



2024 STATE ISSUE BRIEFS



ECONOMIC DEVELOPMENT & TOURISM

ACC-OC supports legislation and regulatory relief that drives economic growth and enhances tourism in Orange County. Through collaboration with local businesses and tourism agencies, ACC-OC works with the county's leaders and business community to develop strategies and programs that attract investment, create jobs, and boost the region's economic vitality.

By leveraging Orange County's unique assets and attractions, including its cultural offerings and entertainment venues, the committee aims to position the region as a premier destination for visitors and businesses alike. Committed to inclusive growth, ACC-OC prioritizes initiatives that benefit all communities within Orange County and play a vital role in shaping the region's economic future.

Economic development initiatives attract investments, create job opportunities, and stimulate business growth, leading to increased prosperity and improved quality of life. By attracting businesses and industries, cities can diversify their economies, reduce dependency on specific sectors, and enhance resilience against economic downturns. Economic development also fosters innovation and entrepreneurship, providing a conducive environment for startups and encouraging research and development activities. Furthermore, the revenue generated from thriving businesses can be reinvested into enhancing public services, infrastructure, and social programs, benefiting residents, and creating a positive cycle of advancement.

In addition, addressing important public safety issues in local communities is critical to ensuring the future economic viability of cities. A lack of confidence in the safety of a community can discourage investment, deter businesses from establishing or expanding operations, and lead to a decline in tourism and visitor spending.

ACC-OC SUPPORTS:

- Public safety reforms that reduce the impacts of retail theft on local cities, help address the fentanyl crisis, and allow cities to respond to the impacts of homelessness – understanding and reflecting the impacts on local economic development, local sales tax revenues, and costs to respond.
- Promoting job growth and economic development, increasing our competitiveness as a tourism destination.
- Ensuring economic development programs consider current workforce trends, including emphasizing training for health care, tourism, and bio- and high-technology careers.
- Supporting new business creation and expansion of existing businesses through incentives and programs, including Opportunity Zones, California Competes Tax Credits, Manufacturing/R&D/Biotech Sales & Use Tax Exemption, and the New Employment Credit.
- Identify new and ongoing funding sources for economic and workforce development centered on inclusive growth, support for small businesses, family-supporting jobs, access to capital, and entrepreneurship.
- Reduce burdens and costs on the tourism industry, which is still struggling to recover from the pandemic.



TECHNOLOGY AND ARTIFICIAL INTELLIGENCE (AI)

Artificial Intelligence (AI) is pervasive in many industries today and increasingly valuable as a governance tool. It is of paramount importance for local, state and federal officials to adopt policies and practices that ensure responsible and ethical use of this technology, which can greatly improve areas such as public safety, transportation, and service delivery. However, AI also comes with potential risks, including privacy and criminal applications. By establishing clear guidelines and standards, local governments can safeguard against these risks and ensure that AI is deployed in a manner that benefits and respects their communities. Additionally, it is vital to promote transparency and accountability in AI systems, allowing citizens to understand how these systems work, have a say in their implementation, and protect their interests and well-being.

ACC-OC SUPPORTS:

- Creating policies that provide reasonable protections for public safety and privacy while supporting economic development and improving service delivery.
- Providing adequate funding for broadband infrastructure to support future technology needs.
- The development of policies that improve public broadband access and affordability.
- Increasing education programs that will help the public better understand how to use AI tools safely, understand AI-enabled technologies, and demonstrate future workforce needs.
- Ensure adequate public disclosure when using AI-automated systems and augmented critical decision processes.



ENERGY, ENVIRONMENT AND WATER

ACC-OC is dedicated to promoting sustainable practices and ensuring the responsible management of energy, environmental, and water resources in Orange County. As our cities plan for the future, ensuring sufficient resources to support the county and state's growing population is paramount. In addition, as drought, flood, and wildfire-related events increase annually, it is important to set aside funding to help build reliable and sustainable infrastructure.

Finally, CEQA has not been substantially evaluated or updated since its adoption in 1970. In order to meet state requirements, CEQA reform must be advanced to achieve state mandates in full compliance with the law while protecting against the potential impact of critical environmental hazards.

ACC-OC SUPPORTS:

- Creating a task force on CEQA modernization to comprehensively review potential reforms for all infrastructure types. The task force must include local agencies from across the state who represent various industry areas.
- Assisting local communities challenged by weather-related disasters.
- Significantly expanding water storage and reclamation projects to capture critical water supply during heavy rains and storm events to reduce drought-related impacts on cities.
- Streamline permitting to accelerate proactive electric grid build-out, ensuring timely delivery of electric infrastructure grid development.
- Coordination between state agencies to reduce the time it takes to execute major electric infrastructure projects.
- Support legislation to increase the amount of renewable hydrogen used in California.
- Support pathways to divert organic waste to pipeline biomethane and diverted organic waste to hydrogen.
- Streamline permitting to accelerate proactive electric grid build out, ensuring timely delivery of electric infrastructure projects to enable economic development.
- Coordination between state agencies to reduce the time it takes to execute major electric infrastructure projects.



