Senate Budget and Fiscal Review

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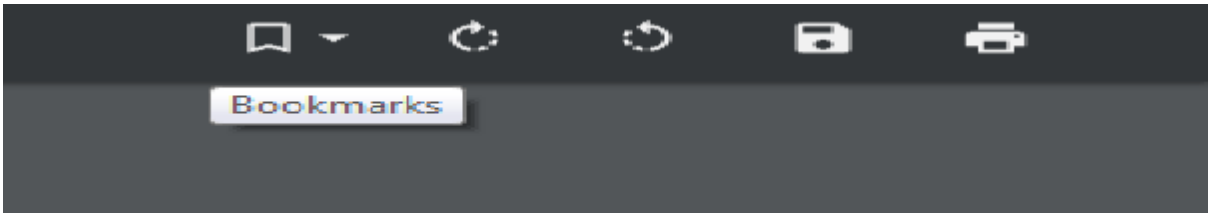

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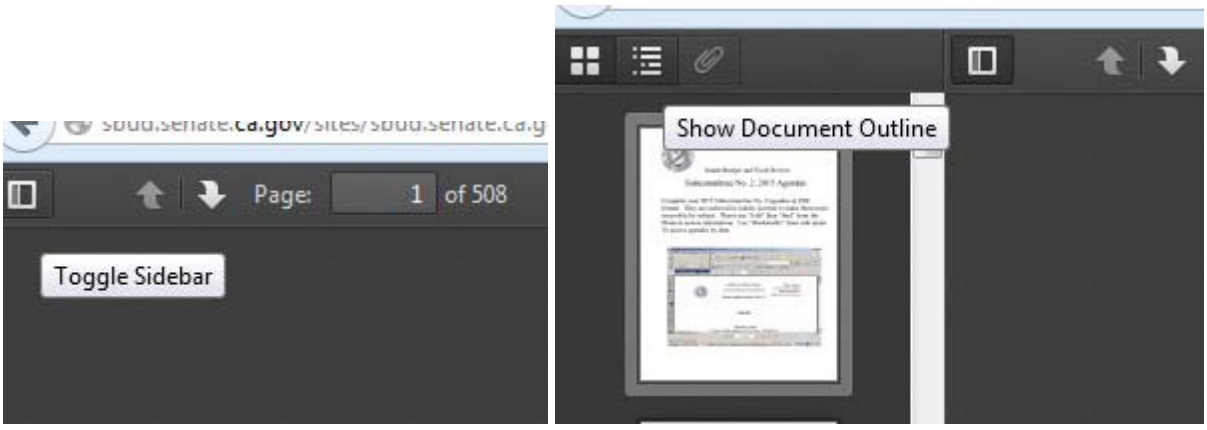

Senate Budget and Fiscal Review—Scott Wiener, Chair
SUBCOMMITTEE NO. 2 **Agenda**

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

Thursday, February 27, 2024
9:30 a.m. or Upon Adjournment of Session
1021 O Street - Room 2200

Consultant: Joanne Roy

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DISCUSSION

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8570 CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE (CDFA)

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	376	214	496	89
Coastal Resilience	1,200	173	129	190	708	—
Biodiversity and Nature-Based Climate Solutions	1,200	286	136	165	512	101
Clean Energy	850	275	229	3	21	323
Park Creation and Outdoor Access	700	286	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**

[a]Does 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	$68
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**

[a]Shifts 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	$386	$10	3%
Multibenefit Land Repurposing Program	91013	DOC	200	12	6
Water reuse and recycling	91014	SWRCB	386	153	40
Water Storage Investment Program	91015	CWC	75	74	100
Brackish desalination, salinty 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%**

[a]Percent of total available funding after accounting for estimated statewide bond costs (which the Governor estimates at less than 1 percent).

[b]The 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%**

[a]Percent 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%**

[a]Percent 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	2025-26 Proposed Percent of Bond Total[a]
Fish and Wildlife Resources and Habitats			**$870**	**$197**	**23%**
Fish and wildlife resources and habitats	93010	WCB	$668	$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%**

[a]Percent of total available funding after accounting for estimated statewide bond costs (which the Governor estimates at less than 1 percent).

[b]The 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	2025-26 Proposed 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%**

[a]Percent of total available funding after accounting for estimated statewide bond costs (which the Governor estimates at less than 1 percent).

[b]Under 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	2025-26 Proposed 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%**

[a]Percent 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	$16	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	60	0.8	1
Fairground updates	92560	CDFA	40	38	95
Totals			**$450**	**$102**	**23%**

[a]Percent 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	2025-26 Proposed Percent of Bond Total[a]
Climate Resilience of Agricultural Lands			**$105**	**$74**	**71%**
Soil health and carbon sequestration	93510(a)	CDFA	$65	$36	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%**

[a]Percent 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.

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 million 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.

Senate Budget and Fiscal Review—Scott Wiener, Chair
SUBCOMMITTEE NO. 2 **Agenda**

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

Item **Department** **OUTCOME: ISSUE HELD OPEN** **Page**

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Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

DISCUSSION

0540 CALIFORNIA NATURAL RESOURCES AGENCY (CNRA)
0650 GOVERNOR'S OFFICE OF LAND USE AND CLIMATE INNOVATION (GO-LCI)
0690 GOVERNOR'S OFFICE OF EMERGENCY SERVICES (CAL OES)
3125 TAHOE CONSERVANCY
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3360 ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION (CEC)
3480 DEPARTMENT OF CONSERVATION (DOC)
3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CALFIRE)
3600 CALIFORNIA DEPARTMENT OF FISH AND WILDLIFE (CDFW)
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3790 DEPARTMENT OF PARKS AND RECREATION (PARKS)
3810 SANTA MONICA MOUNTAINS CONSERVANCY (SMMC)
3825 SAN GABRIEL AND LOWER LOS ANGELES RIVERS AND MOUNTAINS CONSERVANCY (RMC)
3845 SAN DIEGO RIVER CONSERVANCY
3850 COACHELLA VALLEY MOUNTAINS CONSERVANCY
3855 SIERRA NEVADA CONSERVANCY (SNC)
3860 DEPARTMENT OF WATER RESOURCES (DWR)
3875 SACRAMENTO-SAN JOAQUIN DELTA CONSERVANCY
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4700 DEPARTMENT OF COMMUNITY SERVICES AND DEVELOPMENT (CSD)
8570 CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE (CDFA)

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	376	214	496	89
Coastal Resilience	1,200	173	129	190	708	—
Biodiversity and Nature-Based Climate Solutions	1,200	286	136	165	512	101
Clean Energy	850	275	229	3	21	323
Park Creation and Outdoor Access	700	286	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**

[a]Does 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	$68
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**

[a]Shifts 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	$386	$10	3%
Multibenefit Land Repurposing Program	91013	DOC	200	12	6
Water reuse and recycling	91014	SWRCB	386	153	40
Water Storage Investment Program	91015	CWC	75	74	100
Brackish desalination, salinty 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%**

[a]Percent of total available funding after accounting for estimated statewide bond costs (which the Governor estimates at less than 1 percent).

[b]The 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%**

[a]Percent 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	2025-26 Proposed 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%**

[a]Percent 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	2025-26 Proposed Percent of Bond Total[a]
Fish and Wildlife Resources and Habitats			**$870**	**$197**	**23%**
Fish and wildlife resources and habitats	93010	WCB	$668	$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%**

[a]Percent of total available funding after accounting for estimated statewide bond costs (which the Governor estimates at less than 1 percent).

[b]The 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	2025-26 Proposed 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%**

[a]Percent of total available funding after accounting for estimated statewide bond costs (which the Governor estimates at less than 1 percent).

[b]Under 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	2025-26 Proposed 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%**

[a]Percent 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	$16	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	60	0.8	1
Fairground updates	92560	CDFA	40	38	95
Totals			**$450**	**$102**	**23%**

[a]Percent 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	2025-26 Proposed Percent of Bond Total[a]
Climate Resilience of Agricultural Lands			**$105**	**$74**	**71%**
Soil health and carbon sequestration	93510(a)	CDFA	$65	$36	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%**

[a]Percent 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.

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 million 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.

FEBRUARY 27, 2025

Proposed Proposition 4 Spending Plan

PRESENTED TO:

Senate Budget and Fiscal Review Subcommittee No. 2 on Resources, Environmental Protection and Energy
Hon. Benjamin Allen, Chair

LEGISLATIVE ANALYST'S OFFICE

Governor Proposes Multiyear Proposition 4 Spending Plan

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	376	214	496	89
Coastal Resilience	1,200	173	129	190	708	—
Biodiversity and Nature-Based Climate Solutions	1,200	286	136	165	512	101
Clean Energy	850	275	229	3	21	323
Park Creation and Outdoor Access	700	286	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**

- Includes $2.7 billion in 2025-26, about one-quarter of bond total.
- Proposed time line for appropriations varies by bond category and program.
- Proposes budget trailer bill language to exempt spending from the Administrative Procedure Act (APA).

Plan for Some Programs Still Pending

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 California Fire Foundation	Wildfire Wildfire	15 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 Flre 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.

- The administration has noted a few reasons for waiting to provide implementation plans for these programs, including forthcoming information and a desire to work with the Legislature to understand intent and to design program details.
- The administration also indicates it is still assessing staffing needs at departments and plans to propose administrative expenditures from the bond and associated personnel later this spring.

Shifts Some Prior Spending to Proposition 4

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	$68
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**

[a] Shifts 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.

- Proposal would shift $305 million in previously appropriated funding to Proposition 4 funds—$273 million from the General Fund and $32 million from the Greenhouse Gas Reduction Fund (GGRF).
- This proposal has three key effects: 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.

LAO Comments

- **Legislature Crafted Proposition 4 Bond Measure to Reflect Its Funding Priorities**
- **Proposed Plan Has Several Merits**
- **Proposed Multiyear Approach Has Important Trade-Offs and Might Not Be Suitable for All Categories of Spending**
- **Proposal Reflects the Administration's Preferences for How to Target Spending**
- **Even for Established Programs, Oversight Will Be Important**
- **Proposed Proposition 4 Spending Plan's Alignment With Specific Climate Goals Not Fully Clear**
- **Fund Shifts to Proposition 4 Reflect Administration's Priorities, but Legislature's May Differ**
- **APA Exemption Seems Reasonable, Though Legislature Could Add Measures to Increase Transparency**

Recommendations

- **Ensure Spending Plan Reflects Legislative Priorities**
- **Tailor Approach to Differentiate Between Already Established and Less Well-Defined Programs**
- **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 APA Exemption, but Consider Adding Transparency Requirements for Program Development Processes**

Senate Budget and Fiscal Review—Scott Wiener, Chair
SUBCOMMITTEE NO. 2 **Agenda**

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

Thursday, March 6, 2025
9:30 a.m. or Upon Adjournment of Session
1021 O Street - Room 2200

Consultant: Joanne Roy

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PUBLIC COMMENT ONLY

0540 CALIFORNIA NATURAL RESOURCES AGENCY (CNRA)

Issue 1: Museum of Tolerance (Governor's Budget (GB))

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

The Governor's budget includes $10 million General Fund in 2025-26 through CNRA to support a variety of improvements at the Museum of Tolerance. Of this amount, $6.3 million would be used to extend the themes from the new antisemitism exhibit to the rest of the museum, including installing interactive and immersive learning features. The project is expected to be completed in June 2027.

The proposal also includes $2 million to make improvements to the museum's entryway, lobby, and memorial plaza. Those improvements are expected to be completed in January 2026.

Both components would be funded solely by this proposal. The remaining funds from this proposal would cover project overhead ($1.2 million) and CNRA administrative costs ($500,000).

Background. According to the LAO:

Overview of the Museum of Tolerance. The Museum of Tolerance is a privately owned and operated museum in Los Angeles that is centered around combatting prejudice and discrimination, with a focus on the history of the Holocaust. The museum was established in 1933 by the Simon Wiesenthal Center (a nonprofit organization) and features a variety of exhibits, hosts special events, and provides educational programs for youths and adults.

State Has Provided One-Time General Fund Support for the Museum of Tolerance in Recent Years. The state has provided a number of one-time General Fund appropriations through CNRA to support various improvements at the museum over the past few years. These include: (1) $10 million in 2021-22 to build a new exhibit on antisemitism, (2) $5 million in 2022-23 to support museum repairs and to purchase and retrofit a bus to deliver mobile learning services, (3) $2.1 million in 2023-24 to renovate the museum's training center, and (4) $2 million in 2024-25 to support further renovations at the training center. Additionally, the state provides $3 million annually in ongoing Proposition 98 funds to the Los Angeles County Office of Education to support anti-bias training and professional development for education professionals conducted by the museum.

LAO Comments. According to the LAO:

Proposal Related to Previously Funded Effort, but Represents New Projects. The administration indicates that the funding from this proposal would not directly support the construction of the new exhibit on antisemitism for which the state provided some funding in the 2021-22 budget. (That new exhibit is expected to be completed in October 2025.) Instead, the new proposed funding would expand on the central themes of that exhibit by adding new interactive and immersive learning features throughout the rest of the museum, in addition to other unrelated improvements. The LAO therefore finds that the Legislature should view this proposal as a new and distinct set of projects and evaluate their merits accordingly.

Key Question Is Whether Improvements to Nonstate-Owned Infrastructure Are a Top Priority Given Current Budget Constraints. While supporting privately owned infrastructure may provide benefits — such as making improvements to a museum with an important anti-discrimination mission — it does not fall within the core responsibilities of the state. This is a distinction that is particularly important in a budget environment with limited General Fund resources where the state may find it challenging to address its own areas of responsibility — such as infrastructure it owns and operates. Given that every dollar of new spending essentially requires offsetting reductions elsewhere in the budget, the Legislature is in the position of needing to weigh the importance and value of the proposed spending for the Museum of Tolerance against its other General Fund priorities.

LAO Recommendation. ***Weigh Merits of Proposal Against Other General Fund Priorities.*** The LAO recommends the Legislature assess whether the proposal aligns with its highest priorities for General Fund. During its deliberations, the LAO recommends that the Legislature (1) view this proposal as a distinct set of projects and evaluate their merits independently of previously funded projects at the museum; and (2) consider whether improvements to nonstate-owned infrastructure are a top priority given current budget constraints.

Staff Recommendation. Hold open.

3110 SPECIAL RESOURCES PROGRAMS – TAHOE REGIONAL PLANNING AGENCY (TRPA)

Issue 2: Tahoe Regional Planning Agency Salary Adjustments (GB)

Governor's Proposal. The Governor's budget requests $230,000 Environmental License Plate Fund (ELPF) in 2025-26 and $130,000 ELPF ongoing to support the state's share of TRPA staff salary adjustments to be aligned with California state employee pay.

The State of Nevada has agreed to fund its one-third of the budget request for pay increases contingent on California providing two-thirds of the necessary funding.

TRPA's core budget from California has not been increased for staff salaries for years. This request would incorporate a salary adjustment equal to what California state employees receive for equivalent classifications. Providing funds for salary changes is intended to allow TRPA to compete effectively for talent while also retaining key team members required to support its mission and reduce turnover.

Background. ***TRPA.*** TPRA is a bi-state entity receiving funding from both the State of California and the State of Nevada. Per the Tahoe Regional Planning Compact, funding must be apportioned two-thirds from California and one-third from Nevada. TRPA's funding includes state funds, fees for services, and grants. The majority of TRPA's staff (80 percent) is funded out of TRPA's operating budget, which comes from the California and Nevada annual contributions.

Staff Recommendation. Hold open.

3125 CALIFORNIA TAHOE CONSERVANCY

Issue 3: Conceptual Feasibility Planning (GB)

Governor's Proposal. The Governor's budget requests $300,000 Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006 (Proposition 84) for initial conceptual feasibility planning for development of potential capital outlay projects over its ownership of approximately 4,700 parcels. Conceptual feasibility planning is intended to focus on Conservancy ownerships in key watersheds, several potential lakefront access points, and other sites requiring restoration and improvements for future watershed habitat and recreation. The Conservancy intends to use the funding to hire outside contractors and for existing Conservancy staff to carry out the planning work. The current schedule estimates study activities will be carried out between July 1, 2025, and June 30, 2026.

Background. The Conservancy was established in 1984 for the purposes of protecting and restoring Lake Tahoe's natural environment, including water quality, air quality, and wildlife habitat; acquiring, restoring, and managing lands; preserving the scenic beauty and recreational opportunities of the region; and providing public access.

The Conservancy's conceptual feasibility planning activities are intended to advance the Conservancy's Strategic Plan, including the following goals:

- ***Access***. Provide recreational opportunities and access for all.
- ***Protection***. Safeguard the basin's environmental, cultural, tribal, and recreational attributes for future generations.
- ***Restoration***. Restore the basin's social and ecological resilience.
- ***Stewardship***. Care for the basin's natural, tribal, and cultural resources.

The Lake Tahoe Environmental Improvement Program (EIP) is the Tahoe Basin's environmental restoration strategy. Since 1998-99, the Conservancy has received appropriations totaling over $500 million for EIP implementation purposes. The request for funding for conceptual feasibility studies and activities in support of new project proposals and opportunities is consistent with continuation of this commitment.

Staff Recommendation. Hold open.

Issue 4: Opportunity Acquisitions (GB)

Governor's Proposal. The Governor's budget requests $5.98 million from various funds for the acquisition of lands in environmentally sensitive or significant resource areas. The requested funding is comprised of:

- $378,000 of Lake Tahoe Acquisition Fund;
- $1.3 million of California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access For All Fund (Proposition 68); and,
- $4.3 million of reimbursement authority.

In addition, the request includes reversion of $1.3 million Proposition 68 local assistance funding from the 2019 Budget.

Conservancy staff and partner agencies have identified up to 13 properties (commercial development, and residential lots on environmentally sensitive land) for acquisition in the City of South Lake Tahoe, El Dorado County, and Placer County.

Background. The acquisition of environmentally sensitive lands helps advance California State Executive Order N-82-20, which establishes a state goal of conserving 30 percent of California lands and coastal waters by 2030. In addition, land purchases are intended to protect critical wetland and meadow habitat, promote biodiversity and provide opportunities to improve climate resilience.

The Conservancy acquisition program promotes local land use goals and the Lake Tahoe Regional Plan to accelerate environmental restoration by transferring aging development from sensitive areas to town centers and to build environmentally resilient communities.

Staff Recommendation. Hold open.

Issue 5: Upper Truckee River Sunset Stables Reach 6 Restoration Project (GB)

Governor's Proposal. The Governor's budget requests $250,000 in authority ($150,000 in Federal Trust Fund authority and $100,000 in Habitat Conservation Fund (HCF)) to develop preliminary plans for the multiple-benefit Upper Truckee River Sunset Stables Reach 6 Restoration Project (Project). The Conservancy estimates total project costs at $2.9 million.

The Conservancy intends to develop preliminary plans to restore a degraded section of the Upper Truckee River (River) and adjacent floodplain. The Project is intended to reduce sediment and nutrients that flow from the River into Lake Tahoe; enhance aquatic and terrestrial habitat; protect biodiversity; sequester carbon; improve public access; and restore climate resilience. As part of the eventual Project Construction phase, the Conservancy intends to improve 4,500 feet of river channel, enhance 70 acres of floodplain, and remove conifers on 30 acres to improve habitat and reduce fire risk.

The USDA Forest Service awarded a $1.9 million grant to the Conservancy to plan and implement the Project. The Conservancy will fund the remaining $1 million with HCF and other potential state and federal grant sources. The Conservancy will complete the Project Study phase in late 2025, begin work on preliminary plans in early 2026, and initiate working drawings in July 2026. The Conservancy anticipates starting construction in 2027.

Background. The Conservancy seeks to restore Reach 6 of the River and surrounding areas to address environmental impairments and achieve agency, state, and federal resource objectives. The Conservancy aims to enhance wildlife habitat and biodiversity, increase climate resilience and greenhouse gas sequestration, improve water quality and public access, and decrease fire risk.

The River is Lake Tahoe's largest inflowing stream and is a major source of sediment and nutrients to Lake Tahoe. Logging, grazing, roads, stream channelization, urban development, recreation, and an airport have extensively degraded the lower portion of the watershed, resulting in impairments that reduce habitat value, water quality, and climate resilience. In the Project area, the channel is deep and oversized and does not frequently inundate the floodplain during typical snowmelt flows. The long history of fire suppression and channel impairment has lowered groundwater elevations and converted a large meadow complex into a thicket of lodgepole pine, reducing the extent of meadow habitats that are important to many wildlife species. Extensive droughts will make the area even drier and reduce wildlife habitat. The resulting loss of vegetation will make the area more vulnerable to damage from extreme precipitation events.

In 1999, the Conservancy acquired the former Sunset Stables property because of its valuable environmental resources and it presents numerous opportunities for protection, restoration, and public access. The property includes large stretches of the River and floodplain.

Staff Recommendation. Hold open.

3340 CALIFORNIA CONSERVATION CORPS (CCC)

Issue 6: Greenwood Residential Center (Construction) – Reappropriation (GB)

Governor's Proposal. The Governor's budget requests reappropriation of the construction phase of the Greenwood: New Residential Center project. Although the construction contract of $60.21 million has been awarded and funds were transferred to the Architectural Revolving Fund in 2023-24, the balance of $6.4 million is currently available until June 30, 2025. Given construction schedule estimates completion in Spring 2026, this request is intended to provide sufficient time for project completion. Total project costs are estimated at $73.52 million.

The project includes buildings consisting of an administration building, seven dormitories, an education/recreation building, a multi-purpose with kitchen and dining room, a warehouse with a work area, and a hazardous materials storage room. Additionally, the scope of work will include related infrastructure and site work as needed. The facility will be designed based on the CCC's residential center needs and will accommodate about 100 permanent residential corpsmembers.

Background. Focus of Greenwood is for corpsmembers to gain work experience, advance their education through a high school diploma program with a charter school, and learn about career opportunities, while helping to enhance California's natural resources and its communities.

Greenwood corpsmembers perform a wide range of projects that includes conservation and restoration of ecosystems, fuel hazard reduction, arborist work projects, planting of native shrubs and trees, invasive weed/plant eradication, trail construction in accordance with the American with Disabilities Act (ADA), and campground construction. Corpsmembers also respond to emergencies such as natural disaster relief, search and rescue, fires, and floods. The Greenwood Center's location allows for response to emergencies ranging from the Sierra Nevada Mountains to the coast. All crews must be ready to deploy at a moment's notice to provide services and relief to residents of California.

Two significant buildings absent at Greenwood are a multipurpose gymnasium and warehouse. The existing facilities at Greenwood are in critical need of repairs/replacement, such as: several ceilings contain multiple holes, cracks and water stains that need to be repaired, the center's restrooms and showers need to be upgraded to current ADA requirements, water efficiency standards and energy efficiency requirements, the fire life safety system is not up to date and the buildings do not contain a fire sprinkler system, and the utility infrastructure is in poor condition, and the electrical system/wiring needs replacement. Continuing to repair the existing buildings is not efficient for long-term costs and will not bring the structures up to current building code requirements.

Staff Recommendation. Hold open.

3480 DEPARTMENT OF CONSERVATION

Issue 7: Division of Mine Reclamation SMARA-4 (GB)

Governor's Proposal. The Governor's budget requests one permanent position and an appropriation increase of $866,000 Surface Mining and Reclamation Account (SMARA) to contract a Software-as-a-Service (SaaS) solution vendor to implement and configure an integrated case management system with external facing portals for stakeholder document submission and communications to replace four aging and unsupportable software systems.

Background. ***SMARA.*** The purpose of SMARA is to address the need for a continuing supply of mineral and industrial material resources as well as enable a safe and useful post-mining condition for these disturbed lands that minimizes environmental impacts. This is achieved by preparing for the reclamation of the land in advance, including developing a Reclamation Plan and establishing Financial Assurances. In this way, DOC's Division of Mine Reclamation (DMR) and its partners confirm surface mine operators have the plans and means to reclaim the mines or have equipped DOC with the funds to reclaim in the event an operator cannot. The DMR provides ongoing geologic, environmental, ecological and regulatory technical assistance to both Lead Agencies and operators, maintains a statewide database of mine locations and operational information, performs certain oversight functions, and collects reports and fees to administer programs within the DMR, the State Mining and Geology Board, and the California Geologic Survey (CGS), among other things.

The DMR processes hundreds of reports with thousands of data points every year, much of it manually. In accordance with statute, some documents and data operators submit to the DMR directly while others are submitted to the Lead Agency and shared with the DMR to provide technical assistance, as well as to support the uniform application of SMARA statewide. During the life of a mine, several reports must be submitted to the DMR by operators or Lead Agencies, including:

- A Reclamation Plan and associated Amendments when mines are established or significantly altered, which are the engineering, geologic, landscape, etc. designs needed to ensure a safe and useful post-mining condition that minimizes environmental impacts.
- An Annual Report, data from which are necessary for effective oversight of SMARA and in quantifying State's mineral reserves.
- Annual Financial Assurance Cost Estimates (FACEs), which are anticipated costs to reclaim the mine based on current conditions.
- Financial Assurance Mechanisms (FAMs), to demonstrate adequate funds are available to reclaim the mine at any time, such as bonds or other securities.
- Inspection Reports and enforcement documentation annually, for DMR tracking and public transparency.

If an operator is out of compliance with SMARA, the Division and/or Lead Agencies may pursue enforcement, which requires an accurate administrative record (record of documents, data, and communications.

To track all of these documents, communications, and data for more than 1,100 operating mines that are used by multiple programs within the state, local governments, and the public, the DMR currently relies on four aged, unintegrated databases, several of which require manual data entry, most limit stakeholder submittal/retrieval of information, and the principal of which was built on antiquated technology and

therefore is technologically unsupportable, posing a number of significant challenges. For example, data security is at increased risk for compromise due to cyber security exploits because of this lack of support.

Currently, DMR staff must enter data manually to process both electronic and paper documentation using cumbersome and disjointed workflows that cause errors. This creates unreliable data which poses many challenges, including tracking compliance and enforcement in order to ensure that the DMR is holding the right party accountable in issuing notices of violation, levying administrative penalties, and collecting fees. An updated system is needed to meet the goal of working with lawful mine operators to meet the public infrastructure, maintenance, housing development, and other critical sustainable economic growth objectives.

Staff Recommendation. Hold open.

3480 DEPARTMENT OF CONSERVATION (DOC)
3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CALFIRE)
3600 CALIFORNIA DEPARTMENT OF FISH AND WILDLIFE (CDFW)
3720 CALIFORNIA COASTAL COMMISSION
3790 DEPARTMENT OF PARKS AND RECREATION (PARKS)

Issue 8: Natural Resources Chaptered Legislation Proposals (GB)

Governor's Proposals. The Governor's budget requests for funding from the General Fund and various special funds as well as positions to implement statutory requirements associated with legislation chaptered in 2024. Please see the figure below for requested resources by department.

2025-26 Governor's Budget
Natural Resources Agency Chaptered Legislation Proposals
Dollars in Thousands

BU	Department	Issue Title (Chapter/Bill)	Fund Source	2025-26	2026-27	2027-28	2028-29	Total Ongoing Positions
3480	Department of Conservation	Idle Oil and Gas Wells (Chapter 548, AB 1866)	3046	$4,766	$4,491	$4,491	$4,491	20.0
3480	Department of Conservation	Low-production Oil and Gas Wells (Chapter 549, AB 2716)	3046	$2,018	$1,896	$1,896	$1,896	9.0
3540	Department of Forestry and Fire Protection	Fire Prevention: Prescribed Fire: State Contracts: Maps (Chapter 778, SB 1101)	3228	$511	$566	$549	$549	2.0
3540	Department of Forestry and Fire Protection	State Fire Marshal: Fire Safety: Regulations: Lithium-based Battery Systems: Telecommunications Infrastructure (Chapter 781, SB 1152)	3144	$148	$288	$0	$0	2.0
3540	Department of Forestry and Fire Protection	Emergency Management Assistance Compact: California Wildfire Mitigation Financial Assistance Program (Chapter 402, AB 2469)	0001	$529	$809	$809	$809	0.0
3600	Department of Fish and Wildlife	Cannabis Cultivation: Environmental Remediation (Chapter 839, AB 2643)	3351	$0	$0	$0	$0	7.0
3720	California Coastal Commission	Local Coastal Program Guidance for Accessory Dwelling Units (Chapter 454, SB 1077)	0001	$106	$0	$0	$0	0
3720	California Coastal Commission	Local Coastal Program Updates for Housing (Chapter 282, AB 3093)	0001	$565	$1,202	$1,838	$1,838	8.0
3790	Department of Parks and Recreation	Firearms: Destruction (Chapter 547, SB 1019)	0001	$420	$398	$398	$398	2.0

Source: Department of Finance

The funding requested by the departments to implement the bills included in this proposal were cited during the 2024 legislative process, including in the Senate and Assembly Appropriations Committees prior to their enrollment. The Department of Finance has evaluated these requests and concurs with the level of resources requested to implement new statutory requirements.

Summaries of the chaptered legislation are as follows:

DOC: ***AB 1866 (Hart), Chapter 548, Statutes of 2024: Idle Oil and Gas Wells.*** This bill increases idle well fees payable in lieu of filing an idle well management plan, and revises the requirements of an idle well management plan to increase the rate at which idle wells under the plan have to be either returned to service or plugged and abandoned, among other provisions.

