023.

Department of Energy

DOE Lab Achieves Fusion Ignition: In a December announcement that quickly drew broad national attention, the Department of Energy (DOE) confirmed the achievement at Lawrence Livermore National Laboratory of fusion ignition in a manner that produced more energy than was used in creating it. Words included in DOE's announcement included "historic," "major," "exciting," "astonishing," "monumental," "first-of-its kind," "milestone," "landmark," "scientific breakthrough."

Domestic Battery Supply Chain Announcements: In December, DOE officially launched its Battery Workforce Initiative designed to "lay the foundation for developing a modern American labor force necessary to sustain growth of a domestic battery supply chain." In addition, DOE announced the closing of a \$2.5 billion loan under the Advanced Technology Vehicles Manufacturing Program to a General Motors – LG Energy Solution joint venture that will manage battery cell production at three facilities in Ohio, Tennessee and Michigan.

Outreach: Contacts included House and Senate staff on appropriations, and business group representatives on the heavy-duty truck rule.

###

ATTACHMENT 3C



To: South Coast Air Quality Management District
From: Cassidy & Associates
Date: November 21, 2022
Re: November Report

HOUSE/SENATE

Now that the midterm elections have come and gone, majorities and leadership positions are beginning to flesh out. The GOP will take control of the House by a slim margin and Democrats will keep control of the Senate. On the Republican side, Senator McConnell will remain Minority Leader and Representative McCarthy is working to ensure he will have the 218 votes in January needed to be elected Speaker. On the Democratic side, Senator Schumer will remain Majority Leader and Representatives Pelosi and Hoyer will step down from leadership. Representative Pelosi is supporting Representative Hakeem Jefferies to succeed her as speaker.

Besides the reshuffling of leadership positions and committee chairs and ranking members, Congress has a slate of legislation that also needs attention. The current continuing resolution (CR) will expire December 16, so another CR or an omnibus appropriations package will need to be passed before midnight on that date to avoid a shutdown. It is our expectation that Congress will pass an omnibus to avoid a contentious negotiation between House Republicans and Senate Democrats in the beginning of the 118th Congress. In addition, conference negotiations are ongoing for the National Defense Authorization Act (NDAA), with action on the 2022 Water Resources Development Act (WRDA) and Coast Guard Reauthorization being the remaining open items for the negotiation. We expect to see the NDAA on the floor of both chambers in the first two weeks of December.

EPA

Earlier this month, the EPA opened public input dockets on Inflation Reduction Act programs to fight climate change, protect health, and advance environmental justice. These programs include funding for air quality projects and climate projects addressing clean energy, transportation,

methane emissions, and climate super pollutants. The public engagement strategy for these programs include requests for information (RFI), expert input, listening sessions, and a [new webpage](#) that is a one-stop shop for information on the implementation of the Inflation Reduction Act programs managed by the EPA's Office of Air and Radiation.

The EPA published an RFI seeking public comment on core design aspects of multiple Inflation Reduction Act programs, a crucial first step as the Agency works to implement historic levels of funding from this legislation. These initial engagements will help ensure the design and implementation of the programs reflect input from a broad coalition of stakeholders to ensure the full economic and environmental benefits of this historic investment are realized by all people, particularly those who have been most burdened by environmental, social, and economic injustice.

The RFI provides background information and questions for the public to consider as they provide their input. EPA will gather and organize information received on the RFI in six public dockets that correspond to Inflation Reduction Act provisions in the law. In addition, the agency will continue to conduct extensive public engagement as it works to implement the law.

- Docket 1: [Climate Pollution Reduction Grants](#)
- Docket 2: [Transportation Programs](#)
- Docket 3: [Methane Emissions Reduction Program](#)
- Docket 4: [Funding to Address Air Pollution](#)
- Docket 5: [Funding for Implementation of American Innovation and Manufacturing Act](#)
- Docket 6: [Low Emissions Electricity Program & GHG Corporate Reporting](#)

The EPA announced it is responding to petitions from the California Air Resources Board, the San Joaquin Valley Air Pollution Control District, and the California Air Pollution Control Officers Association to address harmful nitrogen oxide (NO_x) and particulate matter (PM) emissions from locomotives. As part of EPA's response to these petitions, the Agency is taking immediate steps to develop options and recommendations to address pollution from new locomotives as well as those already operating in communities nationwide.

Additionally, EPA plans to propose revisions to existing locomotive preemption regulations to ensure they do not inappropriately limit California's and other states' authorities under the Clean Air Act to address their air quality issues.

Further, EPA has formed a rail study team to evaluate how best to address air pollutant emissions from the locomotive sector.

In the coming months, this team will collect information and evaluate the following:

- A range of technologies that may be available to further reduce locomotive emissions;
- Policy options to accelerate locomotive fleet turnover to newer, cleaner technology;
- Policy options to ensure that remanufactured locomotives are as clean as possible;
- Engagement with partners, such as state, non-governmental organizations, environmental justice organizations, and industry stakeholders, to gather input as needed to inform the required evaluations.

At COP27 in Sharm el Sheikh, Egypt, the EPA announced it is strengthening its proposed standards to cut methane and other harmful air pollution. If finalized, these critical, commonsense standards will protect workers and communities, maintain and create high-quality, union-friendly jobs, and promote U.S. innovation and manufacturing of critical new technologies, all while delivering significant economic benefits through increased recovery of wasted gas.