HOUSING AND HOMELESSNESS

California is facing a housing crisis that continues to get worse each year. In Orange County, our cities have been working to address this crisis locally while simultaneously facing increasing regulation, litigation, and unfunded mandates that make building costlier and more time consuming. Despite these challenges, Orange County cities have achieved over the past decade the most significant levels of increased housing production in our history.

In fact, Orange County's annual housing production increased by over 300% between 2011 and 2021. Orange County cities, much like other cities across California, are challenged by the 6th cycle Regional Housing Needs Assessment (RHNA), which would require significantly increased production levels (nearly 23,000 new units annually, up from almost 7,000 annually in 2021). This is required in a truncated period compared to the 5th cycle, in which the numbers were more achievable. Without additional state support, resources, and reforms needed to build state mandated housing, many cities across the state may continue to fall short.

ACC-OC SUPPORTS

- Partnering with cities to provide incentives and flexibility to help increase housing production, including RHNA reform, California Environmental Quality Act (CEQA) reform, tax credits, and grants.
 - RHNA Reform:
 - Increase transparency by establishing procedures for HCD to publicize its data sources, analyses, and methodology prior to finalizing the regional determination and require HCD to establish and convene a panel of experts that would advise HCD on its assumptions, data, and analyses prior to issuing its final determination to a region.
 - Allow local jurisdictions to trade housing unit allocations or allow smaller jurisdictions to partner together to meet a subregional housing allocation.
 - Define in simple and easily understood terms “substantially compliant” with respect to housing elements to ensure objective criteria requirements are clearly understood by local cities.
 - Expressly allow local jurisdictions and councils of government to have legal standing to appeal HCD’s RHNA methodology and assumptions. Without an opportunity to have HCD decisions reviewed by an external entity, significant risks remain during the review and approval process for local agencies.
 - CEQA Reform:
 - Reduce barriers and burdens to building affordable housing, quality shelters, and temporary/permanent supportive housing.
- Provide long-term, stable funding for all types of housing, including home ownership.
- Collaborate with cities to provide additional tax revenues consistent with increased housing production.
- Protect investments made to the Regional Early Action Planning Grant (REAP 2.0) program as decisions on the Fiscal Year (FY) 2024-2025 State Budget unfold. REAP 2.0 is instrumental as we work to meet our collective, ambitious climate, housing, and mobility goals.
 - In Orange County, REAP 2.0 dedicates \$20.9 million for 17 projects including multimodal street re-designs, code updates to support increased density and infill housing, “missing middle” housing, mobility hub networks, transit improvements, pedestrian and bicycle infrastructure improvements, community engagement, technology tools to support Affirmatively Furthering Fair Housing as well as to reduce vehicle miles traveled and expand infill development, mixed-use development, and a low-to-zero-interest loan program to expedite accessory dwelling units.
- Provide resources to help cities build the infrastructure needed to expand services that new housing and population growth will require, including schools, sustainable water supplies, streets, roads, sewers, public transit, parks, and utilities.
- Work with cities on ways to improve public understanding of various housing types and how housing production differs from city to city.
- Establish tools for cities to facilitate infrastructure issues, such as waste management, water, and parking when new units are built in local neighborhoods.
- Allow for maximum flexibility for local agencies to implement programs under Proposition 1, particularly related to homelessness, behavioral health services, and sober living homes.



TRANSPORTATION

Transportation and Infrastructure: With over three million residents, Orange County is the third most populous county in California and the sixth most populous county in the nation. Orange County is served by one of the nation's busiest transit systems. In addition, Orange County provides highway and rail corridors that facilitate the increasing level of international trade entering the Southern California ports. The Orange County Transportation Authority's 2023-24 State Legislative Platform serves as a framework document to guide the county's legislative, regulatory, and administrative activities in the coming legislative session.

ACC-OC SUPPORTS:

- Transportation funding investments and policy flexibilities that allows our transportation agencies to provide essential, multimodal mobility improvements and services in order to meet the mobility needs of Orange County;
- Encourage policies and guidance that incentivize public transit ridership;
- Seek support for adaptation and resiliency efforts related to the environment for critical transportation infrastructure;
- Seek funding and other administrative solutions, such as permit streamlining, to support adaptation and resiliency efforts throughout our rail corridor;
- Seek support, funding, and streamlining to manage and address sea level rise, beach erosion, landslides, and other environmental impacts along Orange County's rail corridor;
- Efforts to maximize the county's share of transportation and transit funding, especially through distribution formulas and more equitable competitive funding processes;
- Oppose linking, reprioritizing, or aligning local and state transportation funding with policies that could significantly hinder our local agency's ability to deliver transportation programs and projects;
- Support efforts to ensure local control is maintained in policy decisions made by local transportation agency boards in delivering, funding, and operating transportation programs and projects;
- Oppose policies that change existing formula funding structures to redistribute funds in a way that would inhibit a local agency from delivering critical transportation projects and programs.