DOC: ***AB 2716 (Bryan), Chapter 549, Statutes of 2024: Low-Production Oil and Gas Wells.*** This bill

prohibits the operation of low-production oil and gas wells located in an oil field within the Baldwin Hills Conservancy, requires the Geologic Energy Management Division (CalGEM) to identify these wells, imposes a $10,000 per month penalty upon these wells if certain criteria are not met, and provides for penalty revenue to fund projects, such as park creation, to benefit the nearby community, as provided, among other provisions.

CalFire: ***SB 1152 (Limon), Chapter 781, Statutes of 2024: State Fire Marshal (SFM): Fire Safety: Regulations: Lithium-Based Battery Systems: Telecommunications Infrastructure.*** This bill requires the California SFM, before the next triennial edition of the California Building Standards Code, to propose to the California Building Standards Commission updates to the fire standards relating to requirements for lithium-based battery systems, as specified.

CalFire: ***AB 2469 (Committee on Emergency Management), Chapter 402, Statutes of 2024: Emergency Management Assistance Compact (EMAC): California Wildfire Mitigation Financial Assistance Program.*** This bill extends the sunsets for the Emergency Management Assistance Compact and the California Wildfire Mitigation Financial Assistance Program, as specified. EMAC is an interstate mutual aid agreement that enables states to share resources during times of disaster. EMAC offers assistance during governor-declared states of emergency or disaster through a system that allows states to send personnel, equipment, and commodities to assist with response and recovery efforts in other states. EMAC can be used in lieu of or in conjunction with federal assistance to quickly provide needed goods and services to an affected state.

CDFW: ***AB 2643 (Wood), Chapter 839, Statutes of 2024: Cannabis Cultivation: Environmental Remediation.*** This bill requires CDFW to study and report on cannabis site restoration projects and eliminates certain apportionments to the Timber Regulation and Forest Restoration Fund and the Fish and Game Preservation Fund, instead directing those moneys to the newly created Cannabis-Impacted Lands Restoration Fund.

California Coastal Commission: ***SB 1077 (Blakespear), Chapter 454, Statutes of 2024: Local Coastal Program Guidance for Accessory Dwelling Units.*** This bill requires the California Coastal Commission, in coordination with the Department of Housing and Community Development, to develop and provide guidance for local governments to facilitate the preparation of amendments to a local coastal program to clarify and simplify the permitting process for accessory dwelling units and junior accessory dwelling units in the coastal zone, as provided.

California Coastal Commission: ***AB 3093 (Ward), Chapter 282, Statutes of 2024: Local Coastal Program Updates for Housing.*** This bill creates two new income categories, Acutely Low Income (ALI) and Extremely Low Income (ELI), in the Regional Housing Needs Allocation (RHNA) process and throughout Housing Element law. This bill defines ALI as those earning between 0-15 percent of the area median income (AMI). This bill defines ELI as those earning between 15 and 30 percent of the AMI.

Parks: ***SB 1019 (Blakespear), Chapter 547, Statutes of 2024: Firearms: Destruction.*** This bill requires law enforcement agencies to destroy firearms subject to destruction under existing law in their entirety by smelting, shredding, crushing, or cutting all parts of the firearm, including any attachments, except as specified; and requires every law enforcement agency to develop and make available on its website a written policy regarding the destruction of firearms.

Staff Recommendation. Hold open.

3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CALFIRE)

Issue 9: Capital Outlay Projects (GB)

Governor's Proposal. The Governor's budget requests funding for multiple capital outlay projects, as follows:

(a)Alma Helitack Base (HB): Relocate Facility. The Governor's budget requests $2.69 million General Fund for the preliminary plans phase of the Alma HB: Relocate Facility project, located in Santa Clara County. This is a continuing project. Total estimated project costs are $67.98 million.

This project includes site design and construction of a barracks/mess hall building, a helicopter hangar, a helitender storage, landing pads, an administrative office space, an antenna, a tower base and station radio, a warehouse space, a flammables storage building, a generator building, and a helicopter training tower. Additionally, the scope of work will include site work and utilities as needed. Construction is estimated to begin in July 2027 and be completed in February 2029.

Currently, CalFire is in the process of replacing its existing helicopter fleet of 12 Super Huey helicopters, with 12 Sikorsky S70i Blackhawk helicopters. Funding for the new helicopters was phased out over four fiscal years; one helicopter was funded in the Budget Act (BA) of 2017, four in the BA of 2018, another four in the BA of 2019, and the remaining three in the BA of 2020. To accommodate the new aircraft and address inefficient facilities, the department has phased capital outlay projects for ten existing helitack bases statewide.

The size and operational capability of the new Sikorsky S70i Blackhawk helicopters requires an increase in size and capability of supporting infrastructure. The new helicopters are larger than the Super Huey helicopters they are replacing and will require larger hangars for storage and repair. Furthermore, the helicopter landing pad is not large enough for the rotor system of the new Sikorsky S-70i Blackhawk helicopter.

Alma HB provides initial attack and emergency response coverage for approximately 1.8 million acres of State Responsibility Area (SRA); about one-third of this area (650,000 acres) is comprised of the Santa Cruz Mountains watershed. The remaining SRA includes the interior coast range (Diablo Range) mountains and foothills east of San Francisco Bay. Alma HB is the only fire protection helicopter serving these areas. Consistent with CalFire's previously developed helitack deployment strategy, Alma HB is centered in a circle with a 20-minute flight time radius with the SRA within this circle.

The current Alma HB, located off Highway 17, at the Lexington Reservoir, has become unsuitable due to additional equipment and personnel, seismic and land stability issues, property line adjustments, and aging facilities. The advanced night-flying capability of the helicopters will allow for operational status, 24 hours per day/7 days per week, which will increase the number of pilots and fire captains required at these helitack bases. This increase in staffing results in a need for increased space. The current living quarters building is undersized (1,240 square feet) and is inadequate to provide enough space for even the current firefighters, pilots, and crew members, let alone additional staff needed. The hillside below the existing hangar has begun to slide into the reservoir and stabilization of the ground is not feasible due to the geology of the area.

(b) Boggs Mountain Helitack Base (HB): Relocate Facility. The Governor's budget requests $1.61 million General Fund for the preliminary plans phase of the Boggs Mountain Boggs HB: Relocate Facility project in Lake County. The project includes site acquisition, design, and construction of a new Boggs HB including a helicopter hangar, support vehicle garage, barracks building, generator/pump/storage building, wash rack canopy, hazmat/retardant storage, an operation building, and helicopter-training tower. Additionally, the scope of work will include site work and utilities as needed. This is a continuing project. Total project costs are estimated at $79.77 million and is expected to be completed in April 2029.

Boggs HB has utilized an operational Blackhawk helicopter since the 2022 fire season. The current helitack base does not have a hangar to store the new Blackhawk, meaning the helicopter is stored outside year-round. In 2021, the department completed a landing pad extension project in anticipation of the Blackhawk, knowing that there would still be a need for a new helitack base to be able to safely store and maintain the new Blackhawk.

The current Boggs HB is located at 500 Forestry Road, in the city of Cobb in Lake County. Tactically and logistically, the city of Lower Lake is a good option for relocation as it is further inland and would increase the sphere of influence to respond to incidents, increase the availability of the helicopters for nearby units, and provide enough useable ground to build the new helitack base. The city also has good approach and departure paths.

The current CalFire facility is increasingly inadequate to meet the demands of the department's operations. Periodic increases in personnel due to increased fire activity or adverse weather predictions, lead to overcrowding of the current site. The access road to the site is windy, lengthy, and located a distance away from major highways complicating logistics and potentially delaying critical response times.

(c) Butte Fire Center: Replace Facility.The Governor requests $95.33 million public buildings construction fund for the construction phase of the Butte Fire Center: Replace Facility project, located in Butte County. This is a continuing project. Total estimated project costs are $100.73 million and is expected to be completed in February 2028.

The project includes an administration building, Captains barracks, a laundry room, an education/training building, an auto shop, a saw/small engine repair building, a warehouse, a California Conservation Corps (CCC) utility storage garage, corps member dormitories, a fuel island storage building, an emergency generator/fire pump building, a multipurpose gym/weight room, and a recyclable vehicle wash building.

The Butte Fire Center (Camp) is located in Magalia, Butte County and was the result of a cooperative agreement between CalFire and the CCC. The agreement provided CCC members as firefighting crews, supervised by CalFire personnel. The hand crews that were located at the Camp were an integral part of the strategic resources necessary for conducting the emergency mission of CalFire. In March 2003, the facility closed when the CCC ended the cooperative agreement with CalFire. The facility was then repurposed as one of the main CalFire training centers in the northern region.

In recent years, the CCC has been in the process of expanding its residential centers. CalFire is actively working with CCC on these plans as they provide an opportunity for CalFire to address hand crew strategic resource gaps. Areas that are being addressed include response times to emergency incidents, local fuel reduction, and fire prevention work in both specific geographic areas of the state and as a statewide resource during major incidents.

The Budget Act of 2015 included $3.1 million for CalFire to reopen the Camp with the CCC, which included facility improvements and crew activation. CalFire was staffed to manage four crews. The Budget Act of 2016 authorized the CCC to staff three crews. From the $3.1 million provided, basic improvements were made which allowed the Camp to be operational, although most of the infrastructure and facilities remained both structurally and operationally deficient.

(d) Higgins Corner Fire Station (FS): Replace Facility. The Governor's budget requests $9.55 million General Fund for the construction phase of the Higgins Corner FS: Replace Facility project, located in Colusa County. This is a continuing project. The total estimated project costs are $12 million and estimated to be completed in February 2028.

The project will include the design and construction of a standard, two-engine fire station, including a 12-bed barracks/3-bay apparatus building, an administration building, a flammable storage building, and a generator/pump/storage building. Additionally, the scope of work will include site work and utilities as needed.

The Higgins Corner FS is on leased land owned by Nevada County. Since 1978, Higgins Area Fire Protection District (HAFPD), a local government special district, has co-located with CalFire at the current location of the Higgins FS. HAFPD contracts with CalFire for both fire protection and administration of the district. The district houses two engines, one water tender, and rescue capability at this location. The station also supports a volunteer company with one HAFPD Fire Chief and one office manager.

In 2008, a joint venture was developed between the HAFPD and CalFire to construct a new replacement facility on the same site for continued co-location. HAFPD acquired the property from Nevada County as the first part of the joint venture. The plan at the time of purchase by HAFPD was to either enter a long-term lease with or sell a portion of the property to CalFire and jointly develop plans for the replacement of the facility on the existing site. In 2013, the HAFPD's Board of Directors decided to start leasing the site and facilities to CalFire. The lease is still in place today.

The facility does not meet operational requirements. The buildings have no fire alarm or sprinkler systems, are poorly insulated, have inadequate, substandard, and failing heating, cooling, electrical and plumbing systems. The mess hall and barracks are not designed to handle the current staffing loads.

The joint venture is no longer viable due to financial and political issues with HAFPD. The site is owned by HAFPD and CalFire is operating with a short-term lease of the site. The situation has made long-term planning and protection of the State Responsibility Area (SRA) unstable. CalFire needs to either acquire the existing site or a suitable site within the response area. A training and office facility was planned as part of the joint venture, which was to be shared by HAFPD and CalFire. The office space is planned for use by CalFire's Resource Management program.

(e) Kneeland Helitack Base (HB): Replace Facility. The Governor's budget requests a supplemental appropriation of $485,000 for the preliminary plans phase of Kneeland HB: Replace Facility project, located in Humboldt County. The project includes acquisition of a new parcel and construction of a helicopter landing pads, helicopter hangar, support vehicle garage, barracks building, generator/pump/storage building, wash rack canopy, hazmat/retardant storage, and helicopter training tower. The project site requires significant amount of off-site work that was not included in the original estimate. This is a continuing project. Total estimated project costs are $35.4 million and expected to be completed in September 2029.

The Kneeland HB is on over four acres of state-owned land in Humboldt County adjacent to the Humboldt County Airport in Kneeland. The primary mission of the Kneeland HB is to provide a rapid aerial response to emergencies, including fires, floods, and medical incidents, in the northwest corner of the State and throughout the entire State as needed.

During an average year, the helicopter will fly 350 hours, responding to over 160 fires, at least 20 medical emergencies, medical short haul rescues, and will log more than 5,900 personnel hours. During a fire incident, the Kneeland helicopter transports fire crews to inaccessible areas and provides retardant support.

This region of northern California receives an average rainfall of 47 inches per year and that, combined with its proximity to the coast, causes Kneeland HB to experience limited visibility due to frequent fog and low clouds. CalFire helicopters cannot fly in fog or clouds due to poor visibility. Frequently, the aircrafts are unable to return to Kneeland HB due to fog creating a lack of visibility and are diverted to either Rohnerville Air Attack Base (approximately 39 miles southwest of Kneeland HB), Eel River Conservation Camp (approximately 53 miles southeast of Kneeland HB), or the Redding Airport (approximately 80 miles east). The helicopter crew must then rent hotels in Fortuna, Garberville, or Redding for lodging until visibility is restored and the aircraft can return to base.

CalFire submitted a request for acquisition funding in the 2021-22 Governor's Budget for the purchase of this land. This request for funding the preliminary plans phase is intended to allow the department to accelerate the timeline for completion of this project and provide the necessary relocation and replacement of the helitack base.

(f) Macdoel Fire Station (FS): Relocate Facility. The Governor's budget requests $10.79 million General Fund for the construction phase of the Macdoel Fire Station: Relocate Facility project, located in Siskiyou County. The project includes the constructions of a single- building, fire station, a generator/pump/storage building with generator, a storage building, an administration building, a field office for the California Highway Patrol, and all site improvements and appurtenances required for the project. This is a continuing project. Total estimated project costs are $12.467 million and is expected to be completed in April 2027.

The Macdoel FS is a single-engine station located on 3.8 leased acres and is leased from the Butte Valley Irrigation District in Macdoel, Siskiyou County. The lease is no longer viable and Butte Valley will not renew the lease.

The station is assigned to protect 160,000 acres of timber and brush-covered State Responsibility Area (SRA) and responds to more than 80,000 acres of federal and local Mutual Threat Zone lands. In addition, the station responds to incidents in Macdoel, the city of Dorris, the city of Tule Lake, the Pleasant Valley Fire Protection District, Butte Valley Fire District, and the surrounding United States Forest Service lands.

Because of the remote location and difficulty in getting to the station, the Siskiyou Unit also houses a reserve engine at the Macdoel FS on a permanent basis. This engine is frequently staffed during high fire danger events, which includes lightning sieges, fire warning weather watches, and other increased fire activity. The closest CalFire facility is the Weed Fire Station, which is 45-minutes in travel time.The site elevation is 4,250 feet and is situated in the middle of the Butte Valley, on the valley floor. The general area is high desert with ground water, irrigated agricultural land throughout the valley.

The well-water at the existing FS has been an ongoing issue. Of the three wells drilled on the site, one goes dry during drought years, another is mineral rich (although tests acceptably), and the other is currently not in use due to agricultural contamination. There is concern about groundwater contamination from the agricultural activities around the station and personnel are supplied with bottled drinking water as a precaution. Additionally, issues with inadequate infrastructure due to aging are persistent and wide-ranging, affecting the barracks, mess hall, bathrooms, and plumbing.

(g) Prado Helitack Base (HB): Replace Facility. The Governor's budget requests a supplemental appropriation of $17.42 million Public Buildings Construction Fund for the construction phase of the Prado Helitack Base: Replace Facility project located in San Bernardino County. This is a continuing project. The project includes a helicopter hangar, a warehouse/shop building, a support vehicle garage, a barracks building, a generator/pump/storage building, a wash rack canopy, hazmat/retardant storage, and a helicopter training tower. The scope of work includes necessary grading and drainage, above-ground fuel storage and dispensing facilities, a water tank and fire suppression pump system, asphalt paving, sidewalks, curbs, a wash rack, landscaping, lighting, solar power, fencing, water, electrical power (including a generator), liquefied petroleum gas/natural gas, telephone cabling/installation, radio cabling/installation, and associated appurtenances. This is a continuing project. Total estimated project costs are $43.55 million and is expected to be completed in February 2027.

The Prado HB is in the city of Chino, San Bernardino County. Prado HB's primary response area includes the following: San Bernardino County, Los Angeles County, Orange County, Angeles National Forest, San Bernardino National Forest, and the Cleveland National Forest. There have been 118 fires within the San Bernardino Unit since 1960 that have exceeded 2,000 acres.

As is the case for the Alma HB, the Prado HB must also accommodate a new Sikorsky S70i Blackhawk Helicopter. The new facility is planned to be constructed on the current location where the existing helipads are located. Costs of the project have increased for all items due to the escalation in labor, materials, and additional complexities including fueling system and training tower elements. This includes electrical connections, hoistway details, and specialized equipment of the training tower.

There have also been additional regulatory requirements for structural elements of the fueling system and additional offsite utility requirements with the City of Chino. Costs have increased in construction management time, inspection time, and materials testing. Finally, builder's risk insurance has increased drastically in high fire areas.

Staff Recommendation. Hold open.

DISCUSSION

0540 CALIFORNIA NATURAL RESOURCES AGENCY (CNRA)

Issue 10: Agency Overview

The mission of CNRA is to restore, protect, and manage the state's natural, historical, and cultural resources. The Secretary for Natural Resources, a member of the Governor's Cabinet, sets the policies and coordinates the environmental preservation and restoration activities of many departments, boards, offices, commissions, and conservancies, as follows:

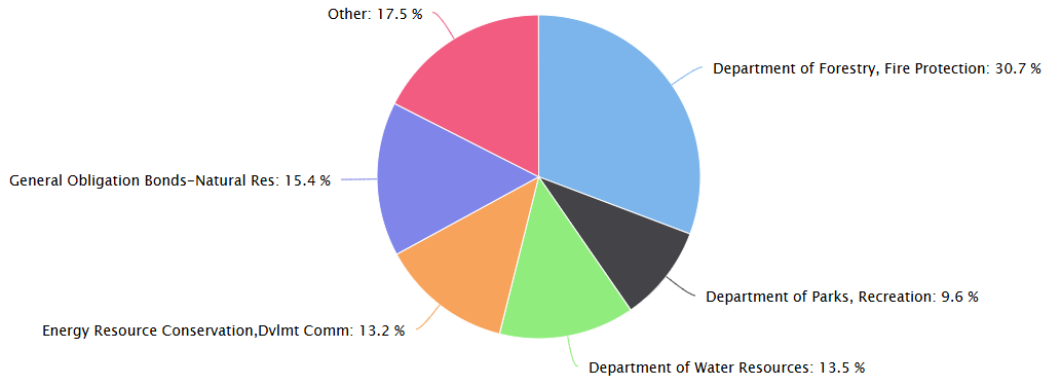
- Department of Forestry and Fire Protection (CalFire) (including Board of Forestry and Fire Protection, Office of the State Fire Marshal)
- Department of Conservation (including the Geologic Energy Management Division [CalGEM], Division of Land Resource Protection, Division of Mine Reclamation, California Geological Survey, and State Mining and Geology Board)
- Department of Fish and Wildlife (including Office of Spill Prevention and Response and Fish and Game Commission)
- Department of Parks and Recreation
- Department of Water Resources (including the Central Valley Flood Protection Board)
- California Conservation Corps
- Exposition Park
- California Science Center
- California African American Museum
- Office of Energy Infrastructure Safety
- State Lands Commission
- Colorado River Board of California
- San Francisco Bay Conservation and Development Commission
- Energy Resources Conservation and Development Commission (commonly referred to as the California Energy Commission)
- Wildlife Conservation Board
- Delta Protection Commission
- Delta Stewardship Council
- California Coastal Commission
- State Coastal Conservancy
- California Tahoe Conservancy
- Santa Monica Mountains Conservancy
- Coachella Valley Mountains Conservancy
- San Joaquin River Conservancy
- San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy
- Baldwin Hills Conservancy
- San Diego River Conservancy
- Sierra Nevada Conservancy
- Sacramento-San Joaquin Delta Conservancy
- Native American Heritage Commission

- Special Resources Program (including Tahoe Regional Planning Agency, Yosemite Foundation, and Sea Grant Program)

According to the Legislative Analyst's Office (LAO), the 2024-25 budget package included a total of $12.3 billion for natural resources expenditures from various fund sources — the General Fund, a number of special funds, bond funds, and federal funds — for the departments overseen by CNRA. The total in 2022-23 was $13.9 billion. The Governor's 2025-26 budget proposes $10.8 billion in state funds (this does not include federal funds, other non-government cost funds, or reimbursement). The figure below provides a break down the departments' portions of CNRA's proposed $10.8 billion 2025-26 budget.

DEPARTMENTS' PORTION OF THE AGENCY'S BUDGET (State Funds)

This pie chart represents $10.8 billion of expenditures within this Agency area. These amounts do not include federal funds, certain non-governmental cost funds, or reimbursements.



Source: Department of Finance

CNRA directly administers the Sea Grant Program, Ocean Protection Council, California Environmental Quality Act (CEQA), Environmental Enhancement Mitigation Program, Urban Greening, Tribal Nature-Based Solutions, and the California and Cultural and Historical Endowment grant programs.

The figure below shows the Governor's 3-year plan for expenditures and positions at CNRA.

3-YEAR EXPENDITURES AND POSITIONS †

		Positions			Expenditures		
		2023-24	2024-25	2025-26	2023-24*	2024-25*	2025-26*
0320	Administration of Natural Resources Agency	117.3	128.3	128.3	$631,809	$551,824	$160,670
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		**117.3**	**128.3**	**128.3**	**$631,809**	**$551,824**	**$160,670**

*Source: Department of Finance. *Dollars in thousands.*

Ocean Protection Council. OPC is housed within CNRA and was established pursuant to the California Ocean Protection Act (COPA). OPC arose out of national initiatives to advance marine ecosystem-based management. Its mission is to protect the California coast and ocean by advancing innovative, science-based policy and management, making strategic investments, and maximizing action through partnerships and collaboration. These efforts are intended to yield significant benefits to the state while providing a global model for ecosystem-based protection and conservation.

OPC's draft 2026-2030 Strategic Plan will be released in late Spring 2025 for written public comment. The new Strategic Plan will guide OPC's work to protect the ocean and coast over the next five years and builds off of the current 2020-2025 Strategic Plan.

OPC's *Strategic Plan to Protect California's Coast and Ocean 2020-2025* is comprised of objectives, targets, and actions in each goal area. The Strategic Plan includes the following goals and objectives:

- *Safeguard coastal and marine ecosystems and communities in the face of climate change.* Objectives include: Build resiliency to sea level rise, coastal storms, erosion, and flooding; minimize causes and impacts of ocean acidification and hypoxia; improve understanding of climate impacts on the state's coast and ocean; and understand the role of the state's marine protected areas in conferring climate resilience.

- *Advance equity across ocean and coastal polices and actions.* Objectives include: Enhance engagement with tribes; enhance engagement with underserved communities; improve coastal access; enhance healthy human use of the coast and ocean; advance "Healthy Oceans" policy and science.

- *Enhance coastal and marine biodiversity.* Objectives include: Protect and restore coastal and marine ecosystems; restore and protect kelp ecosystems; support sustainable marine fisheries and thriving fish and wildlife populations; improve coastal and ocean water quality; control and eradicate marine invasive species; and, accelerate collaborative accountability.

- *Support ocean health through a sustainable blue economy*. Objectives include: Advance sustainable seafood and thriving fishing communities; promote sustainable aquaculture; evaluate oil platform decommissioning; guide sustainable renewable energy projects; decarbonization ports and shipping; enhance the state's sustainable coastal tourism economy.

The pace of implementation depends on the feasibility and availability of resources and competing priorities.

OPC manages various funding sources to advance strategic investments in scientific research and monitoring, collaborative policy development, restoration, and other projects that will improve conditions for ocean and coastal ecosystems and California communities. Funding sources include bond funds, General Fund, and special funds. Examples of OPC-administered funding programs include:

- *SB 1 Sea Level Rise Adaptation Planning Grant Program*. SB 1 (Atkins, 2021) provides funding to develop SLR adaptation plans and projects to build resilience to SLR along the coast and San Francisco Bay.

- *General Fund for Marine Protected Area Monitoring*. CNRA receives an ongoing allocation of $2.5 million General Fund to support marine protected area monitoring throughout the state.

- *General Fund for Offshore Wind*. The Budget Act of 2021 included a $2 million General Fund appropriation for offshore wind environmental and port analysis, the Budget Act of 2022 included a $1 million General Fund appropriation to support offshore wind, and the Budget Act of 2024 included a $3.6 million General Fund appropriation to support offshore wind energy environmental research, monitoring, and adaptive management activities.

Proposition 4: Climate Bond. The Governor's budget includes the following Proposition 4 proposals that would be administered by CNRA in 2025-26:

- Safe Drinking Water, Drought, Flood, Water
  - $200,000 for wildlife refuges and wetland habitat areas (Bond total: $25 million; PRC Section 91032(f)).
  - $100,000 for Clear Lake Watershed (Bond total: $20 million; PRC Section 91032(k)).
  - $148 million to DWR/CNRA for the Salton Sea Management Program (Bond total: $160 million; PRC Section 91033(a)).
  - $100,000 for nature and climate education and research (Bond total: $20 million; PRC Section 91045).

- Coastal Resilience
  - $8 million to OPC for ocean and coastal resilience (Bond total: $135 million; PRC Section 92020).
  - $20 million to OPC for SB 1 implementation (Bond total: $75 million; PRC Section 92030).

- Biodiversity and Nature-Based Solutions
  - $9 million for the Tribal Nature-Based Solutions Program (Bond total: $10 million; PRC Section 93040).

- Park Creation and Outdoor Access
  - $11 million to CNRA and CDFW for projects reducing climate impacts on disadvantaged communities and expanding outdoor recreation (Bond total: $200 million; PRC Section 94020).
  - $700,000 to CNRA and others to be determined for projects enhancing natural resource value and expanding trail access (Bond total: $100 million; PRC Section 94030).
  - $200,000 for nature education facilities (Bond total: $25 million; PRC Section 94050).

Proposition 4 includes a total of $3.8 billion for Safe Drinking Water, Drought, Flood, and Water, $1.2 billion for Coastal Resilience, $1.2 billion for Biodiversity and Nature-Based Solutions, and $700 million for Park Creation and Outdoor Access.

VARIOUS DEPARTMENTS

Issue 11: Departments' Operational Efficiencies and Vacancy Sweeps Update

Operational Efficiencies and Vacancy Sweeps Update. The 2024-2025 budget package included two control sections — Control Section 4.05 and Control Section 4.12 — that aimed to identify and implement efficiencies across nearly all state entities to produce ongoing budgetary savings without adverse effects on state services.

Both control sections established statewide administrative exercises led by the Department of Finance to:

1) **Identify efficiencies** (state efficiencies are cost reduction actions including reorganizations, eliminations of boards and commissions, the cancellation or postponement of information technology projects, reduced staff travel, etc.).

2) **Eliminate vacant positions and related funding.**

For Control section 4.05, the 2024-25 enacted budget assumed General Fund savings of $2.2 billion in 2024-25 and $2.8 billion ongoing beginning in 2025-26 to reduce General Fund state operations expenditures by up to 7.95 percent. For Control Section 4.12, the 2024-25 budget assumed savings of $1.5 billion ($762.5 million General Fund) resulting from about 10,000 authorized positions being vacant in 2024-25.

The budget specified that the Department of Finance would propose, as part of the Governor's 2025-26 budget proposal, the permanent elimination of vacant positions and associated funding to make the assumed savings ongoing beginning in 2025-26.

While the intent of this exercise was to achieve savings through vacancy sweeps and a 7.95 percent operations reduction across departments, the 2025-26 Governor's budget now assumes a lower level of savings and positions reduction in 2024-25 and ongoing.

