



TO: Salton Sea Authority Board of Directors
FROM: Oracio Gonzalez, Ollin Strategies
DATE: March 2024
SUBJECT: California State Advocacy

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

Fiscal

On March 6, 2024, the Governor's proposal to invest \$65.2 million on Salton Sea restoration programming as part of the 2024-25 state budget was heard before Assembly Budget Subcommittee 4 on Climate Crisis, Resources, Energy and Transportation. During the hearing, the Legislative Analyst's Office (LAO), which advises the legislator on policy and fiscal matters, recommended that the legislature approve only two components of the proposed investment totaling approximately \$5 million. Specifically, the LAO recommended that the legislature approve "approximately \$700,000 in 2024-25 and \$1.2 million in 2025-26 and ongoing for eight positions to maintain and operate existing projects that are complete or nearly complete," as well as \$3 million for the state's share of costs for the Imperial Streams Salton Sea Feasibility Study.

With respect to the remaining \$60 million included in the Governor's proposal, the LAO recommended the legislature consider other sources of funding instead of the general fund, including bonds, lithium tax revenues, general fund appropriations built into the SSMP's baseline budget and special funds, like a dedicated revenue stream from the Greenhouse Gas Reduction Fund.

While the legislature can, and has in the past, rejected recommendations from the LAO, realistically, given the over \$73 billion deficit facing the state, the lack of support from LAO makes it unlikely the legislature will approve the full \$60 million proposed by the Governor.

The next hearing on the Governor's proposed investment will take place on April 18 before Senate Budget Subcommittee 2 on Resources, Environmental Protection and Energy.

In terms of process, the subcommittees will likely wait until after the Governor releases his May Revise, an updated budget proposal incorporating the latest state revenues, before taking formal action on the proposal. Once the subcommittees take action, likely in mid-May, the Senate and Assembly budget committees will meet to adopt each house's version of the budget. Any

differences in either house's budget will be worked out in a conference committee before a final budget is submitted to the governor by the June 15, 2024 constitutional deadline.

Legislative

The following bills of relevance to the Salton Sea Authority have been introduced for consideration by the legislature.

Air Quality

AB 1834 (Garcia), previously a spot bill that would have addressed air quality concerns at the Salton Sea, Mr. Garcia has repurposed the bill to another area of policy. Mr. Garcia remains open to addressing air quality as part of the budget process.

SB 967 (Padilla), would require the University of California to develop and implement a pilot project in the County of Imperial and the Coachella Valley designed to develop a 3-day wintertime regional dust forecast capability and a dust storm early warning system for the monsoon season. In developing the project, the University would identify community strategies and focus on providing actionable information to historically underserved communities.

Location: Senate Committee on Education.

Hearing date: 3/20/2024

Economic Development

AB 2757 (Garcia): would establish the Southeast California Economic Region to align state and federal programs, services and funding to promote the economic expansion of the communities most affected by the development of the Lithium Valley and other clean energy projects. Further, the bill will require the Labor and Workforce Development Agency, the Governor's Office of Planning and Research, and Go-BIZ to develop a list of programs that will utilize the Southeast California Economic Region designation and boundaries in program and service delivery, planning activities, and making funding awards. The boundaries of the zone are defined as follows:

All unincorporated areas of the County of Imperial, including, but not limited to:

Bombay Beach.

Desert Shores.

El Centro Naval Air Facility CDP, California.

Heber.

Niland.

Ocotillo.

Palo Verde.

Salton City.

Salton Sea Beach.

Seeley.

Winterhaven.

All unincorporated areas of the County of Riverside, including census-designated places, that lie south of the 33rd parallel north and west of the 116th meridian west.

In addition, the follows incorporated communities are included:

The City of Brawley.

The City of Calexico.

The City of Calipatria.

The City of El Centro.

The City of Holtville.

The City of Imperial.

The City of Coachella.

The City of Indio.

The City of Westmorland.

Location: Assembly Committee on Jobs, Economic Development and the Economy

Hearing date: Not yet set.

AB 2922 (Garcia), would reauthorize the Capital Investment Incentive Program (CIIP) until January 1, 2035. The CIIP allows local governments to offer a partial property tax abatement for qualified manufacturing facilities for assessed property values in excess of \$150 million. The program, which is being used to help develop the Lithium Valley, expired in January 2024.

Location: Assembly Committee on Local Government

Hearing date: Note yet set.

SB 1309 (Padilla): would direct the California Energy Commission (CEC), in consultation with other state agencies, including the Governor's Office of Business and Economic Development (Go-Biz) and the California Workforce Development Board, to establish a Lithium Battery Production Council to conduct an economic analysis on workforce development needs, infrastructure needs, sewage and wastewater treatment, and housing needs for lithium battery production.

Location: Senate Committee Utilities, Energy and Communications

Hearing date: 3/19/24

Misc.

AB 2610 (Garcia), would expand the state's authority on the take of species to, in addition to the Quantification Settlement Agreement, also include impacts attributed to implementation of the Salton Sea Management Program and any water conservation agreements negotiated between the Imperial Irrigation District and the US Bureau of Reclamation to implement the Lower Colorado Rivera Basin System Conservation and Efficiency Program for the year's 2024 to 2026, inclusive. At present, IID is negotiating an agreement to conserve 800,000 acre-feet of Colorado River water during 2024-2026.

Location: Assembly Committee on Water, Parks and Wildlife
Hearing date: Note yet set.

SB 974 (Grove), would change the amount of funding being deposited into the Salton Sea Lithium Fund, the fund created to receive 20% of revenues generated from the lithium production tax, to only 20% of the revenues collected from lithium recovered within Imperial County. Under current law, 20% of all revenues generated by the tax are to be deposited in the Salton Sea Lithium Fund. The act would further require that 20% of the revenues generated from lithium recovered in Kern County be distributed to the communities most directly impacted by lithium extraction activities in the county.

Location: Senate Committee on Revenue and Taxation
Hearing date: Not yet set.

General Obligation Bonds

AB 1567 (Garcia), will place a \$15.9 billion general obligation bond before voters in November 2024. Of this amount, \$400 million is proposed for the Salton Sea, consisting of \$119 million in “shifted” funds and \$281 million in new dollars for Salton Sea restoration. Of the new dollars, the bond would set aside \$30 million for the Salton Sea Authority. Separately, the bill would provide \$15 million for a Salton Sea conservancy.

Location: Senate Committee on Natural Resources and Senate Committee on Government and Finance
Hearing date: Not yet set.

SB 867(Allen), would place a \$15.5 billion general obligation bond before voters in November 2024. The measure includes \$100 million for Salton Sea restoration activities.

Location: Assembly Committee on Natural Resources
Hearing date: Not yet set.