



October 23, 2020

TO: Gerald Cochran, Chair, Governmental Affairs and Public Information Committee
Barbara Pahre, President, Board of Directors
Denis J. Mulligan, General Manager

FR: Platinum Advisors, LLC

RE: Legislative Update

Signing Deadline: Governor Gavin Newsom wrapped up action on legislation for the 2019-20 legislative session on September 30th. Due to the COVID truncated session, only 428 bills were sent to the Governor's desk – a 53% decline to the average passage rate for legislation. Of those measures that made it to his desk 56 bills were vetoed, which matches the average veto rate of 13%. In addition, this was the year of Executive Orders. Governor Newsom has issued 59 Executive Orders so far this year – most dealing with issues arising from the pandemic and stay at home orders. While the future is unclear under what conditions the 2021-22 legislative session will operate, anything has got to be better than this year.

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

- \$150 million restoration to the judicial branch budget.
- \$45 million restoration for moderate-income housing production funding.
- \$203 million restoration of the Infill Infrastructure Grant Program.
- \$46 million restoration to child support administration funding.
- \$5.8 billion reduction in payment deferrals to K-12 schools.
- \$791 million reduction in payment deferrals to community colleges.
- \$472 million restoration to the University of California.
- \$500 million restoration to California State University.
- \$88 million restoration to the Golden State Teacher Grant Program at the Student Aid Commission.

- \$250 million addition to the \$750 million General Fund backfill for realignment funding.
- \$2.8 billion deposit to the Employee Compensation Reduction Offset Fund to be used to offset employee compensation reductions in the budget package.

Legislative Highlights: The deadline for the Governor to sign or veto legislation was September 30th. The following is a summary of several measures of interest to the District.

CEQA Exemption: Senator Wiener's SB 288 was signed into law. This bill exempts from CEQA various transit and bicycle/pedestrian projects until January 2023. While additional restrictions apply to projects with a cost exceeding \$100 million, the exemption covers the following projects:

- Pedestrian and bicycle facilities, including new facilities.
- Projects that improve customer information and wayfinding for transit riders, bicyclists, or pedestrians.
- Transit prioritization projects.
- On highways with existing public transit service or that will be implementing public transit service within six months of the conversion, a project for the designation and conversion of general purpose lanes or highway shoulders to bus-only lanes, for use either during peak congestion hours or all day.
- A project for the institution or increase of new bus rapid transit, bus, or light rail service, including the construction of stations, on existing public rights-of-way or existing highway rights-of-way, whether or not the right-of-way is in use for public mass transit.
- A project to construct or maintain infrastructure to charge or refuel zero-emission transit buses, provided the project meets certain conditions.
- A project carried out by a city or county to reduce minimum parking requirements.

Budget Trailer Bill -- Transit: AB 107 contains various provision that update trailer bills enacted as part of the budget in June. Included in AB 107 is clarification on the ability for transit operators to use SB 1 State of Good Repair Funds for operations. Specifically, AB 107 would allow transit operators to use funds received in the 19-20 to 21-22 fiscal years from the State Transit Assistance State of Good Repair funds for any operating or capital expenditure *provided the operator declares that doing so is necessary to prevent a reduction or elimination of transit service.*

Revenue Bonds: SB 1351 would create a process to use revenue bonds to accelerate the delivery of projects in the 2020 SHOPP. Governor Newsom vetoed SB 1351 because, "*Bonding against these future revenues runs counter to the pay-as-you-go principle established by Senate Bill 1 and risks locking California into long-term debt obligations to finance maintenance repairs.*" In addition, the funding structure would have eliminated the ability to use Local Partnership Program funds for transit and bicycle/pedestrian projects.

Workers' Compensation: SB 1159 (Hill) (Chapter 85, Statutes of 2020) was signed into law as part of a package of legislation providing greater protections for essential workers during the pandemic. In short, SB 1159 creates rebuttable presumption that illness or death related to COVID-19 (novel coronavirus) is an occupational injury and therefore eligible for workers' compensation benefits.

Regional Transportation Plans: SB 146 (Beall) was signed into law. This measure authorizes MPOs to conduct meetings related to the development of Sustainable Community Strategies by electronic means if a call-in telephonic option is provided and the meetings, hearings, or public engagement gatherings are not required to be conducted pursuant to Ralph M. Brown Act's open meeting requirements.

Climate Action Week

The Governor has issued several executive orders in the past two weeks aimed at accelerating the reduction of GHG emissions. The most significant was [Executive Order N-79-20](#). Simply put, the executive order requires all new cars and passenger trucks sold in California be zero-emission vehicles by 2035. It also accelerates the transition to zero emission heavy duty vehicles. The Governor also announced the creation of a Climate Investment Framework, and the creation of a Statewide Climate Corps.