The following chart outlines how the vacancy sweeps and efficiency reductions impacted specific departmental budgets related to natural resources and environmental protection:

	2024-25		2025-26	
	General Fund	All Funds	General Fund	All Funds
Savings Assumed in 2024-25 Budget				
State Departments	$2.7	$3.5	$2.8	$3.6
Universities	0.2	0.2	0.8	0.8
Totals	**$2.9**	**$3.7**	**$3.6**	**$4.3**
Savings Identified in January 10, 2025 Report[a]				
State Departments	$0.8	$1.8	$0.7	$1.7
Universities[b]	0.2	0.2	0.8	0.8
Totals	**$1.0**	**$2.0**	**$1.5**	**$2.5**

Source: Department of Finance

The following chart details the number of vacant positions swept within various departments under the jurisdiction of this subcommittee:

Various CNRA and CalEPA Department Reductions—2024-25, 2025-26, and Ongoing
(dollars in thousands)

	2025 Baseline Budget[2]			Net Reductions			
Department/Entity	General Fund	Special Funds	Total	General Fund	Special Funds	Total	% Baseline
Natural Resources Agency, Secretary	$7,497	$12,797	$20,294	-$902	-$1,344	-$2,246	-11.1%
Environmental Protection, Secretary	$3,767	$17,422	$21,189	-$673	-$2,539	-$3,212	-15.2%
Department of Conservation	$10,651	$157,465	$168,116	-$1,462	-$22,149	-$23,611	-14.0%
Department of Fish and Wildlife	$179,348	$388,498	$567,846	-$24,992	-$49,041	-$74,033	-13.0%
Coastal Commission	$30,217	$4,749	$34,966	-$3,811	-$873	-$4,684	-13.4%
State Coastal Conservancy	$0	$5,812	$5,812	$0	-$906	-$906	-15.6%
Department of Parks, Recreation	$224,609	$444,138	$668,747	-$17,682	-$13,151	-$30,833	-4.6%
Sierra Nevada Conservancy	$0	$5,705	$5,705	$0	-$138	-$138	-2.4%
Department of Water Resources	$202,532	$2,584,011	$2,786,543	-$22,209	-$220,490	-$242,699	-8.7%
Department of Pesticide Regulation	$0	$121,170	$121,170	$0	-$6,295	-$6,295	-5.2%
State Water Resources Control Board	$77,302	$572,746	$650,048	-$11,792	-$40,323	-$52,115	-8.0%
Department of Toxic Substances Control	$30,452	$251,697	$282,149	-$2,152	-$31,694	-$33,846	-12.0%
Resources Recycling and Recovery	$7,023	$271,455	$278,478	-$770	-$25,939	-$26,709	-9.6%
Environmental Health Hazard Assessment	$12,146	$18,856	$31,002	-$1,868	-$2,695	-$4,563	-14.7%
Totals	**$785,544**	**$4,856,521**	**$5,642,065**	**-$88,313**	**-$417,577**	**-$505,890**	**-9.0%**

Source: Department of Finance

The following chart provides the number of reduced vacant positions per Control Section 4.12:

Vacant Positions Reductions per Control Section 4.12

Department/Entity	Positions
Natural Resources Agency, Secretary	-5.0
Environmental Protection, Secretary	-10.0
Department of Conservation	-64.0
Department of Fish and Wildlife	-190.0
Coastal Commission	-9.3
State Coastal Conservancy	-4.0
Department of Parks, Recreation	-172.0
Sierra Nevada Conservancy	0.0
Department of Water Resources	-129.0
Department of Pesticide Regulation	-19.0
State Water Resources Control Board	-100.0
Department of Toxic Substances Control	-111.1
Resources Recycling and Recovery	-98.8
Environmental Health Hazard Assessment	-13.0
Totals	**-925.1**

Source: Department of Finance

The LAO analyzed state departments' operations efficiencies across a broader spectrum of state agencies than just those in CNRA and the California Environmental Protection Agency. The LAO published its analysis and comments in February 2025. Among its findings, the LAO notes the following:

Lack of Information on Savings Provided to Legislature. The LAO has tried to get information from some of the larger departments to better understand what types of operational changes are being implemented to achieve the identified savings; and has received limited information thus far. The list of identified savings that the administration provided to the Legislature provides very high-level information and does not fully meet the reporting requirements specified under the control sections for the January 10 reports. There is no information about specific funding sources, affected programs, or affected job applications as is required by the control sections.

Very Limited Information Available About How Savings Would Be Achieved From DOF... When compared with the amount of information that departments must submit to justify even small increases in their budgets (for example, the level of detail provided in budget change proposals), the two-page list to explain a multibillion-dollar adjustment to the budget that affects virtually all departments is insufficient to adequately inform the Legislature of the action. Moreover, discussions with DOF did not provide the LAO much additional information about identified savings. DOF indicated that more information would be available in the spring, and suggested that the LAO should ask individual departments for specific information about the actions they took to achieve the savings and the potential effects of the savings.

…***Or Departments.*** The LAO sent inquiries to some of the largest departments to better understand how the identified savings might be implemented. While a couple of departments provided the LAO with relatively detailed information, the most common response the LAO received from departments was that DOF was working on the proposal and that more information would be available in the spring.

Implementation of Current-Year Savings Efforts Underway. Many of the departments the LAO communicated with indicated that they have begun implementing at least some of the operational changes that would be necessary to achieve the identified savings in the current fiscal year. However, other departments indicated that they could not share with the LAO any information about current-year implementation of the identified savings at this time and that more information would be submitted to the Legislature in the spring.

Necessary Statutory, Regulatory, or Fee Changes Unknown. It is not known, but possible, that changes in law — whether in statute, regulations, fee structure or other — are necessary to achieve some of the identified savings. This raises important implementation timing and oversight questions in instances of savings being achieved in the current year. When the LAO asked departments, they reported to LAO either that they did not anticipate changes were necessary or that they were reviewing whether any change would be necessary.

Lack of Information Raises Uncertainty Whether Administration Will Achieve the Identified Efficiencies Savings. In the few departments that provided relatively more detailed information, it appeared that many departments identified actual efficiencies — that is, the savings would not affect services. In some cases, however, responses suggested that how efficiencies would be achieved was still under development. In these cases, impacts to service levels seems possible. Moreover, in some cases, the savings the department have identified for 2024-25 cannot be repeated in the future. In some of these cases, how the identified out-year reductions will be maintained is yet to be determined. The lack of information raises uncertainty that the identified savings necessarily are the result of identified efficiencies and whether the lower spending levels will be achieved fully in the current year or ongoing.

Exempting Departments Likely to Further Erode Assumed Savings. The list of identified savings reported to the Legislature indicated that, due to recent wildfire activity in Southern California, CalFire is now exempt from the exercise and no savings were expected from that department. It is LAO's

understanding that other departments currently included in the report also might become exempt from the exercise due to concerns about the state's ability to achieve savings while responding to the fires. The suggestion that these departments cannot maintain service levels while reducing their expenditures by the levels identified as efficiency in the report to the Legislature raises concerns that the identified savings are not true efficiencies bur rather constitute cuts that could negatively affect current service levels. The report had identified about $40 million General Fund in savings from CalFire (about 6 percent of the total identified General Fund savings). Because these savings were initially included in the Governor's January proposal, this and any other savings or eliminated positions in the report associated with departments now exempted from the exercises would further erode the savings that were originally assumed in 2024-25.

Large Share of Assumed Total Savings From Unspecified "Other Funds." Why non-General Fund sources reflect a majority of the identified savings is unclear. Further, with the report provided to the Legislature not identifying non-General Fund funding sources beyond labeling them "other funds," it is not clear whether this category includes just special funds or other non-General Fund state funding sources or even nonstate sources, for example federal funds. The administration should provide justification for any reduction to nonstate funds. (For example, lower federal funds reasonably could occur in instances where there are matching requirements that directly tie the amount of federal funds the state receives to the amount of state funds spent.)

Proposed Savings in Special Fund Expenditures Should Be Accompanied by Discussion of Effects on Charges. A special fund is created to fund a specific purpose and is supported by taxes and fees levied on payers who receive the service supported by the fund. The administration reports that it identified $1 billion in reduced non-General Fund expenditures. The LAO would expect any discussion of savings benefitting special funds to include a discussion on the effect, if any, lower spending from these special funds has on fees and other revenues that support the affected special funds. Based on the LAO's communications with departments, it seems that any such analysis currently is not available.

LAO Recommendations. ***Use Subcommittee Process to Provide Oversight of Identified Savings…*** The LAO recommends that the Legislature use the subcommittee process to gain more clarity and increase transparency around the identified savings for each department. Similar to how a proposed budget augmentation requires justification, a budgetary reduction or savings identification also requires justification and explanation to ensure that legislative priorities are maintained. The purpose of these discussions would be to understand how the department plans to achieve the identified savings and whether the identified lower spending level is the result of efficiency gains or whether it could affect services. If services would be affected by the lower spending levels, the Legislature could use the discussion to understand if the effects on services are consistent with legislative priorities.

…Before May Revision. The administration has not provided a specific timeline for its additional report on efficiencies. As such, the administration may not provide additional information until its May Revision proposal (or later). Waiting until May to understand departments' plans would provide the Legislature limited time to assess the proposed savings. As such, the subcommittee hearings before May Revision could be an opportunity for the Legislature to make clear its priorities for each department as the administration determines the final savings it intends to present in the spring. The hearings also can be used to set expectations of DOF so that the Legislature can hold DOF accountable whenever it identifies the specific savings by funding source and program.

Ask Each Department Questions to Better Understand Identified Savings and Their Effects. The LAO recommends the discussions in subcommittee hearings focus on five broad categories:

1) Understand the methodology used by the administration to arrive at the identified savings;
2) Any potential effects on programs and services;
3) The effects on state law;
4) The effects on the state workforce; and,
5) The implications of reducing non-General Fund sources through the exercise.

The overarching goals of these questions — and the discussion broadly — is to ensure that the Legislature is comfortable that the effects of the identified savings are consistent with Legislative priorities and intent.

Questions for Legislative Committees to Ask Affected Departments and the Department of Finance (DOF). The LAO has provided the following questions to ask departments and DOF:

- *Budgeting Methodology*
  - What information from departments did DOF review to arrive at the identified savings?
  - Were departments given a target for the level of savings necessary to the control section?
  - What, if any, specific instructions did departments receive related to the treatment of expenditures from the General Fund, special funds, federal funds, or other funds?
  - What is the rationale for the variation in identified savings across departments?
  - How were the requests for new funding in 2025-26 now before the Legislature considered in relation to the identified savings and reduced position authority under the control sections?

- *Programs and Services*
  - What operational changes, if any, will be made in order to achieve the identified savings in expenditures in the current year and ongoing?
  - Has the department implemented any of the identified savings? If so, at a high level, what do they entail?
  - What are the anticipated effects on programs and services once the ongoing lower spending levels are fully implemented?

- *State Law*
  - Are there any reductions already underway that may potentially require changes to statute or regulations? If so, under what authority is the administration implementing the reductions in the current year?
  - Does the department anticipate that any changes in statute or regulations will be necessary in order to achieve the identified savings?
  - How will the identified savings affect implementation of enacted legislation?

- *State Workforce*
  - What classifications and programs are affected by the identified elimination of vacant positions?
  - Why were the identified vacant positions chosen for elimination over other vacant positions?
  - What are the anticipated effects on the department's ability to fill vacancies going forward?

- *Affected Funding Source*
  - Expenditures from what specific "other funds," if any, are expected to be reduced and by how much?

- What effect, if any will identified savings to special funds expenditures have on fees and taxes levied to support the funds?
- Would the identified savings result in any loss of federal funds?

Be Prepared for Final Details to Arrive Late in the Budget Process. The administration has made clear that more information on specific actions taken to achieve the savings will be shared in the spring. The administration has not committed to a specific date, but the LAO suspects this most likely means that the final report could be included as part of the Governor's May Revision proposal. There likely will be insufficient time for subcommittees to discuss each identified saving with departments between May 14 (when the May Revision is released) and June 15 (when the Legislature approves the budget). Using the subcommittee process before the May Revision to discuss the above questions with departments will better position the Legislature to understand whether the final reported savings are consistent with legislative priorities. Additionally, having an accounting of all actions a department is planning to achieve the identified savings will give the Legislature a tool to hold the administration accountable. In other words, the Legislature will know what to expect and will not be caught off guard when hearing about those actions going forward. If the final report includes actions that significantly deviate from what is discussed in the subcommittee process, the Legislature could use May Revision hearings to understand the differences.

Need for Additional Reporting Requirements on the Administration Remains Unclear. If the Legislature is satisfied that the administration's final reported savings pursuant to the control sections are consistent with legislative priorities, it is possible that the Legislature will want to take no action to modify what the administration proposes. However, if the administration continues to provide little or no information about how the reductions will be implemented or if the Legislature disagrees with the identified reductions, the Legislature could choose to adopt budget bill language — either as a control section or under specific budget items — intended to provide further guidance to the administration or to impose new reporting and oversight requirements.

Staff Comments. As shown above, the most significant reduction in vacant positions for natural resources and environmental protection state entities is in the California Department of Fish and Wildlife (CDFW), eliminating 190 positions. The chart shows a net reduction of 13 percent at CDFW ($74 million net total ($49 million Special Funds and $25 million General Fund)).

For many years, CDFW's budget was perennially upside down and the department was short-staffed — it could not adequately fulfill its mandates. In 2018-19, CDFW had approximately 2,800 positions. In 2019, CDFW began a service-based budgeting (SBB) review to analyze its deficiencies in meeting its goals. In 2021, the department published its SBB review report, which provided evidence to show personnel and funding levels necessary for the department to meet its mission and actual levels of personnel and funding; and confirmed that CDFW was woefully understaffed in key areas to meet its mission, such as permitting and environmental protection (29 percent fulfilled by current level of staffing, species and habitat restoration (26 percent), and law enforcement (33 percent). With SBB data to back up the department's need for significantly more staffing, CDFW's department went from approximately 2,864 positions in 2020-21 to about 3,000 in 2021-22.

In addition, the majority of CDFW's budget revenue is made up of many special funds. How does reducing CDFW's special funds help the General Fund? A question arises as to the degree CDFW's level of service is negatively impacted by the efficiency cuts especially considering the department has for years been clawing its way to have the funds and staffing needed to get closer to meeting its missions.

3600 CALIFORNIA DEPARTMENT OF FISH AND WILDLIFE (CDFW)

Issue 12: CDFW Overview

CDFW's mission is to manage the state's diverse fish, wildlife, and plant resources, and the habitats upon which they depend, for their ecological value and for their use and enjoyment by the public. This includes habitat protection and maintenance in a sufficient amount and quality to protect the survival of species and natural communities. The department is also responsible for the diversified use of fish and wildlife including recreational, commercial, scientific, and educational uses. Because CDFW programs drive a need for infrastructure investment, the department has a capital outlay program to support this need. The figure below shows the Governor's 3-year plan for expenditures and positions at CDFW:

3-YEAR EXPENDITURES AND POSITIONS †

		Positions			Expenditures		
		2023-24	2024-25	2025-26	2023-24*	2024-25*	2025-26*
2590	Biodiversity Conservation Program	1,136.0	1,240.2	1,252.2	$649,849	$458,361	$353,314
2595	Hunting, Fishing, and Public Use Program	487.0	494.0	494.0	115,618	119,603	119,600
2600	Management of Department Lands and Facilities	425.6	445.1	445.1	111,506	106,357	105,597
2605	Enforcement	474.3	503.5	503.5	132,442	141,930	133,863
2610	Communications, Education and Outreach	21.4	22.9	22.9	5,118	5,217	5,253
2615	Spill Prevention and Response	169.7	170.0	170.0	52,114	59,378	51,845
2620	Fish and Game Commission	11.3	11.5	11.5	2,073	2,092	2,097
9900100	Administration	332.8	332.8	332.8	65,281	65,268	65,381
9900200	Administration - Distributed	-	-	-	-65,281	-65,268	-65,381
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		**3,058.1**	**3,220.0**	**3,232.0**	**$1,068,720**	**$892,938**	**$771,569**

*Source: Department of Finance. *Dollars in thousands.*

Since the 1950s, CDFW's funding base has shifted away from hunting and fishing license revenue, creating a long-term problem of insufficient and uncertain revenues to keep pace with program demands. Since 2001, the Legislature has enacted approximately 400 pieces of legislation impacting the department's policy or regulatory programs.

SB 1535 (Kuehl), Chapter 667, Statutes of 2006, the Legislature found that the state's growing population and development necessitated "a significant portion of the department's activities to be directed toward protecting fish and wildlife" for the benefit of California residents. It further recognized that CDFW's responsibilities increased to protect public trust resources in the face of a growing population and resource demands. The Legislature amended California Fish and Game Code Section 710.5 to declare that "the department continues to be inadequately funded to meet its mandates."

In October 2017, CDFW submitted a progress report to the Legislature that recognized that the department continued to accumulate unfunded mandates and identified limited funding as the primary barrier to implementing changes.

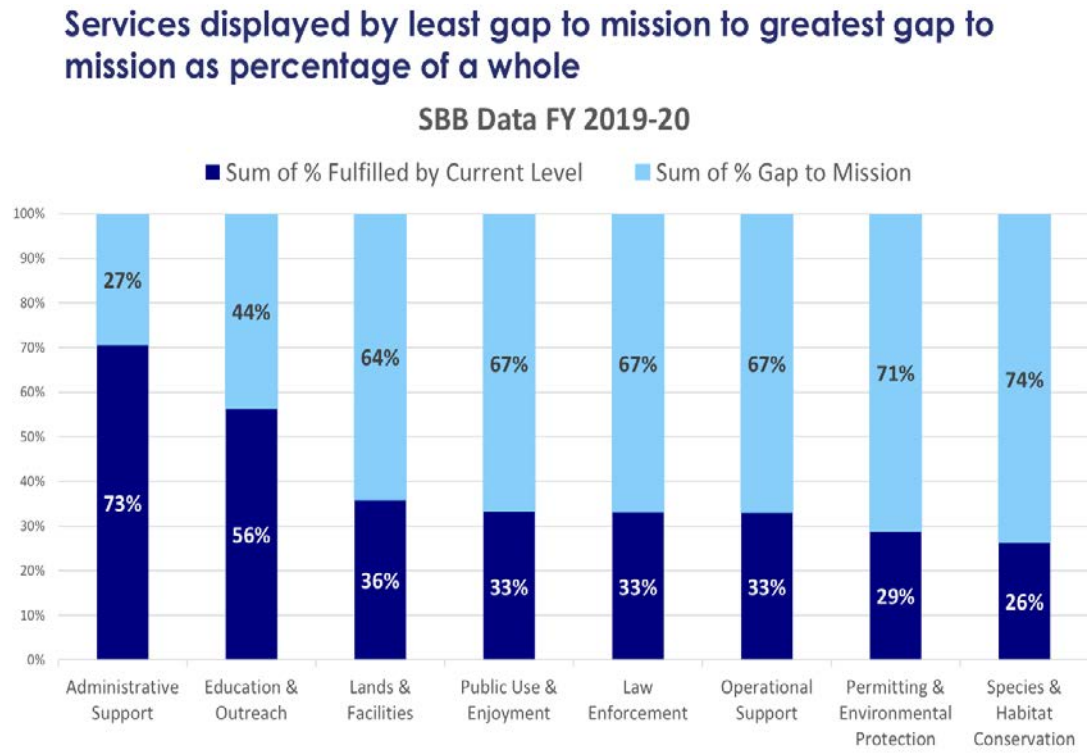
SB 854 (Committee on Budget and Fiscal Review), Chapter 51, Statues of 2018, directed CDFW to conduct a service-based budget (SBB) review.

Service Based Budgeting (SBB). SBB is a task-based budgeting approach that describes the services the department provides and informs budgeting and operational approaches by identifying current staffing at the task level, projected staffing needs to meet its mission, operational improvement actions that may reduce costs, and revenue sources supporting specific activities.

SBB is a budgeting approach that identifies the tasks needed to accomplish the department's mission. This review helps inform future budgets based on staff time needed to complete these tasks. The SBB approach is task-based, labor-focused, and organized by CDFW's services to the public. The SBB organizes CDFW into eight service areas, reflecting its core programs:

- Public use and enjoyment
- Species and habitat conservation
- Permitting and environmental protection
- Lands and facilities
- Law enforcement
- Education and outreach
- Operational support
- Administrative support

CDFW's comprehensive SBB data compared what the department currently (at the time) does to meet its mission.



Source: CDFW

The SBB data from 2019-20 demonstrated that the department was under-resourced to meet its mission. On the whole, the data suggested that the department required three times its current level (at the time) of staffing to meet its mission. According to CDFW, since the SBB findings, the department has

increased its staffing levels by approximately 13 percent. (From 2019-20 2,861.9 to 2025-26 3,232 positions.)

CDFW Programs. CDFW administers the following programs:

Biodiversity Conservation Program. This program encourages the preservation, conservation, maintenance, and restoration of wildlife resources, including the Ecosystem Restoration Program, under the jurisdiction and influence of the state. Activities involve the conservation, protection, and management of fish, wildlife, native plants, and habitat to ensure maintenance of biologically sustainable populations of those species.

Hunting, Fishing, and Public Use Program. This program facilitates diverse and sustainable hunting, fishing (recreational and commercial), trapping, and other public uses, and associated economic benefits to the state by conserving and managing game species. Activities include collection and assessment of information on the distribution and abundance of game fish and wildlife to determine appropriate regulations (bag limits, gear restrictions, etc.) and to monitor the effects of those regulations.

Management of Department Lands and Facilities Program. The program manages department-owned or leased lands and facilities, including hatcheries, wildlife areas, ecological reserves, fish and wildlife laboratories, and public access areas, to contribute to the conservation, protection, and management of fish and wildlife.

Enforcement. This program serves the public through law enforcement, public safety, and hunter education. Law enforcement promotes compliance with laws and regulations protecting fish and wildlife resources; and investigates habitat destruction, pollution incidents and illegal commercialization of wildlife. Wardens also serve the public through general law enforcement, mutual aid and homeland security.

Communications, Education, and Outreach Program. This program minimizes damage and environmental impacts to, restore, and rehabilitates California's fish and wildlife populations and ehir habitats from the harmful effects of oil and other deleterious material spills in marine waters and inland habitats.

Fish and Game Commission. The California Fish and Game Commission ensures the long term sustainability of California's fish and wildlife resources by guiding the ongoing scientific evaluation and assessment of the state's fish and wildlife resources; setting the state's fish and wildlife resource management policies and ensuring these are implemented by the department; establishing appropriate fish and wildlife resource management rules and regulations; and building active fish and wildlife resource management agencies.

(Continue onto next page)

Proposition 4: Climate Bond. The Governor's budget includes the following Proposition 4 proposals that would be administered by CDFW in 2025-26:

- Coastal Resilience
  - $24 million for island ecosystems; fisheries; kelp ecosystems (Bond total: $75 million; PRC Section 92050).
  - $5 milion for hatchery upgrades, Central Valley Chinook salmon (Bond total: $25 million; PRC Section 92070).
- Park Creation and Outdoor Access
  - $11 million to CNRA and CDFW for projects reducing climate impacts on disadvantaged communities and expanding outdoor recreation (Bond total: $200 million; PRC Section 94020)

Proposition 4 includes a total of $1.2 billion for Coastal Resilience and $700 million for Park Creation and Outdoor Access.

3340 CALIFORNIA CONSERVATION CORPS (CCC)

Issue 13: CCC Overview

The CCC provides young individuals the opportunity to work hard responding to fires, floods, and other disasters, restoring the state's environment, and installing clean energy and energy conservation measures at public facilities. Through their service, the Corpsmembers gain life, work, and academic skills to become strong workers and citizens.

In addition to the CCC, there are also 14 local conservation corps located in metropolitan communities throughout the state that are annually certified by the CCC, and engage young people in conservation, recycling, education, and training activities. Because the CCC's programs drive a need for infrastructure investment, the CCC has a capital outlay program to support this need. The figure below shows the Governor's 3-year plan for expenditures and positions at CCC:

3-YEAR EXPENDITURES AND POSITIONS †

		Positions			Expenditures		
		2023-24	2024-25	2025-26	2023-24*	2024-25*	2025-26*
2360	Training and Work Program	445.1	500.2	503.2	$184,097	$207,102	$167,056
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		**445.1**	**500.2**	**503.2**	**$184,097**	**$207,102**	**$167,056**

*Source: Department of Finance. *Dollars in thousands.*

CCC Program: Training and Work Program. CCC's training and work program include the following:

Natural Resource Work. Corpsmembers protect and enhance the state's natural resources through park development, trail construction, tree planting, fire hazard reduction, watershed improvement, wildlife habitat enhancement, removal of non-native vegetation, meadow restoration, energy and water auditing and retrofitting, irrigation system installation, and drought-tolerant and other landscaping.

Disaster Response. Corpsmembers are dispatched to fires, assisting with initial attack, mop-up and logistical support; floods, filling sandbags, reinforcing levees and stabilizing hillsides; earthquakes, removing hazards and staffing disaster assistance centers; oil spill clean-up; snow-removal; search and rescue operations; pest infestation eradication; and homeland security assistance.

Corpsmember Education. Corpsmembers are provided opportunities to advance their academic skills while in the CCC through local adult and charter schools and community colleges.

Corpsmember Development and Training. The CCC stresses the development of both a work and service ethic, which includes teamwork, self-discipline, leadership, and giving back to the state. Corpsmembers learn conservation principles and career planning. The CCC also offers training in trail building, first aid, Hazardous Waste Operations and Emergency Response, and firefighting certification, which can lead to internship opportunities with various employers in the state.

Corpsmember Career Pathways. The CCC dedicates resources to help Corpsmembers transition out of the program to meaningful career pathways, such as higher education, trade schools, apprenticeships, careers with local/state/federal agencies, and to apply their skill sets and build financial independence.

Proposition 4: Climate Bond. The Governor's budget includes the following Proposition 4 proposals that would be administered by CCC in 2025-26:

- Wildfire and Forest Resilience
  - $10 million for demonstrated jobs projects (Bond total: $50 million; PRC Section 91545(a)).

Proposition 4 includes a total of $1.5 billion for Wildfire and Forest Resilience.

3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CALFIRE)

Issue 14: CalFire Overview

CalFire provides hazard — fire, medical, rescue, and disaster — emergency response to the public and provides leadership in the protection of life, property, and natural resources in the state. The department safeguards the public through: engineering, research, development, and adoption of regulations, fire and life safety programs, fire prevention, law enforcement, public information and education, resources protection, and emergency response.

CalFire limits the damage caused by fires, disasters, environmental degradation, and related emergencies by employing efforts such as training for the state's fire service professionals, public education and prevention awareness, responsible stewardship of natural resources, and natural resource and emergency management. Because CalFire's programs drive a need for infrastructure investments, the department has a capital outlay program to support this need.

The figure below shows the Governor's 3-year plan for expenditures and positions at the department.

3-YEAR EXPENDITURES AND POSITIONS †

		Positions			Expenditures		
		2023-24	2024-25	2025-26	2023-24*	2024-25*	2025-26*
2461	Office of the State Fire Marshal	228.6	224.6	225.6	$70,191	$59,223	$61,887
2465	Fire Protection	10,275.1	10,752.6	11,436.1	3,476,658	3,863,925	3,797,291
2470	Resource Management	567.8	569.7	570.7	937,759	314,633	466,558
2475	Board of Forestry and Fire Protection	10.9	10.9	10.9	4,240	3,974	3,990
2480	Department of Justice Legal Services	-	-	-	6,828	6,828	6,828
9900100	Administration	917.7	964.7	1,045.7	202,422	200,571	215,314
9900200	Administration - Distributed	-	-	-	-202,060	-200,210	-214,944
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		**12,000.1**	**12,522.5**	**13,289.0**	**$4,496,038**	**$4,248,944**	**$4,336,924**

*Source: Department of Finance. *Dollars in thousands.*

CalFire's budget and staffing have increased substantially in recent years. In March 2024, the LAO estimated that CalFire's total base wildfire protection budget had nearly tripled over the past ten years (from $1.1 billion in 2014-15 to $3 billion in 2023-24).

CalFire's overall budget also had increased, with its combined budget for fire protection, emergency fire suppression, and resource management and fire prevention more than doubling over the past ten years (from $1.7 billion in 2014-15 to $3.7 billion in 2023-24). Correspondingly, CalFire's staffing levels also have increased significantly over the past decade. Specifically, between 2014-15 and 2023-24, the number of positions that CalFire categorizes as related to fire protection increased from 5,756 to 10,275, and the total number of positions at the department grew from 6,632 to 12,000 (representing roughly an 80 percent increase in both cases).

The 2024 Budget Act included a budget change proposal to begin implementation of a shift to a 66-hour workweek for its firefighters. The costs of this action increases in the current year and in coming years as CalFire phases in the changes, rising to $770 million ($756 million from General Fund) on an ongoing annual basis and 2,457 permanent positions by 2028-29.

CalFire is not subject to the Governor's efficiencies cuts.

CalFire Programs.

Office of the State Fire Marshal (OSFM). OSFM is comprised of six divisions:

- *Code Development and Analysis.* This division is responsible for the development and adoption of codes relating to fire and life safety used statewide by architects, engineers, design professionals, and the local fire and building authorities.

- *Fire and Life Safety*. This division is responsible for applying laws and regulations related to fire prevention and life safety in state-owned and state-occupied facilities.

- *Fire Engineering and Investigations*. This division's primary functions include licensing, product approval, fire/explosion investigations, and illegal fireworks enforcement and disposal.

- *Pipeline Safety*. This division ensures the safe construction, operation, and maintenance of approximately 5,400 miles of intrastate hazardous liquid pipelines that transport crude oil, refined products (e.g. gasoline, diesel, and jet fuel), and Highly Volatile Liquids through populated urban areas, ecologically sensitive areas, and other high consequence areas.

- *State Fire Training*. This division administers the California Fire Service Training and Education System and the Fire Service Training and Education Program for federal, state, and local firefighters.

- *Wildfire Planning and Engineering*. This division will be transitioning into the new Community Wildfire Preparedness and Mitigation Division established by AB 9 (), Chapter 225, Statues of 2021.

Fire Protection. CalFire provides fire protection to keep damages to life, property, and natural resources within social, political, and economic constraints. The objective is to attack fires quickly and aggressively in areas where CalFire has assumed primary direct protection responsibility by virtue of law, contract, or agreement until the fire is under control.

- *Fire Prevention.* This program is responsible for implementation of the Strategic Fire Plan, fire engineering, law enforcement, fire suppression cost recovery, and fire prevention education. This program focuses on the most effective methods, materials, and procedures to mitigate hazard to enforce pertinent laws that deter and mitigate fires. More specifically, efforts focus on what needs to be done before a wildland fire starts to reduce the costs of firefighting, property loss, injury to the public and firefighters, and damage to the environment.

