

Senator Ben Allen, Chair
Senator Catherine Blakespear
Senator Steven Choi
Senator Jerry McNerney



Thursday, February 27, 2025
9:30 a.m. or Upon Adjournment of Session
1021 O Street - Room 2200

Consultant: Joanne Roy

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DISCUSSION

0540 CALIFORNIA NATURAL RESOURCES AGENCY (CNRA)
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Issue 1: 2024 Climate Bond (Proposition 4) Expenditure Plan (Governor’s Budget (GB))

Governor’s Proposal. According to the Legislative Analyst’s Office (LAO):

Proposes Multiyear Spending Plan, With About One-Quarter of Funds to Be Provided in 2025-26. The Governor proposes a multiyear spending plan for Proposition 4 with funding distributed from 2025-26 through 2039-40. As shown in the figure below, \$2.7 billion (about 27 percent of the total authorized by Proposition 4) would be appropriated in 2025-26, including \$1.1 billion for water-related programs and \$325 million for wildfire and forest resilience. The share of the total amounts proposed

for appropriation in 2025-26 vary across each of the individual bond categories. For example, the budget proposes to appropriate 45 percent of the total for climate smart agriculture and a comparatively much lower 14 percent for coastal resilience in 2025-26. The Governor’s overall multiyear approach would build the proposed out-year funding amounts into departments’ baseline budget plans, subject to appropriation by the Legislature each year. That is, for most of the programs, the administration does not plan to submit discrete requests or specific budget change proposals in future years.

Governor’s Proposition 4 Proposal: Multiyear Spending Plan
(In Millions)

Purpose	Bond Total	2025-26	2026-27	2027-28	2028-29 Through 2039-40	Pending
Safe Drinking Water, Drought, Flood, and Water	\$3,800	\$1,074	\$972	\$819	\$925	\$10
Wildfire and Forest Resilience	1,500	325	378	214	498	89
Coastal Resilience	1,200	173	129	190	708	—
Biodiversity and Nature-Based Climate Solutions	1,200	288	138	165	512	101
Clean Energy	850	275	229	3	21	323
Park Creation and Outdoor Access	700	288	117	42	23	231
Extreme Heat Mitigation	450	102	172	152	24	—
Climate Smart Agriculture	300	134	84	15	7	60
Totals	\$10,000	\$2,655	\$2,215	\$1,600	\$2,716	\$814

Source: LAO

Background. According to the Legislative Analyst’s Office (LAO):

In July 2024, the Legislature approved SB 867 (Allen), Chapter 83, Statutes of 2024, authorizing a \$10 billion bond measure entitled the “Safe Drinking Water, Wildfire Prevention, Drought Preparedness, and Clean Air Bond Act of 2024.” Largely designed to increase the state’s resilience to the impacts of climate change, the measure was placed on the statewide ballot as Proposition 4 and subsequently approved by voters in November. This bond measure builds on significant funding for climate-related programs—principally from the General Fund—the state made in recent years.

Proposition 4 Authorizes \$10 Billion in General Obligation Bonds for Climate-Related Activities. Proposition 4 authorizes the state to sell a total of \$10 billion in general obligation bonds primarily for climate-resilience purposes, including related to water, wildfire, and energy, among others. The bond measure includes a number of requirements to guide how funds are administered and overseen by about 30 different state agencies, departments, boards, commissions, conservancies, and offices. Much of the funding is to be provided as grants for eligible applicants including local agencies, nonprofit organizations, tribes, and utilities. Remaining funding will support state-led activities, such as addressing deferred maintenance and wildfire resilience activities at state parks and projects at the Salton Sea. In addition, some key provisions apply to all programs and projects:

- At least 40 percent of total funds must go to projects that benefit vulnerable populations or disadvantaged communities and at least 10 percent of total funds must go to projects that benefit severely disadvantaged communities. (Bond language specifies the criteria for communities to meet these definitions.)
- Funds must be prioritized for projects that leverage private, federal, or local funding or provide the greatest public benefit.

- On an annual basis, the California Natural Resources Agency (CNRA) must report information about projects’ objectives; status; anticipated outcomes; expected public benefits; and other basic information such as location, cost, and matching funds.

Proposition 4 Supplements Significant Recent Augmentations for Climate Resilience. As shown in the figure below, recent budgets included a total of \$29 billion in appropriated and planned funding from 2021-22 through 2028-29 for climate and environmental-related activities, including \$17 billion from the General Fund, \$10 billion from the Greenhouse Gas Reduction Fund (GGRF), and \$2 billion in other funds. Initial plans for these funding packages totaled \$36.6 billion, primarily from the General Fund. However, when the state experienced a worsening budget condition, agreements in 2023-24 and 2024-25 made several adjustments to address General Fund shortfalls. These included reductions, fund shifts to GGRF, and delays, resulting in a net reduction of \$7.6 billion while retaining nearly 80 percent of the original amounts planned. Proposition 4 supplements these funding commitments, which represented an unprecedented level of General Fund spending on climate and environmental programs.

Recently Approved and Planned Funding for Climate Packages, 2021-22 Through 2028-29
(In Millions)

Thematic Package	Prior Years	2025-26	2026-27 Through 2028-29	Multiyear Totals
Zero-Emission Vehicles	\$5,924	\$1,176 ^a	\$2,065	\$9,165
Drought and Water Resilience	6,582	82	41	6,705
Energy	4,588	441	474	5,503
Wildfire and Forest Resilience	2,525	10	88	2,623
Community Resilience	1,226	—	5	1,231
Nature-Based Solutions	1,278	10	—	1,288
Coastal Resilience	613	—	37	650
Sustainable Agriculture	1,073	7	—	1,080
Extreme Heat	297	—	—	297
Circular Economy	437	—	—	437
Totals	\$24,541	\$1,726	\$2,709	\$28,977

^aDoes not reflect Governor’s new proposed reduction of \$500 million for zero-emission school buses in 2025-26.

Source: LAO

Proposals Within Several Bond Categories and for Staffing Are Still Pending. As shown in the figure below, spending decisions within several programs remain pending. This includes \$323 million for public financing of clean energy transmission projects, \$139 million to reduce climate impacts on disadvantaged communities and expand outdoor recreation, and \$92 million to enhance the natural resource values of the state parks system and expand trail access. The administration has noted a few reasons for waiting to provide implementation plans for these programs. For example, regarding clean energy transmission, the administration is awaiting the results of a study being published this summer pursuant to AB 3264 (Petrie-Norris), Chapter 762, Statutes of 2024, that will inform program development. For several programs, the administration stated it is seeking further direction from the Legislature about what it intended when drafting Proposition 4. Additionally, the administration indicates that it is still assessing staffing needs at departments for administering all Proposition 4-funded programs and plans to provide more information about planned administrative expenditures from the bond and associated personnel this spring.

Governor’s Proposition 4 Proposal: Pending Allocations

(In Millions)

Purpose	Implementing Department	Bond Category	Amount
Salton Sea Conservancy or Salton Sea Authority	TBD	Water	\$10
Watershed improvement, forest health, biomass utilization, chaparral and forest restoration, and workforce development	Wildfire Conservancy	Wildfire	15
	California Fire Foundation	Wildfire	15
Fire ignition detection technology	CalFire	Wildfire	25
Reducing risk from electricity transmission	TBD	Wildfire	35
San Andreas Corridor Program	WCB	Biodiversity and NBS	79
Southern Ballona Creek Watershed	WCB	Biodiversity and NBS	22
Public financing of transmission projects	TBD	Clean Energy	323
Reducing climate impacts on disadvantaged communities and expanding outdoor recreation	CNRA/CDFW	Parks and Access	139
Enhancing natural resource values, expanding trail access	CNRA/Others TBD	Parks and Access	92
Increasing land access and tenure	DOC	Agriculture	30
Deployment of vanpool vehicles and related facilities	CalVANS	Agriculture	15
Research farms at postsecondary education institutions	CDE	Agriculture	15
Total			\$814

TBD = to be determined; CalFire = California Department of Forestry and Fire Protection; WCB = Wildlife Conservation Board; NBS = Nature-Based Solutions; CNRA = California Natural Resources Agency; CDFW = California Department of Fish and Wildlife; DOC = Department of Conservation; CalVANS = California Vanpool Authority; and CDE = California Department of Education.

Source: LAO

Shifts Some Prior General Fund and GGRF Appropriations to Proposition 4 Funds. The Governor’s budget proposes to shift \$305 million in previously appropriated funding to Proposition 4 funds—\$273 million from the General Fund and \$32 million from GGRF. The affected programs are shown in the figure below. The administration indicates that this particular mix of programs was not based on policy priorities, but rather on which programs had available unspent General Fund balances that could be reverted and backfilled with Proposition 4. This proposal would free up General Fund and GGRF, which the Governor then proposes to redirect for other spending priorities within the overall budget. For example, the Governor’s budget proposal includes new General Fund spending such as \$60 million for California Competes grants administered by the Governor’s Office of Business and Economic Development, \$25 million for an augmentation to the Farm to School program through the California Department of Food and Agriculture (CDFA), and \$25 million for a new local litter abatement program to be administered by the California Department of Transportation. (The LAO has posted a list of the Governor’s 2025-26 discretionary General Fund proposals on [its website](#).) The Governor proposes using the freed-up GGRF to help address a funding shortfall in the Motor Vehicle Account that supports the California Air Resources Board, California Highway Patrol, and Department of Motor Vehicles.

(Continued on next page)

Governor Proposes Shifting Some Prior Spending Commitments to Proposition 4

Shifts from General Fund Unless Otherwise Noted (In Millions)

Purpose	Implementing Department	Amount
Safe Drinking Water, Drought, Flood, and Water Resilience		
Water recycling	SWRCB	\$51
Dam safety	DWR	47
Systemwide flood risk reduction	DWR	15
Wildfire and Forest Resilience		
Stewardship of state-owned land	Parks	\$88
Home hardening	CalOES	13
Extreme Heat Mitigation		
Community Resilience and Heat Program	LCI	\$15
Biodiversity and Nature-Based Climate Solutions		
Watershed climate resilience	WCB	\$32
Park Creation and Outdoor Access		
Deferred maintenance	Parks	\$14
Clean Energy		
Demand-Side Grid Support Program	CEC	\$50 ^a
Total		\$305

^aShifts support from the General Fund and Greenhouse Gas Reduction Fund to Proposition 4. These fund shifts would provide \$50 million of previously unallocated Clean Energy Reliability Investment Plan funds to Demand Side Grid Support Program.

