

TO: Salton Sea Authority Board of Directors
FROM: Oracio Gonzalez, Ollin Strategies
DATE: June 2022
SUBJECT: California State Advocacy

This memorandum provides a summary of state fiscal and legislative developments related to the Authority's state advocacy.

On June 13, 2022, the Legislature adopted SB-154, the Budget Act of 2022, and transmitted it to the Governor. As adopted, the bill included \$100 million for Salton Sea restoration and mitigation efforts. While negotiations continue between the Governor and the Legislature on significant portions of the budget, it is unlikely the Salton Sea dollars will be impacted. As such, with this investment, the Governor will have invested \$140 million of the \$220 million he pledged to the Salton Sea as part of last year's budget. The Salton Sea Authority will work with the Administration and our legislative representatives to ensure the remaining \$80 million is included as part of the 2022-2023 state budget, which the Governor will release in January 2023.

While the Legislature has formally adopted a budget and transmitted it to the Governor, negotiations on a final budget agreement are ongoing and far from final. Under the Constitution, the Legislature is required to pass and transmit to the Governor a balanced budget by June 15 of each year. Historically, the budget adopted by the legislature to meet this deadline is more of a placeholder budget that sets the overall spend that will be authorized under the budget. The programmatic details of how those dollars will be spent, the "real" budget, is left to follow-on bills called Trailer Bills (bills that "trail" the budget") that are worked on through the end of the legislative session in August.

As noted in last month's report, as part of his updated budget, the Governor proposed a package of proposals to enable the Lithium Valley. At the moment, the expectation is that these proposals will be included as part of the Energy Trailer Bill, the budget follow-on bill that will include the programmatic budget language to implement the energy investments included in the budget. The Energy Trailer Bill will likely be adopted in August.

Summary of the Governor's Lithium Valley Package:

Permit Streamlining

Proposes language to make it easier for the California Energy Commission to delegate authority to the County to approve geothermal projects. This language will reinforce the current rulemaking by the CEC to delegate authority to counties to approve geothermal projects.

In addition, the Governor proposed language allowing the CEC to treat geothermal power plants up to 150MW as exempt under the Small Power Plant exemption.

Tax/Royalties:

Proposes a per ton tax on lithium. An initial tax would be placed on lithium production under 20,000 tons. The tax would then be increased once production goes above 20,000. The language released by the administration did not include the amount of the tax.

Revenues generated by the tax will be distributed to the State and Imperial County. Specifically, 80% will be distributed to Imperial County, with the remaining 20% going to the state for (1) operations and maintenance of Salton Sea projects; (2) Restoration projects that exist or are developed by the state pursuant to the 10-year Salton Sea Management Plan or applicable Water Board Orders and; (3) grants for community engagement, public amenities, capital improvements or other community benefits at or around the sea.

Incentives

Proposes a \$15 million sales and use tax exemption for projects that manufacture, refine, extract, process, or recover lithium.

Proposes to move two existing green tax credit programs to the Energy Commission as a grant program with \$1.05 billion to assist companies engaged in lithium. Grants would be paid back plus an interest rate to be determined via a stakeholder engagement process.

Transmission

Proposes to fund a 1 gigawatt transmission line from Imperial County to accelerate the procurement of geothermal.

Education

Invests \$80 million to expand San Diego State University's Brawley Center.