- *Fire Control.* The objective of this program is to detect, respond to, and suppress wildland fires in or threatening the State Responsibility Area. The heart of the effort is an aggressive initial attack strategy. CalFire's goal is to contain 95 percent of all wildfires to ten acres or less. This is achieved through detection, ground attack, air attack, and mutual aid using fire engines, fire crews, bulldozers, helicopters, and fixed wing aircraft.

- *Cooperative Fire Protection.* CalFire provides a full range of fire protection services to local, county, state, and federal agencies throughout the state through the administration of over 100 cooperative fire protection service agreements. Additionally, there are six long-standing agreements wherein countries provide wildland fire protection on behalf of the department.

- *Conservation Camps.* CalFire, in cooperation with the Department of Corrections and Rehabilitation, operates 30 conservation camps throughout the state with capacity to house 152 fire crews. CalFire operates seven permanent Fire Centers, six seasonal Fire Centers, and one Parole Training Center with the California Conservation corps throughout the state that house 28 fire crews. CalFire also operates in conjunction with the California National Guard to staff seven Fire Centers with a total of 10 fire crews. Additionally, CalFire is currently authorized to operate 16 CalFire Firefighter Crews located at seven different Fire Centers. These crews are available to respond to all types of emergencies, including wildfires, floods, search and rescue, and earthquakes. When not responding to emergencies, the crews engage in hazardous fuels reduction, conservation related work projects, and prescribed fire project work to protect the community and resources of the state.

- *Emergency Fire Suppression.* CalFire incurs additional fire suppression expenditures when budgeted initial attack forces are unable to cope with a wildland fire within the initial attack period. Portions of these costs may be reimbursed in the fiscal year the expense was incurred or in a future fiscal year via Fire Management Assistance Grants provided by the Federal Emergency Management Agency or through cost shares provided by other government entities. In addition, CalFire may recover portions of this cost through civil cost recovery actions.

Resource Management. California's state and private forest range, watershed lands, and urban forests provide multiple human, climate, and environmental benefits. The objective of this program is to maintain and enhance those benefits and to minimize damage to these resources form natural catastrophes and human development. Objectives are met by regulation of timber harvesting, coordination with climate and forest restoration related activities for the forest sector, technical assistance to non-industrial landowners, operation of state demonstration forests, operation of forest nurseries, vegetation management projects, and administration of federal forestry assistance programs.

- *Resources Protection and Improvement.* The objective of this program is to improve forest lands and urban forests through activities, such as: forest restoration through fuels reduction and fire reintroduction; the detection, evaluation, and control of forest pests; growing and selling tree seedlings for restoration, carbon sequestration; and, soil erosion control.

- *Forest Practice Regulations.* The objective of this program is to maximize sustained production of high-quality timber products while protecting soil, water, wildlife, recreation, and other values associated with forest land. Forest Practice activities include the review and permitting of commercial timber harvesting operations on nonfederal timber's lands, enforcing state forest practice laws and regulations, and monitoring compliance and the effects of timber operations on forest productivity, water quality, watersheds, soils, botanical resources, wildlife, fisheries, greenhouse gases, and other environmentally sensitive resources.

- *Forest Resource Inventory and Assessment*. The objective of this program is to perform a periodic assessment of the state's forest and rangeland resources. Activities include maintaining and distributing mission-critical datasets for fire planning, providing emergency incident suppport, and meeting certain regulatory requirements.

- *Professional Foresters Registration Program.* The Office of Professional Foresters Registration is a program within the Board of Forestry and Fire Protection. The program is responsible for the licensing and regulation of all persons who practice forestry on non-federal , state, and private lands. The program also licenses "certified specialties" of forestry, with the single certified specialty currently being Certified Rangeland Managers.

Board of Forestry and Fire Protection. The Board of Forestry and Fire Protection is a Governor-appointed body within CalFire. The Board is responsible for developing the general forest policy of the state, determining the guidance polices of the department, and representing the state's interest in federal forests in California. The Board's statutory responsibilities include:

- Establishing and administering forest and rangeland policy of the state;
- Protecting and representing the state's interest in all forestry and rangeland matters;
- Providing direction and guidance to the Director of CalFire on fire protection and resource management;
- Delivering a comprehensive regulatory programs for forestry and fire protection; and,
- Conducting its duties to inform and respond to the people of California.

Department of Justice Legal Services. The objective of this program is to account for the cost of legal services provided by the Department of Justice to CalFire.

Administration. Departmental administration provides executive leadership, policy direction, and a variety of program support services necessary for the successful performance of the department's mission. CalFire headquarters provides leadership through the executive office and through central services in accounting, budgeting, business services, legal, Human Resources, information technology, program accountability, and program and systems analysis. CalFire field units provide localized general support services throughout the state.

Recent Actions. ***66-Hour Workweek.*** The 2024 Budget Act included $199 million ($197 million General Fund) and 338 positions in 2024-25 to begin implementing a shift to a 66-hour workweek as contemplated in the 2022 Memorandum of Understanding with Unit 8. The costs will increase in the coming years as CalFire phases in the changes, rising to $770 million ($756 million from the General Fund) on an ongoing annual basis and 2,457 permanent positions by 2028-29. Expenses include:

- Salaries and benefits for adding new firefighter and other wildfire response-related positions;
- Salaries and benefits for adding new support staff, including administrative personnel and maintenance staff;
- Additional overtime (including both scheduled and unplanned) for firefighters and other wildfire response-related classifications;
- 235 new vehicles, as well as costs for vehicle leases, maintenance, radios, and equipment;
- Various augmented aerial support-related contracts, such as for contracted pilots and mechanics at airbases;
- One-time special repair funding to address maintenance needs at CalFire facilities;
- Training center costs; and,
- Proportional funding for contract counties.

The 2024 Budget Act included provisional language to Item 3540-001-0001 providing contracting efficiencies to support implementation of the 66-Hour Workweek and trailer bill language requiring CalFire to report on or before March 1 of each year to certain committees of the Legislature and the

Legislative Analyst's Office regarding CalFire's wildfire prevention and resilience work of the previous fiscal year, as specified.

Five Firefighter Hand Crews. The 2024 Budget Act included: $46.8 million ($46.4 million General Fund and $373,000 other funds) and 226 positions in 2024-25; and $44.5 million ($43.8 million General Fund and $731,000 other funds) and 234 positions in 2028-29 and ongoing, phased in over five years with varying amounts in the intermediate years to provide vegetation management, hazardous fuel reduction projects, and wildland fire suppression. This action provided funding to make permanent five existing temporary CalFire firefighter hand crews. The five crews include a mix of year-round and seasonal staff. The budget also included provisional language in Item 3540-001-0001 for $2.6 million General Fund to support deferred maintenance and special repair projects at existing CalFire facilities to accommodate additional hand crews.

Additional CalFire Training Center: New Facility. The 2024 Budget Act included a total of $31.6 General Fund one-time for the acquisition of property on which to construct a new training center for CalFire on approximately 115 acres. The administration stated that a future project will be proposed to fully develop the remainder of the property after the initial project is complete.

Fire Hazard Severity Zones Map Update. In February 2025, the Office of the State Fire Marshal began releasing updated Fire Hazard Severity Zones for Local Responsibility Area maps for local jurisdictions. The previous maps were released from 2007 through 2011. In these jurisdictions, city or county fire departments are first responders and enforce fire safety rules.

The release of updated Fire Hazard Severity Zones for Local Responsibility Area maps identify new areas where new development is required to adhere to the strictest standards of wildfire-resilient building codes and land use planning. These new zones and maps add approximately 1.4 million new acres of land into the two higher tiers of fire hazard severity — "High" or "very high" designated areas, which are subject to the strictest standards for wildfire-resilient buildings. The new maps designate 1.16 million acres as "high" and an additional 247,000 acres as "very high."

The release of these updated zones and maps, which are expected to be released one region at a time, began in Northern California. The release begins a 120-day clock for local governments to adopt local ordinances incorporating the State Fire Marshal's recommendations.

(Continue onto next page)

Proposition 4: Climate Bond. The Governor's budget includes the following Proposition 4 proposals that would be administered by CNRA in 2025-26:

- Wildfire and Forest Resilience
  - $60 million for regional projects (Bond total: $128 million; PRC Section 91520(b)).
  - $82 million for the Forest Health Program (Bond total: $175 million; PRC Section 91520(c).
  - $59 million for local fire prevention grants (Bond total: $185 million; PRC Section 91520(d)).
  - $3 million for a fire training center (Bond total: $25 million; PRC Section 91520(e))
  - $10 million for fuel reduction, structure hardening, defensible space, reforestation, and acquisitions (Bond total: $50 million; PRC Section 91520(g)).
  - $0 for fire ignition detection technology (Bond total: $25 million; PRC Section 91535).

- Extreme Heat
  - $500,000 for urban forests (Bond total: $50 million; PRC Section 92540).

Proposition 4 includes a total of $1.5 billion for Wildfire and Forest Resilience and $450 million of Extreme Heat.

Issue 15: Forester Registration Program Fee Increase (Trailer Bill Language (TBL)) (GB)

Governor's Proposal. The Governor's budget requests the inclusion of TBL to increase the statutory limits of the Office of Professional Foresters Registration's (Office) fee schedule, as follows:

- From $200 to $600 for application fees for registration
- From $250 to $750 for certificate of specialization fees and registration renewal fees
- From $25 to $75 for duplicate displays of registration and certificates of specialization
- From $25 to $75 for penalty of failing to renew registration
- From $50 to $150 for reinstatement of registration or certification

These fees have not been revised for over 30 years. CalFire intends for the proposed TBL to provide a long-term solution for the Professional Forester Registration Fund while the Board of Forestry and Fire Protection and the Administration continue to address, through license outreach and fee increases, the decline in revenue, which has led to the structural imbalance of the Professional Forester Registration Fund.

The request to increase the fee range in statute comes in preparation for a wave of retirements among current registered professional foresters. According to self-reported data to the Office, 40 percent of all Registered Professional Foresters in the state have been licensed for 30 years or more; 27 percent of all Registered Professional Foresters identify themselves as being retired, yet continue to pay dues to support the program.

Background. ***Professional Foresters.*** California's Professional Foresters Law became effective on January 1, 1973. The Professional Foresters Law outlines the guiding principles and responsibilities of Registered Professional Foresters, including licensing. This law authorizes the Board of Forestry and Fire Protection, via the Office of Professional Foresters Registration, to collect fees for certain responsibilities, including examination and licensing, and establishes the maximum amount of fees that may be collected for these responsibilities.

Professional Foresters are trained experts in forest management, and are responsible for the sustainable use, conservation, and health of forests. Historically, foresters in California focused on timber harvesting. Their role has evolved over time and their expertise plays a role in wildfire prevention, forest resilience, and watershed management efforts. Foresters are a key player in fuels reduction projects, such as forest thinning and prescribed fire. They also assist in soil health and erosion control projects, along with habitat restoration projects.

Currently, expenses related to grading, development, and administration of Registered Professional Foresters examinations exceed the application fee revenue paid by exam applicants by over $200 per application.

In 2023-24, this led to an approximately $17,000 cost to the Professional Forester Registration Fund on a $35,000 operating expense in the budget, thereby placing a fiscal drag on this fund for every examination that the Office performs. Increasing the range of fees will allow regulatory fee changes so the fund can be increased as necessary. Specifically, the exam application fee increase will allow the Board to recoup a current loss of over $200 per application.

Staff Recommendation. Hold open.

Issue 16: Exclusive Use Aircraft Contract Increase (GB)

Governor's Proposal. The Governor's budget requests to amend the amount included within existing provisional language in Item 3540-006-0001, which waives specified state contracting requirements to enable CalFire to contract for Exclusive Use aircraft to quickly address emergency fire conditions and support fire suppression operations. CalFire requests that the current threshold of $27.5 million, which was originally approved in the 2021 Budget Act, be increased to $65 million based on a historical average methodology.

Requested Budget Bill Language:

> Item 3540-006-0001
> X. The Department of Forestry and Fire Protection is exempted from any applicable law requiring competitive bidding or the supervision or approval of another department or agency of state government for the procurement of or contracting with vendors for exclusive use aviation aircraft, up to an aggregate annual contractual amount of $65,000,000, to meet emergency fire suppression operational needs as described in Provision 1 of this item. Notwithstanding the foregoing, the Department shall include information regarding contracts executed under this authority within the quarterly reports specified in Provision 2 of this item.

The increase is intended to allow CalFire flexibility to contract with EU aircraft quickly to support its fire suppression operations. CalFire has a goal of keeping response times within 20 minutes and 95 percent of fires at ten acres or less.

Background. CalFire, along with other wildland firefighting agencies nationwide, utilize the same limited pool of contract aerial firefighting resources during major fires and periods of dangerous wildfire conditions. At times when the western United States is facing dangerous fire conditions, competition for these limited resources is high.

CalFire secures private assets to ensure adequate resources are available under the state's control when the need arises. This is done through two separate processes: (1) the Exclusive Use (EU) full contracting process, and (2) Call When Needed (CWN) done through emergency authority. The department contracts with vendors that support firefighting aircraft that provide fire suppression in the crucial beginning stages of a wildfire. An EU ties a specific vendor exclusively to the department for a designated period.

CWN provides an increase in support aircraft as they are utilized on individual wildland fires via emergency authorities and are not intended to be reserved for any duration of time. As such, these CWN contractors do not specifically tie these aircraft to CalFire, and they can be called away or receive an EU contract with another entity or firefighting agency thereby rendering them "unavailable" for use and control by CalFire.

The challenge CalFire faces through the state contracting process of competitive bidding for EU contracts is the specific requirements for advertising and bidding. These standard processes can take in excess of 120 days to execute the full contract. CalFire has historically entered into these agreements once a State of Emergency has been declared, relieving CalFire of the standard contracting requirements of advertising and bidding.

The 2021 Budget Act added EU aircraft provisional language to Item 3540-006-0001 waiving specified state contracting requirements. The language enabled CalFire to contract for EU aircraft quickly, up to

certain thresholds, to address emergency fire conditions and support fire suppression operations. Additionally, this language exempted CalFire from applicable provision of law requiring competitive bidding or the supervision or approval of another department or agency of state government for the procurement of or contracting with vendors for EU aviation aircraft, up to an aggregate annual contractual amount of $27.5 million, to meet emergency fire suppression operational needs.

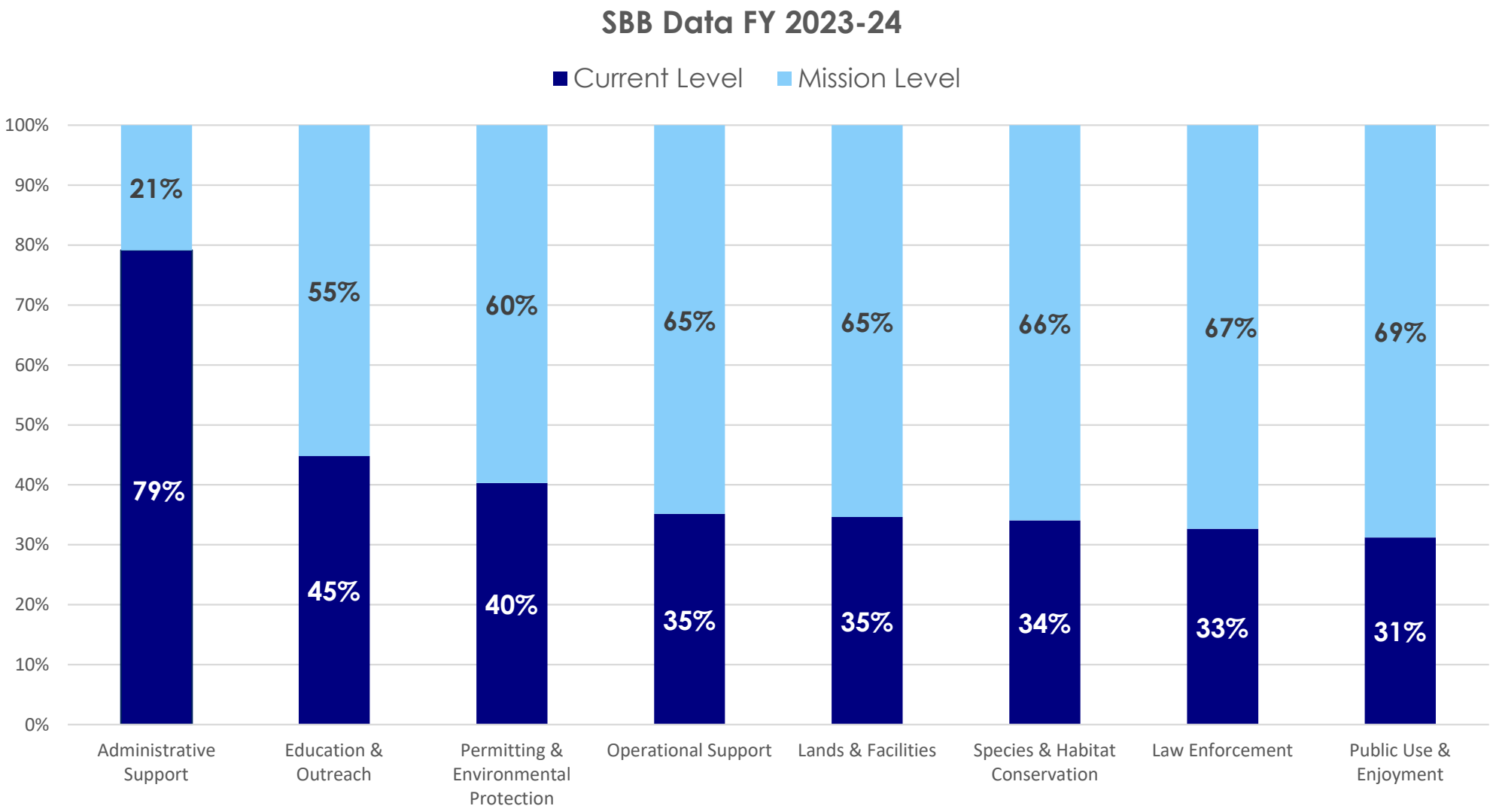
The 2022 Budget Act included $45 million each year for three years, starting in fiscal year 2022-23, to supplement the department's air operations until the C130s are received. CalFire is requesting to amend the threshold amount in the provisional language based on a two-year average of EU actual expenditures from those appropriations and a three-year average of the EU Emergency Fund actual expenditures.

CalFire spent an average of $26.7 million from 2021-22 to 2023-24 against the original $27.5 million provisional language approved amount from the 2021 Budget Act, while spending an average of $38.2 million from 2022-23 to 2023-24 against the $45 million approved amount from the 2022 Budget Act for contracting EU firefighting aircraft. The $65 million figure in this request is calculated using the total actual averages from both sources of funding.

Staff Recommendation. Hold open.

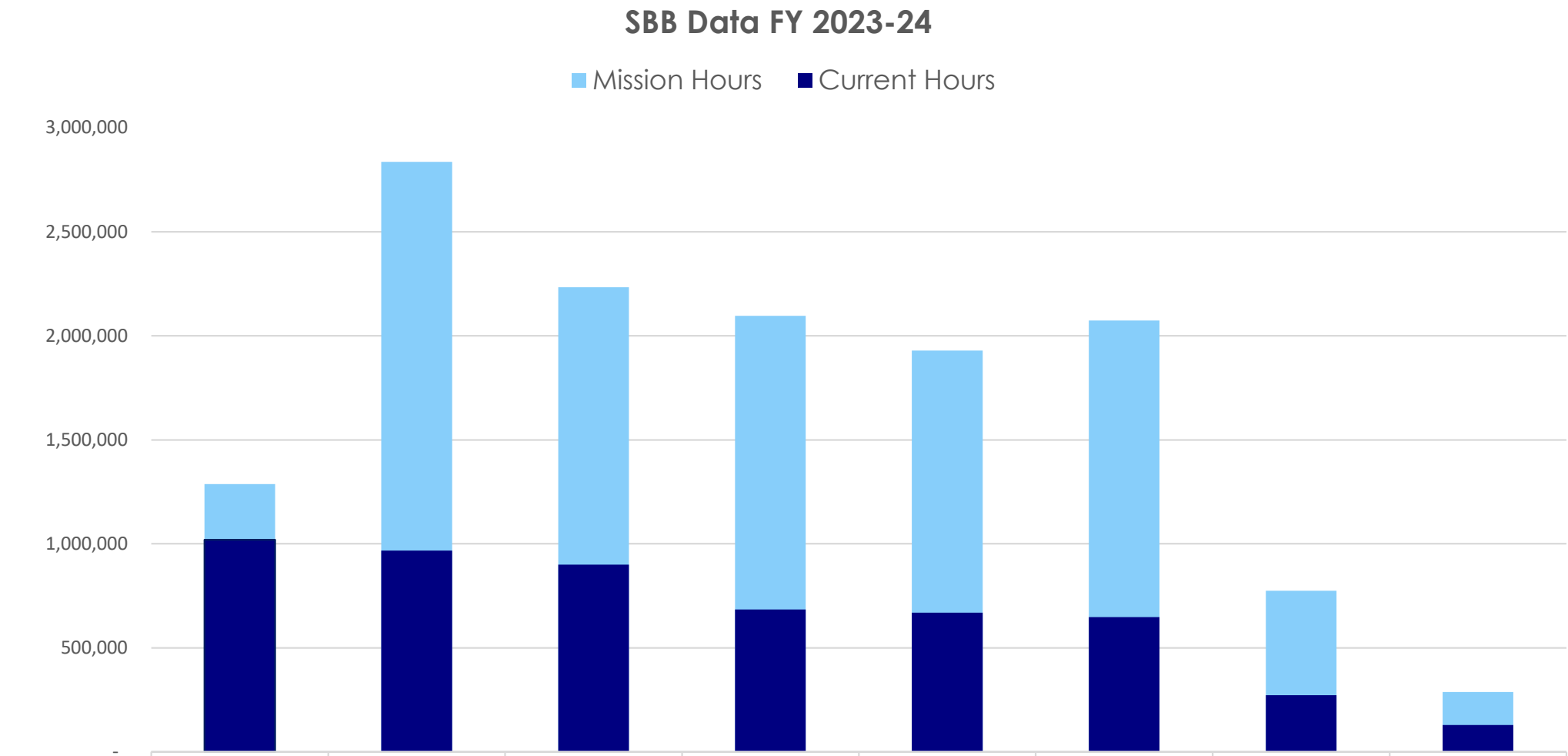
Gap Analysis Overview

Services displayed by least gap to mission to greatest gap to mission as percentage of a whole



Gap Analysis

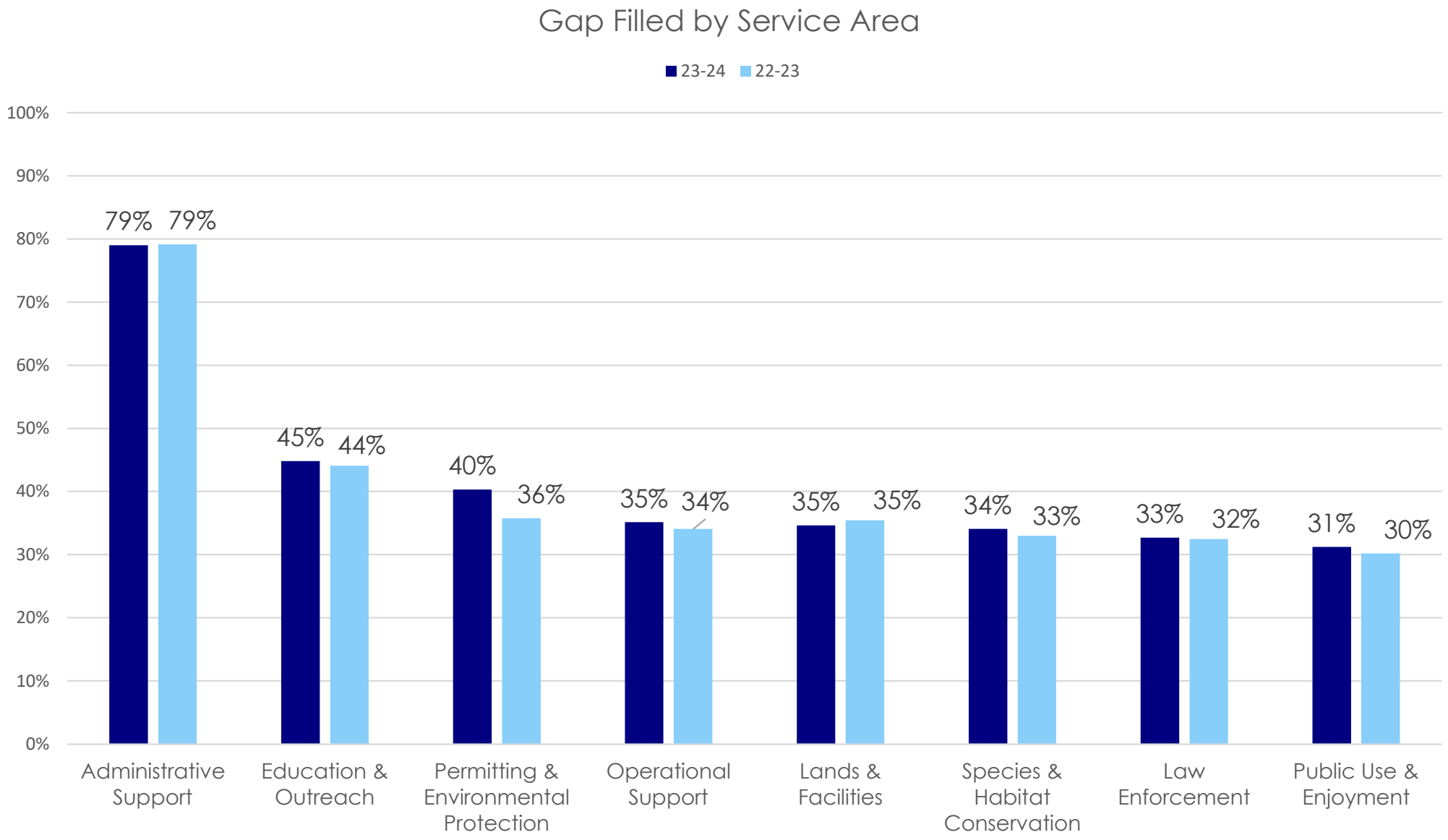
Services displayed by largest current hours to least current hours



	Administrative Support	Species & Habitat Conservation	Permitting & Environmental Protection	Law Enforcement	Lands & Facilities	Public Use & Enjoyment	Operational Support	Education & Outreach
Mission Hours	1,288,233	2,836,487	2,233,532	2,096,693	1,929,854	2,074,031	774,899	287,464
Current Hours	1,019,618	966,747	900,191	684,951	668,550	647,641	272,353	128,899

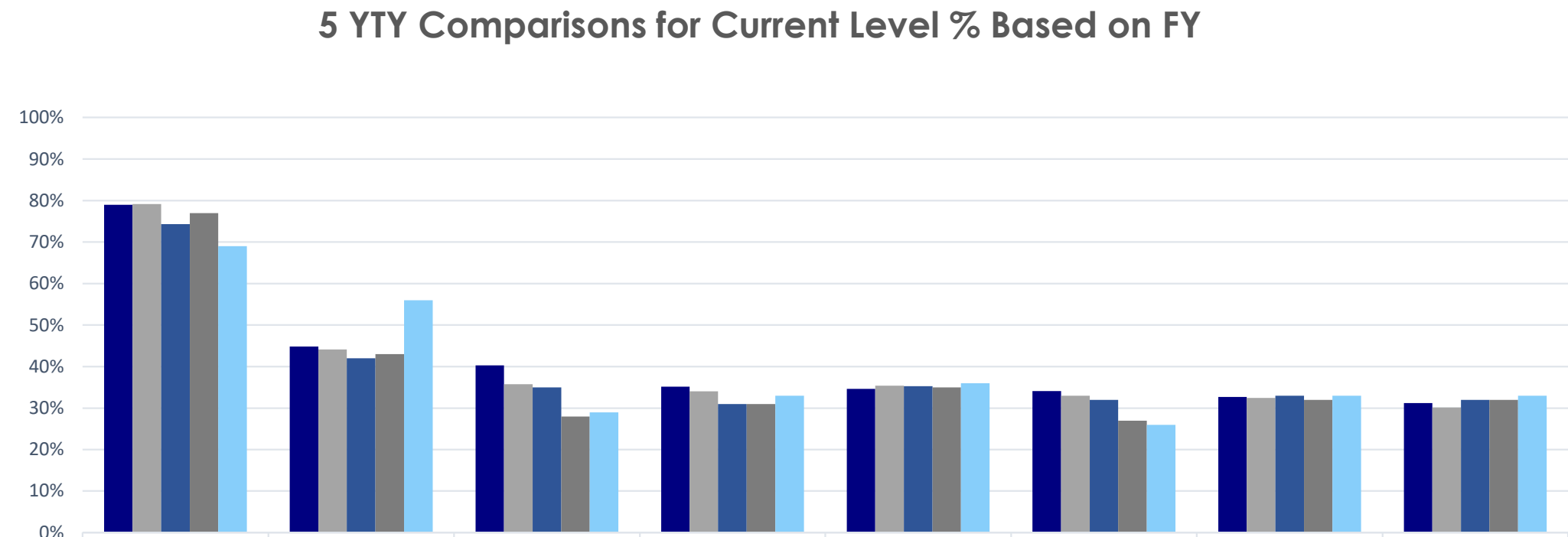
Gap Analysis by Service Area

Chart below shows current level for FY 2023-24 vs. current level for FY 2022-23



Gap Analysis by Service Area

Chart and Graph below show 5-year YTY comparison for each year of data collection



	Administrative Support	Education & Outreach	Permitting & Environmental Protection	Operational Support	Lands & Facilities	Species & Habitat Conservation	Law Enforcement	Public Use & Enjoyment
23-24	79%	45%	40%	35%	35%	34%	33%	31%
22-23	79%	44%	36%	34%	35%	33%	32%	30%
21-22	74%	42%	35%	31%	35%	32%	33%	32%
20-21	77%	43%	28%	31%	35%	27%	32%	32%
19-20	69%	56%	29%	33%	36%	26%	33%	33%

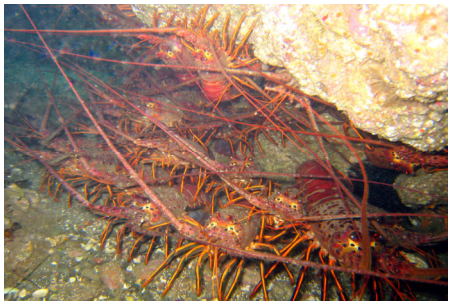
California Department of Fish and Wildlife

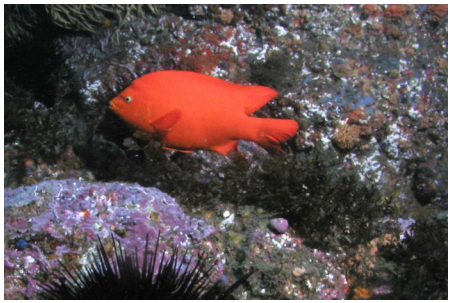
SBB

SERVICE BASED BUDGETING

Status Update

March 2025





Background of Service Based Budgeting

Our Mission Statement

“To manage California’s diverse fish, wildlife, and plant resources, and the habitats upon which they depend, for their ecological values and for their use and enjoyment by the public.”