The updates, which supplement proposed standards EPA released in November 2021, reflect input and feedback from a broad range of stakeholders and nearly half a million public comments. The updates would provide more comprehensive requirements to reduce climate and health-harming air pollution, including from hundreds of thousands of existing oil and gas sources nationwide. It would promote the use of innovative methane detection technologies and other cutting-edge solutions, many of which are being developed and deployed by small businesses providing good-paying jobs across the United States.

Cassidy and Associates support in November:

- 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 South Coast AQMD.

IMPORTANT LEGISLATIVE DATES

December 16, 2022

Current Continuing Resolution expires.



To: South Coast Air Quality Management District
From: Cassidy & Associates
Date: December 22, 2022
Re: December Report

HOUSE/SENATE

Congress is rushing to pass the \$1.7 trillion government funding package before the current continuing resolution (CR) expires this Friday. The Senate passed the spending package on Thursday in a 68-29 vote, sending the package to the House for approval as soon as Thursday night or Friday morning. More than half a dozen amendments were added to the bill, including policy provisions that would expand federal protections for pregnant workers and nursing mothers, in addition to helping 9/11 families. The package also gives the Pentagon a 10% budget boost, includes about \$45 billion in emergency aid to Ukraine, and provides nearly \$40 billion for disaster aid. This is the final item on the legislative to-do list before the end of the year. Because of the size of the bill, the Senate will also pass a stopgap patch to extend federal funding through December 30th, to buy extra time to formally enroll the bill and get it to the President's desk to be signed.

The new 118th Congress will come into session on January 3rd, 2023.

EPA

Earlier this week, the EPA finalized standards for heavy-duty vehicles to cut pollution and take key steps toward accelerating zero-emissions goals. The EPA Clean Trucks Plan will begin with vehicles in the model year 2027. The new standards, which are the first updates to clean air standards for heavy-duty trucks in more than 20 years, are more than 80% stronger than current standards. The final rulemaking is the latest step toward implementing the Clean Truck Plan, which will move America's highly polluting heavy-duty trucking fleet towards low-carbon and electric technologies. Investments from the Inflation Reduction Act (IRA) and the Bipartisan Infrastructure Law (BIL), also known as the Infrastructure Investment and Jobs Act (IIJA), are

accelerating innovation in zero-emissions truck technology, expanding access to clean school and transit buses, and training workers to install and maintain charging infrastructure.

More information on the Clean Trucks Plan can be found [here](#), and detailed information on the new standards finalized on the 20th can be found [here](#).

The EPA has also released its annual [Automotive Trends Report](#), which shows that MY 2021 vehicle economy remained at a record high while emission levels reached a record low. The report also shows all 14 large automotive manufacturers achieved compliance with the Light-duty Greenhouse Gas standards through at least MY 2020. Key highlights of the report include:

- For MY 2021, vehicle fuel economy remained at an all-time high of 25.4 miles per gallon (mpg), and new vehicle real-world carbon dioxide (CO₂) emissions decreased to a record low of 347 grams per mile (g/mi).
- All vehicle types are at record low CO₂ emissions; however, the market shift away from cars and towards sport utility vehicles and pickups has offset some of the fleetwide benefits.
- Since MY 2004, average fuel economy in the U.S. has increased by 32%, or 6.1 mpg.
- The average estimated real-world CO₂ emission rate for all new vehicles fell by 2 g/mi to 347 g/mi, the lowest ever reported.
- Since MY 2004, CO₂ emissions have decreased 25%, or by 114 g/mi. Over that time, CO₂ emissions have been reduced in 14 of the past 17 years.

The annual EPA Sustainability Plan was released earlier in December as a part of [Executive Order 14057](#) on catalyzing America's clean energy industries and jobs through federal sustainability. The plan can be found [here](#).

On December 9th, the EPA announced a proposed rule under the American Innovation and Manufacturing (AIM) Act to advance the transition to more efficient heating and cooling technologies by restricting the use of super-polluting hydrofluorocarbons (HFCs) in certain products and equipment where more climate-friendly alternatives are available. The proposed rule, which would apply both to imported and domestically manufactured products, will help ensure a level playing field for American businesses that are already transitioning to next-generation, safer alternatives, and more energy-efficient technologies. More information on the rule and how to comment can be found [here](#).

Registration is now open for the EPA virtual public hearing on the [supplemental proposal](#) to cut methane pollution to protect communities, combat climate change, and bolster American innovation. The public hearings will take place on January 10-12th, 2023. The deadline to register to speak is January 5th, registration and the livestream can be found [here](#).

Cassidy and Associates support in December:

- Secured key meetings with the Biden Administration for Executive staff
- Worked with SCAQMD staff to strategize on DC outreach
- Advocated for SCAQMD priorities in the omnibus appropriations legislation
- Coordinated with SCAQMD staff on planning for 118th Congress and identifying changes to key Committees and leadership
- Continued to monitor and report on activities in Congress and the Administration that impact the District

IMPORTANT LEGISLATIVE DATES

December 23, 2022

Current Continuing Resolution expires.

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 ([USDOT](#)), 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 4A



Joe A. Gonsalves & Son

Anthony D. Gonsalves

Jason A. Gonsalves

Paul A. Gonsalves

PROFESSIONAL LEGISLATIVE REPRESENTATION
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TO: South Coast Air Quality Management District
FROM: Anthony, Jason & Paul Gonsalves
SUBJECT: Legislative Update – November 2022
DATE: Monday, November 21, 2022

The November 8, 2022 Statewide elections did not bring much of a partisan change in the Legislature. Though a handful of races are still too close to call, Democrats will continue to hold roughly 3 out of 4 seats in both the Senate and the Assembly, enough to keep super-majorities in both houses.