SWRCB = State Water Resources Control Board; DWR = Department of Water Resources; Parks = Department of Parks and Recreation; CalOES = California Governor’s Office of Emergency Services; LCI = Governor’s Office of Land Use and Climate Innovation; WCB = Wildlife Conservation Board; and CEC = California Energy Commission.

Source: LAO

Proposes Budget Trailer Bill Language to Exempt Spending From the Administrative Procedure Act (APA). The APA governs how state agencies adopt regulations to implement state law. It requires that agencies provide the public with a meaningful opportunity to participate in the process and that the proposed regulations undergo review by the Office of Administrative Law to ensure that they are clear, necessary, and legally valid. The Governor’s budget proposes to exempt Proposition 4 spending from the requirements of the APA and notes that previous resources bonds also have been implemented with a similar statutory exemption.

Overview of Specific Spending Categories

Proposal: Safe Drinking Water, Drought, Flood, and Water Resilience. Governor Proposes \$1.1 Billion for Water-Related Spending in 2025-26. As shown in the figure below, the Governor proposes to appropriate \$1.1 billion (28 percent) in 2025-26 from the \$3.8 billion authorized by Proposition 4 for safe drinking water, drought, flood, and water resilience activities. The largest component of the 2025-26 proposal is \$406 million for flood risk and stormwater management programs. The Governor also would provide \$194 million in 2025-26 for water quality and clean, safe, and reliable drinking water programs, including \$11 million for tribal water infrastructure projects. Within the rivers, lakes, streams, and watershed resilience bond category (\$605 million total authorized by Proposition 4), the Governor proposes to allocate \$191 million in 2025-26. Most of that funding is for projects led by

the Salton Sea Management Program. No funding is yet proposed for the creation of the Salton Sea Conservancy as required by 583 (Padilla), Chapter 771, Statutes of 2024, however, the administration indicates that it plans to submit a related proposal later this spring. The Governor’s budget includes funding in 2025-26 for about a dozen programs to support planning efforts and development of program guidelines—including for urban stormwater management and brackish desalination programs—with plans to wait until later years to fund project implementation.

Purpose	Code Section	Implementing Department	Bond Total	2025-26 Proposed	
				Amount	Percent of Bond Total ^a
Water Quality, Safe Drinking Water			\$610	\$194	32%
Water quality, safe drinking water	91011(a)	SWRCB	\$585	\$183	32%
Tribal water infrastructure	91011(a)(8)(B)	SWRCB	25	11	45
Flood Risk, Stormwater Management			\$1,140	\$406	36%
Sacramento-San Joaquin Delta levees	91021(a)	DWR	\$150	—	—
Flood Control Subventions Program	91021(b)	DWR	150	\$110	74%
State Plan of Flood Control projects	91021(c)	DWR	250	63	25
Dam Safety and Climate Resilience Local Assistance	91022	DWR	480	232	49
Urban stormwater management	91023	SWRCB	110	1	1
Rivers, Lakes, Streams; Watershed Resilience			\$605	\$191	32%
Integrated regional water management	91031	DWR	\$100	\$0.5	0.5%
Los Angeles River Watershed—Lower	91032(a)	RMC	40	0.6	2
Los Angeles River Watershed—Upper	91032(b)	SMMC	40	15	39
Riverine Stewardship Program	91032(c)	DWR	50	0.1	0.2
Santa Ana River Conservancy Program	91032(d)	SCC	25	10	40
Urban Streams Restoration Program	91032(e)	DWR	25	0.3	1
Wildlife refuges and wetland habitat areas	91032(f)	CNRA	25	0.2	1
Lower American River Conservancy Program	91032(g)	WCB	10	3	30
Coyote Valley Conservation Program	91032(h)	SCC	25	3	12
West Coyote Hills Program	91032(i)	SCC	25	—	—
California-Mexico rivers and coastal waters	91032(j)	SWRCB	50	9	19
Clear Lake Watershed	91032(k)	CNRA	20	0.1	1
Salton Sea Management Program	91033(a)	DWR/CNRA	160	148	93
Salton Sea Conservancy or Salton Sea Authority	91033(b)	TBD	10	— ^b	—
Streamflow Enhancement Program			\$150	\$31	21%
Streamflow Enhancement Program	91040(a)	WCB	\$100	\$21	21%
Habitat Enhancement and Restoration Program	91040(b)	WCB	50	11	21
Other			\$1,295	\$252	20%
Groundwater management	91012(a)	DWR	\$388	\$10	3%
Multibenefit Land Repurposing Program	91013	DOC	200	12	6
Water reuse and recycling	91014	SWRCB	388	153	40
Water Storage Investment Program	91015	CWC	75	74	100
Brackish desalination, salinity management	91016	DWR	63	0.2	0.3
Water data management, stream gages	91017	SWRCB/DWR	15	1	7
Regional conveyance projects and repairs	91018	DWR	75	0.7	1
Water conservation—agricultural and urban	91019	DWR	75	0.3	0.5
Nature and climate education and research	91045	CNRA	20	0.1	1
Totals			\$3,800	\$1,074	28%

^aPercent of total available funding after accounting for estimated statewide bond costs (which the Governor estimates at less than 1 percent).
^bThe Governor indicates a proposal is forthcoming this spring.

SWRCB = State Water Resources Control Board; DWR = Department of Water Resources; RMC = San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy; SMMC = Santa Monica Mountains Conservancy; SCC = State Coastal Conservancy; CNRA = California Natural Resources Agency; WCB = Wildlife Conservation Board; TBD = to be determined; DOC = Department of Conservation; and CWC = California Water Commission.

Source: LAO

Proposal: Wildfire and Forest Resilience. Governor Proposes Appropriating About One-Fifth of Wildfire Funding in 2025-26. Proposition 4 includes a total of \$1.5 billion for a variety of activities related to wildfire and forest resilience. The figure below provides detail on how the Governor proposes to appropriate \$325 million—22 percent—of this total in 2025-26. As shown, the largest category of funding proposed for the budget year is \$82 million for the forest health program. The administration’s plan would allocate most of the rest of the wildfire and forest resilience funding over the next five years—including \$375 million in 2026-27—with smaller amounts of funding for program delivery and administration continuing in subsequent years. The Governor’s implementation plan does not yet include an appropriation time line for three bond-specified activities: watershed improvement funding for the Wildfire Conservancy and California Fire Foundation, both of which are specified recipients in Proposition 4 but have not yet been established; fire ignition detection technology; and reducing risk from electricity transmission. As highlighted earlier in the figure above, “Governor’s Proposition 4 Proposal: Pending Allocations,” the administration indicates it will develop a funding plan for these activities pending discussions with the Legislature.

Governor’s Proposition 4 Proposal: Wildfire and Forest Resilience

(In Millions)

Purpose	Code Section	Implementing Department	Bond Total	2025-26 Proposed	
				Amount	Percent of Bond Total ^a
Wildfire Mitigation Grant Program	91510	OES	\$135	\$9	7%
Regional Forest and Fire Capacity Program	91520(a)	DOC	185	6	3
Regional projects	91520(b)	CalFire	128	60	47
		SNC	43	20	46
Forest health program	91520(c)	CalFire	175	82	47
Local fire prevention grants	91520(d)	CalFire	185	59	32
Fire training center	91520(e)	CalFire	25	3	10
Forest health and watershed projects	91520(f)	Parks	200	33	17
Fuel reduction, structure hardening, defensible space, reforestation, acquisitions	91520(g)	CalFire	50	10	20
Watershed improvement, forest health, biomass utilization, chaparral and forest restoration, and workforce development	91520(h)	SNC	34	—	—
	91520(i)	TC	26	0.7	3
	91520(j)	SMMC	34	10	31
	91520(k)	SCC	34	5	15
	91520(l)	RMC	34	3	9
	91520(m)	SDRC	26	3	12
	91520(n)	WC	15	—	—
	91520(o)	CFF	15	—	—
Infrastructure for vegetative waste	91530	DOC	50	11	21
Fire ignition detection technology	91535	CalFire	25	—	—
Reducing risk from electricity transmission	91540	TBD	35	—	—
Demonstrated jobs projects	91545(a)	CCC	50	10	20
Totals			\$1,500	\$325	22%

^aPercent of total available funding after accounting for estimated statewide bond costs (which the Governor estimates at less than 1 percent).

OES = Governor’s Office of Emergency Services; DOC = Department of Conservation; CalFire = Department of Forestry and Fire Protection; SNC = Sierra Nevada Conservancy; Parks = Department of Parks and Recreation; TC = Tahoe Conservancy; SMMC = Santa Monica Mountains Conservancy; SCC = State Coastal Conservancy; RMC = San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy; SDRC = San Diego River Conservancy; WC = Wildfire Conservancy; CFF = California Fire Foundation; TBD = to be determined; and CCC = California Conservation Corps.

Source: LAO

Proposal: Coastal Resilience. Governor Proposes Appropriating 14 Percent of Coastal Resilience Funding in 2025-26. Proposition 4 authorizes \$1.2 billion for coastal resilience activities led by SCC, the Ocean Protection Council (OPC), Parks, and CDFW. As shown in Figure 8, the Governor proposes appropriating \$173 million (14 percent) of total funding for various coastal resilience purposes in 2025-26, such as coastal and flood management (\$33 million) and implementing SB 1 (Atkins), Chapter 236, Statutes of 2021, to support local sea-level rise planning (\$20 million). The Governor’s plan would allocate remaining coastal resilience bond funding over the next decade, including \$129 million in 2026-27.