Transportation and Climate Change: Transportation plays a vital role in the climate discussion both regionally and at the state level. Transportation agencies are complying with several significant state programs including SB 375, the California Air Resources Board Scoping Plan, SB 743, and Cap-and-Trade. ACC-OC is committed to working with our transportation agencies to maintain local flexibility in the funding and selection of projects that help Orange County cities.

ACC-OC SUPPORTS:

The following efforts are designed to ensure transportation policies are in line with city needs:

- Ensure existing transportation planning processes are reliably making progress towards meeting state climate mandates.
- Continue to engage local transportation agencies in future policy proposals related to transportation funding and project selection/prioritization.

Electric Vehicle Mandates: State agencies are working to meet the Governor's Executive Order requiring all new vehicle sales in California be zero emission by 2035.

ACC-OC SUPPORTS:

Local agencies are also evaluating the infrastructure needed to support these efforts. Strategic planning is vital to ensure the state and cities can successfully meet the objectives of this mandate:

- Fund critical local EV infrastructure to accommodate a significant increase in zero-emission vehicles.
- Evaluate and invest in expanded grid capacity at the local and state level to ensure the sustainability and feasibility of current systems and make improvements and augmentations needed to meet this mandate.
- Provide financial assistance for low-income individuals unable to afford the higher price of an electric vehicle.
- Evaluate impacts on how the transportation system is funded as the State transitions to zero-emission vehicles.



PROP 1 IMPLEMENTATION

Proposition 1 seeks to amend the Mental Health Services Act (MHSA) of 2004 and streamline the state's behavioral health system by reducing funding categories from 5 to 3. Additionally, it authorizes \$6.38 billion in general obligation bonds to finance the construction of supportive housing and behavioral health treatment settings. The proposition reallocates the state's share of MHSA tax revenue from 5% to 10%, resulting in a decrease in county funding from 91% to 85.5%. This change is estimated to redirect \$100 million to \$140 million from Orange County homeless programs to treatment-focused initiatives. The legislation also simplifies the approval process for behavioral health housing projects by granting them "by right" status, bypassing certain local government review requirements.

Uses "by right" mean the local government's review of the project does not require a conditional use permit, planned unit development permit, or other discretionary local government review or approval that would constitute a project subject to the approval process in the California Environmental Quality Act. Certain types of projects are named and not limited to, children's residential crisis programs, peer respite, children's and adult substance use disorder residential programs, recovery housing, short-term residential therapeutic programs, and social rehabilitation programs, if they are located in a zone where residential, office, retail or parking are a principally permitted use.

ACC-OC seeks to mitigate the negative effects of Proposition 1, including establishing clarity and maximum flexibility for local agencies to implement programs under this measure, particularly related to homelessness, behavioral health, and sober living homes.

ACC-OC SUPPORTS:

- Advocating through administrative and legislative channels for Prop. 1 implementation language that provides increased local control, oversight, and zoning authority of behavioral, sober living, and recovery treatment facilities.
- Supporting proposed legislation that contributes to the oversight and regulation of behavioral, sober living, and recovery treatment facilities.



PUBLIC SAFETY

In prioritizing public safety in Orange County, it is imperative to support initiatives that enhance law enforcement training for handling homelessness and mental health crises, implement reforms to address retail theft and the fentanyl crisis, and empower cities to respond effectively to the impacts of homelessness. Simultaneously, it's crucial to oppose legislation that could jeopardize access to disaster response and recovery assistance.

Drug-related deaths in the United States are surging, primarily due to the widespread presence of fentanyl. In California alone, fentanyl-related fatalities skyrocketed from 239 in 2016 to a staggering 6,095 in 2022, marking a nearly 2,500% increase. Alarming, California's overdose rates have risen by 130% from 2017 to 2021, outpacing all other states. This aforementioned drug problem, lack of resources to help those with mental illness, and limited housing have all contributed to the growing challenges. By addressing these priorities, Orange County can strengthen its public safety infrastructure and better protect the well-being of its residents.