December 5, 2023, the Legislature will return for their ceremonial swearing in ceremonies. The official kick off to the 2023 legislative session will be on January 4, 2023. Governor Newsom plans to call a special legislative session in December to push for a tax on oil industry profits.

All this while the Assembly Speakership battle seems to have come to an end. On November 10, 2022, the Assembly Democratic Caucus met and came to an agreement on a lengthy transition that will see Assemblymember Robert Rivas succeed Assembly Speaker Anthony Rendon on June 30, 2023.

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

ASSEMBLY SPEAKERSHIP

After five months of positioning and another six-hour meeting behind closed doors, on November 10, 2022, Assembly Democrats agreed to a lengthy transition that will see Assemblymember Robert Rivas succeed Assemblymember Anthony Rendon as Speaker next summer.

The Democratic caucus had unanimously voted to retain current Assembly Speaker Anthony Rendon as Speaker until the end of June, when Assemblymember Robert Rivas is scheduled to assume the role overseeing the Assembly.

Assemblymember Rivas originally challenged Speaker Rendon for the speakership in late May, but was blocked during a tense six-hour caucus meeting in which Speaker Rendon refused to step down and Assemblymember Rivas was unable to muster enough support to force him out.

Assemblymember Rendon has been Speaker of the Assembly since the beginning of 2016, the longest serving Speaker since the 1990s, when California voters adopted term limits. Speaker Rendon will term out in 2024.

The Assembly Democrats are now expected to vote on Dec. 5, the first day of the new legislative session, to formally adopt the transition plan. Because they hold a supermajority of seats in the chamber, they do not need Republican votes to elect a speaker. Assemblymember Rivas, who was first elected in 2018, would become speaker on June 30, 2023, at the conclusion of the state budget process.

The Democratic caucus, which numbered 63 at the meeting Thursday, aimed to project unity as a resolution to the Speakership race finally emerged. A majority of Legislators supported the compromise because they did not want the speakership fight to be a distraction in the new legislative session.

CARB SCOPING PLAN

On November 16, 2022, CARB released their updated Scoping Plan proposal to implement the most ambitious climate action of any jurisdiction in the world, taking unprecedented steps to drastically slash pollution and accelerate the transition to clean energy.

This updated plan follows Governor Newsom's push to move faster to achieve new, ambitious climate goals, setting new targets for renewable energy, clean buildings, carbon removal, and clean fuels in the transportation sector. If adopted by CARB, this plan will be a critical component of Governor Newsom's California Climate Commitment, which includes actions to build out a 100% clean energy grid, achieve carbon neutrality by 2045, ramp up carbon removal and sequestration, protect Californians from harmful oil drilling, and invest \$54 billion to forge an oil-free future while building sustainable communities throughout the state.

The updated Scoping Plan would achieve carbon neutrality by 2045, in addition to:

- Cutting air pollution by 71%;
- Slashing greenhouse gas emissions 85% by 2045 (That includes a 48% reduction of greenhouse gasses by 2030, surpassing the statutory mandate to reduce emissions 40% below 1990 levels in 2030)
- Reducing fossil fuel consumption to less than one-tenth of what we use today, a 94% drop in demand for oil and 86% drop in demand for all fossil fuels;
- Creating 4 million new jobs;
- Saving Californians \$200 billion in health costs due to pollution.

The plan would also raise the stakes for clean energy and climate resiliency, calling for:

- At least 20 GW offshore wind capacity built by 2045;
- 3 million climate-friendly homes by 2030 and 7 million by 2035;
- 6 million heat pumps deployed by 2030;
- Carbon removal/capture targets of 20 million metric tons CO₂ equivalent (MMTCO₂e) by 2030 and 100 MMTCO₂e by 2045;
- Achieve 20% non-combustion in the aviation sector by 2045, with the remaining demand met with sustainable aviation fuel;

- Light-duty vehicle miles traveled (VMT) target of 25% per capita below 1990 levels by 2030 and 30% per capita below 1990 levels by 2045.

CLEAN TRANSPORTATION

On November 17, 2022, the California Air Resources Board (CARB) approved a \$2.6 billion investment plan to support a wide range of ZEV projects, with 70% of the funds directed to disadvantaged and low-income communities. This is the state's largest-ever investment in the equitable expansion of clean transportation. Support for low-income consumers includes up to \$19,500 for those who have an older car to scrap.

Simultaneously, the California Public Utilities Commission (CPUC) adopted a \$1 billion transportation electrification program to fund ZEV charging infrastructure, with additional incentives for projects in hard-to-reach communities.

These investments are funded in part by the \$10 billion ZEV package advanced by Governor Newsom and the Legislature as a key component of the multi-year \$54 billion California Climate Commitment.

CARB's \$2.6 billion investment plan includes funding for a variety of projects and makes important program changes:

- \$2.2 billion for clean trucks and buses and off-road equipment. This includes over \$2 billion for zero-emission trucks and buses and off-road equipment including school buses, transit buses, and drayage trucks, \$33 million for financing for small truck fleets transitioning to cleaner technologies, and \$135 million for demonstration and pilot projects, including commercial harbor craft.
- \$381 million for clean transportation equity projects, including \$326 million for vehicle purchase incentives and \$55 million for clean mobility investments.
- Support for low-income consumers looking to purchase an electric car – Up to \$15,000 in incentives for new electric vehicles without having to scrap an older vehicle and up to \$19,500 for those who have an older car to scrap – an increase of \$3,000 from current incentive levels.
- Streamlines and aligns programs – Simplifies income eligibility tiers to at or below 300% of the Federal Poverty Level and offers \$2,000 prepaid electric vehicle charge cards for low-income consumers.
- Small fleet support – Introduces tiered voucher amounts to increase support for small fleets while encouraging early adoption of zero-emission technologies and large-scale deployments of zero-emission trucks in disadvantaged communities.
- Support for commercial harbor craft – Dedicates \$60 million for cleaner commercial harbor craft.