Governor’s Proposition 4 Proposal: Coastal Resilience

(In Millions)

Purpose	Code Section	Implementing Department	Bond Total	2025-26 Proposed	
				Amount	Percent of Bond Total ^a
Coastal resilience projects and programs	92010(a)	SCC	\$330	\$31	9%
San Francisco Bay programs	92010(b)	SCC	85	20	24
Coastal/flood management for developed shoreline	92015	SCC	350	33	9
Ocean and coastal resilience	92020	OPC	135	8	6
Implementation SB 1	92030	OPC	75	20	27
Implementing Sea Level Rise Adaptation Strategy	92040	Parks	50	24	48
Island ecosystems; fisheries; kelp ecosystems	92050	CDFW ^b	75	24	32
Dam removal and water infrastructure	92060	SCC	75	9	11
Hatchery upgrades, Central Valley Chinook salmon	92070	CDFW	25	5	20
Totals			\$1,200	\$173	14%

^aPercent of total available funding after accounting for estimated statewide bond costs (which the Governor estimates at less than 1 percent).

SCC = State Coastal Conservancy; OPC = Ocean Protection Council; SB 1 = Chapter 236 of 2021 (SB 1, Atkins); Parks = Department of Parks and Recreation; CDFW = California Department of Fish and Wildlife; and CNRA = California Natural Resources Agency.

Source: LAO

Proposal: Biodiversity and Nature-Based Climate Solutions. Governor Proposes Appropriating 24 Percent of Biodiversity and Nature-Based Climate Solutions Funding in 2025-26. Proposition 4 includes a total of \$1.2 billion for a variety of activities related to supporting biodiversity and nature-based climate activities. As shown in the figure below, the Governor proposes to appropriate \$286 million—24 percent—of this total in 2025-26. The largest category of funding proposed for 2025-26 is \$176 million for WCB to support projects that protect and enhance fish and wildlife resources and habitats. The administration’s plan would allocate the rest of the funding over the next 12 years—including \$135 million in 2026-27. The Governor’s implementation plan does not yet include an appropriation time line for two bond activities: (1) the San Andreas Corridor Program (\$80 million) and (2) the Southern Ballona Creek watershed (\$22 million).

Governor’s Proposition 4 Proposal: Biodiversity and Nature-Based Climate Solutions

(In Millions)

Purpose	Code Section	Implementing Department	Bond Total	2025-26 Proposed	
				Amount	Percent of Bond Total ^a
Fish and Wildlife Resources and Habitats			\$870	\$197	23%
Fish and wildlife resources and habitats	93010	WCB	\$868	\$176	27%
Wildlife crossings and corridors	93030	WCB	100	21	21
San Andreas Corridor Program	93030	WCB	80	—	—
Southern Ballona Creek Watershed	93050	WCB	22	—	—
Climate Change Risk Reduction and Public Access ^b			\$320	\$80	25%
Baldwin Hills Conservancy	93020(a)(1)		\$48	\$13	27%
California Tahoe Conservancy	93020(a)(2)		29	5	19
Coachella Valley Mountains Conservancy	93020(a)(3)		11	2	21
Sacramento-San Joaquin Delta Conservancy	93020(a)(4)		29	0.3	1
San Diego River Conservancy	93020(a)(5)		48	8	17
San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy	93020(a)(6)		48	10	22
San Joaquin River Conservancy	93020(a)(7)		11	5	49
Santa Monica Mountains Conservancy	93020(a)(8)		48	25	53
Sierra Nevada Conservancy	93020(a)(9)		48	10	21
Tribal Nature-Based Solutions			\$10	\$9	95%
Tribal Nature-Based Solutions Program	93040	CNRA	\$10	\$9	95%
Totals			\$1,200	\$286	24%

^aPercent of total available funding after accounting for estimated statewide bond costs (which the Governor estimates at less than 1 percent).
^bThe applicable conservancy under “Purpose” is the implementing department.
WCB = Wildlife Conservation Board and CNRA = California Natural Resources Agency.

Source: LAO

Proposal: Clean Energy. Governor Proposes Appropriating About One-Third of Energy Funding in 2025-26. Proposition 4 includes a total of \$850 million for activities related to clean energy. As shown in the figure below, the Governor proposes to appropriate roughly one-third of this total—\$275 million—to the California Energy Commission (CEC) in 2025-26. Most of the funding proposed for 2025-26—\$228 million—would support port infrastructure needed for the development of wind turbines off the California coast. (The administration’s plan would allocate essentially all the remaining funding for offshore wind in 2026-27.) The rest of the 2025-26 proposed funding—\$47 million—would go to the Demand Side Grid Support (DSGS) Program, which supports load reduction and backup generation efforts to increase electric grid reliability during extreme weather events. The Governor’s implementation plan does not yet include a time line for appropriating the \$325 million reserved for public financing of electricity transmission infrastructure.

Governor’s Proposition 4 Proposal: Clean Energy

(In Millions)

Purpose	Code Section	Implementing Department	Bond Total	2025-26 Proposed	
				Amount	Percent of Bond Total ^a
Public financing of transmission projects	94520	TBD	\$325	—	—
Demand Side Grid Support Program ^b	94530	CEC	50	\$47	93%
Development of offshore wind generation	94540	CEC	475	228	48
Totals			\$850	\$275	32%

^aPercent of total available funding after accounting for estimated statewide bond costs (which the Governor estimates at less than 1 percent).

^bUnder Proposition 4, funding can be used for the Long-Duration Energy Storage Program, zero-emissions distributed energy backup assets, virtual power plants, and/or demand side grid support. The Governor proposes to use all of this funding for CEC’s Demand Side Grid Support Program.

TBD = to be determined and CEC = California Energy Commission.

Source: LAO

Proposal: Park Creation and Outdoor Access. Governor Proposes Appropriating \$286 Million for Park Creation and Outdoor Access in 2025-26. Out of the \$700 million in bond funding available for park creation and outdoor access through Proposition 4, the Governor proposes to appropriate \$286 million in 2025-26 (41 percent of the total authorized). Under the administration’s plan, an additional \$177 million would be allocated in future years (mostly in 2026-27 and 2027-28), with \$231 million remaining pending. The pending appropriations include \$139 million (out of the \$200 million available) for reducing climate impacts on disadvantaged communities and expanding outdoor recreation, and \$92 million (out of the \$100 million available) for enhancing natural resource values and expanding trail access. In addition, while the proposal does not include funding in 2025-26 for nature education facilities, the Governor’s multiyear plan would provide funding for this purpose in 2026-27. The figure below provides additional details on proposed 2025-26 appropriations for park creation and outdoor access.

Governor’s Proposition 4 Proposal: Park Creation and Outdoor Access

(In Millions)

Purpose	Code Section	Implementing Department	Bond Total	2025-26 Proposed	
				Amount	Percent of Bond Total ^a
Statewide Park Program	94010(a)	Parks	\$200	\$190	96%
Reducing climate impacts on disadvantaged communities and expanding outdoor recreation	94020	CNRA, CDFW	200	11	6
Enhancing natural resource value and expanding trail access	94030	CNRA/Others TBD	100	0.7	1
Deferred maintenance	94040	Parks	175	84	49
Nature education facilities	94050	CNRA	25	0.2	1
Totals			\$700	\$286	41%

^aPercent of total available funding after accounting for estimated statewide bond costs (which the Governor estimates at less than 1 percent).

Parks = Department of Parks and Recreation; CNRA = California Natural Resources Agency; and CDFW = California Department of Fish and Wildlife.

Source: LAO

Proposal: Extreme Heat Mitigation. Governor Proposes Appropriating \$102 Million for Extreme Heat-Related Activities in 2025-26. Proposition 4 includes \$450 million for activities to mitigate the impacts of extreme heat. As shown in the figure below, the Governor proposes appropriating \$102 million of this total in 2025-26. The administration’s proposal includes planned appropriations for the remaining bond amounts for extreme heat mitigation in future years, mostly across 2026-27 and 2027-28. Notably, certain programs have little to no funding proposed in 2025-26 but significant planned expenditures in 2026-27 and 2027-28, including for Transformative Climate Communities, urban forests, and community resilience centers. The Governor also proposes to shift \$15 million that was previously appropriated for the Extreme Heat and Community Resilience Program from the General Fund to Proposition 4 funds.

Governor’s Proposition 4 Proposal: Extreme Heat
(In Millions)

Purpose	Code Section	Implementing Department	Bond Total	2025-26 Proposed	
				Amount	Percent of Bond Total ^a
Extreme Heat and Community Resilience Program	92510	LCI	\$50	\$18	32%
Transformative Climate Communities Program	92520	LCI	150	—	—
Urban Greening Program	95230	CNRA	100	47	47
Urban forests	92540	CalFire	50	0.5	1
Community resiliency centers	92550	LCI	80	0.8	1
Fairground updates	92560	CDFA	40	38	95
Totals			\$450	\$102	23%

^aPercent of total available funding after accounting for estimated statewide bond costs (which the Governor estimates at less than 1 percent).
LCI = Governor’s Office of Land Use and Climate Innovation; CNRA = California Natural Resources Agency; CalFire = California Department of Forestry and Fire Protection; and CDFA = California Department of Food and Agriculture.

Source: LAO

Proposal: Climate Smart Agriculture. Governor Proposes Appropriating 45 Percent of Climate Smart Agriculture Funding in 2025-26. Proposition 4 includes a total of \$300 million for a variety of activities related to supporting climate smart agriculture. As shown in the figure below, the Governor proposes to appropriate \$134 million—45 percent—of this total in 2025-26. The administration’s plan would allocate most of the rest of the funding over the next two years—including \$84 million in 2026-27—with smaller amounts of funding for program delivery and administration continuing in subsequent years. The Governor’s implementation plan does not yet include an appropriation time line for three bond activities: (1) increasing land access and tenure, (2) deployment of vanpool vehicles and related facilities, and (3) research farms at postsecondary education institutions.