How We Arrived Here

CDFW's 2012 Strategic Vision, 2017 Expenditure Concept, and Chapter 51, Statutes of 2018 (Senate Bill 854) are drivers of SBB

1

CDFW Strategic Vision (2012)

- "Dedicated funds restrict DFG's ability to set priorities. Seek Legislative Support to combine funds."
- "DFG must find a way to be relevant to 100% of California's population."
- "Require open and transparent accounting within DFG to build public confidence in how funds are managed."

2

CDFW Expenditure Concept (2017)

- "One of the most visited, but ultimately unresolved issues for CDFW is how to provide the Department with sustainable financing."
- "An efficient and responsive department is an essential ingredient in the state's commitment to the environment and the economy."

3

Chapter 51, Statutes of 2018 (Senate Bill 854)

- SBB was successfully implemented at Parks & Recreation
- CDFW is asked to define service standards, staffing levels, and activities required to meet its Mission

Strategic Vision Goals

SBB further assists the Department in achieving the goals set forth in the 2012 Strategic Vision

Strategic Vision Goals		SBB Benefits
1	*Strong Relationships with Other Agencies, Governments, Organizations and the Public*	1 • Stakeholder Communication • Cost Transparency • Information Consistency
2	*Highly Valued Programs and Quality Services*	2 • Increased Programmatic Understanding • Performance & Risk Management
3	*An Effective Organization*	3 • Data Driven Decisions • Organizational Alignment • Reporting Flexibility
4	*An Efficient Organization*	4 • Operational Efficiency

A New Budgeting Approach

The Department is embarked upon a new approach to budgeting that aligns the distribution of funds with its Mission

1. **SBB is a fresh approach** to facilitate the development of the Department's annual budget.

2. **SBB will allow CDFW to tell its story** by describing its organization in terms of services it provides to the public.

3. **SBB will help inform the future budget** based on the costs of operational tasks and activities that make up the services the Department provides.

What SBB is <u>not</u>

A Restructuring Exercise	A Funding Decision	A Job Performance Review
While SBB may highlight areas for efficiency improvement, changing the organization chart is not the intent of SBB	*Although SBB will inform which services may require additional funding, final funding decisions are not a part of SBB*	*The SBB effort is not reviewing individual job performances*

How Does SBB Work?

SBB is a budgeting approach that identifies the tasks needed to accomplish the Department's Mission

Task-based

Subject matter experts (SMEs) developed the list of service-specific activities, referred to as tasks, that align with the Mission

Labor-focused

CDFW staff collect labor hours desired per task ("mission level"), and now spent per task ("current level")

Organized by service

SMEs create task lists for distinct Services that represent all of the activities that occur within the Department

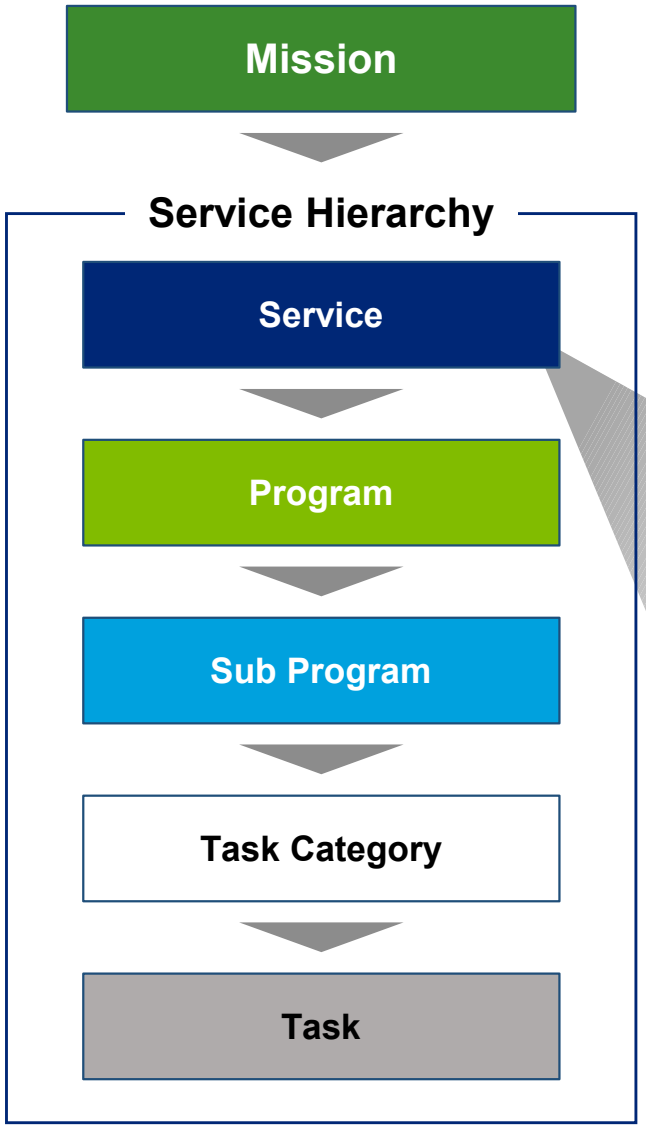
Annual process

Current service levels will be updated annually in advance of the budget cycle and mission service levels will be updated every five years

Understanding the SBB Service Structure

The Mission is categorized into core service areas

SBB Model



Mission Statement

To manage California's diverse fish, wildlife, and plant resources, and the habitats upon which they depend, for their ecological values and for their use and enjoyment by the public.

CDFW Service Areas

- Public Use & Enjoyment
- Species & Habitat Conservation
- Permitting & Environmental Protection
- Law Enforcement
- Education & Outreach
- Lands & Facilities
- Operational Support
- Administrative Support

The Benefits of SBB

SBB has extensive benefits to offer, across a variety of key areas

Stakeholder Communication

- Enables CDFW staff to tell a **compelling story** of Fish and Wildlife in terms of **services and associated costs** to Governor's Office, Department of Finance, other agencies and partners, external funding agencies, the Legislature, and the public

Increased Programmatic Understanding

- Gives Regional Managers, Branch Chiefs and their Program Leads a fresh opportunity to take a **comprehensive look at their entire operation** through the SBB process
- Encourages **strategies for making the best use of available resources** to deliver CDFW's services

Transparency

- Increases **visibility to the staffing resources** required to run Department services at desired service level
- Highlights current service level and **identifies resource gaps**

Data Driven Decisions

- Provides data and analysis that allows executive staff to make **informed decisions**
- Enables **objective and fact-based** explanation and understanding of choices made

Reporting Flexibility

- Provides a budget management model and structure that **allows flexibility to report** and present relevant data
- Enables year-to-year **flexibility** in budgeting decisions

Information Consistency

- Builds a budget management framework based on **standardized services / tasks**
- Brings **consistency** in measurement, reporting, and decision-making **across the Department**

The Benefits of SBB (cont.)

SBB has extensive benefits to offer, across a variety of key areas

Organizational Alignment

- Links service level standards to **CDFW's Mission**
- **Improves allocation** of budget and resources to realize desired levels of service
- Enables year-to-year **adaptability** of budgeting decisions

Operational Efficiency

- Identifies opportunities for **efficiency improvement** through metrics reporting and **comparative analysis**
- Enables **best practice sharing** on operational models and staffing models

Performance & Risk Management

- Enables **performance measurement and metrics usage** across services
- Provides the foundation for better **service level measurement, strategic planning and risk management**

Improving CDFW's Budgeting Approach

CDFW budget appropriations and allocations had remained relatively uniform for years

SBB provides an opportunity for the Department to:

Clarify Needs

Adjustments to appropriations had been limited by Department's ability to clearly articulate the total need, priority of needs, and benefits to the general public and stakeholders.

Consider Additional Factors

Adjustments to appropriations had been based on a limited set of factors including savings, forecasted operational change, and past and projected expenditures.

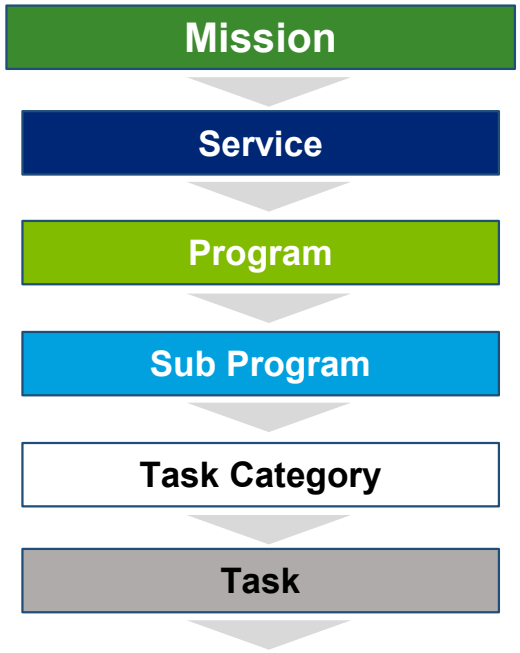
Grow and Improve

The current appropriations of funds constrains desired growth to fulfill the Mission.

SBB Data Informs Future Budgeting

Initial Phases of SBB Review

Service Chart and Task Catalog Development



Task Justification
SBB data will provide the justification (i.e., mandate, operational necessity, best practice) for tasks the Department performs.

Service Level Gaps
SBB will identify the gaps between the mission level of service and the current level of service for each task.

Future Budget Analysis Informed by SBB Data

Gap Analysis
SBB data will be used by CDFW to determine the cost of Department tasks at the current level of service and options to reduce the gap in fulfilling the mission level of service.

Revenue Source Analysis
The SBB task catalog will enable the Department to identify existing funding sources supporting particular tasks and gain visibility to tasks that could benefit from a different allowable or more appropriate funding source.

Project Governance

The SBB project is a collaborative and collective effort across the Department to define the mission level of service, analyze current service levels, and inform external groups

Groups	Description
Core Team	• Make project-level decisions and manage project activities • Drive the SBB model and process design • Guide the task catalog development • Communicate project status and accomplishments
Executive Working Group	• Inform and advise project decisions • Communicate SBB process to Divisions and Regions • Identify subject matter experts • Review and validate SBB data
Subject Matter Experts and Data Collection Respondents and Validators	• Develop list of tasks and activities performed by Department staff • Lead collection of mission level of service needed for tasks and current level of service provided for tasks

SBB Subject Matter Experts (SMEs)

SBB SMEs help tell the story of what it takes to meet CDFW's Mission

Establish Service Structure → Select and Train SMEs → **Develop Task Catalog (SMEs)** → Complete *Mission Level* Data Collection → Complete *Current State* Data Collection

About SBB SMEs

SBB SMEs were identified from across the Department by SBB project leadership to represent a **diverse and informed perspective** on Department activities.

SBB SME Responsibilities

SMEs worked with the SBB project team and other staff to:

- Develop a comprehensive list of tasks and activities performed by Department staff
- Inform the level of service needed to fully achieve the Department's Mission
- Identify the current level of service the Department provides for tasks

External Stakeholders and Government Entities

CDFW is committed to open communication and engagement with external stakeholders over the course of SBB project activities

External Communications, Resources, and Engagement

- SBB webpage on CDFW website with informational resources (including SBB overview, project team list, and frequently asked questions)
- Dedicated SBB mailbox for project inquiries
- Project status updates at public F&G Commission meetings
- Informational external stakeholder outreach
- Public SBB External Advisory Committee meetings

Note: Dates and details of project phases were as originally planned.

Phased SBB Approach (Through 2021)

The SBB implementation occurred over two years with distinct phases

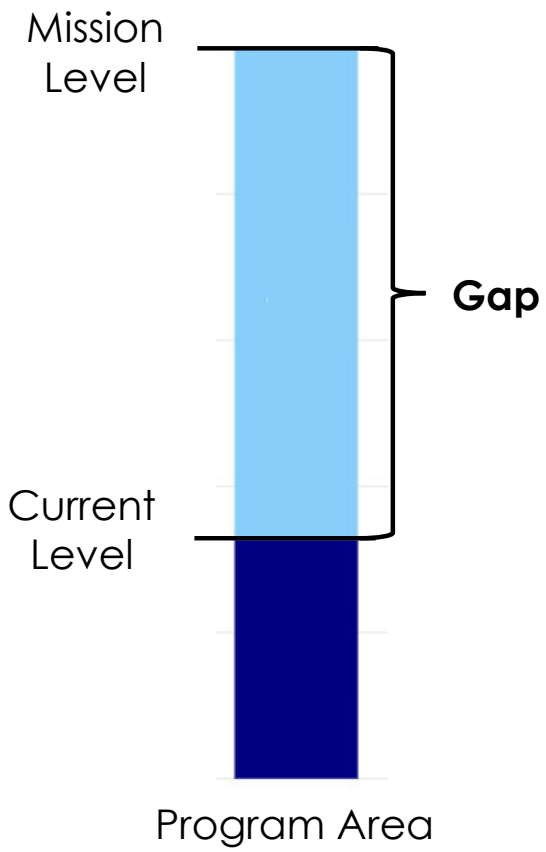
	Discover	Analyze	Design	Operationalize	Report
Activities	• Develop detailed project plan • Develop SBB framework and program structure • Collect SBB data	• Analyze current SBB services • Perform gap analysis to desired service levels • Execute stakeholder engagement plan	• Design future SBB process • Develop tool functional requirements • Execute stakeholder engagement plan	• Drive tool user acceptance testing • Establish SBB long-term process • Conduct SBB data update training • Refine task library • Identify and support implementation of SBB findings	• Legislative oversight hearings re: status by April 15, 2020 • Final SBB review report to Legislative committees and LAO by January 15, 2021 • Legislative oversight hearings by April 15, 2021
Outcomes	• Approach and Timeline • Subject matter expert selection and training • SBB Taxonomy and Methodology • Stakeholder Engagement Plan	• Task Measurement and Performance Calculation • Stakeholder Engagement Sessions	• Department SBB Structure • Tool Functional Requirements • Stakeholder Engagement Sessions • Final Project Status Report	• Training Materials • SBB Operational Plan • SBB Findings • Stakeholder Engagement Sessions	• Oversight Hearing Materials • Final SBB Review Report

Project Phase 1 > > > > > > > > > > > > > > **Project Phase 2 > > > > >**

SBB Is Complete, Now What?

Operational Improvement Actions Overview

While the SBB gap is measured in terms of labor hours, the operational findings process seeks multiple ways to close the gap



Mission, Policies, Mandates

Clarify the mission level. Propose adjustments to policy where necessary

Process Improvements

Streamline processes to improve efficiency and/or effectiveness

External Partners

Clarify and improve division of labor with other stakeholder groups

Technology & Equipment

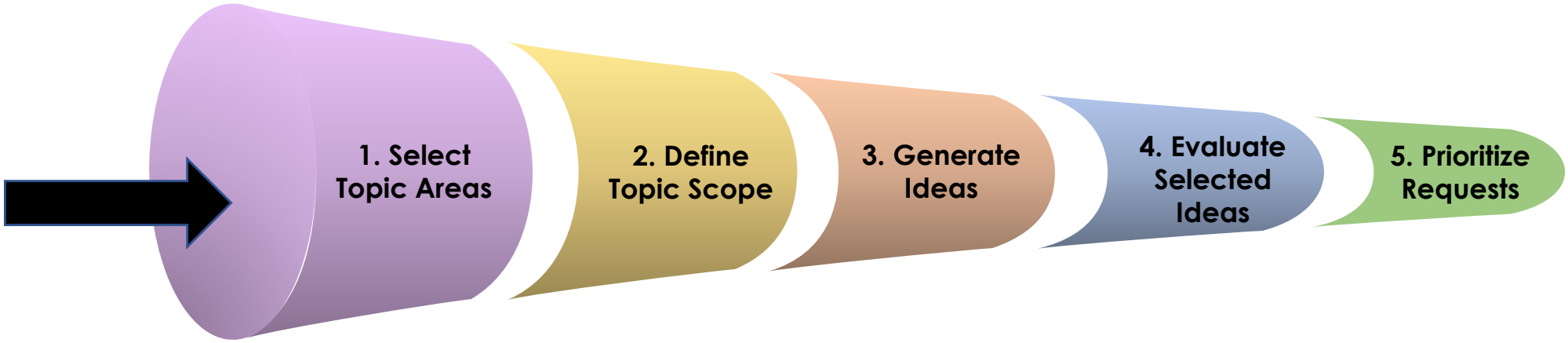
Request hard assets that can improve efficiency

Labor

Request or redirect staff where increasing hours is most effective

Operational Improvement Action Process

The Department will use the below process to generate, estimate, and prioritize ideas to address the Department's most pressing gaps.



	Topic List	Topic Task List	Ideas List	Evaluate Ideas List	Prioritized Actions
Selection Criteria	Develop set of topics based on: • Current priorities • Connection with revenue analysis • Opportunity to identify operational improvement ideas that do not rely on large budget changes	Select set of tasks to define topic area scope. Task lists are initially scoped in the kickoff meeting with managers and further defined through meetings with subject matter experts.	Define improvement ideas where: • Impact will address labor hours &/or performance metrics • Identifiable type and level of effort to implement	Select ideas to evaluate based on: • Difficulty to implement (based on metrics of time, cost and complexity) • Potential impact (measurable by labor hours and other performance metrics)	Select actions based on: • Expected benefit • Ability to secure resources if needed • Immediate priorities • Presence of an implementation champion

SBB Data Tool & PowerBI

CDFW SBB Data Tool

The SBB data tool has four components: database management, current level data collection, mission level data collection, and PowerBI data analytics

SBB Database Management

- Addition, deletion, and modification of tasks by administrators
- Management of SBB Units and positions and respondents and validators for data collection
- Tracking of tasks impacted by certain approved budget changes

Current Level Data Collection

- Supervisors and managers identified as respondents and validators allocate current hours for every staff within CDFW to specific tasks
- Data collected annually

Mission Level Data Collection

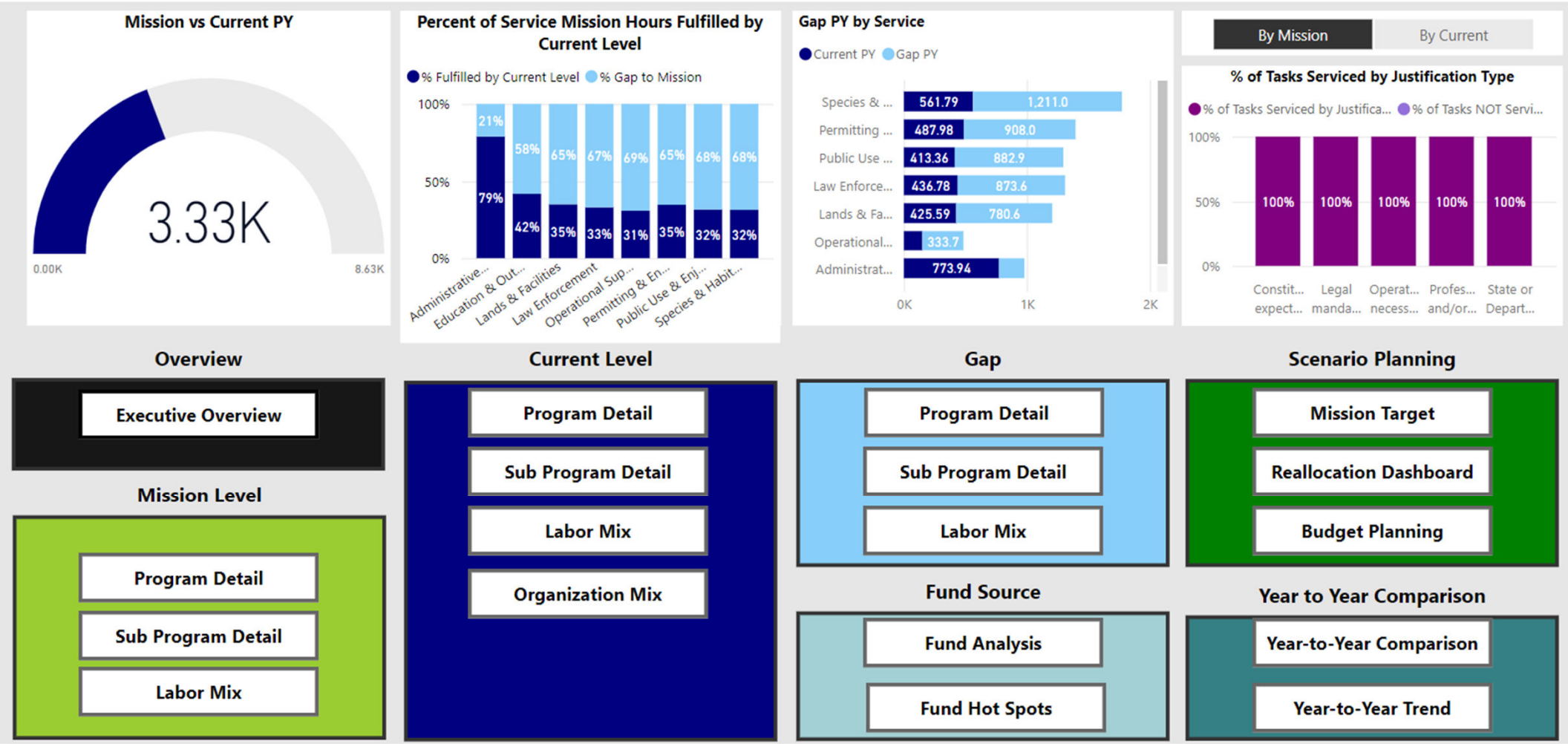
- Supervisors and managers help identify the number of times that a task would be accomplished annually at the mission level
- Data is scheduled to be updated on a five-year cycle

CDFW PowerBI Data Analytics

- Dashboard display of SBB mission and current level data
- Year to year comparison of SBB data

Dashboard Analytics Enabled by SBB Data

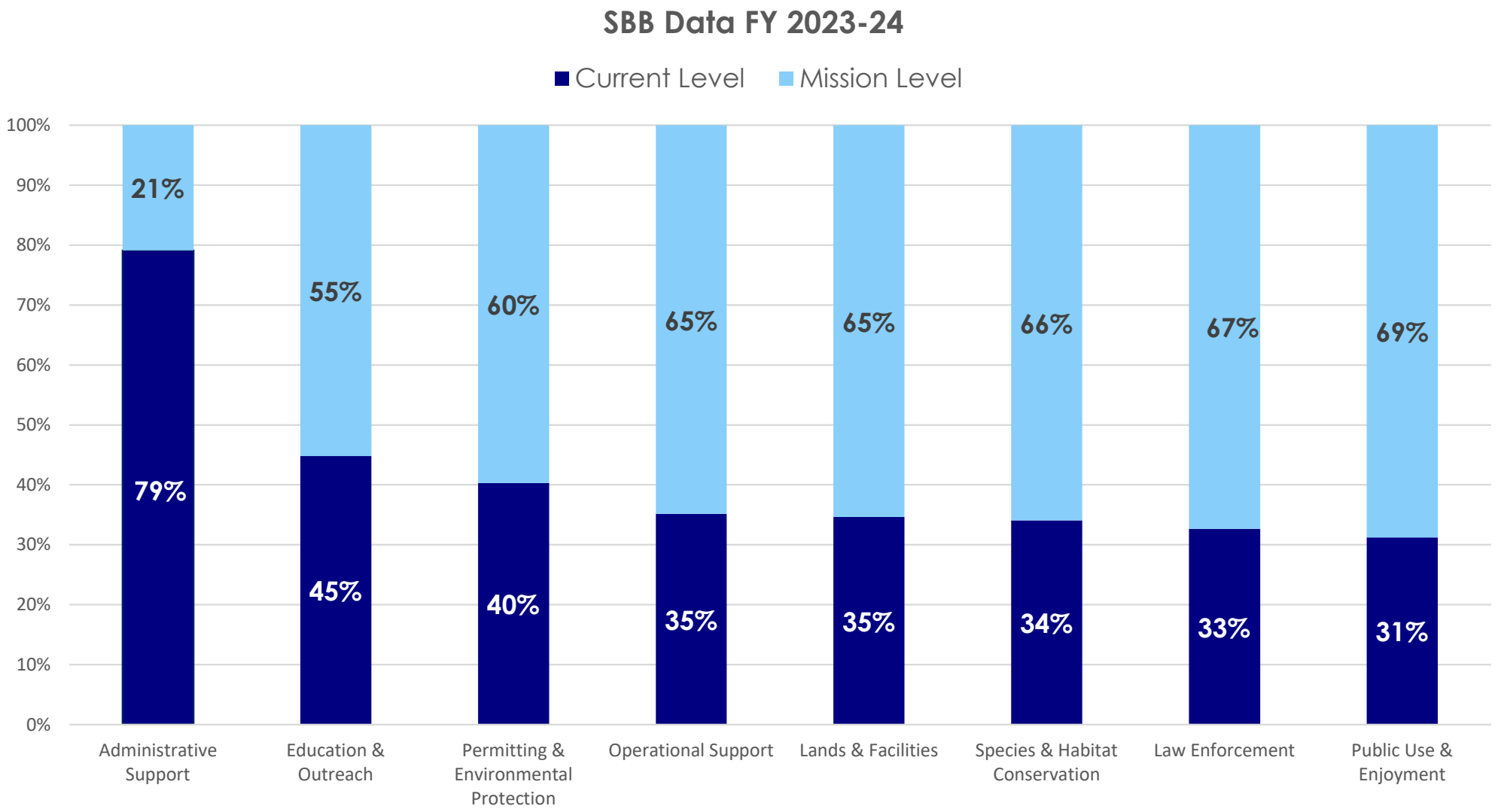
Interactive reports and dashboards enable CDFW to track key performance metrics and facilitate data-driven decision making