The CPUC's \$1 billion transportation electrification program provides a funding structure for utility transportation electrification efforts statewide through 2030, and prioritizes investments in charging infrastructure for low-income, tribal and underserved utility customers. The program will direct 70% of funding to charging for medium-and heavy-duty vehicles and will offer rebates for customer side electric vehicle infrastructure investments.

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



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TO: South Coast Air Quality Management District
FROM: Anthony, Jason & Paul Gonsalves
SUBJECT: Legislative Update – December 2022
DATE: Wednesday, December 21, 2022

On December 5, 2023, the Legislature returned for their ceremonial swearing in ceremonies. 37 of the 120 Legislators will be new to Sacramento, paving the way for new political dynamics and new legislative priorities. Set in stone is the Democrats' supermajority, which allows them to pass bills and budgets without a single Republican vote, where Democrats control 62 of 80 Assembly seats and 31 of 40 Senate seats. The California electorate made history this last election as at least 49 female lawmakers were elected to the Legislature, which is up from the previous record of 39, set during the last legislative session.

The official kick off to the 2023 legislative session will be on January 4, 2023, however, Legislators have already introduced 157 new bills for the 2023-24 legislative session. Additionally, Governor Newsom called a special legislative session to push for a tax on oil industry profits.

All this while the Assembly Speakership battle seems to have come to an end. On November 10, 2022, the Assembly Democratic Caucus met and came to an agreement on a lengthy transition that will see Assemblymember Robert Rivas succeed Assembly Speaker Anthony Rendon on June 30, 2023.

The following will provide you with updates of interest to South Coast AQMD:

BUDGET

The Legislative Analysis Office (LAO) recently reported that the State of California is projected to face a \$25 billion budget deficit heading into 2023. The projection marks a stunning reversal from back-to-back years of unprecedented prosperity. The budget for California's current fiscal year clocked in at a whopping \$308 billion, fueled by a record \$97 billion surplus. The year before, Governor Newsom and lawmakers approved what was at the time a record-busting \$263 billion budget that included a \$76 billion surplus.

The good news is, California is in very good position to manage a downturn due to the strong reserves and one-time commitments rather than ongoing spending utilized in the last two budgets

adopted. Additionally, Governor Newsom has been sounding the alarm for months now about lower-than-expected revenues and vetoing bills that he said would have cost taxpayers billions of dollars.

The bad news is, the LAO's fiscal outlook doesn't take into account soaring inflation rates or the increasingly likely possibility of a recession. Due to inflation, the actual costs to maintain the state's service level are higher than what the LAO's outlook reflects. The estimated \$25 billion deficit understates the actual budget problem in inflation-adjusted terms and, if a recession were to hit, it would result in much more significant revenue declines, meaning California could bring in \$30 to \$50 billion less than expected in the budget window.

A lot could change between now and January 10, 2023, when Governor Newsom is set to unveil his budget proposal for the fiscal year, and between now and May, when Governor Newsom will release a revised proposal following negotiations with lawmakers. A budget must be signed by June 15, 2023.

FINAL 2022 SCOPING PLAN

On December 15, 2022, the California Air Resources Board approved the final proposed 2022 Scoping Plan (Plan), a roadmap to address climate change that cuts greenhouse gas emissions by 85% and achieves carbon neutrality in 2045. The Plan provides a detailed sector-by-sector roadmap to guide California's economy towards clean and renewable energy resources and zero-emission vehicles.

The Plan includes the need for an accelerated target of a 48% reduction of greenhouse gas emissions below 1990 levels by the end of this decade. By 2045, this shift away from fossil fuels seeks to:

- Reduce fossil fuel consumption (liquid petroleum) to less than one-tenth of what we use today – a 94% reduction in demand
- Cut greenhouse gas emissions by 85% below 1990 levels
- Reduce smog-forming air pollution by 71%
- Create 4 million new jobs.
- Save Californians \$200 billion in health costs due to pollution in 2045

The Plan also includes capturing and storing carbon through the state's natural and working lands (including its forests) and calls upon a variety of approaches to remove and safely store carbon dioxide to address the remaining 15% of greenhouse gas emissions that will remain in 2045 after the reductions from every regulated source.

Implementation of the Plan keeps California's economy on track for continued growth of the economy and jobs. This includes high-road jobs tied to industries, such as zero-emission car and truck manufacturing, that position California as a major competitor in the global clean-energy marketplace. Economic modeling indicates that, under the Plan, California's economy will reach \$5.1 trillion by 2045 (from \$3.2 trillion today), with a related increase of at least 4 million new jobs.

The initial draft of the Plan was considered by the Board at its June 2022 meeting and discussed with the Environmental Justice Advisory Committee in September 2022. The final Plan includes changes requested by the Board and Governor Newsom, public comments, and recommendations from the EJ Advisory Committee. It also reflects direction from new state laws passed by the Legislature this year.

CAP-AND-TRADE

The California Air Resource Board announced the results of the 33rd joint cap-and-trade auction held in November 2022. All 58,020,854 current vintage allowances were sold at a settlement price of \$26.80, much higher than the reserve price of \$19.70. Additionally, all 7,942,750 advance vintage allowances were sold at the settlement price of \$26.00, again, much higher than the reserve price of \$19.70.

