



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

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

### **Fiscal**

On May 10, 2024, the Governor released his May Revise, an update to his January state budget proposal reflecting the most up to date cash inflows to the state. At present, the Governor is estimating an operating deficit of \$27.6 billion over the 2024-25 planning cycle. This figure is net of the "early action" budget proposals discussed in last month's report, which reduced the deficit by \$17.3 billion. The Governor is also projecting that the state will experience ongoing deficits of approximately \$30 billion a year beginning in 2025. It is expected the Legislative Analyst Office, which advises the legislature on the budget and other executive branch activities, will estimate a budget deficit of around \$50 billion—but perhaps as high as \$20 billion larger than the figure reported by the Governor.

Regardless of what the final projected deficit the legislature and Governor will have to address as part of the 2024-25 state budget, the final budget will have to include significant cuts and delays to programs to bring it into balance. To that end, as part of his May Revise, the Governor is proposing to shift the \$65.8 million in general fund dollars for the Salton Sea included in his January budget to the Greenhouse Gas Reduction Fund (GGRF). The GGRF is a state account used to deposit proceeds collected under the state's Cap-and-Trade program, which sets a cap/limit on total GHG emissions that declines over time. Emitters, such as oil refineries and power plants, purchase, sell, and trade carbon allowances during quarterly auctions run by the California Air Resources Board, proceeds from which are deposited into the GGRF. Over the past three years, individual quarterly auctions have generated an average of \$1.1 billion in revenue, with annual amounts averaging \$4.2 billion.

Under current law, about 65 percent of auction revenue is continuously appropriated to select projects and programs, including the state's high-speed rail project, affordable housing, transit, and safe drinking water. In addition, \$200 million is continuously appropriated each year for forest health and wildfire prevention activities. The remaining revenue, and where the Salton Sea allocation will come from, is available for appropriation by the Legislature through the annual budget.

In terms of process, the legislature has until June 15, 2024, to pass a balanced budget to the Governor for his signature.

### **Legislative**

Below is the status of the measures the Authority has voted to support.

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, Suspense File

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: Senate Rules Committee, awaiting assignment to policy committee (passed by the Assembly on May 9, 2024 with 65 votes in favor).

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, Suspense File

Other bills the Authority is tracking.

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, Suspense File

*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.