



**To:** RCRC Board of Directors  
**From:** Paul A. Smith, Vice President Governmental Affairs  
Governmental Affairs Staff  
**Date:** January 8, 2019  
**Re:** 2019 State Legislative Crystal Ball

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### **Summary**

This memo provides a brief look into key issues RCRC staff will be engaged in during the 2019 State Legislative Session. These key issues include:

- Senate Bill 901 (Dodd) Implementation
- Land-Use Restrictions/Fire
- Status of Investor-Owned Utilities
- Sustainable Groundwater Management Act
- Senate Bill 1383 (Lara) Organics Implementation
- Reboot of Senate Bill 623 (Monning)
- Revisiting Redevelopment Agencies
- Housing
- In-Home Supportive Services

### **Background**

2019 will be a year of anticipation, particularly with issues before the Legislature and newly sworn-in Governor Gavin Newsom. As a result of the November General Election, Democrats now enjoy supermajorities in both legislative chambers. Specifically, the Democrats hold 60 of the 80 seats in the State Assembly while holding 29 of the 40 seats in the State Senate. Having more than a 2/3rds majority in both houses allows Democrats to increase/impose new tax levies, place constitutional amendments on the ballot, and adopt governing rules of each house with no input or assistance from Republicans.

Nowhere is the anticipation greater than what decisions will confront Governor Newsom this year. Many expect a noticeable turn in both the substance and style of governance vis-à-vis former Governor Jerry Brown. Despite early suggestions by the Governor Newsom that he will govern in the model of former Governor Brown, he is likely to have a number of bills placed on his desk that had been previously vetoed or dramatically reshaped by previous governors. Legislators and key interest groups have expectations that these measures will now be signed into law.

Also, with a new governor, hundreds of key state positions will need to be filled. Of concern will be Governor Newsom's appointments in state agencies that have a profound

impact on RCRC's member counties. These include the Director of the Department of Fire and Forestry Protection (CAL FIRE), the Secretary of the Natural Resources Agency, the Secretary of the California Environmental Protection Agency, the Secretary of the Department of Food and Agriculture, and the Director of the Department of Resources Recycling and Recovery (CalRecycle). Equally important are appointments to boards and commissions such as the Air Resources Board (ARB) and the State Water Quality Control Board.

### **Issue**

The following list of issues are key RCRC priorities in the 2019 Legislative Session:

**Senate Bill 901 (Dodd) Implementation** – Without question, the implementation of the recently-enacted Senate Bill 901 will be RCRC's highest priority. A significant portion of SB 901 addresses wildfire management issues. Specifically, RCRC staff will be working to ensure that \$200 million will be appropriated to CAL FIRE for improving our state's areas that face high wildfire risks. Furthermore, we will be working with CAL FIRE to identify the areas of the state where the risk is most prevalent.

**Land-Use Restrictions/Fire** – The recent devastating wildfires – namely the Tubbs Fire (Sonoma County), the Carr Fire (Shasta County) and the Camp Fire (Butte County) – have called into question the land use practices of cities and counties. The practices include siting of residential development in the wildland-urban interface as well as ingress/egress for communities that face a threat of devastating fires. RCRC staff has begun dialogues with legislators who are planning to introduce bills to either restrict, curtail, and/or prohibit these decisions from being made at the local level.

**Status of Investor-Owned Utilities** – It has been determined that a number of high-profile and destructive wildfires have been caused by one or more of California's Investor-Owned Utilities (IOU's). As such, there is much discussion about the future of these IOU's, namely PG&E. PG&E's liability in these wildfires may bring it to file for bankruptcy protection. As such, one of the options being considered in the Legislature is some form of 'break-up' of PG&E. Options include making all/parts of PG&E's service territory municipal or making segments of PG&E smaller, but retain these segments as an IOU. Senator Jerry Hill (D-San Mateo) has been a long-time critic of PG&E and has committed to authoring legislation this year to significantly re-structure PG&E. Such a policy discussion will have a profound impact on nearly every RCRC-member county. Also, it is expected that PG&E will, once again, pursue a change in its legal liability status commonly known as inverse condemnation. RCRC staff expects to be fully engaged in these two policy questions throughout 2019.

**Sustainable Groundwater Management Act** – Despite two years of on-and-off conversations, the Legislature continues to struggle with how to promote sustainability in California's most over-drafted aquifers. It is anticipated that this discussion will occur once again in the Legislature, and may involve further efforts to articulate whether, and under what conditions, use of excess surface water flows for groundwater recharge constitutes a "beneficial use." The emergency drought action plan authorized a streamlined permit and review process by the State Water Resources Control Board for these purposes, and may provide a framework for this discussion. Although only used by a couple of agencies, diverting high flows in extreme precipitation events to "flood" an

area for recharge purposes – essentially mimicking historic flood activities prior to the development of the state’s water infrastructure - shows some promise of providing relief to those areas with significantly over-drafted groundwater basins. RCRC staff has already been in preliminary conversations with other stakeholders interested in providing guidance in this area.