FOR ILLUSTRATIVE PURPOSES ONLY

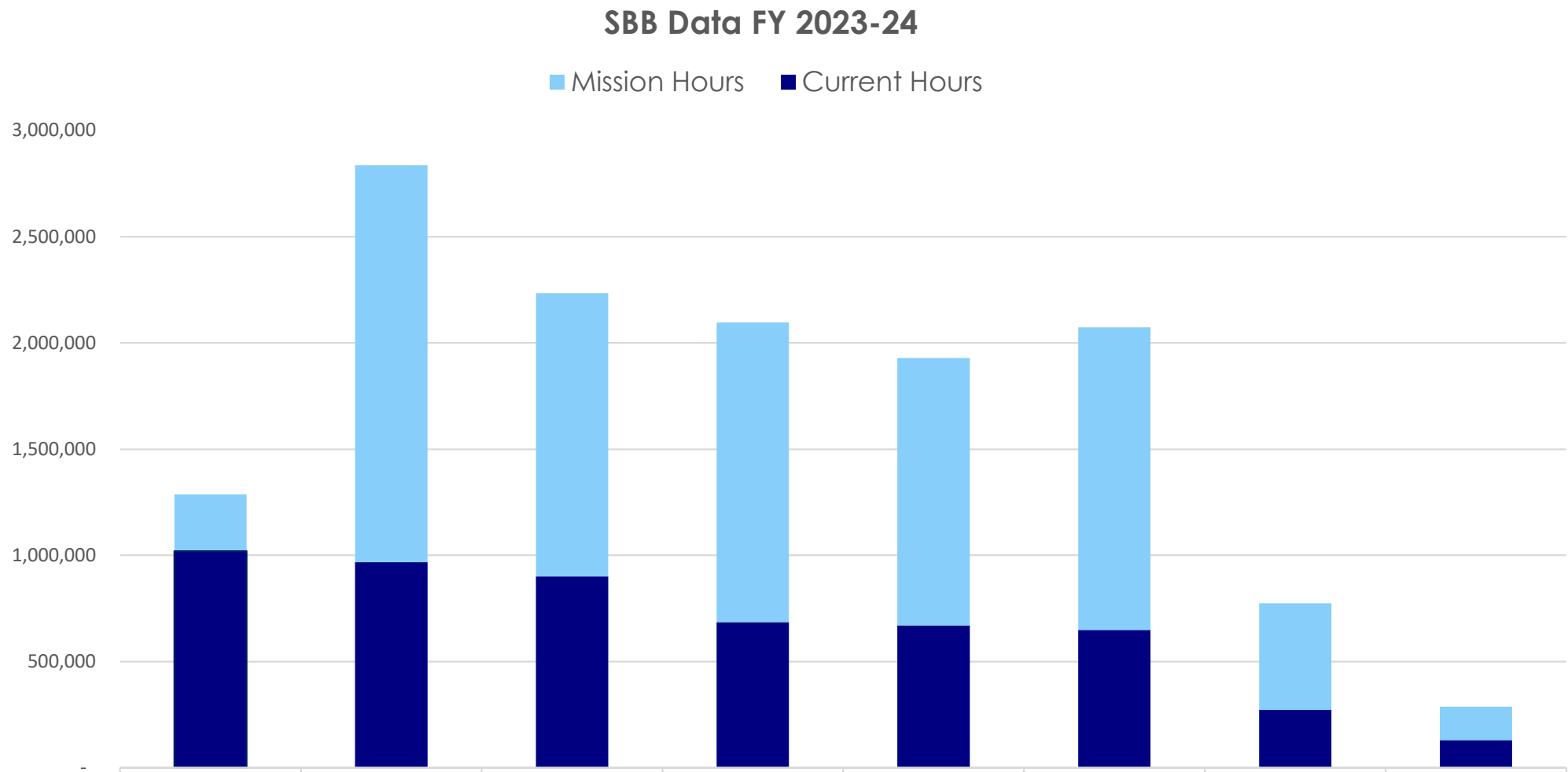
Gap Analysis Overview

Services displayed by least gap to mission to greatest gap to mission as percentage of a whole



Gap Analysis

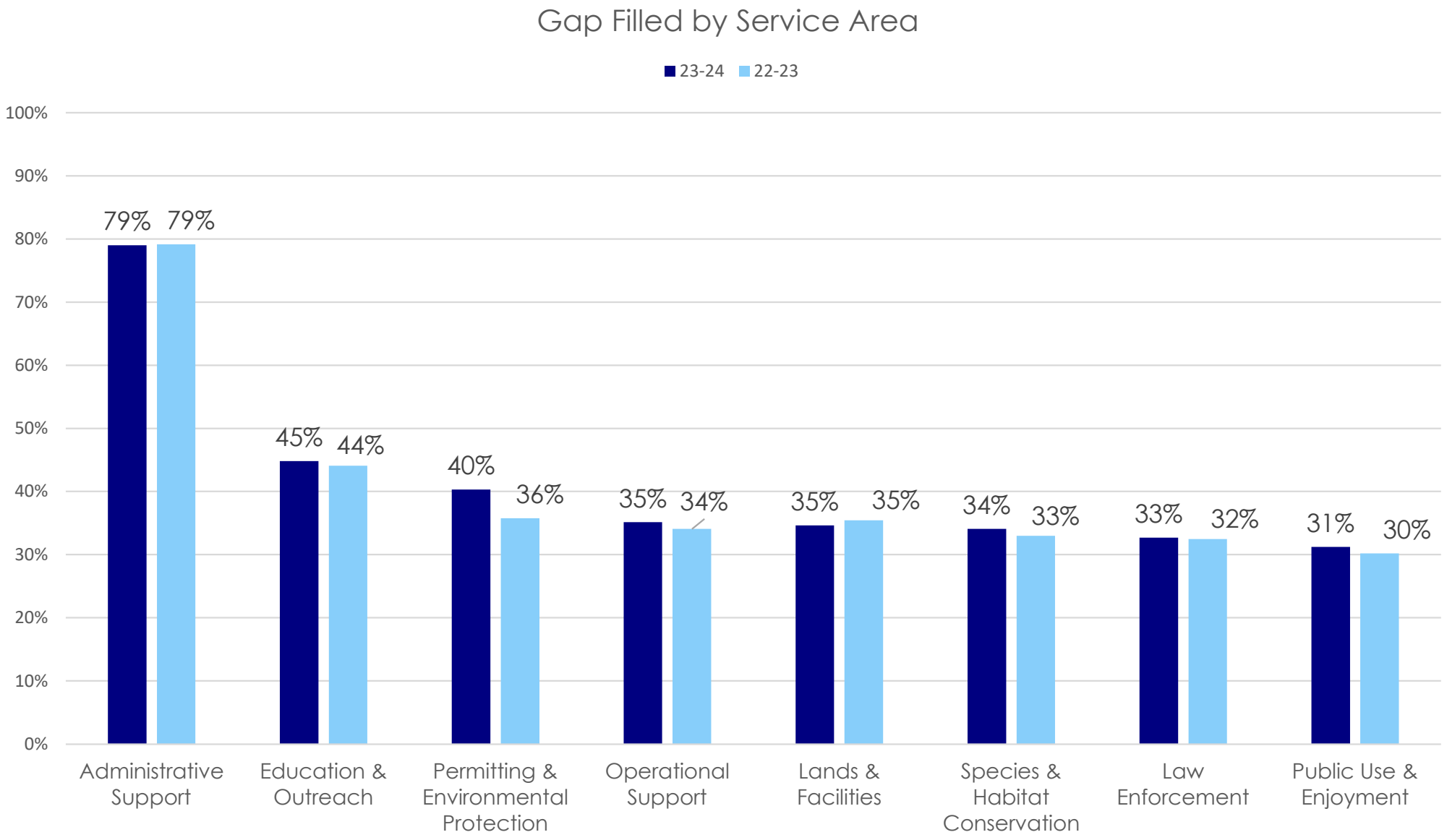
Services displayed by largest current hours to least current hours



	Administrative Support	Species & Habitat Conservation	Permitting & Environmental Protection	Law Enforcement	Lands & Facilities	Public Use & Enjoyment	Operational Support	Education & Outreach
Mission Hours	1,288,233	2,836,487	2,233,532	2,096,693	1,929,854	2,074,031	774,899	287,464
Current Hours	1,019,618	966,747	900,191	684,951	668,550	647,641	272,353	128,899

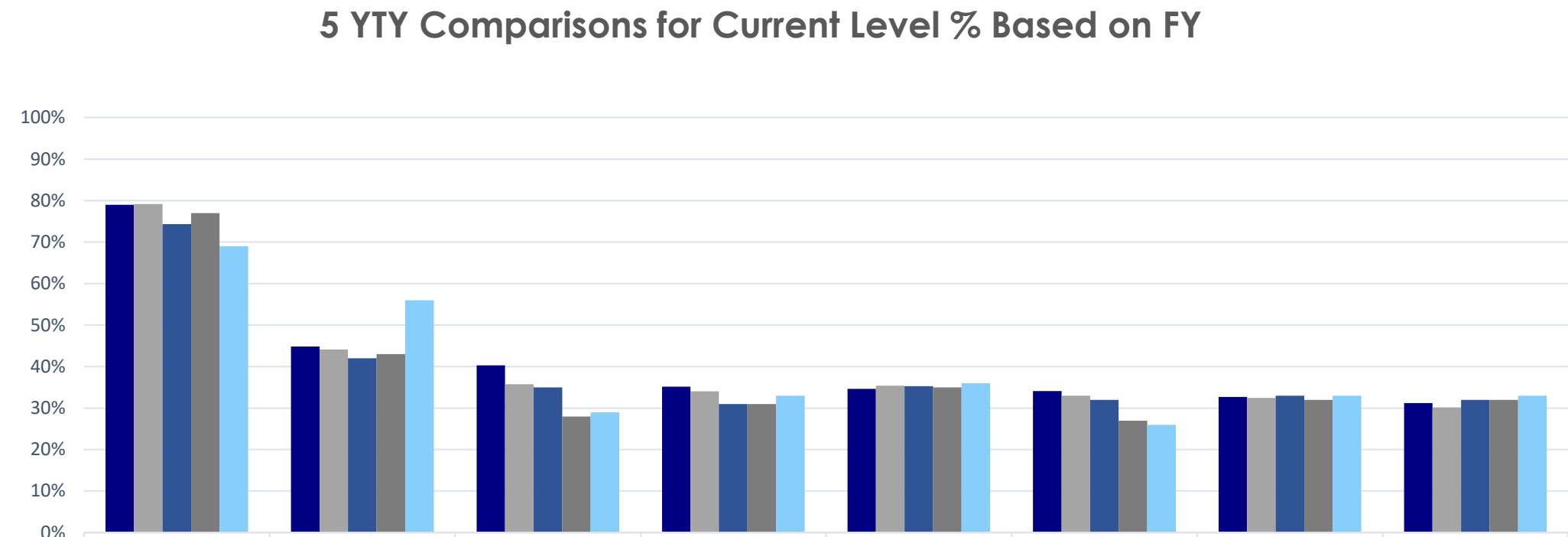
Gap Analysis by Service Area

Chart below shows current level for FY 2023-24 vs. current level for FY 2022-23



Gap Analysis by Service Area

Chart and Graph below show 5-year YTY comparison for each year of data collection



	Administrative Support	Education & Outreach	Permitting & Environmental Protection	Operational Support	Lands & Facilities	Species & Habitat Conservation	Law Enforcement	Public Use & Enjoyment
23-24	79%	45%	40%	35%	35%	34%	33%	31%
22-23	79%	44%	36%	34%	35%	33%	32%	30%
21-22	74%	42%	35%	31%	35%	32%	33%	32%
20-21	77%	43%	28%	31%	35%	27%	32%	32%
19-20	69%	56%	29%	33%	36%	26%	33%	33%

Questions?

EXECUTIVE DEPARTMENT
STATE OF CALIFORNIA

EXECUTIVE ORDER N-22-25

WHEREAS as of January 2025, California has more than 224,000 full-time state employees, supporting the delivery of critical public services ranging from Medi-Cal to nutrition assistance, from unemployment insurance to driver's licenses and vehicle registrations, from fire preparedness and emergency response to public safety, and from education and childcare to environmental protection; and

WHEREAS California's state employees demonstrate their devotion to public service and the common good, day in and day out, through their hard work and talents; and

WHEREAS prior to the COVID-19 pandemic, nearly all state employees had a baseline expectation of working in-person five days a week; and

WHEREAS although the COVID-19 pandemic precipitated change for many state employees, with a rapid shift to hybrid or full-time telework due to public health considerations, more than half of our state workforce continued to report to work in-person throughout the pandemic, and others have returned to full-time in-person work, including peace officers, health care and mental health care providers, janitorial staff, highway maintenance workers, occupational and environmental safety inspectors, and front-line customer service staff in various agencies and departments; and

WHEREAS in April 2024, based on experience and research about the benefits of in-person work, which include enhanced collaboration, cohesion, creativity, and communication, improved opportunities for mentorship, especially for newer employees, and improved supervision and accountability, my Administration directed agencies and departments subject to my authority that provide telework as an option for employees to implement a hybrid telework policy with an expectation of at least two in-person days per week; and

WHEREAS several leading private sector employers have recently increased in-person work requirements, including some implementing full-time in-person requirements, and a number of public sector employers, including in California, have likewise recently increased in-person work expectations; and

WHEREAS experience across various employment sectors and research continue to affirm that in-person work promotes collaboration, cohesion, efficiency, and accountability for employees and supervisors, all of which are critical for effectively delivering services to the public and maintaining public confidence in the efficiency of state government; and

WHEREAS the benefit of in-person work days is undermined by the non-aligned work schedules of employees under a two-day minimum expectation, because employees and supervisors, including individuals on the same teams or in the same units who would particularly benefit from in-person time together, are often in-person on different days, such that increasing the number of in-person days necessarily will increase the time employees and supervisors will have in the office together; and

WHEREAS ongoing disparities around in-person work expectations across departments and within job classifications for state employees raise issues of

fundamental fairness, particularly for classifications of employees who must report in-person five days a week, including custodial and janitorial staff, maintenance workers, and others; and

WHEREAS increasing in-person work expectations for state employees will also promote trust with members of the public, many of whom must report to work in-person for their own jobs, that state government is working effectively for them; and

WHEREAS I have determined that increasing in-office work expectations for state employees, while still providing the flexibility of a hybrid schedule that most state employees did not have prior to the COVID-19 pandemic, is an operational necessity, to maximize collaboration, cohesion, efficiency, and accountability for delivering services to the public and to maintain public confidence in the efficiency and effectiveness of state government; and

WHEREAS prior to the COVID-19 pandemic, California had established family-friendly employment policies, including procedures to request flexible work schedules, and individualized reasonable accommodations, and those processes will continue to remain available; and

WHEREAS to allow agencies and departments to review current operational needs related to telework, to provide impacted employees sufficient time to adjust to updated in-person work schedules, as applicable, and generally to ensure a smooth transition for agencies, departments, and state employees and align with the start of the fiscal year, the updated policies directed by this Order will take effect on July 1, 2025; and

WHEREAS recent actions by the federal government to reduce the size of the federal workforce and eliminate jobs for federal civil servants with expertise that would benefit the State create opportunities to fill unmet needs in the State workforce.

NOW, THEREFORE, I, GAVIN NEWSOM, Governor of the State of California, in accordance with the authority vested in me by the State Constitution and statutes of the State of California, do hereby issue the following Order to become effective immediately:

IT IS HEREBY ORDERED THAT:

1. All agencies and departments subject to my authority that provide telework as an option for employees shall implement a hybrid telework policy with a default minimum of four in-person days per work week, with case-by-case exceptions available as provided in Paragraph 2, effective July 1, 2025.

2. Agencies and departments subject to Paragraph 1 shall consider their individual operational needs in determining whether to offer telework as an option. Consistent with the intent of this Order, agencies and departments shall consider employee requests for more than one telework day per week on a case-by-case basis, as required by any applicable Memorandum of Understanding, and consistent with existing state policies and governing law (e.g., requests for reasonable accommodations, Family Medical Leave Act, and other existing flexible schedule frameworks addressing personal circumstances) and future Administration guidance. No later than March 13, 2025, the California Department of Human Resources (CalHR) shall publish statewide guidance to assist agencies and departments in making

appropriate case-by-case exceptions. In addition to any other subjects that CalHR deems appropriate, the guidance on case-by-case exceptions shall address employees whose positions require telework and employees who do not live near their duty stations and were hired with a mutually agreed-upon telework arrangement.

3. CalHR shall promptly notice impacted bargaining units, to ensure legally required notice is provided prior to implementation of the directives in Paragraphs 1 and 2.

4. CalHR and the Department of General Services (DGS), under the coordination of the Government Operations Agency, shall provide guidance, and consult with individual agencies and departments upon request, regarding compliance with the directives in Paragraphs 1 and 2. Individual agencies and departments shall work with DGS to develop a plan to accommodate the increase in in-person work, including with respect to workplace facilities and employee transportation options, and shall submit such plans to DGS no later than April 1, 2025. DGS shall notify my office no later than May 1, 2025, of any agency or department that has not prepared an adequate plan.

5. CalHR shall assess vacant jobs that match skills needed in the State workforce with the qualifications of former federal employees in need of new opportunities, including but not limited to those with skills and experience related to firefighting, weather forecasting and modeling, natural resource management, medical and mental health, and the sciences, and report its findings to the appropriate agency or department in my Administration. CalHR shall additionally create a federal employee resource website connecting this newly available talented workforce with current job opportunities, virtual job fairs, virtual job counseling, and create a framework that maps the skills required for state government employment.

6. All agencies and departments not subject to my authority, including those under the authority of independent statewide constitutional officers, are strongly encouraged to implement the directives contained in this Order.

IT IS FURTHER ORDERED that, as soon as hereafter possible, this Order be filed in the Office of the Secretary of State and that widespread publicity and notice be given of this Order.

This Order is not intended to, and does not, create any rights or benefits, substantive or procedural, enforceable at law or in equity, against the State of California, its agencies, departments, entities, officers, employees, or any other person.

IN WITNESS WHEREOF I have hereunto set my hand and caused the Great Seal of the State of California to be affixed this 3rd day of March 2025.

GAVIN NEWSOM
Governor of California

ATTEST:

SHIRLEY N. WEBER, Ph.D.
Secretary of State

EXECUTIVE DEPARTMENT
STATE OF CALIFORNIA

PROCLAMATION OF A STATE OF EMERGENCY

WHEREAS in October 2015, Governor Brown proclaimed a State of Emergency to exist in California due to a vast tree die-off throughout the state, which increased the risk of wildfires; and

WHEREAS this tree die-off has continued to worsen forest conditions, creating extremely dangerous fire risk; and

WHEREAS in March 2019, I proclaimed a State of Emergency to exist in California due to catastrophic wildfire risks created by forest conditions, facilitating the completion of high-priority forest management projects through suspensions of various permitting and environmental review provisions; and

WHEREAS wildfires in California have grown in size, duration, and destructiveness because increasing whiplash between periods of extreme rain and extreme drought has caused accumulation of fuels in the State's forests, the majority of which are owned and managed by the federal government; and

WHEREAS several of the most costly fires have occurred in the Wildland Urban Interface, including most recently the January 2025 firestorms in Los Angeles County; and

WHEREAS there are millions of housing units in the Wildland Urban Interface, and the majority of these structures reside in high or very high fire hazard severity zones, and immediate action is needed to prevent similar wildfires in the imminent future; and

WHEREAS because of these conditions, the Board of Forestry and Fire Protection developed the California Vegetation Treatment Program (CalVTP) in 2019, to streamline environmental review of vegetation management projects through reliance on a programmatic environmental impact report covering 20 million acres of the State; and

WHEREAS 106 projects have been approved to date under CalVTP, including prescribed burns, mechanical treatment, manual treatment, herbicide application, and prescribed herbivory projects; and

WHEREAS even with the success of CalVTP, more is needed to expedite critical fuels reduction projects in more areas of the State, including those not yet covered by CalVTP, to protect the lives and property of Californians; and

WHEREAS certain statutory, regulatory, and administrative requirements, including, but not limited to, studies, publication periods, and season-specific surveys, significantly impede State and local agencies' ability to immediately permit and implement necessary projects to protect the lives and property of Californians; and

WHEREAS under the provisions of Government Code section 8558(b), I find that the circumstances of the catastrophic wildfire risks created by forest

conditions across the state, by reason of their magnitude, are beyond the control of the services, personnel, equipment, and facilities of any single local government and require the combined forces of a mutual aid region or regions to combat; and

WHEREAS under the provisions of Government Code section 8558(b), I find that conditions of extreme peril to the safety of persons and property exist within the State of California due to these conditions; and

WHEREAS under the provision of Government Code section 8625, I find that local authorities lack the resources needed to cope with the emergency; and

WHEREAS under the provisions of Government Code section 8571, I find that strict compliance with various statutes and regulations specified in this order would prevent, hinder, or delay the mitigation of the effects of the catastrophic wildfire risks created by forest conditions across the state.

NOW, THEREFORE, I, GAVIN NEWSOM, Governor of the State of California, in accordance with the authority vested in me by the State Constitution and statutes, including the California Emergency Services Act, and in particular, Government Code section 8625, **HEREBY PROCLAIM A STATE OF EMERGENCY** to exist within the State of California due to these conditions.

IT IS HEREBY ORDERED THAT:

1. All agencies of the state government utilize and employ state personnel, equipment, and facilities for the performance of any and all activities consistent with the State Emergency Plan. Also, all residents are to obey the direction of emergency officials with regard to this emergency in order to protect their safety.

2. State statutes, rules, regulations, and requirements that fall within the jurisdiction of boards, departments, and offices within the California Environmental Protection Agency and the California Natural Resources Agency are hereby suspended to the extent necessary for expediting critical fuels reduction projects, as defined in Paragraph 4, are initiated this calendar year, and that the suspension is approved by the appropriate Agency secretary as provided in Paragraph 3, and subject to Paragraph 5. Laws suspended by this paragraph include, but are not limited to, the California Environmental Quality Act (Division 13 (commencing with section 21000) of the Public Resources Code and regulations adopted pursuant to that Division) and the California Coastal Act (Division 20 of the Public Resources Code, commencing with section 30000, and regulations adopted pursuant to that Division).

3. Individuals or entities who desire to conduct activities under the suspension of statutes, rules, regulations, and requirements specified in Paragraph 2 shall first request that the appropriate Agency Secretary, or the Secretary's designee, make a determination that the proposed activities are eligible to be conducted under the suspension. The Secretary of the California Environmental Protection Agency and the Secretary of the California Natural Resources Agency shall use sound discretion in applying this authority to ensure that the suspension serves

the purpose of accelerating critical fuels reduction projects, while at the same time protecting public health and the environment. Each Agency shall maintain on its website a list of all suspensions approved under this Paragraph.

4. Critical fuels reduction projects eligible for suspension of statutes, rules, regulations, and requirements specified in Paragraph 2, shall include as a primary objective at least one of the following activities:

    a. Removal of hazardous, dead, and/or dying trees;

    b. Removal of vegetation for the creation of strategic fuel breaks as identified by approved fire prevention plans, including without limitation CAL FIRE Unit Fire Plans or Community Wildfire Preparedness Plans;

    c. Removal of vegetation for community defensible space;

    d. Removal of vegetation along roadways, highways, and freeways for the creation of safer ingress and egress routes for the public and responders and to reduce roadside ignitions;

    e. Removal of vegetation using cultural traditional ecological knowledge for cultural burning and/or prescribed fire treatments for fuels reduction; or

    f. Maintenance of previously-established fuel breaks or fuels modification projects.

5. Any activities performed under the suspension of statutes, rules, regulations, and requirements specified in Paragraph 2 shall be in accordance with the State Environmental Protection Plan, or a comparable plan describing how such actions will balance expeditious fuels reduction and environmental protection.

6. The Board of Forestry and Fire Protection shall take immediate steps to update the California Vegetation Treatment Program Environmental Impact Report (CalVTP EIR), in consultation with the California Natural Resources Agency and others as appropriate, to increase CalVTP's efficiency and utilization, in order to continue promoting rapid environmental review for large wildfire risk reduction treatments. In addition to accessing expertise from all appropriate state agencies, this process should also include public workshops with practitioners to solicit feedback on experiences during implementation in the first five years of the CalVTP and suggested improvements.

7. As necessary to assist local governments and for the protection of public health and the environment, state agencies shall enter into contracts to arrange for the procurement of materials, goods, and services, including housing for hand crews and required pre-work environmental surveys, to quickly assist with the response to this emergency and to achieve the purposes of this Proclamation. Applicable provisions of the Government Code and the Public Contract Code, including but not limited to travel, advertising, and competitive bidding requirements, are suspended to the extent

necessary to address the effects of this emergency and to carry out the purposes of this Proclamation.

8. The Secretary of the California Environmental Protection Agency and the Secretary of the California Natural Resources Agency shall confer with subject matter experts, including those within their respective Agencies, and provide to me, within 60 days, their consolidated recommendations for increasing the pace and scale of beneficial fire in California. These may include recommendations to ensure more consistency among local air pollution control districts and increasing allowable burn days.

9. The restrictions set forth in Penal Code section 396, which are automatically triggered upon proclamation of a state of emergency, are suspended, and no such restrictions are imposed, with respect to this State of Emergency.

I FURTHER DIRECT that as soon as hereafter possible, this Proclamation be filed in the Office of the Secretary of State and that widespread publicity and notice be given of this Proclamation.

This Proclamation is not intended to, and does not, create any rights or benefits, substantive or procedural, enforceable at law or in equity, against the State of California, its agencies, departments, entities, officers, employees, or any other person.

IN WITNESS WHEREOF I have hereunto set my hand and caused the Great Seal of the State of California to be affixed this 1st day of March 2025.

GAVIN NEWSOM
Governor of California

ATTEST:

SHIRLEY N. WEBER, PH. D
Secretary of State

Senate Budget and Fiscal Review—Scott Wiener, Chair
SUBCOMMITTEE NO. 2 **Agenda**

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

Thursday, March 6, 2025
9:30 a.m. or Upon Adjournment of Session
1021 O Street - Room 2200

Consultant: Joanne Roy

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Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

PUBLIC COMMENT ONLY

0540 CALIFORNIA NATURAL RESOURCES AGENCY (CNRA)

Issue 1: Museum of Tolerance (Governor's Budget (GB))

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

The Governor's budget includes $10 million General Fund in 2025-26 through CNRA to support a variety of improvements at the Museum of Tolerance. Of this amount, $6.3 million would be used to extend the themes from the new antisemitism exhibit to the rest of the museum, including installing interactive and immersive learning features. The project is expected to be completed in June 2027.

The proposal also includes $2 million to make improvements to the museum's entryway, lobby, and memorial plaza. Those improvements are expected to be completed in January 2026.

Both components would be funded solely by this proposal. The remaining funds from this proposal would cover project overhead ($1.2 million) and CNRA administrative costs ($500,000).

Background. According to the LAO:

Overview of the Museum of Tolerance. The Museum of Tolerance is a privately owned and operated museum in Los Angeles that is centered around combatting prejudice and discrimination, with a focus on the history of the Holocaust. The museum was established in 1933 by the Simon Wiesenthal Center (a nonprofit organization) and features a variety of exhibits, hosts special events, and provides educational programs for youths and adults.

State Has Provided One-Time General Fund Support for the Museum of Tolerance in Recent Years. The state has provided a number of one-time General Fund appropriations through CNRA to support various improvements at the museum over the past few years. These include: (1) $10 million in 2021-22 to build a new exhibit on antisemitism, (2) $5 million in 2022-23 to support museum repairs and to purchase and retrofit a bus to deliver mobile learning services, (3) $2.1 million in 2023-24 to renovate the museum's training center, and (4) $2 million in 2024-25 to support further renovations at the training center. Additionally, the state provides $3 million annually in ongoing Proposition 98 funds to the Los Angeles County Office of Education to support anti-bias training and professional development for education professionals conducted by the museum.

LAO Comments. According to the LAO:

Proposal Related to Previously Funded Effort, but Represents New Projects. The administration indicates that the funding from this proposal would not directly support the construction of the new exhibit on antisemitism for which the state provided some funding in the 2021-22 budget. (That new exhibit is expected to be completed in October 2025.) Instead, the new proposed funding would expand on the central themes of that exhibit by adding new interactive and immersive learning features throughout the rest of the museum, in addition to other unrelated improvements. The LAO therefore finds that the Legislature should view this proposal as a new and distinct set of projects and evaluate their merits accordingly.

Key Question Is Whether Improvements to Nonstate-Owned Infrastructure Are a Top Priority Given Current Budget Constraints. While supporting privately owned infrastructure may provide benefits — such as making improvements to a museum with an important anti-discrimination mission — it does not fall within the core responsibilities of the state. This is a distinction that is particularly important in a budget environment with limited General Fund resources where the state may find it challenging to address its own areas of responsibility — such as infrastructure it owns and operates. Given that every dollar of new spending essentially requires offsetting reductions elsewhere in the budget, the Legislature is in the position of needing to weigh the importance and value of the proposed spending for the Museum of Tolerance against its other General Fund priorities.

LAO Recommendation. ***Weigh Merits of Proposal Against Other General Fund Priorities.*** The LAO recommends the Legislature assess whether the proposal aligns with its highest priorities for General Fund. During its deliberations, the LAO recommends that the Legislature (1) view this proposal as a distinct set of projects and evaluate their merits independently of previously funded projects at the museum; and (2) consider whether improvements to nonstate-owned infrastructure are a top priority given current budget constraints.

Staff Recommendation. Hold open.

3110 SPECIAL RESOURCES PROGRAMS – TAHOE REGIONAL PLANNING AGENCY (TRPA)

Issue 2: Tahoe Regional Planning Agency Salary Adjustments (GB)

Governor's Proposal. The Governor's budget requests $230,000 Environmental License Plate Fund (ELPF) in 2025-26 and $130,000 ELPF ongoing to support the state's share of TRPA staff salary adjustments to be aligned with California state employee pay.

The State of Nevada has agreed to fund its one-third of the budget request for pay increases contingent on California providing two-thirds of the necessary funding.

TRPA's core budget from California has not been increased for staff salaries for years. This request would incorporate a salary adjustment equal to what California state employees receive for equivalent classifications. Providing funds for salary changes is intended to allow TRPA to compete effectively for talent while also retaining key team members required to support its mission and reduce turnover.