ACC-OC SUPPORTS:

- Spikes in crime rates can be reversed through the restoration of sensible laws. The State Legislature possesses the authority to present a proposition on the ballot aimed at repealing Proposition 47, which reduced penalties for theft and drug offenses. Given the notable rise in property crime and the alarming surge in drug-related fatalities, it is imperative to allow voters to rectify the misstep of 2014.
- Advocate for reforms in public safety that mitigate the effects of retail theft on local communities, tackle the fentanyl crisis, and empower cities to address homelessness, while taking into account and acknowledging their impact on local economic development, sales tax revenues, and response costs.



STATE BUDGET

The Administration released the \$291.5 billion budget proposal on January 10th, with a projected \$37.9 billion deficit. However, the Legislative Analyst Office estimates are closer to \$75 billion. Proposals to address the deficit include a variety of funding shifts, drawing from reserves, and spending delays. Some of these measures are highlighted below:

Reserves - \$13.1 billion

- Budget Stabilization Account - \$12.2 billion
- Safety Net Reserve - \$900 million to maintain existing program benefits and services for the Medi-Cal and CalWORKs programs

Funding Delays - \$5.1 billion

- Transit and Intercity Rail Capital Program - \$1 billion
- Clean Energy Reliability Investment Plan - \$400 million
- Behavioral Health Bridge Housing Program - \$235 million

Reductions - \$8.5 billion

- Various Climate Reductions - \$2.9 billion
- Various Housing Program Reductions - \$1.2 billion

Fund Shifts - \$3.4 billion

- \$1.8 billion in General Fund Obligations shifted to Cap-and-Trade funds

Deferrals - \$2.1 billion

Revenue/Internal Borrowing - \$5.7 billion

ACC-OC will work with state officials to protect local revenue sources as budget revenue measures are considered and adopted. Proposed cuts in key issue areas from the Governor's proposed budget are further described below:

Climate Change and Transportation

This chapter proposes \$6.7 billion in deficit solutions for these two issue areas, including:

- \$2.9 billion in Climate Change Program Reductions
- \$1.9 billion in Delayed Expenditures, including ZEV programs, ZEV Fueling Infrastructure Grants, Equitable At-Home Charging, Clean Trucks, Buses, & Off-Road Equipment, Community-Based Plans, Projects and Support/Sustainable Community Strategies, and other programs
- \$1.8 billion in Fund Shifts, including \$475.3 million for ZEV Fueling Infrastructure Grants, Transit Buses and Infrastructure, Clean Trucks, Buses and Off-Road Equipment, and other programs
- Reductions - \$200 million to the Active Transportation Program
- Fund Shifts - \$791 million from the General Fund to Cap and Trade Funds for Transit and Rail projects
- Delays - \$3.1 billion, including \$1 billion delayed for Transit & Intercity Rail Capital Project (TIRCP) Formula Funds and \$2.1 billion delayed for TIRCP Competitive Grant Funds

Housing & Homelessness

- Reductions and Reversions totaling \$1.2 billion over a multi-year period, including Regional Early Action Program (REAP 2.0) Grants, Infill Infrastructure Grant Program, Veterans Housing & Homelessness Prevention Program
- Delays of \$260 million for the Homeless Housing, Assistance, and Prevention Program
- Funding delays for Behavioral Health Continuum Infrastructure Program, Bringing Families Home Program, Home Safe Program, Housing and Disability Advocacy Program



STATE BUDGET CONTINUED

ACC-OC SUPPORTS:

ACC-OC supports measures that prudently plan for and maintain important programs that are locally beneficial, as state and local agencies seek to meet state requirements:

- Maintain investment in programs that will help address significant service needs that local communities are facing regarding housing and homelessness.
- Provide funding for local transit operations to maintain services.
- Prevent additional regulatory burdens on funding intended to help local agencies meet required housing mandates.
- Provide sufficient state funding sources for zero-emission vehicles and required infrastructure.

As cities plan for the future, ensuring sufficient resources to support California's growing population is paramount. In addition, as drought, flood, and wildfire-related events increase annually, it is important to set aside funding to help build reliable and sustainable infrastructure for the future.

Finally, CEQA has not been substantially evaluated or updated since its adoption in 1970. In order to meet state requirements, CEQA reform must be advanced to achieve state mandates in full compliance with the law while protecting against the potential impact of critical environmental hazards.

ACC-OC SUPPORTS:

- Creating a task force on CEQA modernization to comprehensively review potential reforms for all infrastructure types. The task force must include local agencies from across the state who represent various industry areas.
- Assisting local communities challenged by weather-related disasters.
- Significantly expanding water storage and reclamation projects to capture critical water supply during heavy rains and storm events to reduce drought-related impacts on cities.
- Streamline permitting to accelerate proactive electric grid build-out, ensuring timely delivery of electric infrastructure grid development.
- Coordination between state agencies to reduce the time it takes to executive major electric infrastructure projects.