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 – November and December 2022

❖ Important Upcoming Dates

January 1	–	Statutes Take Effect
January 4	–	Legislature Reconvenes
January 10	–	Proposed Budget Must Be Submitted by Governor

❖ 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:

- Discussed potential legislative proposal ideas with South Coast Staff and began discussing potential offices to initiate conversations with.
- Set meetings with legislative offices to begin discussions on potential legislative proposals for the new legislative session.

❖ Statewide Election Brief Roundup. The election cycle for 2022 was brought to a close on November 8. While most races were called in the first week after the polls closed, a few races in the State Assembly and State Senate remained too close to call and were not officially called until the first week of December.

Propositions: Most propositions were rejected by the electorate, with the only three passing demonstrating a solid support for maintaining women's reproductive rights, supporting arts and music instruction in schools, and standing behind the legislature's decision to ban the sale of flavored tobacco products. The failure of Prop 30 (ZEV Incentives) was a defeat for Lyft and a long list of environmental organizations. This also demonstrates the ability of the Governor to influence a defeat for a proposition that had recently been polling fairly well.

Senate: Democrats retained their supermajority in the Senate, as expected. Incumbents from both parties generally fared well in their state senate races. Incumbent Melissa Hurtado (D-Bakersfield) was initially trailing to Republican challenger David Shepherd but made up the difference as ballots were processed throughout November. Recount proceedings have been initiated by Shepherd with 20 votes being the difference between him and Hurtado.

Assembly: Heading into the election, the makeup of the lower chamber was 61 Democrats, 18 Republicans, and No Party Preference Assemblyman Chad Mayes. As it stands today, after all is said and done, the makeup of the Assembly will essentially remain the same.

The Los Angeles Times has a user-friendly results tally of all the statewide races available here: <https://www.latimes.com/projects/2022-california-election-statewide-live-results/>

❖ LA TIMES Column: After Democratic infighting and a tense election, Robert Rivas will be California's next Assembly speaker By George Skelton – Nov 14

SACRAMENTO — One of California's most important elections last week was held behind closed doors with only 63 voters. They elected the next state Assembly speaker.

It'll be Assemblyman Robert Rivas, 42, a San Benito County Democrat who grew up in farmworker housing on a vineyard in John Steinbeck country.

The lawmaker was raised by a single mom and Mexican immigrant grandparents in a dwelling so small he didn't have his own bed — another American Dream story, the kind that's becoming increasingly familiar in California.

Other than governor, there's no more powerful elective state office than Assembly speaker.

The speaker and the Senate president pro tem — Toni Atkins (D-San Diego) — have extraordinary influence over how much money the state spends and on what. They can pretty much control our state tax burdens, business regulations, what's illegal and penalties for breaking the law.

The speaker appoints the chairs and members of all Assembly committees and can determine the fate of any legislation. In addition, the speaker fills scores of seats on state boards and is a University of California regent.

So, this is a job worth fighting for. And every few years a nasty brawl erupts between rivals reaching for the post. Sometimes there's a coup attempt when a speaker refuses to voluntarily surrender the prestigious position.

Assembly Democrats just went through a bitter battle over who would replace Speaker Anthony Rendon (D-Lakewood) and — the sticky issue — precisely when.

Rendon, who has been speaker for 6½ years, won't be termed out of the Legislature until the end of 2024. And he flexed every muscle he had to hold onto the leadership for as long as he could.

After a heated six-hour Democratic Caucus meeting, a compromise was reached: Rendon can stay speaker until June 30, immediately following passage of the state budget. Then Rivas will take over. The final vote was unanimous.

Someday, Rivas may well be in the same position Rendon is now — forced by an ambitious upstart to begin packing.

By necessity, speaker wannabes start jockeying for the job long before it's due to be vacant. And once elected, they never last quite as long as they'd like.

Last spring, as Rivas buttonholed colleagues soliciting speakership pledges, he was threatened by a rival: North Hollywood Assemblywoman Luz Rivas (no relation), whom Rendon was helping. So, Robert Rivas stepped up his pursuit of the job.

He walked into Rendon's office before Memorial Day and showed him 34 pledge cards from Democrats, a majority of the caucus. He asked the speaker to agree on a timetable for transfer of power. Rendon told him to buzz off.

Rivas had enough votes to replace Rendon when the post became open. But the challenger apparently didn't have enough to boot the speaker and create a vacancy.

That escalated a Democratic civil war that played out through the Assembly election campaigns.

Rendon and Rivas financially backed Democratic candidates who promised to vote for them when the new legislative session convenes on Dec. 5. Rivas collected donations from supportive colleagues and funneled about \$900,000 into at least a dozen races.

After the election, Rivas' side believed it had accumulated a two- or three-vote edge over Rendon. A caucus meeting was held at the Sacramento convention center. All incoming Democratic Assembly members were invited, along with some whose races were still undecided.

"Things got ugly," says one insider, who asked for anonymity.

They fiercely argued over rules. Two parliamentarians were summoned.

Rendon apparently wanted to hang on until he could beat Jesse "Big Daddy" Unruh's record of having been the second longest-serving speaker, behind only San Francisco Democrat Willie Brown. That would require him to hold the job through June.

A supporter moved that Rendon be allowed to remain speaker until June 30, then replaced by another one-time contender: Assemblyman Evan Low of Campbell. Anyone but Rivas, apparently. That idea fell flat.

Rendon tried lobbying members on the side. He got nowhere. Tempers flared.