Background. ***TRPA.*** TPRA is a bi-state entity receiving funding from both the State of California and the State of Nevada. Per the Tahoe Regional Planning Compact, funding must be apportioned two-thirds from California and one-third from Nevada. TRPA's funding includes state funds, fees for services, and grants. The majority of TRPA's staff (80 percent) is funded out of TRPA's operating budget, which comes from the California and Nevada annual contributions.

Staff Recommendation. Hold open.

3125 CALIFORNIA TAHOE CONSERVANCY

Issue 3: Conceptual Feasibility Planning (GB)

Governor's Proposal. The Governor's budget requests $300,000 Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006 (Proposition 84) for initial conceptual feasibility planning for development of potential capital outlay projects over its ownership of approximately 4,700 parcels. Conceptual feasibility planning is intended to focus on Conservancy ownerships in key watersheds, several potential lakefront access points, and other sites requiring restoration and improvements for future watershed habitat and recreation. The Conservancy intends to use the funding to hire outside contractors and for existing Conservancy staff to carry out the planning work. The current schedule estimates study activities will be carried out between July 1, 2025, and June 30, 2026.

Background. The Conservancy was established in 1984 for the purposes of protecting and restoring Lake Tahoe's natural environment, including water quality, air quality, and wildlife habitat; acquiring, restoring, and managing lands; preserving the scenic beauty and recreational opportunities of the region; and providing public access.

The Conservancy's conceptual feasibility planning activities are intended to advance the Conservancy's Strategic Plan, including the following goals:

- ***Access***. Provide recreational opportunities and access for all.
- ***Protection***. Safeguard the basin's environmental, cultural, tribal, and recreational attributes for future generations.
- ***Restoration***. Restore the basin's social and ecological resilience.
- ***Stewardship***. Care for the basin's natural, tribal, and cultural resources.

The Lake Tahoe Environmental Improvement Program (EIP) is the Tahoe Basin's environmental restoration strategy. Since 1998-99, the Conservancy has received appropriations totaling over $500 million for EIP implementation purposes. The request for funding for conceptual feasibility studies and activities in support of new project proposals and opportunities is consistent with continuation of this commitment.

Staff Recommendation. Hold open.

Issue 4: Opportunity Acquisitions (GB)

Governor's Proposal. The Governor's budget requests $5.98 million from various funds for the acquisition of lands in environmentally sensitive or significant resource areas. The requested funding is comprised of:

- $378,000 of Lake Tahoe Acquisition Fund;
- $1.3 million of California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access For All Fund (Proposition 68); and,
- $4.3 million of reimbursement authority.

In addition, the request includes reversion of $1.3 million Proposition 68 local assistance funding from the 2019 Budget.

Conservancy staff and partner agencies have identified up to 13 properties (commercial development, and residential lots on environmentally sensitive land) for acquisition in the City of South Lake Tahoe, El Dorado County, and Placer County.

Background. The acquisition of environmentally sensitive lands helps advance California State Executive Order N-82-20, which establishes a state goal of conserving 30 percent of California lands and coastal waters by 2030. In addition, land purchases are intended to protect critical wetland and meadow habitat, promote biodiversity and provide opportunities to improve climate resilience.

The Conservancy acquisition program promotes local land use goals and the Lake Tahoe Regional Plan to accelerate environmental restoration by transferring aging development from sensitive areas to town centers and to build environmentally resilient communities.

Staff Recommendation. Hold open.

Issue 5: Upper Truckee River Sunset Stables Reach 6 Restoration Project (GB)

Governor's Proposal. The Governor's budget requests $250,000 in authority ($150,000 in Federal Trust Fund authority and $100,000 in Habitat Conservation Fund (HCF)) to develop preliminary plans for the multiple-benefit Upper Truckee River Sunset Stables Reach 6 Restoration Project (Project). The Conservancy estimates total project costs at $2.9 million.

The Conservancy intends to develop preliminary plans to restore a degraded section of the Upper Truckee River (River) and adjacent floodplain. The Project is intended to reduce sediment and nutrients that flow from the River into Lake Tahoe; enhance aquatic and terrestrial habitat; protect biodiversity; sequester carbon; improve public access; and restore climate resilience. As part of the eventual Project Construction phase, the Conservancy intends to improve 4,500 feet of river channel, enhance 70 acres of floodplain, and remove conifers on 30 acres to improve habitat and reduce fire risk.

The USDA Forest Service awarded a $1.9 million grant to the Conservancy to plan and implement the Project. The Conservancy will fund the remaining $1 million with HCF and other potential state and federal grant sources. The Conservancy will complete the Project Study phase in late 2025, begin work on preliminary plans in early 2026, and initiate working drawings in July 2026. The Conservancy anticipates starting construction in 2027.

Background. The Conservancy seeks to restore Reach 6 of the River and surrounding areas to address environmental impairments and achieve agency, state, and federal resource objectives. The Conservancy aims to enhance wildlife habitat and biodiversity, increase climate resilience and greenhouse gas sequestration, improve water quality and public access, and decrease fire risk.

The River is Lake Tahoe's largest inflowing stream and is a major source of sediment and nutrients to Lake Tahoe. Logging, grazing, roads, stream channelization, urban development, recreation, and an airport have extensively degraded the lower portion of the watershed, resulting in impairments that reduce habitat value, water quality, and climate resilience. In the Project area, the channel is deep and oversized and does not frequently inundate the floodplain during typical snowmelt flows. The long history of fire suppression and channel impairment has lowered groundwater elevations and converted a large meadow complex into a thicket of lodgepole pine, reducing the extent of meadow habitats that are important to many wildlife species. Extensive droughts will make the area even drier and reduce wildlife habitat. The resulting loss of vegetation will make the area more vulnerable to damage from extreme precipitation events.

In 1999, the Conservancy acquired the former Sunset Stables property because of its valuable environmental resources and it presents numerous opportunities for protection, restoration, and public access. The property includes large stretches of the River and floodplain.

Staff Recommendation. Hold open.

3340 CALIFORNIA CONSERVATION CORPS (CCC)

Issue 6: Greenwood Residential Center (Construction) – Reappropriation (GB)

Governor's Proposal. The Governor's budget requests reappropriation of the construction phase of the Greenwood: New Residential Center project. Although the construction contract of $60.21 million has been awarded and funds were transferred to the Architectural Revolving Fund in 2023-24, the balance of $6.4 million is currently available until June 30, 2025. Given construction schedule estimates completion in Spring 2026, this request is intended to provide sufficient time for project completion. Total project costs are estimated at $73.52 million.

The project includes buildings consisting of an administration building, seven dormitories, an education/recreation building, a multi-purpose with kitchen and dining room, a warehouse with a work area, and a hazardous materials storage room. Additionally, the scope of work will include related infrastructure and site work as needed. The facility will be designed based on the CCC's residential center needs and will accommodate about 100 permanent residential corpsmembers.

Background. Focus of Greenwood is for corpsmembers to gain work experience, advance their education through a high school diploma program with a charter school, and learn about career opportunities, while helping to enhance California's natural resources and its communities.

Greenwood corpsmembers perform a wide range of projects that includes conservation and restoration of ecosystems, fuel hazard reduction, arborist work projects, planting of native shrubs and trees, invasive weed/plant eradication, trail construction in accordance with the American with Disabilities Act (ADA), and campground construction. Corpsmembers also respond to emergencies such as natural disaster relief, search and rescue, fires, and floods. The Greenwood Center's location allows for response to emergencies ranging from the Sierra Nevada Mountains to the coast. All crews must be ready to deploy at a moment's notice to provide services and relief to residents of California.

Two significant buildings absent at Greenwood are a multipurpose gymnasium and warehouse. The existing facilities at Greenwood are in critical need of repairs/replacement, such as: several ceilings contain multiple holes, cracks and water stains that need to be repaired, the center's restrooms and showers need to be upgraded to current ADA requirements, water efficiency standards and energy efficiency requirements, the fire life safety system is not up to date and the buildings do not contain a fire sprinkler system, and the utility infrastructure is in poor condition, and the electrical system/wiring needs replacement. Continuing to repair the existing buildings is not efficient for long-term costs and will not bring the structures up to current building code requirements.

Staff Recommendation. Hold open.

3480 DEPARTMENT OF CONSERVATION

Issue 7: Division of Mine Reclamation SMARA-4 (GB)

Governor's Proposal. The Governor's budget requests one permanent position and an appropriation increase of $866,000 Surface Mining and Reclamation Account (SMARA) to contract a Software-as-a-Service (SaaS) solution vendor to implement and configure an integrated case management system with external facing portals for stakeholder document submission and communications to replace four aging and unsupportable software systems.

Background. ***SMARA.*** The purpose of SMARA is to address the need for a continuing supply of mineral and industrial material resources as well as enable a safe and useful post-mining condition for these disturbed lands that minimizes environmental impacts. This is achieved by preparing for the reclamation of the land in advance, including developing a Reclamation Plan and establishing Financial Assurances. In this way, DOC's Division of Mine Reclamation (DMR) and its partners confirm surface mine operators have the plans and means to reclaim the mines or have equipped DOC with the funds to reclaim in the event an operator cannot. The DMR provides ongoing geologic, environmental, ecological and regulatory technical assistance to both Lead Agencies and operators, maintains a statewide database of mine locations and operational information, performs certain oversight functions, and collects reports and fees to administer programs within the DMR, the State Mining and Geology Board, and the California Geologic Survey (CGS), among other things.

The DMR processes hundreds of reports with thousands of data points every year, much of it manually. In accordance with statute, some documents and data operators submit to the DMR directly while others are submitted to the Lead Agency and shared with the DMR to provide technical assistance, as well as to support the uniform application of SMARA statewide. During the life of a mine, several reports must be submitted to the DMR by operators or Lead Agencies, including:

- A Reclamation Plan and associated Amendments when mines are established or significantly altered, which are the engineering, geologic, landscape, etc. designs needed to ensure a safe and useful post-mining condition that minimizes environmental impacts.
- An Annual Report, data from which are necessary for effective oversight of SMARA and in quantifying State's mineral reserves.
- Annual Financial Assurance Cost Estimates (FACEs), which are anticipated costs to reclaim the mine based on current conditions.
- Financial Assurance Mechanisms (FAMs), to demonstrate adequate funds are available to reclaim the mine at any time, such as bonds or other securities.
- Inspection Reports and enforcement documentation annually, for DMR tracking and public transparency.

If an operator is out of compliance with SMARA, the Division and/or Lead Agencies may pursue enforcement, which requires an accurate administrative record (record of documents, data, and communications.

To track all of these documents, communications, and data for more than 1,100 operating mines that are used by multiple programs within the state, local governments, and the public, the DMR currently relies on four aged, unintegrated databases, several of which require manual data entry, most limit stakeholder submittal/retrieval of information, and the principal of which was built on antiquated technology and

therefore is technologically unsupportable, posing a number of significant challenges. For example, data security is at increased risk for compromise due to cyber security exploits because of this lack of support.

Currently, DMR staff must enter data manually to process both electronic and paper documentation using cumbersome and disjointed workflows that cause errors. This creates unreliable data which poses many challenges, including tracking compliance and enforcement in order to ensure that the DMR is holding the right party accountable in issuing notices of violation, levying administrative penalties, and collecting fees. An updated system is needed to meet the goal of working with lawful mine operators to meet the public infrastructure, maintenance, housing development, and other critical sustainable economic growth objectives.

Staff Recommendation. Hold open.

3480 DEPARTMENT OF CONSERVATION (DOC)
3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CALFIRE)
3600 CALIFORNIA DEPARTMENT OF FISH AND WILDLIFE (CDFW)
3720 CALIFORNIA COASTAL COMMISSION
3790 DEPARTMENT OF PARKS AND RECREATION (PARKS)

Issue 8: Natural Resources Chaptered Legislation Proposals (GB)

Governor's Proposals. The Governor's budget requests for funding from the General Fund and various special funds as well as positions to implement statutory requirements associated with legislation chaptered in 2024. Please see the figure below for requested resources by department.

2025-26 Governor's Budget
Natural Resources Agency Chaptered Legislation Proposals
Dollars in Thousands

BU	Department	Issue Title (Chapter/Bill)	Fund Source	2025-26	2026-27	2027-28	2028-29	Total Ongoing Positions
3480	Department of Conservation	Idle Oil and Gas Wells (Chapter 548, AB 1866)	3046	$4,766	$4,491	$4,491	$4,491	20.0
3480	Department of Conservation	Low-production Oil and Gas Wells (Chapter 549, AB 2716)	3046	$2,018	$1,896	$1,896	$1,896	9.0
3540	Department of Forestry and Fire Protection	Fire Prevention: Prescribed Fire: State Contracts: Maps (Chapter 778, SB 1101)	3228	$511	$566	$549	$549	2.0
3540	Department of Forestry and Fire Protection	State Fire Marshal: Fire Safety: Regulations: Lithium-based Battery Systems: Telecommunications Infrastructure (Chapter 781, SB 1152)	3144	$148	$288	$0	$0	2.0
3540	Department of Forestry and Fire Protection	Emergency Management Assistance Compact: California Wildfire Mitigation Financial Assistance Program (Chapter 402, AB 2469)	0001	$529	$809	$809	$809	0.0
3600	Department of Fish and Wildlife	Cannabis Cultivation: Environmental Remediation (Chapter 839, AB 2643)	3351	$0	$0	$0	$0	7.0
3720	California Coastal Commission	Local Coastal Program Guidance for Accessory Dwelling Units (Chapter 454, SB 1077)	0001	$106	$0	$0	$0	0
3720	California Coastal Commission	Local Coastal Program Updates for Housing (Chapter 282, AB 3093)	0001	$565	$1,202	$1,838	$1,838	8.0
3790	Department of Parks and Recreation	Firearms: Destruction (Chapter 547, SB 1019)	0001	$420	$398	$398	$398	2.0

Source: Department of Finance

The funding requested by the departments to implement the bills included in this proposal were cited during the 2024 legislative process, including in the Senate and Assembly Appropriations Committees prior to their enrollment. The Department of Finance has evaluated these requests and concurs with the level of resources requested to implement new statutory requirements.

Summaries of the chaptered legislation are as follows:

DOC: ***AB 1866 (Hart), Chapter 548, Statutes of 2024: Idle Oil and Gas Wells.*** This bill increases idle well fees payable in lieu of filing an idle well management plan, and revises the requirements of an idle well management plan to increase the rate at which idle wells under the plan have to be either returned to service or plugged and abandoned, among other provisions.

DOC: ***AB 2716 (Bryan), Chapter 549, Statutes of 2024: Low-Production Oil and Gas Wells.*** This bill

prohibits the operation of low-production oil and gas wells located in an oil field within the Baldwin Hills Conservancy, requires the Geologic Energy Management Division (CalGEM) to identify these wells, imposes a $10,000 per month penalty upon these wells if certain criteria are not met, and provides for penalty revenue to fund projects, such as park creation, to benefit the nearby community, as provided, among other provisions.

CalFire: ***SB 1152 (Limon), Chapter 781, Statutes of 2024: State Fire Marshal (SFM): Fire Safety: Regulations: Lithium-Based Battery Systems: Telecommunications Infrastructure.*** This bill requires the California SFM, before the next triennial edition of the California Building Standards Code, to propose to the California Building Standards Commission updates to the fire standards relating to requirements for lithium-based battery systems, as specified.

CalFire: ***AB 2469 (Committee on Emergency Management), Chapter 402, Statutes of 2024: Emergency Management Assistance Compact (EMAC): California Wildfire Mitigation Financial Assistance Program.*** This bill extends the sunsets for the Emergency Management Assistance Compact and the California Wildfire Mitigation Financial Assistance Program, as specified. EMAC is an interstate mutual aid agreement that enables states to share resources during times of disaster. EMAC offers assistance during governor-declared states of emergency or disaster through a system that allows states to send personnel, equipment, and commodities to assist with response and recovery efforts in other states. EMAC can be used in lieu of or in conjunction with federal assistance to quickly provide needed goods and services to an affected state.

CDFW: ***AB 2643 (Wood), Chapter 839, Statutes of 2024: Cannabis Cultivation: Environmental Remediation.*** This bill requires CDFW to study and report on cannabis site restoration projects and eliminates certain apportionments to the Timber Regulation and Forest Restoration Fund and the Fish and Game Preservation Fund, instead directing those moneys to the newly created Cannabis-Impacted Lands Restoration Fund.

California Coastal Commission: ***SB 1077 (Blakespear), Chapter 454, Statutes of 2024: Local Coastal Program Guidance for Accessory Dwelling Units.*** This bill requires the California Coastal Commission, in coordination with the Department of Housing and Community Development, to develop and provide guidance for local governments to facilitate the preparation of amendments to a local coastal program to clarify and simplify the permitting process for accessory dwelling units and junior accessory dwelling units in the coastal zone, as provided.

California Coastal Commission: ***AB 3093 (Ward), Chapter 282, Statutes of 2024: Local Coastal Program Updates for Housing.*** This bill creates two new income categories, Acutely Low Income (ALI) and Extremely Low Income (ELI), in the Regional Housing Needs Allocation (RHNA) process and throughout Housing Element law. This bill defines ALI as those earning between 0-15 percent of the area median income (AMI). This bill defines ELI as those earning between 15 and 30 percent of the AMI.

Parks: ***SB 1019 (Blakespear), Chapter 547, Statutes of 2024: Firearms: Destruction.*** This bill requires law enforcement agencies to destroy firearms subject to destruction under existing law in their entirety by smelting, shredding, crushing, or cutting all parts of the firearm, including any attachments, except as specified; and requires every law enforcement agency to develop and make available on its website a written policy regarding the destruction of firearms.

Staff Recommendation. Hold open.

3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CALFIRE)

Issue 9: Capital Outlay Projects (GB)

Governor's Proposal. The Governor's budget requests funding for multiple capital outlay projects, as follows:

(a)Alma Helitack Base (HB): Relocate Facility. The Governor's budget requests $2.69 million General Fund for the preliminary plans phase of the Alma HB: Relocate Facility project, located in Santa Clara County. This is a continuing project. Total estimated project costs are $67.98 million.

This project includes site design and construction of a barracks/mess hall building, a helicopter hangar, a helitender storage, landing pads, an administrative office space, an antenna, a tower base and station radio, a warehouse space, a flammables storage building, a generator building, and a helicopter training tower. Additionally, the scope of work will include site work and utilities as needed. Construction is estimated to begin in July 2027 and be completed in February 2029.

Currently, CalFire is in the process of replacing its existing helicopter fleet of 12 Super Huey helicopters, with 12 Sikorsky S70i Blackhawk helicopters. Funding for the new helicopters was phased out over four fiscal years; one helicopter was funded in the Budget Act (BA) of 2017, four in the BA of 2018, another four in the BA of 2019, and the remaining three in the BA of 2020. To accommodate the new aircraft and address inefficient facilities, the department has phased capital outlay projects for ten existing helitack bases statewide.

The size and operational capability of the new Sikorsky S70i Blackhawk helicopters requires an increase in size and capability of supporting infrastructure. The new helicopters are larger than the Super Huey helicopters they are replacing and will require larger hangars for storage and repair. Furthermore, the helicopter landing pad is not large enough for the rotor system of the new Sikorsky S-70i Blackhawk helicopter.

Alma HB provides initial attack and emergency response coverage for approximately 1.8 million acres of State Responsibility Area (SRA); about one-third of this area (650,000 acres) is comprised of the Santa Cruz Mountains watershed. The remaining SRA includes the interior coast range (Diablo Range) mountains and foothills east of San Francisco Bay. Alma HB is the only fire protection helicopter serving these areas. Consistent with CalFire's previously developed helitack deployment strategy, Alma HB is centered in a circle with a 20-minute flight time radius with the SRA within this circle.

The current Alma HB, located off Highway 17, at the Lexington Reservoir, has become unsuitable due to additional equipment and personnel, seismic and land stability issues, property line adjustments, and aging facilities. The advanced night-flying capability of the helicopters will allow for operational status, 24 hours per day/7 days per week, which will increase the number of pilots and fire captains required at these helitack bases. This increase in staffing results in a need for increased space. The current living quarters building is undersized (1,240 square feet) and is inadequate to provide enough space for even the current firefighters, pilots, and crew members, let alone additional staff needed. The hillside below the existing hangar has begun to slide into the reservoir and stabilization of the ground is not feasible due to the geology of the area.

(b) Boggs Mountain Helitack Base (HB): Relocate Facility. The Governor's budget requests $1.61 million General Fund for the preliminary plans phase of the Boggs Mountain Boggs HB: Relocate Facility project in Lake County. The project includes site acquisition, design, and construction of a new Boggs HB including a helicopter hangar, support vehicle garage, barracks building, generator/pump/storage building, wash rack canopy, hazmat/retardant storage, an operation building, and helicopter-training tower. Additionally, the scope of work will include site work and utilities as needed. This is a continuing project. Total project costs are estimated at $79.77 million and is expected to be completed in April 2029.

Boggs HB has utilized an operational Blackhawk helicopter since the 2022 fire season. The current helitack base does not have a hangar to store the new Blackhawk, meaning the helicopter is stored outside year-round. In 2021, the department completed a landing pad extension project in anticipation of the Blackhawk, knowing that there would still be a need for a new helitack base to be able to safely store and maintain the new Blackhawk.

The current Boggs HB is located at 500 Forestry Road, in the city of Cobb in Lake County. Tactically and logistically, the city of Lower Lake is a good option for relocation as it is further inland and would increase the sphere of influence to respond to incidents, increase the availability of the helicopters for nearby units, and provide enough useable ground to build the new helitack base. The city also has good approach and departure paths.

The current CalFire facility is increasingly inadequate to meet the demands of the department's operations. Periodic increases in personnel due to increased fire activity or adverse weather predictions, lead to overcrowding of the current site. The access road to the site is windy, lengthy, and located a distance away from major highways complicating logistics and potentially delaying critical response times.

(c) Butte Fire Center: Replace Facility.The Governor requests $95.33 million public buildings construction fund for the construction phase of the Butte Fire Center: Replace Facility project, located in Butte County. This is a continuing project. Total estimated project costs are $100.73 million and is expected to be completed in February 2028.

The project includes an administration building, Captains barracks, a laundry room, an education/training building, an auto shop, a saw/small engine repair building, a warehouse, a California Conservation Corps (CCC) utility storage garage, corps member dormitories, a fuel island storage building, an emergency generator/fire pump building, a multipurpose gym/weight room, and a recyclable vehicle wash building.

The Butte Fire Center (Camp) is located in Magalia, Butte County and was the result of a cooperative agreement between CalFire and the CCC. The agreement provided CCC members as firefighting crews, supervised by CalFire personnel. The hand crews that were located at the Camp were an integral part of the strategic resources necessary for conducting the emergency mission of CalFire. In March 2003, the facility closed when the CCC ended the cooperative agreement with CalFire. The facility was then repurposed as one of the main CalFire training centers in the northern region.

In recent years, the CCC has been in the process of expanding its residential centers. CalFire is actively working with CCC on these plans as they provide an opportunity for CalFire to address hand crew strategic resource gaps. Areas that are being addressed include response times to emergency incidents, local fuel reduction, and fire prevention work in both specific geographic areas of the state and as a statewide resource during major incidents.

The Budget Act of 2015 included $3.1 million for CalFire to reopen the Camp with the CCC, which included facility improvements and crew activation. CalFire was staffed to manage four crews. The Budget Act of 2016 authorized the CCC to staff three crews. From the $3.1 million provided, basic improvements were made which allowed the Camp to be operational, although most of the infrastructure and facilities remained both structurally and operationally deficient.

(d) Higgins Corner Fire Station (FS): Replace Facility. The Governor's budget requests $9.55 million General Fund for the construction phase of the Higgins Corner FS: Replace Facility project, located in Colusa County. This is a continuing project. The total estimated project costs are $12 million and estimated to be completed in February 2028.

The project will include the design and construction of a standard, two-engine fire station, including a 12-bed barracks/3-bay apparatus building, an administration building, a flammable storage building, and a generator/pump/storage building. Additionally, the scope of work will include site work and utilities as needed.

The Higgins Corner FS is on leased land owned by Nevada County. Since 1978, Higgins Area Fire Protection District (HAFPD), a local government special district, has co-located with CalFire at the current location of the Higgins FS. HAFPD contracts with CalFire for both fire protection and administration of the district. The district houses two engines, one water tender, and rescue capability at this location. The station also supports a volunteer company with one HAFPD Fire Chief and one office manager.

In 2008, a joint venture was developed between the HAFPD and CalFire to construct a new replacement facility on the same site for continued co-location. HAFPD acquired the property from Nevada County as the first part of the joint venture. The plan at the time of purchase by HAFPD was to either enter a long-term lease with or sell a portion of the property to CalFire and jointly develop plans for the replacement of the facility on the existing site. In 2013, the HAFPD's Board of Directors decided to start leasing the site and facilities to CalFire. The lease is still in place today.

The facility does not meet operational requirements. The buildings have no fire alarm or sprinkler systems, are poorly insulated, have inadequate, substandard, and failing heating, cooling, electrical and plumbing systems. The mess hall and barracks are not designed to handle the current staffing loads.

The joint venture is no longer viable due to financial and political issues with HAFPD. The site is owned by HAFPD and CalFire is operating with a short-term lease of the site. The situation has made long-term planning and protection of the State Responsibility Area (SRA) unstable. CalFire needs to either acquire the existing site or a suitable site within the response area. A training and office facility was planned as part of the joint venture, which was to be shared by HAFPD and CalFire. The office space is planned for use by CalFire's Resource Management program.

(e) Kneeland Helitack Base (HB): Replace Facility. The Governor's budget requests a supplemental appropriation of $485,000 for the preliminary plans phase of Kneeland HB: Replace Facility project, located in Humboldt County. The project includes acquisition of a new parcel and construction of a helicopter landing pads, helicopter hangar, support vehicle garage, barracks building, generator/pump/storage building, wash rack canopy, hazmat/retardant storage, and helicopter training tower. The project site requires significant amount of off-site work that was not included in the original estimate. This is a continuing project. Total estimated project costs are $35.4 million and expected to be completed in September 2029.

The Kneeland HB is on over four acres of state-owned land in Humboldt County adjacent to the Humboldt County Airport in Kneeland. The primary mission of the Kneeland HB is to provide a rapid aerial response to emergencies, including fires, floods, and medical incidents, in the northwest corner of the State and throughout the entire State as needed.

During an average year, the helicopter will fly 350 hours, responding to over 160 fires, at least 20 medical emergencies, medical short haul rescues, and will log more than 5,900 personnel hours. During a fire incident, the Kneeland helicopter transports fire crews to inaccessible areas and provides retardant support.

This region of northern California receives an average rainfall of 47 inches per year and that, combined with its proximity to the coast, causes Kneeland HB to experience limited visibility due to frequent fog and low clouds. CalFire helicopters cannot fly in fog or clouds due to poor visibility. Frequently, the aircrafts are unable to return to Kneeland HB due to fog creating a lack of visibility and are diverted to either Rohnerville Air Attack Base (approximately 39 miles southwest of Kneeland HB), Eel River Conservation Camp (approximately 53 miles southeast of Kneeland HB), or the Redding Airport (approximately 80 miles east). The helicopter crew must then rent hotels in Fortuna, Garberville, or Redding for lodging until visibility is restored and the aircraft can return to base.

CalFire submitted a request for acquisition funding in the 2021-22 Governor's Budget for the purchase of this land. This request for funding the preliminary plans phase is intended to allow the department to accelerate the timeline for completion of this project and provide the necessary relocation and replacement of the helitack base.

(f) Macdoel Fire Station (FS): Relocate Facility. The Governor's budget requests $10.79 million General Fund for the construction phase of the Macdoel Fire Station: Relocate Facility project, located in Siskiyou County. The project includes the constructions of a single- building, fire station, a generator/pump/storage building with generator, a storage building, an administration building, a field office for the California Highway Patrol, and all site improvements and appurtenances required for the project. This is a continuing project. Total estimated project costs are $12.467 million and is expected to be completed in April 2027.

The Macdoel FS is a single-engine station located on 3.8 leased acres and is leased from the Butte Valley Irrigation District in Macdoel, Siskiyou County. The lease is no longer viable and Butte Valley will not renew the lease.

The station is assigned to protect 160,000 acres of timber and brush-covered State Responsibility Area (SRA) and responds to more than 80,000 acres of federal and local Mutual Threat Zone lands. In addition, the station responds to incidents in Macdoel, the city of Dorris, the city of Tule Lake, the Pleasant Valley Fire Protection District, Butte Valley Fire District, and the surrounding United States Forest Service lands.

Because of the remote location and difficulty in getting to the station, the Siskiyou Unit also houses a reserve engine at the Macdoel FS on a permanent basis. This engine is frequently staffed during high fire danger events, which includes lightning sieges, fire warning weather watches, and other increased fire activity. The closest CalFire facility is the Weed Fire Station, which is 45-minutes in travel time.The site elevation is 4,250 feet and is situated in the middle of the Butte Valley, on the valley floor. The general area is high desert with ground water, irrigated agricultural land throughout the valley.

The well-water at the existing FS has been an ongoing issue. Of the three wells drilled on the site, one goes dry during drought years, another is mineral rich (although tests acceptably), and the other is currently not in use due to agricultural contamination. There is concern about groundwater contamination from the agricultural activities around the station and personnel are supplied with bottled drinking water as a precaution. Additionally, issues with inadequate infrastructure due to aging are persistent and wide-ranging, affecting the barracks, mess hall, bathrooms, and plumbing.

