

MONTEREY PENINSULA WATER MANAGEMENT DISTRICT

2019 END OF THE YEAR REPORT

PREPARED BY JEA & ASSOCIATES

Brief Overview

This 2019 legislative session marks the first year of the two-year session, but most notably the first year of the Newsom Administration. In his inaugural year, he faced some bold new issues, but notably many were controversial carryover issues from previous years. Some of this year's biggest issues were redefining law enforcement's "use of force", narrowing vaccine exemptions, rent control, PG&E's liability and bankruptcy settlement, redefining employment in the gig economy and finally resolving the water tax.

Budget Highlights

Since the passage of Proposition 56 in 2004, the Legislature and Administration enacted a budget on time, with Newsom signing a \$215 billion budget – the highest in CA's history.

Water – For this budget deal to come together, Newsom had to abandon his proposed \$140-million tax on residential, commercial and agricultural water users — money he said was needed for helping communities without a reliable source of clean drinking water. Democrats in the Senate were among the tax's most vocal opponents, many keenly aware of growing criticism that water bills would be going up even though the state expects a multibillion-dollar revenue windfall in the coming months.

Instead, lawmakers will spend \$133.4 million on clean water projects, with the lion's share of the cash coming from proceeds raised by the sale of greenhouse gas emission credits — the centerpiece of California's cap-and-trade program. The proposal envisions drinking water programs will continue to be funded from the climate change program, thus avoiding an additional burden on the state's general fund. *(more below)*

Health Mandates and Expansions – Starting January 1, Covered California will begin offering subsidies that could average more than \$100 a month to Californians who earn between 400 and 600 percent of the federal poverty level. That's roughly between \$50,000 and \$75,000 for individuals, and between \$103,000 and \$155,000 for families of four. The state will also expand its subsidies to lower-income consumers.

But to help pay for the new subsidies, the state will create its own health insurance mandate and penalty, replacing the federal fine for not carrying insurance that was terminated two years ago.

That means starting next year, if you can afford health insurance but choose not to get it, you'll be charged a \$695 penalty or 2 percent of your household income — whichever is larger — when you pay your taxes. The fine is half as big for minors without insurance.

Meanwhile, California's low-income health care program, Medi-Cal, will begin next year offering coverage to income-eligible young adult immigrants up to age 26 living in the state illegally. Currently, Medi-Cal only covers undocumented children up to age 18.

Education - The spending plan will begin funding Newsom's push toward universal pre-kindergarten by increasing preschool slots for income-eligible four-year-olds. There's also money for child care: new slots and higher provider rates for all ages, funded largely through cannabis tax revenues under voter-approved Proposition 64.

There's record-high funding of \$81 billion for K-through-12 schools and community colleges.

Homelessness – A whopping \$2.75 billion in total. This includes \$500 million to construct roads, water and sewage at infill development sites where housing can't yet be built, and \$650 million for local governments in homelessness emergency aid.

911 Overhaul - The budget deal includes Newsom's proposal to reshape and grow California's fee on landlines and cell phones to modernize the State's "911 system". Democrats used their legislative supermajorities to reach the necessary two-thirds threshold for a fee increase.

MPWMD 2019 Policy Issues –

AB 1184 (Gloria) - This bill would require state and local public agencies to retain every public record transmitted by e-mail for at least two years. AB 1184 purposefully endeavors to create an unfunded mandate on local agencies by placing this major new retention requirement into the CPRA, specifically to avoid reimbursing local agencies for a new program or higher level of service. MPWMD opposed this legislation, and JEA & Associates testified in the policy committees to this. In response to the opposition, the Governor vetoed the bill, stating, "This bill does not strike the appropriate balance between the benefits of greater transparency through the public's access to public records, and the burdens of a dramatic increase in records-retention requirements, including associated personnel and data-management costs to taxpayer."

SB 669 (Caballero) – This bill establishes the Safe Drinking Water Fund (Fund) to assist community water systems in disadvantaged communities; creates the Safe Drinking Water Trust Fund (Trust) to receive funding from the state and provide the fund source to the Fund; and, establishes the Safe Drinking Water Trust Commission (Commission) to serve as the trustee of the Trust.

This was the Association of California Water Agencies (ACWA) alternative to the water tax and was supported by the City. Due to the Governor abandoning the water tax and appropriating \$130 million from the budget to fund the water safety program – the bill was “parked” in Appropriations Committee as it became unnecessary.