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

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

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

The order directs the Natural Resources Agency to take specified actions, including, "Strategically prioritize investments in cooperative, high-priority actions that promote biodiversity protection, habitat restoration, wildfire-resilient, sustainably managed landscapes and other conservation outcomes." These actions also include implementing actions that increase the pace and scale of environmental restoration and land management efforts. Within one year of this order the Natural Resources Agency in collaboration with other state agencies and departments shall develop a Natural and Working Lands Climate Smart Strategy. So, expect numerous workshops and other events to be held in the coming year.

Clean Cars by 2035: Governor Gavin Newsom announced several new state emissions goals by directing state agencies to begin carrying out those goals via [Executive Order N-79-20](#). The order does not ban owning gas-powered automobiles, but it would prohibit the sale of new internal combustion engines starting in 2035.

Transportation remains the biggest hurdle to the state reaching its low-emission goals. "We can't get to our 2045 goals unless we reconcile the fact that we have seen an actual increase in total emissions (from the transportation sector) while we've seen decrease in other sectors," said Newsom. The transportation sector currently represents over **50%** of all emissions in the state

(41% from vehicles & 11% in production of petroleum fuels). Some specifics of the order include the following:

- The State Transportation Agency, the Department of Transportation, and the California Transportation Commission, shall, by July 15, 2021 identify near-term actions, and investment strategies, to improve clean transportation, sustainable freight, and transit options.
- The State Air Resources Board shall develop and propose regulations requiring 100% zero-emission passenger vehicle and trucks sold in California by 2035, 100% zero-emission drayage trucks by 2035, and 100% zero-emission medium and heavy-duty vehicles (everywhere feasible) by 2045.
- The Governor's Office of Business and Economic Development shall develop a Zero-Emissions Vehicle Market Development Strategy by January 31, 2021, to be updated every three years.
- The State Air Resources Board, the Energy Commission, Public Utilities Commission, and other relevant State agencies, shall use existing authority to accelerate deployment of affordable fueling and charging options for zero-emission vehicles.
- The Labor and Workforce Development Agency and the Office of Planning and Research, shall develop, by July 15, 2021, and implement, a Just Transition Roadmap, consistent with the recommendations in [AB 398](#) (Chapter 135, Statutes of 2017).

In addition to zero-emission vehicle provisions, the Governor's Executive Order calls on the Legislature to eliminate hydraulic fracking by 2024, which he stated is, "less than 2% of the oil production in California." This includes directing the State Air Resources Board to develop and propose strategies to continue the State's current efforts to reduce the carbon intensity of fuels beyond 2030.

Investment Framework: Last year, Governor Newsom issued Executive Order N-19-19, which tasked the Department of Finance with creating a framework to align California's goals of lowering greenhouse gas emissions and achieving carbon neutrality with the asset management and investment policies of the state's three principal retirement systems – the California Public Employees' Retirement System (CalPERS), the California State Teachers' Retirement System (CalSTRS) and the University of California Retirement Plan. Consistent with the framework, Governor Newsom announced the following actions:

- **Establish a California working group to develop a practical and comprehensive climate risk disclosure standard.** A working group, comprised of relevant government agencies, pension funds, international climate disclosure researchers, non-profit organizations and institutional investors, would develop common climate risk disclosure standards that would be an international template for investors to use in assessing the financial risk associated with climate change.
- **Increase use of low-carbon strategies by the state's pension funds.** The state's pension funds should increase their allocation to low-carbon indexes and increase their investments in sustainable technologies and other green assets.
- **Become a signatory to the Coalition for Climate Resilient Investment.** California today signed on to join the public-private Coalition for Climate Resilient Investment, launched at the UN Climate Action Summit last year to form a cohesive fiscal understanding of climate risk for use by investors.

Climate Corp: Governor Newsom also announced the creation of the California Climate Action Corp. In partnership with California Volunteers and AmeriCorp, this program will provide fellowship opportunities working on urban greening, wildfire preparedness projects, and food waste programs. These volunteers will be placed with state and local governments, and nonprofits. In addition to the fellowship program, individuals will be able to sign-up to volunteer for projects in their community. More information can be found at: <https://www.californiavolunteers.ca.gov/climateactioncorps>

More Orders to Come: Newsom commented at the cleans cars event: “We're just getting started. We are working on a series of additional executive orders. We are committed more broadly on the whole spectrum of climate change to look at energy efficiency, to look at biodiversity, which is an area that often is undervalued and under focused and looking at other areas to strengthen our bonds in terms of our commitment and our resolve to advance our low-carbon green growth goals to radically change the way we produce and consume energy here in the state of California.”

Litigation Preview: Some have already pointed out that the order, as well as the CARB regulations will be met with litigation, just as California's stricter fuel standards already are being fought. We will keep you apprised.

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