Governor’s Proposition 4 Proposal: Climate Smart Agriculture

(In Millions)

Purpose	Code Section	Implementing Department	Bond Total	2025-26 Proposed	
				Amount	Percent of Bond Total ^a
Climate Resilience of Agricultural Lands			\$105	\$74	71%
Soil health and carbon sequestration	93510(a)	CDFA	\$85	\$38	56%
State Water Efficiency and Enhancement Program	93510(b)	CDFA	40	38	95
Food Systems and Market Access			\$90	\$38	43%
Certified mobile farmers’ markets	93540(a)	CDFA	\$20	\$10	48%
Year-round certified farmers’ markets	93540(b)	CDFA	20	10	48
Urban agriculture projects	93540(c)	CDFA	20	19	95
Regional farm equipment sharing	93540(d)	CDFA	15	0.2	1
Tribal food sovereignty	93540(e)	CDFA	15	0.2	1
Other			\$105	\$22	21%
Invasive Species Account	93520	CDFA	\$20	\$20	100%
Conservation and enhancement of farmland and rangeland	93530	DOC	15	2	17
Increasing land access and tenure	93550	DOC	30	—	—
Deployment of vanpool vehicles and related facilities	93560	CalVans	15	—	—
Research farms at postsecondary education institutions	93570	CDE	15	—	—
Low-income Weatherization Program—farmworker housing	93580	CSD	10	—	—
Totals			\$300	\$134	45%

^aPercent of total available funding after accounting for estimated statewide bond costs (which the Governor estimates at less than 1 percent).

CDFA = California Department of Food and Agriculture; DOC = Department of Conservation; CalVans = California Vanpool Authority; CDE = California Department of Education; and CSD = Department of Community Services and Development.

Source: LAO

LAO Comments. According to LAO:

Legislature Crafted Proposition 4 Bond Measure to Reflect Its Funding Priorities. The Legislature drafted Proposition 4 with some preferences in mind. These intentions are reflected in choices about how much funding to dedicate to particular purposes, which activities to support, and which departments should undertake those activities. They also are highlighted in the bond’s requirements about targeting certain shares of funding to benefit vulnerable populations and disadvantaged and severely disadvantaged communities. In addition, the Legislature made bond expenditures subject to annual legislative appropriation (rather than continuously appropriating the funds), which gives it the chance to stay actively involved in directing funds to meet its priorities. While the Governor’s administration presented a proposal for how to implement Proposition 4—consistent with the traditional budget process—the Legislature should view this as a starting place for determining the timing and details of funding allocations. Importantly, the Legislature has the opportunity to modify or recraft the Proposition 4 spending plan to align with its priorities if aspects of the Governor’s proposal do not reflect what it intended for bond implementation.

Proposed Plan Has Several Merits. Given that voters only approved Proposition 4 in November, the administration acted quickly to prepare a proposed spending plan. Having the proposal in January rather than later in the budget process provides the Legislature and other interested parties with more time to review the proposed course of action and consider all of the potential options. Based on the LAO’s initial review, the proposed spending plan generally strikes a balance between quick distribution of funds and thoughtful implementation of programs. Positive aspects of the proposal that apply to most—though not necessarily every—bond category include:

- ***Appears Consistent With Bond Requirements for Uses of Funds.*** Proposed funding reflects the bond categories outlined in Proposition 4. In LAO's review, the LAO did not identify any proposed actions that conflict with bond requirements.
- ***Phases in Funding to Account for Administrative Capacity.*** Based on LAO's initial review, in many cases the Governor proposes to distribute funding across years in a manner that accounts for differing levels of departmental or grantee capacity. For example, for its Regional Forest and Fire Capacity Program, the Department of Conservation would reserve most of the bond funding to be appropriated in 2027-28 and thereafter, in large part to give grantees more time to develop effective project proposals. In contrast, the Department of Parks and Recreation (Parks) is requesting essentially all of the bond's project implementation funding for the Statewide Park Program in 2025-26 because it is confident sufficient demand exists for grantees already. (Its last round of grant funding for a similar program had nearly \$2 billion in unfunded requests.)
- ***Phases in Funding Based on Program Readiness.*** Administering departments will use Proposition 4 funds for (1) planning, administration, and oversight and (2) project implementation. In some cases, the Governor proposes to wait to provide significant project funding until after 2025-26 because departments may need to substantively update program guidelines or develop a new program. For some of these programs, the administration proposes to provide planning funds in 2025-26 and the bulk of project implementation funding in subsequent years once program details have been finalized. For example, the State Water Resources Control Board (SWRCB) would use \$1.1 million in 2025-26 to update program guidelines and prepare a new solicitation for multi-benefit urban stormwater projects. The Governor then proposes to allocate project funding over the following three years.
- ***Builds on Recent Funding and Program Development Efforts.*** Recent budgets provided substantial funding for climate-related activities similar to those to be supported by Proposition 4. The administration indicates that it will use activities undertaken with that funding to inform many proposed Proposition 4-funded activities. For example, the State Coastal Conservancy (SCC) indicates that the recent influx of state funding led to more project proposals from potential grantees than it had funding to support. It therefore proposes to use \$31 million from Proposition 4 for several of these shovel-ready projects in 2025-26 while also beginning to plan for future projects. Similarly, the Governor's Office of Land Use and Climate Innovation (LCI) would combine Proposition 4 with some remaining funds from earlier appropriations to create a larger grant cycle for its Extreme Heat and Community Resilience Program in 2025-26.
- ***Waits to Make Funding Decisions in Cases Where More Information Is Needed.*** In certain cases, the administration appropriately defers funding decisions until essential information becomes available. For example, for some programs the administration indicates that it will seek clarification on the Legislature's intent and wait to propose a spending plan until these discussions have taken place. For example, Proposition 4 authorizes \$79 million for the Wildlife Conservation Board (WCB) to establish the San Andreas Corridor Program. WCB believes this allocation would benefit from additional discussions with the Legislature before it designs an implementation plan.

Proposed Multiyear Approach Has Important Trade-Offs... As described above, rather than planning to request new funding allocations each year, for all but a few programs the Governor's budget presents a multiyear spending proposal that includes both 2025-26 appropriations and planned amounts for future years (through 2039-40). (The Legislature still would need to approve a given year's spending amounts through the annual budget process.) Such a multiyear spending approach has precedent for resources

bonds. For example, the administration proposed a similar multiyear plan to the Legislature in 2019-20 for Proposition 68, the most recent prior resources bond that was approved by voters in June 2018. The administration and Legislature also adopted a multiyear approach for the recent climate packages originally proposed to be funded primarily by the General Fund. However, in that case, spending plans ultimately required notable revisions. Specifically, as the budget condition worsened, some of these funds were reduced or shifted to other funding sources (primarily GGRF) to help resolve the budget deficit and make room for other state budget priorities. Future Proposition 4 spending is more stable and generally does not face that risk since its language limits how funds can be used (only for the specified climate-related and environmental purposes). For example, the Legislature would not be able to redirect Proposition 4 funds to backfill General Fund spending in other budget areas like education or health. Nevertheless, the multiyear approach does have some important trade-offs that warrant careful consideration.

Potential advantages of adopting a multiyear spending plan include:

- Supports implementation of a more coordinated, longer-term strategy. Achieving climate goals requires thinking beyond a single budget cycle.
- Provides more certainty to grantees and state agencies, potentially allowing them to plan projects, assess staffing needs, and develop capacity to implement programs more effectively.
- Reduces certain inefficiencies and potential for extra workload tied to uncertain year-over-year appropriations, such as having to delay projects midstream or prepare budget requests annually for every single program.

Potential drawbacks of pre-approving funding plans for future years include:

- Increases the procedural burden to make modifications. Adopting a multiyear spending plan does not preclude the Legislature from making changes in a future year, as all appropriations would be dependent upon subsequent approval through the annual budget process. However, building spending plans into departments' future baseline budgets means the Legislature would have to take specific action to change the proposed budget and deviate from the plan.
- Requires being proactive if the Legislature wanted to pivot and use Proposition 4 funds to respond to evolving priorities or emergencies, such as significant reductions in federal funding or a wildfire, flood, or drought. Future Legislatures or governors could have different priorities, but the previously approved plan might limit the extent to which they can easily pursue alternative approaches. Changing course from an established plan also could be challenging and potentially disruptive for administering departments and grantees with set expectations.
- Reduces transparency. The administration would not provide the Legislature with the same level of information and detail each year as it would if it had to request funding on a year-by-year basis. The Legislature would have to specifically ask for annual updates to understand whether the administration is implementing programs with fidelity to expressed intentions as it would not receive these on the natural through budget change proposals.

...And Might Not Be Suitable for All Categories of Spending. For well-defined and established programs, a multiyear spending plan could make sense—Proposition 4 would essentially augment funding within the existing framework. In contrast, for bond categories and programs around which details are less certain—either because the bond requirements are broad or the program is new—

adopting a multiyear approach could limit deliberation over important choices. In some such cases, the Legislature would be approving out-year baseline funding without much information about future program implementation. For example, as LAO discusses in the “Biodiversity and Nature-Based Climate Solutions” section, the Legislature is being asked to pre-approve \$688 million for WCB for 2025-26 and future years for broad purposes—to “protect and enhance fish and wildlife resources and habitats and achieve biodiversity, public access, and conservation goals” within (but not limited to) any of ten specified existing WCB programs—without knowing much about how it will be allocated or used. For cases such as these, the Legislature may want to wait until the administration has more detailed implementation plans to share—and ensure that it is comfortable with those plans—before pre-approving a multiyear spending schedule.

Proposal Reflects the Administration’s Preferences for How to Target Spending. Within some of the overarching bond categories, Proposition 4 allows several options for how to spend funds. For example, Proposition 4 authorizes \$50 million to the California Department of Forestry and Fire Protection (CalFire) “for grants to conduct fuel reduction, structure hardening, create defensible space, reforestation, or targeted acquisitions to improve forest health and fire resilience.” CalFire proposes to target all of the funding towards just two of these activities—defensible space (creating a new program) and reforestation. Similarly, within the coastal resilience section of the bond, Proposition 4 includes \$75 million for CNRA and the California Department of Fish and Wildlife (CDFW) to (1) protect and restore island ecosystems, (2) advance climate-ready fisheries management, and (3) support the restoration and management of kelp ecosystems. The Governor proposes that this funding be administered by CDFW for just one of these categories—fisheries management. The Legislature may or may not agree with these choices, but for categories in which the bond leaves room for discretion over specific spending options, the Legislature will want to ensure its priorities are reflected in the final budget agreement.

