



TO: Salton Sea Authority Board of Directors
FROM: Oracio Gonzalez, Ollin Strategies
DATE: April 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 April 15, 2024, the Governor signed an early action budget bill, AB 106, with over \$17.3 billion in reductions to state spending designed to bring the current projected deficit, estimated at between \$38 billion and \$73 billion, to a more manageable figure. Specifically, AB 106 included \$3.6 billion in reductions (primarily to one-time funding), \$5.2 billion in revenue and borrowing, \$5.2 billion in delays and deferrals, and \$3.4 billion in shifts of costs from the general fund to other state funds. While the Governor's Salton Sea proposal was not addressed as part of the early action proposal, it remains uncertain given the state's financial position.

This Thursday, April 18, 2024, the Governor's proposed investment of \$65.8 million in the Salton Sea will be heard before Senate Budget Subcommittee 2. As noted in a previous report, the Legislative Analyst's Office (LAO), which advises the legislator on policy and fiscal matters, is recommending the legislature approve only two components of the Governor's proposed investment totaling approximately \$5 million. Specifically, the LAO is recommending 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, the LAO is recommending the legislature consider using sources of funding other than the general fund, including bonds, lithium tax revenues, general fund appropriations built into the SSMP's baseline budget or 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 state's financial position, the lack of support from LAO makes it difficult for the legislature to approve the full \$65.8 million proposed by the Governor.

In terms of process, the subcommittees will wait until after the Governor releases his May Revise, an updated budget proposal incorporating the latest state revenues, before taking formal action on the Salton Sea proposal. Once the subcommittees act, likely in mid to late 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

Both proposals endorsed by the Authority during last month's board meeting, AB 2922 and AB 2757, have been passed out of policy committee and onto the appropriations committee.

AB 2757 (Garcia): will 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. 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 Appropriations

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 Appropriations

Below are other bills of relevance to the Salton Sea that the Authority is tracking.

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 on Appropriations.

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 Appropriations

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.