Monning Water Tax – Like his predecessor, Governor Newsom pledged his support for a water tax to fund safe drinking water projects. And like last year, the MPWMD took an oppose position during budget hearings arguing our support for ACWA’s alternative funding and not a mandated tax on ratepayers. Since Senator Monning’s commitment to this tax back in 2017, the MPWMD has continually engaged him and his staff on how problematic the bill is for the MPWMD and its ratepayers. With constant pressure from local water agencies like MPWMD and Legislative disdain for another tax, the Governor dropped the water tax issues and funding the safe drinking water program through the budget.

State Water Resource Control Board (SWRCB) and Department of Water (DWR) – In March, General Manager, Dave Stoldt met with SWRCB Member Sean MacGuire, as well as SWRCB staff to discuss MPWMD’s FI\$CaL and Condition II issues as part of our ongoing dialogue. Subsequently, in July he met with the SWRCB Chair, Joaquin Esquivel on both of these issues and while the FI\$Cal issue had been resolved by us working with Assemblymember Rivas’ office and them intervening – Condition II will continue to be an issue until their draft analysis is complete. Additionally, in July, Mr. Stoldt and JEA & Associates met with Natural Resources Agency Secretary Wade Crowfoot on two important issues. The first being the current inability to use IRWM funds for compliance obligations and has been recently resolved as a result. The second pertains to concerns/issues with the Fisheries Restoration Grant Program (FRGP) and the absolute lack of funding for MPWMD over a significant period of time. Secretary Crowfoot assured us that he would follow-up once solicitation gets closer – which is expected early next year.

Legislative Visits – During Mr. Stoldt’s March visit, JEA & Associates took the opportunity to meet with MPWMD’s legislative delegation on various issues. In conjunction with attending the Joint Legislative hearing on the heavily-debated water tax, we met with Senator Caballero and Assemblymember Rivas to discuss Pure Water Monterey, the water tax and Caballero’s SB 669, as well as the FI\$Cal issue, which was subsequently resolved due to these conversations. Additionally, we met with Assemblymember Stone to provide an update on Measure J and eminent domain and, in particular, what MPWMD is doing to comply with both. In July, we met with the delegation again, including Senator Monning’s staff and followed-up on many of these issues and thanked them for their assistance in trying to resolve some of them.

On the Horizon

Elections – Next year’s general election will not change party-control of the Legislature, but it will bring new senate representation for MPWMD. After eight years in the Senate, and four in the Assembly, Senator Monning is termed out of his seat. Although four candidates have declared their intent for the seat, it is widely presumed that former-Secretary of Natural Resources John Laird will

claim victory in November. While MPWMD has had a good relationship with Laird, we may want to consider some outreach to him and his policy staff prior to November to educate him on our priorities.

Initiatives – Like every election year, we anticipate a multitude of initiatives on the ballot. Over the course of the next 8-10 months, as initiatives qualify for the ballot, we will be asking the Legislative Committee take positions on those impacting MPWMD and its ratepayers. Thus far, Proposition 13, which is a \$15 billion bond for educational facilities, has qualified for the March 2020 primary election. We also anticipate another water bond, and initiative that will overturn 2018’s legislation that eliminated the bail money system and a split-roll ballot measure that will overhaul how businesses property taxes are assessed.

Outlook for 2020 –

- **Water Bond** – As mentioned above, we anticipate the Legislature passing another bill to put a water bond on the November ballot. Since the introduction of several water bond measures this mid-summer, JEA & Associates and MPWMD have been reviewing language and having discussions with the author’s offices, ACWA and other stakeholders. JEA & Associates will begin setting up meetings with our legislative delegation and the authors offices to discuss particulars of the potential bond. Dependent on that outcome, MPWMD will play a role in the advocacy of the water bond that is put forth, through JEA & Associates and possibly working in conjunction with ACWA.
- **Fisheries Restoration Grant Program** – As mentioned above, we met with Secretary Crowfoot on MPWD’s concerns with the lack of funding available and received from this grant program. In looking at funding for some Carmel River projects and monitoring of the entire watershed, MPWMD will be looking at submitting an application for the next round of grants, with the solicitation expected in March/April. We will also explore meeting with Department of Fish & Wildlife staff to request data of these programs in regards to our failure to receive funds from them.
- **CalAm/Desal Plant** – We anticipate stakeholders, as well as legislators and the Administration to solicit MPWMD’s input on this ongoing issue. MPWMD will provide data and analysis and any “technical assistance” requested.
- **Condition II (ongoing)** – As mentioned above, MPWMD and JEA & Associates will continue to meet with SWRCB staff on this issue. Currently, we are at “status quo” until their draft analysis is complete and according to them, that date is unknown at this time.