Even for Established Programs, Oversight Will Be Important. The more well-established programs supported by Proposition 4 have less uncertainty about program design and goals and are more likely to have existing mechanisms for assessing which projects should be funded. In addition, Proposition 4 requires the administration to report a number of details annually about all of the projects supported by the bond. Some departments also have other forms of reporting already built into their programs. For example, CalFire maintains an incident reporting dashboard, and the Salton Sea Management Program presents updates annually to SWRCB, prepares a yearly report, and maintains an online project tracker. However, some programs—even those that are established—may have fewer avenues in place for reporting on specific activities. In cases where the Legislature has particular interests, it could consider requesting more user-friendly annual updates to help it monitor program implementation. These could include progress reports at annual budget subcommittee hearings or additional reporting requirements for specific programs and information added to budget or trailer bill language. For example, although the Department of Water Resources (DWR) has well-defined flood management programs, the Legislature could consider requiring a summary each year about which specific projects supported by Proposition 4 are underway.

Proposed Proposition 4 Spending Plan’s Alignment With Specific Climate Goals Not Fully Clear. Proposition 4 contains language that identifies specific climate-related problems that bond funding should help address and articulates goals—including some quantitative targets—that bond funding should help the state achieve. For example, it mentions the Governor’s previously released “California’s Water Supply Strategy,” which outlines actions the administration estimates would be needed to recycle and reuse at least 800,000 acre-feet of water per year by 2030. The administration indicates that its proposed Proposition 4 spending plan is designed to advance the various goals identified in its numerous climate-related plans and strategies. However, the proposal does not fully describe the

links between those goals and individual spending decisions. For example, the proposal does not set a goal for how many additional acre-feet of water will be recycled because of Proposition 4 investments. In addition, the administration has not explained how its planned reporting will specifically evaluate progress toward such goals. Without these connections, the Legislature may have difficulty assessing whether the funding effectively advances the state's climate objectives as expressed in the bond language.

Given the challenges of adapting to climate change, understanding which activities might be more effective—and cost-effective—than others at achieving intended outcomes will be important for informing future spending. Slight modifications to reporting requirements or incorporation of independent evaluations might help to address these gaps. For instance, adapting to extreme heat is a relatively new and very significant climate challenge the state is facing. Proposition 4 includes funding for community resilience centers to address the impacts of extreme heat. Because this is a somewhat new activity, however, the state still lacks information regarding how effective this strategy is at mitigating the threats that higher temperatures pose to public health, particularly compared to other approaches the state could take with the same objectives. For example, to what degree will people use these centers during extreme heat events, and what features or components might make their use more convenient, widespread, and effective? Evaluation of climate-related spending could help the state understand how to target future funds in a cost-effective manner. Proposition 4 provides the chance for evaluation and learning, but requires adequate data collection along the way.

Fund Shifts to Proposition 4 Reflect Administration's Priorities, but Legislature's May Differ. As highlighted earlier in the figure above, "Governor Proposes Shifting Some Prior Spending Commitments to Proposition 4," the Governor's proposal shifts support for previous commitments totaling \$273 million from the General Fund and \$32 million from GGRF to Proposition 4 funds. The result of the Governor's proposed fund shifts is threefold: it (1) maintains previously planned amounts for existing activities, (2) frees up General Fund and GGRF resources to support other budget activities proposed by the administration, and (3) precludes this amount of Proposition 4 funds from being used to expand or enhance upon previously planned activities. For example, the Governor proposes to replace \$68 million of previously authorized General Fund with Proposition 4 funds for stewardship of state-owned land by Parks. This means that \$68 million of Proposition 4 funding is not being provided on top of previous funding for land stewardship, but instead replaces those previous allocations. As noted earlier, the Governor uses the freed-up funds for a number of other expenditures throughout the budget. Shifting fund sources in this manner is both legal and allowable. However, the proposed budget framework reflects the Governor's priorities, while those of the Legislature could differ. For example, the Legislature might prefer to retain prior appropriations (thus making Proposition 4 additive) and choose to spend less General Fund and GGRF on other new activities as proposed by the Governor. Alternatively, the Legislature might have spending priorities for the freed-up General Fund and GGRF that differ from the Governor's. These considerations may become even more important if the budget condition deteriorates. Given the risks and uncertainties surrounding state costs from recent fires, the availability of federal funding, and the state's overall revenue condition, the Legislature may need to rely on Proposition 4 to free up General Fund or GGRF to help maintain existing high-priority baseline programs.

APA Exemption Seems Reasonable, Though Legislature Could Add Measures to Increase Transparency. In LAO's assessment, exempting Proposition 4 spending from APA requirements is reasonable for several reasons. First, this approach has past precedent. With previous bonds, administering agencies still were able to maintain public processes for developing program guidelines despite this exemption. Second, the administration has committed to conducting a transparent process and providing opportunities for public participation as it develops program guidelines. Third, an APA

exemption could create some efficiencies. For example, certain existing programs only need minor updates to current guidelines in order to align with Proposition 4 language. Requiring them to undergo the full regulatory process would be protracted and administratively burdensome. Fourth, exempting bond spending from the APA would expedite spending on climate programs. Despite these advantages, the APA provides certain guarantees about the rulemaking process and ensures that uniform standards and procedures are followed, so exempting the bond from these requirements is not without trade-offs. For some of the newer programs supported by Proposition 4, some additional transparency measures may be warranted to ensure that the development of guidelines adheres to certain standards. For example, this could include adopting statutory language requiring that the administering agencies take certain steps (such as fixed time lines for soliciting public comments) in their guideline development process.

LAO Comments: Safe Drinking Water, Drought, Flood, and Water Resilience.

Proposed Flood Management and Drinking Water Spending Responds to Demonstrated Needs and Timing Reflects Program Capacity and Plans. The Governor’s proposals for flood management (\$173 million in 2025-26) and drinking water programs including a separate subprogram for tribal projects (\$194 million in 2025-26) will be administered through existing programs. These programs have well-established systems for assessing need, which in turn inform decisions about which projects to support. For example, DWR conducts assessments of flood risk (particularly in the Central Valley where the state has liability for the State Plan of Flood Control), partners with—and leverages funding from—the federal government on certain critical flood management projects, and relies on needs assessments from local reclamation districts and the Delta Stewardship Council to inform spending on levee improvements in the Sacramento-San Joaquin Delta. These established processes can give the Legislature some assurance that implementing departments will spend Proposition 4 funds strategically and on vetted projects. Nevertheless, the Legislature could consider requesting progress updates each year ahead of budget subcommittee hearings on which specific projects are being supported and are proposed to be supported with Proposition 4 funds to ensure spending is progressing as envisioned.

No Clear Rationale for Different Spending Periods for Tribal Projects as Compared to Other Drinking Water Projects. SWRCB administers all drinking water projects, including tribal water infrastructure projects, through the same programs. However, the Governor’s proposed budget bill language imposes shorter spending periods (for encumbrance and liquidation) for tribal water projects than for other drinking water projects. Specifically, while tribal projects would be given three years for encumbrance and six years for liquidation, other drinking water projects would be given five years and eight years, respectively. The administration indicates it based the length of the spending periods on the amount of funding being provided to a program (for example, giving longer periods for programs with larger total amounts of funding), rather than on programmatic considerations. Given that SWRCB administers all drinking water funds through the same programs, the LAO does not find a strong rationale for requiring that tribal entities complete their drinking water projects on a more expedited time line than other grantees. Moreover, this could disadvantage tribes that cannot spend the funds as quickly. The Legislature could consider modifying the proposed budget bill language to align the spending periods for tribal and other drinking water projects.

For New and Modified Programs, Legislature Could Require More Detailed Proposals Before Signing Off on Future Years’ Spending. For a number of programs, departments still are in the process of scoping the program or revising/updating guidelines (such as for programs that have not received funding in recent years). These include urban stormwater management (SWRCB), regional conveyance projects and repairs (DWR), water conservation in agricultural and urban areas (DWR), and climate education and research (CNRA). The Governor proposes to provide funding in 2025-26 for program planning and then fund project implementation in later years, which is a reasonable approach. However, the proposal

is asking the Legislature to sign off on the proposed multiyear funding plan now even though it provides limited information about how those future funds will be spent. Given the current planning stages of these programs, the Legislature could require the administration to submit more detailed proposals when project funding is requested in the future. This would allow the Legislature to review proposed implementation plans and determine if they align with its priorities before agreeing to the timing of when project funding will be provided.

Proposal for Forming the Salton Sea Conservancy Forthcoming. Proposition 4 includes two amounts for Salton Sea-related activities—\$160 million for projects and \$10 million to create the Salton Sea Conservancy. The conservancy will operate and maintain projects undertaken around the Salton Sea to mitigate the harmful effects of toxic air pollution resulting from the water receding. The Governor proposes to allocate nearly all of the project funding (\$148 million) to DWR in 2025-26 to commence construction on three projects totaling approximately 4,900 acres. (The state’s current Salton Sea ten-year plan requires completion of habitat restoration or dust mitigation projects on 29,800 acres by the end of 2028. Thus far, fewer than 3,000 acres of projects have been completed, with another approximately 15,000 acres currently undergoing planning or permitting.) While the Governor’s budget did not include a proposal to create the Salton Sea Conservancy, the administration indicates that it plans to present one this spring.

The Governor’s proposal for project funding seems reasonable. It will support three projects that are about ready to start construction in furtherance of the state’s goals at the Salton Sea. However, given the priority the Legislature placed on creation of a Salton Sea Conservancy through its approval of Chapter 771, the short time line for completing projects by 2028, and the serious public health risks posed by the receding Sea, the Legislature likely will want to monitor these issues closely.

LAO Comments: Wildfire and Forest Resilience.

Some Programs Represent Continuations of Existing Activities... Several of the wildfire-related spending categories included within Proposition 4 represent existing state programs. For such programs, less new decision-making exists around how the program will operate or funds will be spent as compared to new programs the bond is establishing for the first time. Moreover, the administration does not need to create new program guidelines, demand for funding likely already exists as potential grantees are aware of the program, and administering departments should be able to allocate funding for projects relatively quickly. As such, appropriating a comparatively larger amount of Proposition 4 funds in the first year of implementation does not raise significant concerns. Such programs include forest health, local fire prevention grants, and resilience activities overseen by Parks and state conservancies. In two examples—the Wildfire Mitigation Grant Program (WMGP) and the Regional Forest and Fire Capacity (RFFC) Program—even though the bond funds are available for existing programs, the administration proposes providing a relatively small amount of funding in 2025-26, instead allocating the bulk of the funds across the subsequent five years. The administration indicates this is because it plans to make some revisions to how it administers these two programs and potential grantees still are in the process of developing projects so it does not anticipate needing larger appropriations until a future year.