"Imagine being one of the new members walking into this room, thinking, 'What did I just sign up for?'" says the insider.

No one wanted to continue the chaotic power struggle into the next legislative session. So, they compromised.

A Rendon strong point has been his empowerment of committee chairs and mostly hands-off management. That's fine if you're a major committee chair. But it was seen as a weakness by many Rivas supporters. They desired a more traditional, assertive leader who "speakerized" bills, virtually assuring their passage.

"That is not going to be my approach," Rivas told me when I asked about Rendon's style.

"I'm going to be involved in all the things we do in the Legislature. I'll be active in policy and in supporting members of our caucus. And I look forward to engaging with the Senate and the pro tem."

Rendon hasn't always worked well with Senate leader Atkins. But Assembly-Senate rivalries aren't unprecedented.

Rivas was a San Benito County supervisor before being elected in 2018 to the Assembly, where he has been Agriculture Committee chairman. The Hollister lawmaker has focused on improving farmworker housing.

His elevation to legislative leadership will represent a geographical power shift. Seven of the last eight speakers have been from Los Angeles County. He'll be the first Northern California speaker in 25 years and the first from a rural district in 53.

But his promotion will continue the ascendance of Latinos in California politics. He'll be the sixth Latino among the last 10 speakers.

His performance will affect the lives of nearly 40 million Californians. It was a big election.

- ❖ **LAO Fiscal Outlook:** On November 16, the LAO released their Fiscal Outlook for the upcoming legislative session. <https://lao.ca.gov/Publications/Report/4646>

Executive Summary:

Economic Conditions Weigh on Revenues. Facing rising inflation, the Federal Reserve—tasked with maintaining stable price growth—repeatedly has enacted large interest rate increases throughout 2022 with the aim of cooling the economy and, in turn, slowing inflation. The longer inflation persists and the higher the Federal Reserve increases interest rates in response, the greater the risk to the economy. The

chances that the Federal Reserve can tame inflation without inducing a recession are narrow. Reflecting the threat of a recession, our revenue estimates represent the weakest performance the state has experienced since the Great Recession.

State Faces \$24 Billion Budget Problem and Ongoing Deficits. Under our outlook, the Legislature would face a budget problem of \$24 billion in 2023-24. (A budget problem—also called a deficit—occurs when resources for the upcoming fiscal year are insufficient to cover the costs of currently authorized services.) The budget problem is mainly attributable to lower revenue estimates, which are lower than budget act projections from 2021-22 through 2023-24 by \$41 billion. Revenue losses are offset by lower spending in certain areas. Over the subsequent years of the forecast, annual deficits would decline from \$17 billion to \$8 billion.

Inflation-Related Adjustments Vary Across Budget. The General Fund budget can be thought of in two parts: (1) the Proposition 98 budget for schools and community colleges, representing about 40 percent of General Fund spending, and (2) everything else. Under our estimates, the state can afford to maintain its existing school and community college programs and provide a cost-of-living adjustment of up to 8.38 percent in 2023-24. The extent to which programs across the rest of the budget are adjusted for inflation varies considerably. Because our outlook reflects the current law and policy of the Legislature, our spending estimates only incorporate the effects of inflation on budgetary spending when there are existing policy mechanisms for doing so. Consequently, our estimate of a \$24 billion budget problem understates the actual budget problem in inflation-adjusted terms.

Save Reserves for a Recession. The \$24 billion budget problem in 2023-24 is roughly equivalent to the amount of general-purpose reserves that the Legislature could have available to allocate to General Fund programs (\$23 billion). While our lower revenue estimates incorporate the risk of a recession, *they do not reflect a recession scenario*. Based on historical experience, should a recession occur soon, revenues could be \$30 billion to \$50 billion below our revenue outlook in the budget window. As such, we suggest the Legislature begin planning the 2023-24 budget without using general purpose reserves.

Recommend Legislature Identify Recent Augmentations to Pause or Delay. Early in 2023, we suggest the Legislature question the administration about the implementation and distribution of recent augmentations. If augmentations have not yet been distributed, the Legislature has an opportunity to reevaluate those expenditures. Moreover, in light of the magnitude of the recent augmentations, programs may not be working as expected, capacity issues may have constrained implementation, or other unforeseen challenges may have emerged. To address the budget problem for the upcoming year, these cases might provide the Legislature with areas for pause, delay, or reassessment.

- ❖ **Cap-And-Trade Auction Results:** The [Cap-And-Trade auction results](#) were released November 23. The second auction of the fiscal year netted about \$961 million for the Greenhouse Gas Reduction Fund, with a settlement price of \$26.80 per credit/ton of CO₂. All allowances available for sale were bought at this auction. This result is generally similar to the August auction result of \$995 million, although both of these auctions are slightly underperforming the revenue generation experienced in the prior fiscal year (21-22) which netted a total of \$4.5 billion for the GGRF.

Overall, this result is very positive news for the revenue that is needed to completely fund the 2022-2023 Cap-And-Trade expenditure plan adopted by the Legislature and the Governor in the Annual Budget Act. That plan assumes that [\\$2.75 billion](#) will be generated by the auctions in the 2022-2023 fiscal year (not accounting for the holdover reserve of \$1.76 billion from the previous fiscal year). With revenues outperforming the projections in the Budget Act we can be more assured that the \$260 million for AB 617 from the GGRF is relatively secure.