**Senate Bill 1383 (Lara) Organics Implementation** – SB 1383 established specified targets for reducing organic waste in landfills, requiring 50 percent diversion of organics from landfills by 2020, and 75 percent by 2025. CalRecycle, in consultation with the ARB, is required to adopt regulations to meet the specified organic waste reduction goals. RCRC has been engaged throughout the informal processing of the regulations this past year and was successful in delaying implementation of the regulations in rural counties with populations of less than 70,000 persons until 2025, as well as low-population areas of all counties (less than 50 people per square mile) for two-year periods, upon approval by the CalRecycle.

There are many remaining concerns with the implementation of the proposed regulations that RCRC, along with other stakeholders, will continue to discuss with the Administration in an effort to find feasible solutions. CalRecycle anticipates commencement of the formal regulatory process in January 2019, and expects adoption by the end of the year. While the regulations will not take effect until 2022, adopting them early provides the regulated entities time to plan and implement any necessary budgetary, contractual, and other program changes.

**Reboot of Senate Bill 623 (Monning)** – Providing safe drinking water to economically disadvantaged communities which are dependent on groundwater as their primary/only source of drinking water continues to be a priority for Senator Bill Monning (D-Monterey). Senator Monning has convened interested stakeholders to discuss “next steps” in light of the defeat of his SB 623 in 2018. For the 2019 Legislative Session, alternative approaches could include a “water tax” – a provision contained in SB 623 to provide reliable long-term operations and maintenance funding for vulnerable water systems. The Association of California Water Agencies has also circulated an alternative proposal to the “water tax” which is predicated on the Legislature’s agreeing to fund a “trust account” of \$750 million to fund the operations and maintenance needs of water providers in qualifying communities.

Prior to the adjournment of the 2017-18 Session, Assembly Speaker Anthony Rendon (D-Lakewood) asked Assembly Members Eduardo Garcia (D-Riverside) and Heath Flora (R-Stanislaus) to serve as leads for the Assembly in working with Senator Monning and interested stakeholders on this issue. Although those conversations have yet to be commenced, the Speaker’s interest creates the expectation of some activity on this subject.

**Revisiting Redevelopment Agencies** – The Legislature has already seen the introduction of bills that would re-establish redevelopment agencies (RDA’s), commonly referred to “RDA 2.0.” In 2011, the Legislature and Governor Brown enacted legislation which abolished RDA’s in an effort to reduce pressure on the state General Fund. Previously constructed RDA’s created a loss of local property tax revenue that would otherwise be dedicated to public education, thereby increasing the state’s financial

commitment to schools under the Proposition 98 guarantee. In addition, under previous RDA schemes, there was also a significant loss of property tax dollars that counties would otherwise retain.

Cities, primarily led by the League of California Cities, are sponsoring legislation to reestablish RDA's; however, current efforts would contain a local option for counties on whether to surrender their property tax dollars to the RDA. Intertwined with the conversation of reestablishing RDA's is the role they play in addressing affordable housing. RCRC staff will be engaged in the debate over RDA 2.0 to ensure that property tax dollars are not re-directed from counties unless counties agree to this re-direction.

**Housing** – Expect 2019 to be another significant year for housing-related measures. Following a 15-bill housing package in 2017, voters approved two housing-related propositions in November. Proposition 1 authorized \$4 billion in General Obligation bonds for existing housing programs, while Proposition 2 clarified that Mental Health Service Act funds could be utilized for the debt service on \$2 billion in bonds issued to fund construction of permanent support housing. These efforts are far from sufficient to address California's significant housing shortage. During his campaign in 2017, Governor Newsom stated that he will lead an effort to build 3.5 million new housing units by 2025. This equates to approximately 500,000 new homes a year, which far outpaces the current annual construction of approximately 80,000 new units a year. This substantial increase in residential building will undoubtedly come at a cost to local governments. Governor Newsom cited several actions that could be taken to increase housing stock in California, including holding local governments accountable for not meeting regional housing need assessment goals – including withholding transportation money from those failing jurisdictions. Additionally, a legislatively mandated report on the Mitigation Fee Act is expected to be released in the Spring, presumably spawning legislative attempts to limit local impact and development fees on new residential housing. RCRC, and a coalition of local government partners, have been in communication with the Department of Housing and Community Development as well as key legislative offices on land use planning concerns, and will continue to engage the new Administration on the importance of maintaining land use and mitigation fee decisions at the local level.

**In-Home Supportive Services** – Two years ago during the enactment of the 2017-18 State Budget package, a dramatic cost-shift from the state to counties was made in association with the In-Home Support Services (IHSS) program. This cost-shift was crafted by the Brown Administration and leaders from the California State Association of Counties (CSAC). Unless alterations are made to that previously-adopted effort, the 2019-20 State Budget will rely on counties absorbing a much higher share of cost. Because of the nature of the cost-shift formula, counties will need to have this looming cost addressed by CSAC as there are no uniform impacts based on the size or location of a county/group of counties. RCRC staff will remain engaged with the discussions of IHSS funding, and specifically how to minimize the accelerating cost-shift, during the budget process.

### **Staff Recommendations**

Information only. RCRC staff anticipates a number of conversations and possible action on each of these key issues throughout the year.