...But The Legislature Still Could Seek to Guide Spending Priorities. Even for established wildfire-related programs, if the Legislature has particular spending priorities, it could guide the administration’s implementation through adopting statutory direction. For example, the Legislature could direct CalFire to administer the forest health funding based on a certain set of priorities, such as related to location in the state, land ownership, or type of project (such as prescribed fire as compared to forest thinning). Similarly, it could direct the RFFC program to ensure funded projects focus on key state

priorities (please see LAO's 2021 report, [An Initial Review of the Regional Forest and Fire Capacity Program](#), for specific suggestions).

Certain Bond Categories Allow for Significant Discretion, and Legislature May Have Different Priorities Than Administration. Proposition 4 also includes funding for two groups of wildfire-related activities that allow for significantly more discretion around how exactly the funds might be used. While the administration's proposed plan seems reasonable, the Legislature may have had a different approach in mind when it drafted the bond language. If this is the case, it may want to modify the administration's proposals based on these considerations.

- ***Administration Selected Its Priorities From Among a Number of Allowable Activities.*** In a few instances, Proposition 4 lists a number of different activities for which specific categories of wildfire funding could be used, and the administration is only choosing to fund some of them. The Legislature may want to fund a different mix of activities and/or allocate funding differently across them. For example, Section 91520(g) states that a total of \$50 million can be used for fuel reduction, structure hardening, defensible space, reforestation, or targeted land acquisitions. CalFire is proposing to allocate half of this funding to create a new defensible space grant program and the other half for reforestation grants, and no funding for the other allowable activities. While the department has some rationale for its approach (for example, WMGP funds are available for structure hardening, the forest health program provides funding for fuel reduction, and CalFire indicates it is not aware of land available for acquiring), the Legislature may have written the Proposition 4 language as flexibly as it did to preserve the ability to spend these funds across a wider range of activities, despite the availability of other funds. As another example, section 91520(d) provides \$185 million that can be used for fire prevention grants or workforce development activities. The administration proposes using \$180 million for the former and \$5 million for the latter, which may or may not align with legislative priorities. Finally, section 91520(e) provides \$25 million for the creation or expansion of a CalFire training center with no further details specified in the bond language. The department proposes using \$20 million for projects at its existing Ione Training Center and \$5 million to establish a "Prescribed Burn Learning Hub" website.
- ***Administration Would Design Implementation Details for New Programs.*** In some cases, Proposition 4 would fund activities for the first time but does not provide significant detail or guidance within the bond language. As such, absent additional statutory direction from the Legislature, the administration is left with significant discretion over designing implementation details and how specifically funds will be used. This includes the new regional projects funding and defensible space program. If the Legislature had specific intentions, ideas, or priorities around these programs as it designed the bond, it may want to further clarify this guidance for CalFire through trailer bill language or policy legislation. For both of these programs, the administration is proposing appropriating funding and beginning implementation in 2025-26. Additionally, the Legislature could provide direction to the administration around how it would like to design programs which the Governor has identified as still pending, such as to reduce the fire risk from electricity transmission.

LAO Comments: Coastal Resilience.

Proposed Time Lines Reflect Appropriate Considerations About Project Readiness, Staffing Capacity, and Availability of Existing Funds. For each of the proposed 2025-26 allocations and multiyear time lines within the coastal resilience bond category, the Governor's budget appears to reasonably account for project readiness, staffing capacity, the availability of existing funds, and grant cycles. For example,

of the \$135 million authorized for OPC for projects to increase ocean and coastal resilience, the proposal would provide \$7.5 million in 2025-26, while waiting to allocate more significant project implementation funding until 2027-28. The proposed timing reflects current funding availability and demand. OPC has \$46 million still available and unspent from recent Proposition 68 and GGRF funds the Legislature already appropriated. Because it has identified more than \$50 million in priority projects, OPC would use the \$7.5 million from Proposition 4 in 2025-26 together with its existing funds to help support these projects.

While both Parks and SCC also have projects lined up that are ready to be funded in 2025-26, neither has significant amounts of funding remaining from previous appropriations and therefore each is requesting comparatively larger amounts from Proposition 4 in the budget year—\$24 million and \$31 million, respectively. However, the Governor’s multiyear spending plan would take a different approach for each of these two departments in the out-years, reflecting their unique considerations. From the total of \$50 million available in Proposition 4 for implementing Parks’ Sea Level Rise Adaptation Strategy, the multiyear proposal would provide a small amount of planning funds in 2026-27 to scope more complex projects, and then provide the final \$24 million for project implementation in 2027-28. For SCC’s coastal resilience funding (\$330 million total Proposition 4 funds), the proposal would allocate about 10 percent each year for the next decade. SCC indicates that it took two main factors into account in proposing a steady distribution of funds over a longer time frame: departmental capacity and uncertainty about whether it would receive General Fund over the coming decade.

By contrast, the Governor’s budget would provide nearly all of SCC’s funding for dam removal and related water infrastructure (\$75 million) over just three years, with most in 2026-27 and 2027-28. This decision reflects the schedule and budget for the one major project SCC proposes to support with the funding—removal of the Matilija Dam (which has numerous funding partners and an established schedule for sediment release, dam removal, and site restoration).

One of CDFW’s Allocations Reflects Administration’s Priority Activity, but Legislature Could Provide Statutory Direction if It Has Different Intentions. Proposition 4 authorizes \$75 million for CNRA and CDFW to (1) protect and restore island ecosystems, (2) advance climate-ready fisheries management, and (3) restore and manage kelp ecosystems. The Governor proposes to have CDFW administer all of this funding and to use it for only the second purpose—fisheries management. (CDFW notes that OPC will provide some support for kelp ecosystems with one of its separate allocations.) The administration’s proposed activities—including salmon monitoring through parental-based tagging and cohort reconstruction, undertaking new approaches for data collection and resource management, and expanding the Whale Safe Fisheries Program—could all provide valuable information to help to improve fisheries management. However, given the Legislature included three different categories of activities in its drafting of Proposition 4, it may have had a different set of actions and priorities in mind for these funds. If that is the case, the Legislature may wish to provide additional direction in budget bill language to ensure its objectives are met.

LAO Comments: Biodiversity and Nature-Based Solutions.

Proposal Allocates Conservancy Funding Based on Various Factors. Proposition 4 allocates specific amounts to various state conservancies for the purposes of reducing climate change impacts on communities, fish and wildlife, and natural resources, as well as increasing public access. The proposal distributes funding to the conservancies over the multiyear period at differing rates. For example, some conservancies are scheduled to receive the majority of their funding in 2025-26, while the Governor proposes to provide appropriations for others over a more extended period. In determining the budget-year and multiyear allocation schedule for each conservancy, the administration indicates that it

utilized the following factors: (1) current staffing capacity, (2) the amount of uncommitted funds from previous budget packages, and (3) the number of shovel-ready projects to be supported with bond funding. Overall, the LAO finds this to be a reasonable approach that provides funding in a targeted manner. While the bond language around these funds is relatively broad and grants significant discretion over spending decisions to each conservancy's board, such an approach is consistent with how the state has allocated prior bond and General Fund allocations. The Legislature could maintain this historical practice—as the administration proposes—or provide more specific spending guidance through budget bill language if it has particular goals it wants to ensure this funding achieves.

WCB Plans to Allocate Funding Based on Upcoming Strategic Plan, but Legislature May Want to Provide Statutory Guidance. Proposition 4 includes funding to support grant programs that protect and enhance fish and wildlife resources and habitats. The proposition lists ten eligible programs that could be used to administer this funding category. (We note that funding is not only limited to these programs.) The administration's proposal includes \$176 million in the budget year for the board to begin awarding funding to projects under this bond section. However, WCB has not yet determined how it will distribute the funds across the eligible programs. The board plans to make these allocations based on its 2025-2030 strategic plan, which it expects to finalize in summer 2025. It intends to use the strategic plan to help guide bond spending over the next five years. While such an approach has some merit in that it should help make allocations more coordinated and strategic, the board's plan may not exactly reflect the priorities the Legislature had in mind when designing the bond. The Legislature may want to provide statutory guidance now on how the board should prioritize funding across the eligible programs. Moreover, if the strategic plan will not be adopted until partway through the coming fiscal year, whether the board can expend \$176 million in 2025-26 may be questionable. The Legislature could consider waiting to appropriate more of this funding until a future year after it has a chance to review WCB's strategic plan and funding intentions.

Proposal Includes Two Funding Categories Where Administration Is Seeking Additional Statutory Guidance. As mentioned above, the Governor's implementation plan does not yet include an appropriation time line for two bond activities: (1) the San Andreas Corridor Program and (2) the Southern Ballona Creek watershed. The administration has indicated that it is seeking additional legislative input on how to administer these funds, so the Legislature will have the opportunity to help develop statutory guidance for these programs. For example, the Legislature could consider specifying program priorities, design features, and/or project selection criteria.

LAO Comments: Clean Energy.

Offshore Wind Program Still Under Development, Raising Questions About Pressing Need for Funding. The Governor is requesting that essentially all of the funding Proposition 4 contains for offshore wind activities be appropriated in 2025-26 and 2026-27. However, this program is new and the administration still is in the early stages of setting it up. Specifically, CEC currently is in the process of launching a grant program—the Offshore Wind Waterfront Facility Improvement Grant Program (OWWFIGP) authorized by AB 209 (Committee on Budget), Chapter 251, Statutes of 2022, and funded with \$45 million General Fund in the energy package adopted in the 2022-23 budget. The deadline for applications for OWWFIGP, which supports planning and design activities for offshore wind-related port improvements, was December 2024 and awards have not yet been announced. CEC anticipates this process and program will inform the expenditure of the offshore wind funding provided by Proposition 4.