Looking ahead to 2023-2024, these results also bode well for continued engagement to secure additional funding for AB 617 program priorities. As we have previously discussed, the Annual Budget Act already includes a baseline \$300 million from the General Fund to AB 617 in the 2023-2024 fiscal year. Continued robust auction results for the GGRF will provide additional and much needed funding capacity in the

GGRF that SCAQMD and other Districts can turn to for additional funding above the baseline. We will also need to keep a close eye in the budget conversations next year to ensure that the General Fund baseline for AB 617 is not supplanted by GGRF.

- ❖ **Assembly Leadership Agreement:** On December 5th, the Assembly and Senate met for their organizational session wherein each chamber passes the respective house rules and the joint rules of the 2023-2024 legislative session. Of note in the Assembly, HR 1 which was passed by the Assembly, specifies the following succession of Speaker in June:
 - “Resolved by the Assembly of the State of California, That Anthony Rendon is hereby elected as the Speaker of the Assembly to be sworn in on December 5, 2022, to serve as Speaker until June 30, 2023, and that Robert Rivas is the Speaker-designate, and is hereby elected as the Speaker of the Assembly to be sworn in as Speaker on June 30, 2023.”
- ❖ **Extraordinary Session on Gas Prices:** In addition to initiating the regular session, at the request of Governor Newsom, the legislature initiated the First Extraordinary Session focused on gasoline prices. The main legislation which was introduced at the request of the Governor is SBx1-2 (Skinner) which assesses a penalty on oil refineries when profits exceed a set amount as determined by the California Energy Commission. It is noteworthy that this legislation only requires a simple majority to pass rather than a two-thirds super-majority.
- ❖ **CalMatters Commentary: “Is Newsom’s gas profits penalty really a tax?”**
By Dan Walters, December 7, 2022

When Gov. Gavin Newsom launched his crusade against what he called blatant price-gouging on gasoline by oil refiners, he called for taxes on excess profits.

At the time, gas prices had soared to more than \$6 a gallon in some locales, a couple of dollars higher than those in other states, and Californians’ pain at the pump symbolized the soaring inflation that was ravaging household budgets.

However, when Newsom finally outlined his proposal this week, the tax approach had been abandoned and instead, he said he wants petroleum companies to be docked civil penalties by the state Energy Commission if they exceed designated profit margins.

“California’s price gouging penalty is simple — either Big Oil reins in the profits and prices, or they’ll pay a penalty,” Newsom said in a statement. “Big Oil has been lying and gouging Californians to line their own pockets long enough. I look forward to the work ahead with our partners in the Legislature to get this done.”

Later, he told reporters, “I believe in free enterprise, I just don’t believe in greed. These guys have been gaming the system for decades. They’ve been taking advantage of you for decades. And it’s got to end.”

Why the change from taxes to civil penalties?

It has to do with the state constitution, which requires any tax to be passed by two-thirds majorities in both houses of the Legislature. Newsom is betting that the civil penalties that he proposes would be exempt from that requirement and thus need only simple legislative vote majorities to become law.

In other words, he’s not certain that despite overwhelming Democratic legislative majorities he could muster a two-thirds vote for a profits tax, due to a general reluctance among politicians to impose new taxes and the oil industry’s vigorous courting of support, aided by its influential unions.

The industry had already signaled that it would vigorously oppose a profits tax by characterizing it as something that would raise pump prices even higher. But what about civil penalties?

The industry immediately characterized them as taxes in sheep's clothing.

“A fee imposed on the industry as a commodity going to the government, that is going to look and act like a tax,” Kevin Slagle, spokesperson for the Western States Petroleum Association, said. “We know windfall taxes have been tried nationally and don’t work. What we need to do is focus on better public policy.”

So we know how the political battleground is being staked out, but what’s the underlying legal situation?

When Newsom’s proposal was formally introduced as Senate Bill 2X on Monday, the Legislature’s legal counsel marked it as a non-tax measure requiring only simple majority votes. Ultimately, however, whether the proposed civil penalties qualify for that designation depends on the interpretation of an exemption allowed in the constitution’s Article XIII A, Section 3.

It says, “A fine, penalty, or other monetary charge imposed by the judicial branch of government or the state, as a result of a violation of law” is not a tax. In other words, Newsom would put gasoline profit penalties in the same exempt category as traffic tickets for speeding.

We don’t know as yet what Newsom’s legislation would set as a profit speed limit or what the penalties would be for exceeding it. SB 2X leaves those numbers blank, to be filled in later as the measure makes its way through the legislative process next year.

Were it to become law, however, we would most likely see a prolonged legal battle over whether, indeed, excess profit penalties are not taxes.



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South Coast AQMD Report
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December 8, 2022, Legislative Committee Hearing

Legislative Update

Just two days after the November election the Assembly Democrat Caucus met to decide who would be the Speaker for the 2023-24 Legislative Session. Following a six-hour caucus meeting, Assembly Democrats voted unanimously to elect Assemblymember Robert Rivas (D-Salinas) as the next speaker. He will assume the role on June 30, 2023. In the meantime, current Speaker Anthony Rendon (D-Lakewood) will remain in the position.

The confirmation vote will be held during the Organizational Session, scheduled for December 5. While that session is largely dedicated to swearing-in the new Legislature, this is also the first opportunity to introduce bills for the upcoming year. There is always a handful of measures that are introduced on the first day, and then after December 5 the next opportunity will be in January when the Legislature reconvenes.

Governor Update

In November, it was reported that there would be several changes to Governor Newsom's staff. Specifically, Jim DeBoo, Newsom's Executive Secretary, will be stepping down in January. He had served in that position for the last two years. Dana Williamson, a political strategist and former Cabinet secretary to Governor Jerry Brown, will replace Deboo.

