

TO: Salton Sea Authority Board of Directors
FROM: Oracio Gonzalez, Ollin Strategies
DATE: March 2023
SUBJECT: California State Advocacy

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

State Fiscal Developments

In November 2022, the State's non-partisan Legislative Analyst's Office projected that the state would face a \$25 billion deficit for the 2023-24 budget planning cycle. In January, the Governor announced that the budget shortfall would be closer to \$23 billion. Since that time, the state's financial outlook has deteriorated and the deficit is now projected to be higher by several billion dollars.

It is unclear how the state's deteriorating fiscal position will impact budget negotiations, but if things continue on a downward trend, the Governor may be forced to expand the budget solutions he proposed in January to balance the budget, including the number and size of programs subject to automatic reductions ("trigger cuts") and expanding the number and size of programs that will be delayed. As of January, the Governor had proposed funding delays totaling \$7.4 billion and "Trigger Reductions" totaling \$3.9 billion.

The Governor will submit an updated budget on May 10, 2023. The legislature is required to pass a balanced budget to the Governor by June 15, 2023.

The Authority will continue to advocate for the final budget to maintain the proposed \$80 million for the Salton Sea the Governor proposed in January.

Legislation

The Authority continues to monitor a number of legislative proposals related to the Salton Sea region. In terms of process, most of these proposals will be heard over the month of April in legislative policy committees. If they advance from their policy committee hearings, the proposals will then be referred to each chamber's fiscal committee. Given the state's deteriorating financial position, it is likely many of these proposals will be amended down or outright held/killed by this committee.

Proposals that advance from the fiscal review committee must then be passed by a majority vote of their respective legislative chamber by June 2, 2023.

Lithium Valley

On March 20, 2023, Governor Newsom visited the Imperial Valley to observe the progress being made to transform the region into a global hub for lithium production. The Governor was accompanied by Natural Resources Secretary Wade Crowfoot, Environmental Protection Secretary Yana Garcia, Authority Directors Kelley and Tortez, Congressman Ruiz, Assemblymember Garcia and Lithium Valley Commission Chair Silvia Paz.

Legislation:

SB 583 (Padilla): Establishes the Salton Sea Conservancy within the California Natural Resources Agency. On March 20, 2023, the legislation was amended with substantive language to establish the conservancy. However, this was done to meet the requirement that intent bills be amended with substantive language before they can get referred to policy committee. The Senator has made clear he still intends to convene stakeholders to develop the bill.

AB 1567 (Garcia): Safe Drinking Water, Wildfire Prevention, Drought Preparation, Flood Protection, Extreme Heat Mitigation, and Workforce Development Bond Act of 2023. Will place a bond before voters in the amount of \$15,105,000,000 pursuant to the State General Obligation Bond Law to finance projects for safe drinking water, wildfire prevention, drought preparation, flood protection, extreme heat mitigation, and workforce development programs. At present, the measure contains placeholder language directing \$240 million toward the Salton Sea. Of this amount, \$30 million is earmarked for the Salton Sea Authority.

AB 827 (Garcia): Public health: pulmonary health: Salton Sea region. Would require the State Department of Public Health to conduct a study of the pulmonary health of communities in the Salton Sea region. The bill would also make related findings and declarations.

AB 1562 (Garcia): Southeast California Desert Valleys Economic Zone. This bill would declare the intent of the Legislature to subsequently amend this measure to include provisions that would establish the Southeast California Desert Valleys Economic Zone to include Imperial Valley, Eastern Coachella Valley, and Palo Verde Valley. The bill would further express the intent of the Legislature that this regional economic zone be recognized by federal, state, and local governments, and be eligible to compete for funding and investments.

AB 1569: (Garcia): Salton Sea geothermal resource area: Lithium Valley Office of Development. This bill would establish the Lithium Valley Office of Development within the Natural Resources Agency. The bill would require the office, in consultation with relevant state and local agencies, to coordinate activities related to funding, economic development, construction, manufacturing, technical development, and reclamation of lithium located in the Salton Sea geothermal resource area.

AB 1579: (Garcia) Vehicles: batteries. This bill states the intent of the Legislature to enact legislation that would require, beginning in 2035, electric vehicles used for state purposes to be equipped with lithium-ion batteries that are sourced from operations with near-zero carbon footprints. The bill would make related findings and declarations.

AB 1593: (Garcia) California Workforce Development Board: Salton Sea geothermal resources area: Equitable Access Program. Existing law establishes the California Workforce Development Board as the body responsible for assisting the Governor in the development, oversight, and continuous improvement of

California’s workforce investment system and the alignment of the education and workforce investment systems to the needs of the 21st century economy and workforce. Existing law requires the board to assist the Governor with specified tasks, including developing and continuously improving the statewide workforce investment system. This bill would establish the Equitable Access Program to be administered by the board to prioritize employment opportunities in construction, manufacturing, technical, maintenance, operations, or reclamation activities for residents in the Salton Sea geothermal resources area. The bill would, among other things, require the board to administer the program by providing technical assistance, and establish a framework for, preapprenticeship, registered apprenticeship, and other training programs using the high road construction careers model or high road training partnerships model, and to monitor and track the rate residents of the Salton Sea geothermal resources area are hired on construction projects in the Salton Sea geothermal resources area that involve battery manufacturing and lithium-based technology. This bill contains other related provisions.

SB 471: (Padilla): Corporation Tax: hiring credit: lithium extraction: battery manufacturers. (I-2/13/2023)

The Personal Income Tax Law and the Corporation Tax Law allow various credits against the taxes imposed by those laws. This bill would allow a credit against those taxes to a qualified taxpayer for each taxable year beginning on or after January 1, 2023, in an amount equal to the qualified wages paid to a qualified full-time employee, as defined, hired prior to January 1, 2028. The bill would define “qualified taxpayer” for this purpose to mean a person or entity located in the County of Imperial or in specified parts of the County of Riverside, and that is primarily engaged in the business of lithium extraction or electric battery manufacturing. The bill would define “qualified wages” as those wages paid or incurred for work performed by a qualified full-time employee within the 36-month period beginning on the first day the employee commences employment with the qualified taxpayer. The bill would require that, if a credit is allowed to a qualified taxpayer, and the employment of the qualified employee is terminated within the first 36 months of employment, the tax imposed in the year of termination is increased by the amount of the credit received, except as provided. This bill contains other related provisions and other existing laws.