CEC indicates that it expects to undertake a public process to solicit input on program design and priority setting for the Proposition 4 offshore wind funding prior to publishing draft grant guidelines for the

program, activities which it has not yet commenced. As the process of implementing OWWFIGP and setting up the new Proposition 4 offshore wind program will take time, CEC reports that the earliest it anticipates Proposition 4 awards could be made is December 2026 (for the 2025-26 proposed funding) and December 2027 (for the 2026-27 proposed funding). This time line raises questions about the necessity of committing all the funding for offshore wind through a 2025-26 appropriation and multiyear spending plan now. Moreover, recent actions have created some uncertainty around the role the federal government will play in wind development off California's coast. For example, a January 20, 2025 presidential executive order directed a review of legal bases for removing existing offshore wind leases. In light of these considerations, waiting until a future year to both provide initial amounts from Proposition 4 and set a plan for future appropriations could have a few advantages. Specifically, it could allow the Legislature the benefit of additional time to (1) learn from the implementation of OWWFIGP, (2) gather additional information on the administration's developing plans for the Proposition 4 offshore wind funds, and (3) get more information on the potential implications of recent federal actions and their potential impacts on the state's offshore wind plans.

Legislature May Want to Consider if DSGS Proposal Is Consistent With Its Intent. As described above, the Governor's proposal includes both fund shifts and a specific allocation related to CERIP and the DSGS program. These proposals raise two key questions for the Legislature. The first is whether this dedication of CERIP funds to DSGS is consistent with its priorities, or whether it wants to use that planned funding for a different clean energy-related activity. Second, the Legislature faces the considerations the LAO discussed in the initial section of this report about the trade-offs associated with the proposed fund shifts—specifically, that \$50 million of Proposition 4 would not be available to expand upon previously planned clean energy activities but the approach would free up General Fund and GGRF to be used for other purposes.

Legislature Could Use Coming Year to Refine Its Own Priorities for Transmission Funding. The Governor's implementation plan does not yet include a timeline for appropriating the \$325 million Proposition 4 dedicates to public financing of electricity transmission infrastructure. The administration indicates that such a plan will be forthcoming sometime after the release of a report on electricity transmission that is required to be completed by July 2025 pursuant to AB 3264 (Petrie-Norris), Chapter 762, Statutes of 2024. AB 3264 requires this report to provide findings and proposals to reduce the cost to ratepayers of expanding the state's electrical transmission grid as necessary to achieve the state's climate goals.

In general, the LAO finds that the Governor's approach of waiting to allocate funding for electricity transmission until decisions can be informed by the forthcoming study makes sense. The Legislature could use this additional time to further develop and refine its own priorities for the use of these Proposition 4 funds, such as related to wildfire mitigation, offsetting ratepayer costs, and/or supporting the state's environmental goals. Additionally, the Legislature could consider how it would like Proposition 4 funding to complement other available funding for transmission improvements, such as an August 2024 federal Grid Resilience and Innovation Partnerships 2 grant award of roughly \$600 million (which is anticipated to be matched by about \$900 million, mostly from utility ratepayers). To the extent the Legislature develops a clear idea of its priorities for Proposition 4 transmission funding, it could communicate them to the administration—either informally or formally through mechanisms such as budget bill language—for inclusion in the administration's future proposal(s).

LAO Comments: Park Creation and Outdoor Access.

Proposal Would Allocate Significant Portion of Parks Funding in First Two Years to Address Pent-Up Demand and Needs. The administration's multiyear plan would appropriate 58 percent of the available

funding for park creation and outdoor access across 2025-26 and 2026-27, largely due to plans to allocate nearly all the funding for the Statewide Parks Program and deferred maintenance in these first two years of bond implementation. While in some cases this approach could raise questions about the department's and grantees' ability to expend so much funding over a short period of time, Parks indicates sufficient demand and uses for these two programs exist and it is confident funds can be committed and expended relatively quickly. Based on the LAO's initial review, the department's evidence and rationale for this approach seem reasonable. For the Statewide Parks Program (\$190 million proposed in 2025-26 with the remaining \$10 million set aside to support annual program delivery costs through 2030-31), the administration intends to allocate grants as a continuation of the existing Statewide Park Development and Community Revitalization Program. This provides funding for the creation, expansion, and renovation of safe neighborhood parks in park-poor neighborhoods. The prior funding provided in previous years has been exhausted and Parks indicates high demand for this program exists, with \$1.9 billion in unfunded requests during the last grant cycle. Also notable is \$84 million proposed for 2025-26 plus another \$70 million planned for 2026-27 to help address Parks' deferred maintenance backlog. (As noted earlier, this includes \$14 million from a previous General Fund appropriation that the Governor proposes shifting to Proposition 4 support.) The department estimates addressing its current deferred maintenance backlog would cost over \$1 billion. As a result, Parks intends to prioritize projects based on various factors such as impacts to health, safety, and disadvantaged communities, with consideration for other factors that might affect project delivery such as permitting and legal issues. Because the appropriation plan for deferred maintenance is based on expected cash flow needs, the administration notes that it may request some adjustments to the multiyear plan in future years.

Legislature May Want to Weigh in on Determining Plans for Two Pending Programs. As noted above, the Governor's multiyear plan does not yet incorporate funding for two programs. The administration indicates this is because it still is in the process of determining how this funding will be used. This creates an opportunity for the Legislature to help design the programs based on its priorities and what it had in mind when drafting the bond. Specifically, for reducing climate impacts on disadvantaged communities, the administration indicates that it still is considering whether the pending \$139 million should be used to support new or existing programs. The Legislature could consider whether there are particular activities that it would want this funding to support, and direct the administration accordingly. Similarly, for enhancing natural resources and expanding trail access—which are new activities established through the bond—the administration plans to develop next steps after soliciting desired goals and outcomes from stakeholders. The Legislature could consider weighing in on what the process for soliciting input from stakeholders should be and/or whether it wants to direct the administration to focus on certain goals and outcomes based on its priorities.

LAO Comments: Extreme Heat Mitigation.

Proposition 4 Provides Comparatively Little Flexibility on How Extreme Heat Funding Can Be Used. In contrast to several other sections of Proposition 4, the extreme heat mitigation chapter of the bond specifies the dollar amounts that should go to each existing program and does not include any new programs. As such, comparatively less discretion exists for how the funding can be used.

Administration's Proposed Timing of Appropriations Is Based on Projected Ability to Move Forward With Grant Cycles. While Proposition 4 does not provide flexibility on the *amount* of extreme heat funding to be allocated to each program, the Legislature does have discretion over *when* this funding is appropriated. The administration's multiyear spending plan is based on when it anticipates being able to move forward with new grant cycles for each particular program. For example, CDFA anticipates it will be able to quickly disperse funding for fairground upgrades because, due to its oversight role, the department has extensive knowledge and data about the emergency uses and conditions of fairground

infrastructure across the state.

Similarly, LCI indicates it will be able to begin using bond funding in 2025-26 for the Extreme Heat and Community Resilience Program because it will incorporate the funding into a previously planned grant cycle. Specifically, LCI used the General Fund it received from the previous climate packages to award a first round of grants for this program in 2024-25 and has \$15 million General Fund and \$7.5 million GGRF planned for a second grant cycle in 2025-26. The Governor's proposal would revert that \$15 million of General Fund so that it can be used elsewhere, then use \$16 million in Proposition 4 funds to replace the General Fund and slightly augment the previously appropriated funding for the planned second round of grant funding. An additional \$34 million in bond funding for the program would be available in future years.

For some other programs for which new grant cycles will need to be launched, the administration anticipates beginning awards in 2026-27 and its multiyear spending plan therefore includes larger amounts of funding in the out-years as opposed to 2025-26. For example, for the urban forests program, CalFire plans to revise grant guidelines and prepare solicitations for the funding in 2025-26, with awards beginning in 2026-27. Similarly, LCI indicates that the earliest it anticipates being able to award new grants for Transformative Climate Communities and community resilience centers would be in 2026-27. (However, LCI indicates that it is evaluating whether it can modify its program delivery structure to begin awarding funding sooner.)

LAO Comments: Climate Smart Agriculture.

Proposal Utilizes Existing Programs to Administer Certain Funding Categories. In a number of cases, Proposition 4 outlines categories of climate smart agriculture activities without specifying particular programs through which the funds should be implemented. For several of these categories, the administration proposes to use the funds to support existing state programs. This includes categories related to soil health and carbon sequestration as well as urban agriculture projects, which will be administered through CDFA's Healthy Soils Program and Urban Agriculture Program, respectively. Additionally, funding dedicated to conserving and enhancing farmland and rangeland will be administered through the Department of Conservation's California Farmland Conservancy Program and Working Lands and Riparian Corridors Program. (The LAO notes that the administration has not specified how the funds will be divided between these two programs.) Overall, the LAO finds that the programs chosen by the administration seem to align well with the language included in Proposition 4. Furthermore, utilizing existing programs allows the state to more efficiently distribute funds.

In a few instances, Proposition 4 explicitly states which existing state programs should be used to administer certain funding categories. These include the State Water Efficiency and Enhancement Program, the farmworker housing component of the Low-Income Weatherization Program (LIWP), and the Invasive Species Account. Because these established programs can begin implementation immediately, the Governor's proposed plan allocates funding for all of them in the budget year to begin awarding grant funds and supporting projects, with the exception of LIWP. For this program, the multiyear plan would wait and provide most funds in 2027-28. As of this writing, the administration had not yet provided us with its rationale for the delayed implementation.

Proposal Would Establish New Programs, but Legislature May Want to Provide Statutory Guidance. The Governor also proposes to allocate funding for certain bond categories through establishing new programs. However, the proposed timing for allocating planning and project funding varies by program. For instance, budget-year funding for regional farm equipment sharing and tribal food sovereignty would be used to plan and establish the new programs, with funding for project awards

scheduled to be provided in 2026-27. CDFA indicates it believes this phased-in approach is appropriate given that these programs would support activities in areas that the department does not currently oversee. The department also indicates that Proposition 4's statutory guidance for these funding categories is broad, and therefore it must undertake further planning efforts to prepare for implementation. In contrast, for year-round and certified mobile farmers' markets (also new programs for CDFA), the administration proposes appropriating funding in 2025-26 to support both program development *and* project awards. The administration indicates that this accelerated approach is better suited for these programs given that (1) CDFA has an established role in overseeing farmers' markets and (2) Proposition 4 is more explicit on what types of activities must be funded under these categories. Overall, the LAO finds the Governor's proposal to be a reasonable approach that allows for sufficient planning in new areas, while enabling the department to proceed in areas where it has established expertise and guidance from the bond.