It was also reported that Analea Patterson, Newsom's former legal affairs secretary, will transition from acting to permanent Cabinet secretary and continue to oversee state agencies. Further, Jason Elliott, a senior counselor to the governor, will also become his deputy chief of staff.

Budget Update

The Legislative Analyst's Office published their annual Fiscal Outlook report in anticipation of the upcoming state budget process. The goal of this report is to help guide the Governor and the Legislature as they begin crafting the 2023-24 budget.

As we have seen from the Department of Finance's monthly cash reports, the state has consistently seen revenues drop in each of the past four months. Under the LAO's outlook, they predict a deficit of \$25 billion in 2023-24. Over the subsequent years of the forecast, annual deficits would decline from \$17 billion to \$8 billion. The analysis relies on specific assumptions about the future of the state economy, its revenues, and its expenditures. While there are many variables with the budget, this will have a significant impact on the Governor's January

Budget proposal. Given that the budget will shrink, it will be noteworthy which programs the Governor proposes to receive less funding.

Election Update

With the November 8 election, it typically takes weeks for counties to process and count all the ballots. County elections officials must report final official results to the Secretary of State by December 9, 2022. The results will then be certified by the Secretary of State by December 16, 2022.

By Thanksgiving, the number of outstanding ballots that were left to be counted was only 307,864 statewide. Also, voter turnout was 49.8% with a couple weeks left to finish counting. By comparison, the Gubernatorial voter turnout in 2018 was 64.54%. There are still several highly contested races in the Senate and the Assembly. In several races the margin between the two candidates is only a few thousand votes. We will continue to monitor these races up until all of them are certified.

Administrative Update

The California Air Resources Board (CARB) released their proposed final 2022 Scoping Plan for Achieving Carbon Neutrality (2022 Scoping Plan). CARB has stated that the 2022 Scoping Plan lays out a path to achieve targets for carbon neutrality and reduce anthropogenic greenhouse gas (GHG) emissions by 85 percent below 1990 levels no later than 2045, as directed by AB 1279 (Muratsuchi, Chapter 337, Statutes of 2022).

Below are the goals for 2045:

- Cut greenhouse gas emissions by 85% below 1990 levels
- 71% reduction in smog-forming air pollution
- Reduce fossil fuel consumption (liquid petroleum) to less than one-tenth of what we use today – a 94% reduction in demand.
- Create 4 million new jobs.
- Save Californians \$200 billion in health costs due to pollution in 2045

The 2022 Scoping Plan is scheduled to be discussed and considered for approval at CARB's December Board hearing



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South Coast AQMD Report
California Advisors, LLC
January 13, 2023, Legislative Committee Hearing

Legislative Update

December 5 marked the day when the new state Legislature was officially sworn in. While this day is typically ceremonial, this year had a couple of significant occurrences. The first, Speaker Anthony Rendon was officially re-elected Speaker of the Assembly until June 30, 2023. Assemblymember Robert Rivas was elected “Speaker Designee” and will assume the Speakership after that time. This transition of power was decided just days after the general election, and was officially cemented through a floor vote on December 5.

Both the Senate and Assembly opened their “special sessions” on high gas prices. This was the procedural part of the Governor officially calling for this special session at the end of November. It is still unclear what the timeline for the special session will be or what they will do. The Governor shared an initial proposal just hours after the swearing-in ceremonies were completed. After the business was concluded, this was the first opportunity for legislators to introduce new bills for the upcoming year. As of late December, there has already been over 140 bills introduced between the two houses.

There were a couple of oddities that occurred. In the Assembly, only 77 members were present and sworn in. There was a race in AD 47 that flipped back-and-forth multiple times in weeks leading up to December 5. Ultimately, Greg Wallis (R – Palm Desert) was sworn in a week later on December 12. There were also two members absent due to personal reasons. In the Senate, only districts with even numbers were up for election. So, you saw only half the members standing to be sworn in and the odd numbered districts remained seated. Lastly, in SD 16 incumbent Senator Melissa Hurtado (D) won her election by only 20 votes. The challenger has submitted the necessary paperwork to begin the recount process.

Also on December 16, Secretary of State (SOS) Dr. Shirley N. Weber certified the results for California’s General Election. In doing so, SOS Weber issued the Statement of the Vote, which provides detailed information on how votes were cast within each county. In total, 11,146,610 votes were cast, which represents 50.80% of registered voters. Notably, while there were 21,940,274 voters registered for the election, an increase of 11.4 percent over the 19,696,371 registered in the 2018 general, the number of votes cast represents a decrease of 12.3 percent from the 12,712,542 cast in 2018. One interesting note showed that 1,391,422 (12.48 percent) ballots were cast in person and 9,755,188 (87.52 percent) voters cast a vote-by-mail ballot. In the Senate, there are 32 Democrats to 8 Republicans. In the Assembly, there are 62 Democrats and 18 Republicans. Both houses will continue to have a supermajority by a

significant margin. There are also 10 new Senators (3 former Assemblymembers) and 24 new Assemblymembers.

On December 22, the Assembly released a full list of the new Chair and Vice-Chairs of each committee. While the full committee memberships have not yet been released, this is an important first step to shaping the next year's fiscal and policy outlook.

Budget Update

The Department of Finance's most recent fiscal update shows that the state collected \$7.055 billion, or 179%, above forecasts. However, that news was dampened because it appears to be based solely on a timing issue with lower-than-assumed personal income tax refunds related to the Pass-Through Entity elective Tax for 2021. The Department of Finance indicated that cash receipts for the 2022 tax year continue to indicate considerable ongoing weakness.