While the overall approach the Governor proposes appears sound, the Legislature may want to consider providing statutory guidance on how these new programs should be administered, particularly if it had certain components in mind when drafting the bond. Adding statutory guidance now would ensure that these new programs are implemented in a way that aligns with legislative priorities and policy objectives. This is particularly true for the categories where Proposition 4 does not provide directions around how funds should be administered. For example, the Legislature could consider specifying program priorities, design features, and/or project selection criteria. Additionally, the administration is asking the Legislature to provide more guidance around its intentions for the three bond activities for which the Governor's implementation plan does not yet include an appropriation time line: (1) increasing land access and tenure, (2) deployment of vanpool vehicles and related facilities, and (3) research farms at postsecondary education institutions.

LAO Recommendations. While the LAO has identified some positive attributes associated with the Governor's overall approach, the LAO also raises some issues for the Legislature to consider to ensure the spending plan it ultimately adopts is consistent with what it intended for Proposition 4. The LAO provides several recommendations to the Legislature, which are also summarized in the figure below.

Summary of Recommendations for Proposition 4 Implementation

- ✓ Ensure Spending Plan Reflects Legislative Priorities.
- ✓ Tailor Approach to Differentiate Between Already Established and Less Well-Defined Programs.
 - For existing programs and programs with well-defined plans, approve a multiyear plan.
 - For new or less well-defined programs, require new budget requests in future years once plans are more refined.
- ✓ Consider Clarifying Spending Guidance in Statute, Particularly When Multiple Options Are Allowed.
- ✓ Consider Enhanced Reporting to Track Progress Toward Most Important Proposition 4 Climate Goals.
- ✓ Weigh Fund Shifts in Light of Overall Budget and Legislative Priorities.
- ✓ Approve Administrative Procedure Act Exemption, but Consider Adding Transparency Requirements for Program Development Processes.

Source: LAO

Ensure Spending Plan Reflects Legislative Priorities. The administration's proposal represents a reasonable starting point for implementing Proposition 4. If the Legislature's intentions and priorities differ in certain ways from what the administration has proposed, however, the LAO recommends that

it modify the plan to reflect its preferences.

Tailor Approach to Differentiate Between Already Established and Less Well-Defined Programs. Although taking a more comprehensive and multiyear approach to implementing Proposition 4 has merit, the Legislature could consider tailoring the plan based on the degree to which programs already are well established or are well defined within the bond language. The LAO recommends the Legislature consider the following overarching approach:

- For existing programs and programs that have well-defined implementation plans and clearly defined activities that are consistent with legislative intent and/or existing practices, approve a multiyear plan. Request that the administration provide user-friendly updates about specific projects and activities for which the Legislature has a particular interest and feels existing reporting is not sufficient.
- For other programs—new programs, programs for which Proposition 4 provides more discretion around specific spending choices, programs for which additional information is still forthcoming, and programs with pending allocations under the Governor’s proposal—require the administration to submit new budget requests in future years once plans are more refined. This will allow the Legislature to deliberate on how these programs will be implemented before appropriating funding.

Consider Clarifying Spending Guidance in Statute, Particularly When Multiple Options Are Allowed. When the bond language allows multiple potential activities within a given category, the LAO recommends the Legislature ensure it understands specifically what the administration is planning and request additional information if needed, such as during budget subcommittee hearings. The Legislature could then modify the proposal as needed based on its preferences. Regardless of whether it generally approves of the administration’s plans or wants to make its own modifications, the LAO recommends the Legislature consider specifying spending guidance in budget bill and/or trailer bill language to ensure the agreed-upon approach is followed. Such language could be especially important in future years for programs where the Legislature approves a multiyear spending plan in order to help it ensure that its expectations are upheld.

Consider Enhanced Reporting to Track Progress Toward Most Important Proposition 4 Climate Goals. Proposition 4 requires that CNRA provide annual information about each funded project. The LAO recommends the Legislature consider requiring additional reporting about the degree to which funded projects help the state reach the climate goals and targets articulated in Proposition 4. For example, in light of the state’s goal to conserve 30 percent of California’s lands and coastal waters by 2030, the administration could specify how many more acres of land are being conserved each year as a result of projects supported by Proposition 4. To avoid adding undue reporting burdens for the administration, the LAO recommends the Legislature be selective and focus any such requirements on the areas for which additional information would be most helpful in informing future efforts. For a more robust assessment of progress, particularly for new programs, the Legislature also could require independent evaluations of outcomes to identify which activities are more effective in advancing climate objectives. (While potentially very valuable, requiring evaluations likely would entail some associated costs, so the Legislature will want to be similarly selective and targeted in considering where such information would be most helpful.)

Weigh Fund Shifts in Light of Overall Budget and Legislative Priorities. The LAO recommends that before making any decisions about proposed fund shifts, the Legislature wait and see how the larger budget context evolves over the spring. For example, if the budget condition worsens, the Legislature

may need this fiscal tool to help balance the budget and maintain existing base programs. A key consideration will be the degree to which using Proposition 4 funds to add, enhance, or increase climate-related activities is a higher priority than freeing up General Fund and GGRF to spend on other areas of the state budget, and the comparative importance to the Legislative of those potential alternative expenditures.

Approve the APA Exemption, but Consider Adding Transparency Requirements for Program Development Processes. The LAO recommends the Legislature approve the proposed APA exemption, as such an action has precedence, and likely would make bond implementation both more efficient and expeditious. However, the LAO recommends the Legislature consider specifying certain process-related requirements—such as requiring proposed guidelines to be published online and requiring public notifications, public meetings, and opportunities to provide public comment—in budget bill or trailer bill language to ensure that the development of guidelines is public and transparent.

Staff Comments. *Backfilling.* As the LAO notes above, the Governor’s budget proposes to shift \$273 million from prior General Fund obligations and \$32 million from prior GGRF obligations to Proposition 4 funding for e.g. stewardship of state-owned lands, water recycling, dam safety, and watershed climate resilience. However, it was not the intent of the SB 867 author, nor anticipated by the voters, for Proposition 4 general obligation bond funds to be used to backfill to the General Fund or GGRF. General obligation bonds come with the added expense of debt service whereas General Fund moneys do not. Although the Proposition 4 funding would be used for similar purposes that the General Fund and GGRF funding were to serve, proposing to use Proposition 4 to backfill obligations from the General Fund and GGRF leaves the state with \$305 million less overall to invest in the state’s efforts to become more climate resilience. Proposition 4 funding was meant to be an addition to, not replace, the state’s previously committed funding in this arena.

Is 10 Percent Included In — or In Addition To — 40 Percent of Total Prop. 4 Funds. There seems to be different interpretations about how the math works in Public Resources Code (PRC) Section 90140 and whether the 10 percent reserved for severely disadvantaged communities (SDACs) is included in — or in addition to — the 40 percent for disadvantaged communities (DACs). PRC Section 90140 states:

At least 40 percent of the total funds available pursuant to this division shall be allocated for projects that provide meaningful and direct benefits to vulnerable populations or disadvantaged communities. At least 10 percent of the total funds available pursuant to this division shall be allocated for projects that provide meaningful and direct benefits to severely disadvantaged communities.

PRC Section 90100(d) defines a “disadvantaged community” (DAC) as “a community with a median household income of less than 80 percent of the area average or less than 80 percent of statewide median household income.”

PRC Section 90100(j) defines a “severely disadvantaged community” (SDAC) as “a community with a median household income of less than 60 percent of the area average or less than 60 percent of the area average or less than 60 percent of statewide median household income.”

By these two definitions, DAC includes SDAC. In other words, SDAC is a subset of DAC.

As noted by the Supreme Court of California, “If the language is clear, courts must generally follow its plain meaning unless a literal interpretation would result in absurd consequences the Legislature did not intend.”

By the plain wording of PRC Section 90140 and because of the definitions for DAC and SDAC, the correct interpretation of PRC Section 90140 is that the 10 percent is part of the 40 percent (i.e. Of the \$4 billion for DACs, \$1 billion is reserved for SDACs).

If the intent was to separate out the \$1 billion for SDACs, then the second sentence would have started with a phrase like “In addition to the 40 percent for DACs...” Also, this alternative interpretation would mean that SDACs would have two pots of funding since they would have a separate \$1 billion pot (10 percent) as well as be eligible for the \$4 billion pot (40 percent) — such a scenario does not seem logical.

Also, PRC Section 90140 sets a floor and not a ceiling. Proposition 4 does not constrain the Legislature or Administration from spending more for vulnerable communities, DACs, or SDACs.

40 Percent Total or 40 Percent of Each Pot of Funding? Another interpretation issue regarding PRC Section 90140 is whether the 40 percent for vulnerable populations or DACs is based on the entire \$10 billion regardless of chapter or purpose (meaning some chapters or “buckets” may provide less than 40 percent, some may provide more than 40 percent); or does this section require a minimum of 40 percent come out of each chapter or “bucket” of funding?

PRC Section states, “At least 40 percent of the total funds available pursuant to this division...” “Division” refers to the entirety of Proposition 4. The “total funds available pursuant to” this bond measure is \$10 billion. Therefore, the plain meaning of this phrase refers to the percentage of the entire bond — 40 percent of \$10 billion, which is \$4 billion. PRC Section 90140 does not include any qualifiers that specify each chapter or “bucket” of funding — it only states that the 40 percent is of the sum. Therefore, some chapters or “buckets” may provide more, and some less, than 40 percent to vulnerable populations or DACs, as long as the minimum of \$4 billion of the entire bond goes towards projects that provide meaningful and direct benefits to them.

Staff Recommendation. Hold open.