(g) Prado Helitack Base (HB): Replace Facility. The Governor's budget requests a supplemental appropriation of $17.42 million Public Buildings Construction Fund for the construction phase of the Prado Helitack Base: Replace Facility project located in San Bernardino County. This is a continuing project. The project includes a helicopter hangar, a warehouse/shop building, a support vehicle garage, a barracks building, a generator/pump/storage building, a wash rack canopy, hazmat/retardant storage, and a helicopter training tower. The scope of work includes necessary grading and drainage, above-ground fuel storage and dispensing facilities, a water tank and fire suppression pump system, asphalt paving, sidewalks, curbs, a wash rack, landscaping, lighting, solar power, fencing, water, electrical power (including a generator), liquefied petroleum gas/natural gas, telephone cabling/installation, radio cabling/installation, and associated appurtenances. This is a continuing project. Total estimated project costs are $43.55 million and is expected to be completed in February 2027.

The Prado HB is in the city of Chino, San Bernardino County. Prado HB's primary response area includes the following: San Bernardino County, Los Angeles County, Orange County, Angeles National Forest, San Bernardino National Forest, and the Cleveland National Forest. There have been 118 fires within the San Bernardino Unit since 1960 that have exceeded 2,000 acres.

As is the case for the Alma HB, the Prado HB must also accommodate a new Sikorsky S70i Blackhawk Helicopter. The new facility is planned to be constructed on the current location where the existing helipads are located. Costs of the project have increased for all items due to the escalation in labor, materials, and additional complexities including fueling system and training tower elements. This includes electrical connections, hoistway details, and specialized equipment of the training tower.

There have also been additional regulatory requirements for structural elements of the fueling system and additional offsite utility requirements with the City of Chino. Costs have increased in construction management time, inspection time, and materials testing. Finally, builder's risk insurance has increased drastically in high fire areas.

Staff Recommendation. Hold open.

DISCUSSION

0540 CALIFORNIA NATURAL RESOURCES AGENCY (CNRA)

Issue 10: Agency Overview

The mission of CNRA is to restore, protect, and manage the state's natural, historical, and cultural resources. The Secretary for Natural Resources, a member of the Governor's Cabinet, sets the policies and coordinates the environmental preservation and restoration activities of many departments, boards, offices, commissions, and conservancies, as follows:

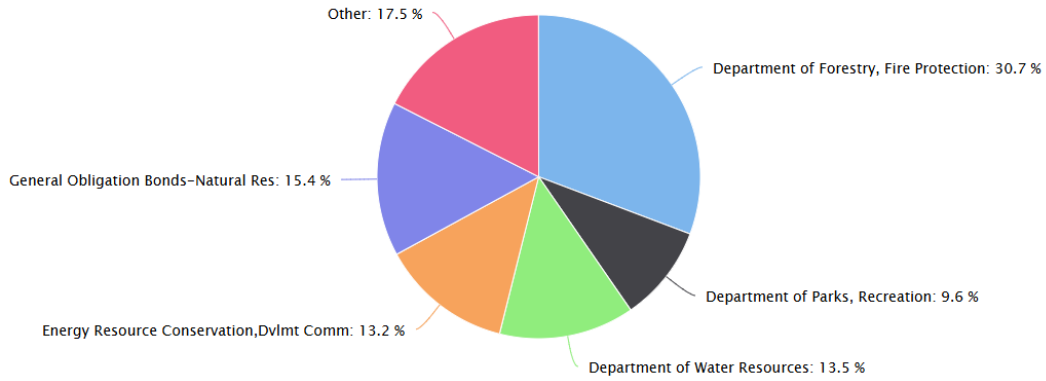
- Department of Forestry and Fire Protection (CalFire) (including Board of Forestry and Fire Protection, Office of the State Fire Marshal)
- Department of Conservation (including the Geologic Energy Management Division [CalGEM], Division of Land Resource Protection, Division of Mine Reclamation, California Geological Survey, and State Mining and Geology Board)
- Department of Fish and Wildlife (including Office of Spill Prevention and Response and Fish and Game Commission)
- Department of Parks and Recreation
- Department of Water Resources (including the Central Valley Flood Protection Board)
- California Conservation Corps
- Exposition Park
- California Science Center
- California African American Museum
- Office of Energy Infrastructure Safety
- State Lands Commission
- Colorado River Board of California
- San Francisco Bay Conservation and Development Commission
- Energy Resources Conservation and Development Commission (commonly referred to as the California Energy Commission)
- Wildlife Conservation Board
- Delta Protection Commission
- Delta Stewardship Council
- California Coastal Commission
- State Coastal Conservancy
- California Tahoe Conservancy
- Santa Monica Mountains Conservancy
- Coachella Valley Mountains Conservancy
- San Joaquin River Conservancy
- San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy
- Baldwin Hills Conservancy
- San Diego River Conservancy
- Sierra Nevada Conservancy
- Sacramento-San Joaquin Delta Conservancy
- Native American Heritage Commission

- Special Resources Program (including Tahoe Regional Planning Agency, Yosemite Foundation, and Sea Grant Program)

According to the Legislative Analyst's Office (LAO), the 2024-25 budget package included a total of $12.3 billion for natural resources expenditures from various fund sources — the General Fund, a number of special funds, bond funds, and federal funds — for the departments overseen by CNRA. The total in 2022-23 was $13.9 billion. The Governor's 2025-26 budget proposes $10.8 billion in state funds (this does not include federal funds, other non-government cost funds, or reimbursement). The figure below provides a break down the departments' portions of CNRA's proposed $10.8 billion 2025-26 budget.

DEPARTMENTS' PORTION OF THE AGENCY'S BUDGET (State Funds)

This pie chart represents $10.8 billion of expenditures within this Agency area. These amounts do not include federal funds, certain non-governmental cost funds, or reimbursements.



Source: Department of Finance

CNRA directly administers the Sea Grant Program, Ocean Protection Council, California Environmental Quality Act (CEQA), Environmental Enhancement Mitigation Program, Urban Greening, Tribal Nature-Based Solutions, and the California and Cultural and Historical Endowment grant programs.

The figure below shows the Governor's 3-year plan for expenditures and positions at CNRA.

3-YEAR EXPENDITURES AND POSITIONS †

		Positions			Expenditures		
		2023-24	2024-25	2025-26	2023-24*	2024-25*	2025-26*
0320	Administration of Natural Resources Agency	117.3	128.3	128.3	$631,809	$551,824	$160,670
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		**117.3**	**128.3**	**128.3**	**$631,809**	**$551,824**	**$160,670**

*Source: Department of Finance. *Dollars in thousands.*

Ocean Protection Council. OPC is housed within CNRA and was established pursuant to the California Ocean Protection Act (COPA). OPC arose out of national initiatives to advance marine ecosystem-based management. Its mission is to protect the California coast and ocean by advancing innovative, science-based policy and management, making strategic investments, and maximizing action through partnerships and collaboration. These efforts are intended to yield significant benefits to the state while providing a global model for ecosystem-based protection and conservation.

OPC's draft 2026-2030 Strategic Plan will be released in late Spring 2025 for written public comment. The new Strategic Plan will guide OPC's work to protect the ocean and coast over the next five years and builds off of the current 2020-2025 Strategic Plan.

OPC's *Strategic Plan to Protect California's Coast and Ocean 2020-2025* is comprised of objectives, targets, and actions in each goal area. The Strategic Plan includes the following goals and objectives:

- *Safeguard coastal and marine ecosystems and communities in the face of climate change.* Objectives include: Build resiliency to sea level rise, coastal storms, erosion, and flooding; minimize causes and impacts of ocean acidification and hypoxia; improve understanding of climate impacts on the state's coast and ocean; and understand the role of the state's marine protected areas in conferring climate resilience.

- *Advance equity across ocean and coastal polices and actions.* Objectives include: Enhance engagement with tribes; enhance engagement with underserved communities; improve coastal access; enhance healthy human use of the coast and ocean; advance "Healthy Oceans" policy and science.

- *Enhance coastal and marine biodiversity.* Objectives include: Protect and restore coastal and marine ecosystems; restore and protect kelp ecosystems; support sustainable marine fisheries and thriving fish and wildlife populations; improve coastal and ocean water quality; control and eradicate marine invasive species; and, accelerate collaborative accountability.

- *Support ocean health through a sustainable blue economy*. Objectives include: Advance sustainable seafood and thriving fishing communities; promote sustainable aquaculture; evaluate oil platform decommissioning; guide sustainable renewable energy projects; decarbonization ports and shipping; enhance the state's sustainable coastal tourism economy.

The pace of implementation depends on the feasibility and availability of resources and competing priorities.

OPC manages various funding sources to advance strategic investments in scientific research and monitoring, collaborative policy development, restoration, and other projects that will improve conditions for ocean and coastal ecosystems and California communities. Funding sources include bond funds, General Fund, and special funds. Examples of OPC-administered funding programs include:

- *SB 1 Sea Level Rise Adaptation Planning Grant Program*. SB 1 (Atkins, 2021) provides funding to develop SLR adaptation plans and projects to build resilience to SLR along the coast and San Francisco Bay.

- *General Fund for Marine Protected Area Monitoring*. CNRA receives an ongoing allocation of $2.5 million General Fund to support marine protected area monitoring throughout the state.

- *General Fund for Offshore Wind*. The Budget Act of 2021 included a $2 million General Fund appropriation for offshore wind environmental and port analysis, the Budget Act of 2022 included a $1 million General Fund appropriation to support offshore wind, and the Budget Act of 2024 included a $3.6 million General Fund appropriation to support offshore wind energy environmental research, monitoring, and adaptive management activities.

Proposition 4: Climate Bond. The Governor's budget includes the following Proposition 4 proposals that would be administered by CNRA in 2025-26:

- Safe Drinking Water, Drought, Flood, Water
  - $200,000 for wildlife refuges and wetland habitat areas (Bond total: $25 million; PRC Section 91032(f)).
  - $100,000 for Clear Lake Watershed (Bond total: $20 million; PRC Section 91032(k)).
  - $148 million to DWR/CNRA for the Salton Sea Management Program (Bond total: $160 million; PRC Section 91033(a)).
  - $100,000 for nature and climate education and research (Bond total: $20 million; PRC Section 91045).

- Coastal Resilience
  - $8 million to OPC for ocean and coastal resilience (Bond total: $135 million; PRC Section 92020).
  - $20 million to OPC for SB 1 implementation (Bond total: $75 million; PRC Section 92030).

- Biodiversity and Nature-Based Solutions
  - $9 million for the Tribal Nature-Based Solutions Program (Bond total: $10 million; PRC Section 93040).

- Park Creation and Outdoor Access
  - $11 million to CNRA and CDFW for projects reducing climate impacts on disadvantaged communities and expanding outdoor recreation (Bond total: $200 million; PRC Section 94020).
  - $700,000 to CNRA and others to be determined for projects enhancing natural resource value and expanding trail access (Bond total: $100 million; PRC Section 94030).
  - $200,000 for nature education facilities (Bond total: $25 million; PRC Section 94050).

Proposition 4 includes a total of $3.8 billion for Safe Drinking Water, Drought, Flood, and Water, $1.2 billion for Coastal Resilience, $1.2 billion for Biodiversity and Nature-Based Solutions, and $700 million for Park Creation and Outdoor Access.

VARIOUS DEPARTMENTS

Issue 11: Departments' Operational Efficiencies and Vacancy Sweeps Update

Operational Efficiencies and Vacancy Sweeps Update. The 2024-2025 budget package included two control sections — Control Section 4.05 and Control Section 4.12 — that aimed to identify and implement efficiencies across nearly all state entities to produce ongoing budgetary savings without adverse effects on state services.

Both control sections established statewide administrative exercises led by the Department of Finance to:

1) **Identify efficiencies** (state efficiencies are cost reduction actions including reorganizations, eliminations of boards and commissions, the cancellation or postponement of information technology projects, reduced staff travel, etc.).

2) **Eliminate vacant positions and related funding.**

For Control section 4.05, the 2024-25 enacted budget assumed General Fund savings of $2.2 billion in 2024-25 and $2.8 billion ongoing beginning in 2025-26 to reduce General Fund state operations expenditures by up to 7.95 percent. For Control Section 4.12, the 2024-25 budget assumed savings of $1.5 billion ($762.5 million General Fund) resulting from about 10,000 authorized positions being vacant in 2024-25.

The budget specified that the Department of Finance would propose, as part of the Governor's 2025-26 budget proposal, the permanent elimination of vacant positions and associated funding to make the assumed savings ongoing beginning in 2025-26.

While the intent of this exercise was to achieve savings through vacancy sweeps and a 7.95 percent operations reduction across departments, the 2025-26 Governor's budget now assumes a lower level of savings and positions reduction in 2024-25 and ongoing.

The following chart outlines how the vacancy sweeps and efficiency reductions impacted specific departmental budgets related to natural resources and environmental protection:

	2024-25		2025-26	
	General Fund	All Funds	General Fund	All Funds
Savings Assumed in 2024-25 Budget				
State Departments	$2.7	$3.5	$2.8	$3.6
Universities	0.2	0.2	0.8	0.8
Totals	**$2.9**	**$3.7**	**$3.6**	**$4.3**
Savings Identified in January 10, 2025 Report[a]				
State Departments	$0.8	$1.8	$0.7	$1.7
Universities[b]	0.2	0.2	0.8	0.8
Totals	**$1.0**	**$2.0**	**$1.5**	**$2.5**

Source: Department of Finance

The following chart details the number of vacant positions swept within various departments under the jurisdiction of this subcommittee:

Various CNRA and CalEPA Department Reductions—2024-25, 2025-26, and Ongoing
(dollars in thousands)

	2025 Baseline Budget[2]			Net Reductions			
Department/Entity	General Fund	Special Funds	Total	General Fund	Special Funds	Total	% Baseline
Natural Resources Agency, Secretary	$7,497	$12,797	$20,294	-$902	-$1,344	-$2,246	-11.1%
Environmental Protection, Secretary	$3,767	$17,422	$21,189	-$673	-$2,539	-$3,212	-15.2%
Department of Conservation	$10,651	$157,465	$168,116	-$1,462	-$22,149	-$23,611	-14.0%
Department of Fish and Wildlife	$179,348	$388,498	$567,846	-$24,992	-$49,041	-$74,033	-13.0%
Coastal Commission	$30,217	$4,749	$34,966	-$3,811	-$873	-$4,684	-13.4%
State Coastal Conservancy	$0	$5,812	$5,812	$0	-$906	-$906	-15.6%
Department of Parks, Recreation	$224,609	$444,138	$668,747	-$17,682	-$13,151	-$30,833	-4.6%
Sierra Nevada Conservancy	$0	$5,705	$5,705	$0	-$138	-$138	-2.4%
Department of Water Resources	$202,532	$2,584,011	$2,786,543	-$22,209	-$220,490	-$242,699	-8.7%
Department of Pesticide Regulation	$0	$121,170	$121,170	$0	-$6,295	-$6,295	-5.2%
State Water Resources Control Board	$77,302	$572,746	$650,048	-$11,792	-$40,323	-$52,115	-8.0%
Department of Toxic Substances Control	$30,452	$251,697	$282,149	-$2,152	-$31,694	-$33,846	-12.0%
Resources Recycling and Recovery	$7,023	$271,455	$278,478	-$770	-$25,939	-$26,709	-9.6%
Environmental Health Hazard Assessment	$12,146	$18,856	$31,002	-$1,868	-$2,695	-$4,563	-14.7%
Totals	**$785,544**	**$4,856,521**	**$5,642,065**	**-$88,313**	**-$417,577**	**-$505,890**	**-9.0%**

Source: Department of Finance

The following chart provides the number of reduced vacant positions per Control Section 4.12:

Vacant Positions Reductions per Control Section 4.12

Department/Entity	Positions
Natural Resources Agency, Secretary	-5.0
Environmental Protection, Secretary	-10.0
Department of Conservation	-64.0
Department of Fish and Wildlife	-190.0
Coastal Commission	-9.3
State Coastal Conservancy	-4.0
Department of Parks, Recreation	-172.0
Sierra Nevada Conservancy	0.0
Department of Water Resources	-129.0
Department of Pesticide Regulation	-19.0
State Water Resources Control Board	-100.0
Department of Toxic Substances Control	-111.1
Resources Recycling and Recovery	-98.8
Environmental Health Hazard Assessment	-13.0
Totals	**-925.1**

Source: Department of Finance

The LAO analyzed state departments' operations efficiencies across a broader spectrum of state agencies than just those in CNRA and the California Environmental Protection Agency. The LAO published its analysis and comments in February 2025. Among its findings, the LAO notes the following:

Lack of Information on Savings Provided to Legislature. The LAO has tried to get information from some of the larger departments to better understand what types of operational changes are being implemented to achieve the identified savings; and has received limited information thus far. The list of identified savings that the administration provided to the Legislature provides very high-level information and does not fully meet the reporting requirements specified under the control sections for the January 10 reports. There is no information about specific funding sources, affected programs, or affected job applications as is required by the control sections.

Very Limited Information Available About How Savings Would Be Achieved From DOF... When compared with the amount of information that departments must submit to justify even small increases in their budgets (for example, the level of detail provided in budget change proposals), the two-page list to explain a multibillion-dollar adjustment to the budget that affects virtually all departments is insufficient to adequately inform the Legislature of the action. Moreover, discussions with DOF did not provide the LAO much additional information about identified savings. DOF indicated that more information would be available in the spring, and suggested that the LAO should ask individual departments for specific information about the actions they took to achieve the savings and the potential effects of the savings.

…***Or Departments.*** The LAO sent inquiries to some of the largest departments to better understand how the identified savings might be implemented. While a couple of departments provided the LAO with relatively detailed information, the most common response the LAO received from departments was that DOF was working on the proposal and that more information would be available in the spring.

Implementation of Current-Year Savings Efforts Underway. Many of the departments the LAO communicated with indicated that they have begun implementing at least some of the operational changes that would be necessary to achieve the identified savings in the current fiscal year. However, other departments indicated that they could not share with the LAO any information about current-year implementation of the identified savings at this time and that more information would be submitted to the Legislature in the spring.

Necessary Statutory, Regulatory, or Fee Changes Unknown. It is not known, but possible, that changes in law — whether in statute, regulations, fee structure or other — are necessary to achieve some of the identified savings. This raises important implementation timing and oversight questions in instances of savings being achieved in the current year. When the LAO asked departments, they reported to LAO either that they did not anticipate changes were necessary or that they were reviewing whether any change would be necessary.

Lack of Information Raises Uncertainty Whether Administration Will Achieve the Identified Efficiencies Savings. In the few departments that provided relatively more detailed information, it appeared that many departments identified actual efficiencies — that is, the savings would not affect services. In some cases, however, responses suggested that how efficiencies would be achieved was still under development. In these cases, impacts to service levels seems possible. Moreover, in some cases, the savings the department have identified for 2024-25 cannot be repeated in the future. In some of these cases, how the identified out-year reductions will be maintained is yet to be determined. The lack of information raises uncertainty that the identified savings necessarily are the result of identified efficiencies and whether the lower spending levels will be achieved fully in the current year or ongoing.

Exempting Departments Likely to Further Erode Assumed Savings. The list of identified savings reported to the Legislature indicated that, due to recent wildfire activity in Southern California, CalFire is now exempt from the exercise and no savings were expected from that department. It is LAO's

understanding that other departments currently included in the report also might become exempt from the exercise due to concerns about the state's ability to achieve savings while responding to the fires. The suggestion that these departments cannot maintain service levels while reducing their expenditures by the levels identified as efficiency in the report to the Legislature raises concerns that the identified savings are not true efficiencies bur rather constitute cuts that could negatively affect current service levels. The report had identified about $40 million General Fund in savings from CalFire (about 6 percent of the total identified General Fund savings). Because these savings were initially included in the Governor's January proposal, this and any other savings or eliminated positions in the report associated with departments now exempted from the exercises would further erode the savings that were originally assumed in 2024-25.

Large Share of Assumed Total Savings From Unspecified "Other Funds." Why non-General Fund sources reflect a majority of the identified savings is unclear. Further, with the report provided to the Legislature not identifying non-General Fund funding sources beyond labeling them "other funds," it is not clear whether this category includes just special funds or other non-General Fund state funding sources or even nonstate sources, for example federal funds. The administration should provide justification for any reduction to nonstate funds. (For example, lower federal funds reasonably could occur in instances where there are matching requirements that directly tie the amount of federal funds the state receives to the amount of state funds spent.)

Proposed Savings in Special Fund Expenditures Should Be Accompanied by Discussion of Effects on Charges. A special fund is created to fund a specific purpose and is supported by taxes and fees levied on payers who receive the service supported by the fund. The administration reports that it identified $1 billion in reduced non-General Fund expenditures. The LAO would expect any discussion of savings benefitting special funds to include a discussion on the effect, if any, lower spending from these special funds has on fees and other revenues that support the affected special funds. Based on the LAO's communications with departments, it seems that any such analysis currently is not available.

LAO Recommendations. ***Use Subcommittee Process to Provide Oversight of Identified Savings…*** The LAO recommends that the Legislature use the subcommittee process to gain more clarity and increase transparency around the identified savings for each department. Similar to how a proposed budget augmentation requires justification, a budgetary reduction or savings identification also requires justification and explanation to ensure that legislative priorities are maintained. The purpose of these discussions would be to understand how the department plans to achieve the identified savings and whether the identified lower spending level is the result of efficiency gains or whether it could affect services. If services would be affected by the lower spending levels, the Legislature could use the discussion to understand if the effects on services are consistent with legislative priorities.

…Before May Revision. The administration has not provided a specific timeline for its additional report on efficiencies. As such, the administration may not provide additional information until its May Revision proposal (or later). Waiting until May to understand departments' plans would provide the Legislature limited time to assess the proposed savings. As such, the subcommittee hearings before May Revision could be an opportunity for the Legislature to make clear its priorities for each department as the administration determines the final savings it intends to present in the spring. The hearings also can be used to set expectations of DOF so that the Legislature can hold DOF accountable whenever it identifies the specific savings by funding source and program.

Ask Each Department Questions to Better Understand Identified Savings and Their Effects. The LAO recommends the discussions in subcommittee hearings focus on five broad categories:

1) Understand the methodology used by the administration to arrive at the identified savings;
2) Any potential effects on programs and services;
3) The effects on state law;
4) The effects on the state workforce; and,
5) The implications of reducing non-General Fund sources through the exercise.

The overarching goals of these questions — and the discussion broadly — is to ensure that the Legislature is comfortable that the effects of the identified savings are consistent with Legislative priorities and intent.

Questions for Legislative Committees to Ask Affected Departments and the Department of Finance (DOF). The LAO has provided the following questions to ask departments and DOF:

- *Budgeting Methodology*
  - What information from departments did DOF review to arrive at the identified savings?
  - Were departments given a target for the level of savings necessary to the control section?
  - What, if any, specific instructions did departments receive related to the treatment of expenditures from the General Fund, special funds, federal funds, or other funds?
  - What is the rationale for the variation in identified savings across departments?
  - How were the requests for new funding in 2025-26 now before the Legislature considered in relation to the identified savings and reduced position authority under the control sections?

- *Programs and Services*
  - What operational changes, if any, will be made in order to achieve the identified savings in expenditures in the current year and ongoing?
  - Has the department implemented any of the identified savings? If so, at a high level, what do they entail?
  - What are the anticipated effects on programs and services once the ongoing lower spending levels are fully implemented?

- *State Law*
  - Are there any reductions already underway that may potentially require changes to statute or regulations? If so, under what authority is the administration implementing the reductions in the current year?
  - Does the department anticipate that any changes in statute or regulations will be necessary in order to achieve the identified savings?
  - How will the identified savings affect implementation of enacted legislation?

- *State Workforce*
  - What classifications and programs are affected by the identified elimination of vacant positions?
  - Why were the identified vacant positions chosen for elimination over other vacant positions?
  - What are the anticipated effects on the department's ability to fill vacancies going forward?

- *Affected Funding Source*
  - Expenditures from what specific "other funds," if any, are expected to be reduced and by how much?

- What effect, if any will identified savings to special funds expenditures have on fees and taxes levied to support the funds?
- Would the identified savings result in any loss of federal funds?

Be Prepared for Final Details to Arrive Late in the Budget Process. The administration has made clear that more information on specific actions taken to achieve the savings will be shared in the spring. The administration has not committed to a specific date, but the LAO suspects this most likely means that the final report could be included as part of the Governor's May Revision proposal. There likely will be insufficient time for subcommittees to discuss each identified saving with departments between May 14 (when the May Revision is released) and June 15 (when the Legislature approves the budget). Using the subcommittee process before the May Revision to discuss the above questions with departments will better position the Legislature to understand whether the final reported savings are consistent with legislative priorities. Additionally, having an accounting of all actions a department is planning to achieve the identified savings will give the Legislature a tool to hold the administration accountable. In other words, the Legislature will know what to expect and will not be caught off guard when hearing about those actions going forward. If the final report includes actions that significantly deviate from what is discussed in the subcommittee process, the Legislature could use May Revision hearings to understand the differences.

Need for Additional Reporting Requirements on the Administration Remains Unclear. If the Legislature is satisfied that the administration's final reported savings pursuant to the control sections are consistent with legislative priorities, it is possible that the Legislature will want to take no action to modify what the administration proposes. However, if the administration continues to provide little or no information about how the reductions will be implemented or if the Legislature disagrees with the identified reductions, the Legislature could choose to adopt budget bill language — either as a control section or under specific budget items — intended to provide further guidance to the administration or to impose new reporting and oversight requirements.

Staff Comments. As shown above, the most significant reduction in vacant positions for natural resources and environmental protection state entities is in the California Department of Fish and Wildlife (CDFW), eliminating 190 positions. The chart shows a net reduction of 13 percent at CDFW ($74 million net total ($49 million Special Funds and $25 million General Fund)).

For many years, CDFW's budget was perennially upside down and the department was short-staffed — it could not adequately fulfill its mandates. In 2018-19, CDFW had approximately 2,800 positions. In 2019, CDFW began a service-based budgeting (SBB) review to analyze its deficiencies in meeting its goals. In 2021, the department published its SBB review report, which provided evidence to show personnel and funding levels necessary for the department to meet its mission and actual levels of personnel and funding; and confirmed that CDFW was woefully understaffed in key areas to meet its mission, such as permitting and environmental protection (29 percent fulfilled by current level of staffing, species and habitat restoration (26 percent), and law enforcement (33 percent). With SBB data to back up the department's need for significantly more staffing, CDFW's department went from approximately 2,864 positions in 2020-21 to about 3,000 in 2021-22.

In addition, the majority of CDFW's budget revenue is made up of many special funds. How does reducing CDFW's special funds help the General Fund? A question arises as to the degree CDFW's level of service is negatively impacted by the efficiency cuts especially considering the department has for years been clawing its way to have the funds and staffing needed to get closer to meeting its missions.

3600 CALIFORNIA DEPARTMENT OF FISH AND WILDLIFE (CDFW)

Issue 12: CDFW Overview

CDFW's mission is to manage the state's diverse fish, wildlife, and plant resources, and the habitats upon which they depend, for their ecological value and for their use and enjoyment by the public. This includes habitat protection and maintenance in a sufficient amount and quality to protect the survival of species and natural communities. The department is also responsible for the diversified use of fish and wildlife including recreational, commercial, scientific, and educational uses. Because CDFW programs drive a need for infrastructure investment, the department has a capital outlay program to support this need. The figure below shows the Governor's 3-year plan for expenditures and positions at CDFW:

3-YEAR EXPENDITURES AND POSITIONS †

		Positions			Expenditures		
		2023-24	2024-25	2025-26	2023-24*	2024-25*	2025-26*
2590	Biodiversity Conservation Program	1,136.0	1,240.2	1,252.2	$649,849	$458,361	$353,314
2595	Hunting, Fishing, and Public Use Program	487.0	494.0	494.0	115,618	119,603	119,600
2600	Management of Department Lands and Facilities	425.6	445.1	445.1	111,506	106,357	105,597
2605	Enforcement	474.3	503.5	503.5	132,442	141,930	133,863
2610	Communications, Education and Outreach	21.4	22.9	22.9	5,118	5,217	5,253
2615	Spill Prevention and Response	169.7	170.0	170.0	52,114	59,378	51,845
2620	Fish and Game Commission	11.3	11.5	11.5	2,073	2,092	2,097
9900100	Administration	332.8	332.8	332.8	65,281	65,268	65,381
9900200	Administration - Distributed	-	-	-	-65,281	-65,268	-65,381
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		**3,058.1**	**3,220.0**	**3,232.0**	**$1,068,720**	**$892,938**	**$771,569**

*Source: Department of Finance. *Dollars in thousands.*

Since the 1950s, CDFW's funding base has shifted away from hunting and fishing license revenue, creating a long-term problem of insufficient and uncertain revenues to keep pace with program demands. Since 2001, the Legislature has enacted approximately 400 pieces of legislation impacting the department's policy or regulatory programs.

SB 1535 (Kuehl), Chapter 667, Statutes of 2006, the Legislature found that the state's growing population and development necessitated "a significant portion of the department's activities to be directed toward protecting fish and wildlife" for the benefit of California residents. It further recognized that CDFW's responsibilities increased to protect public trust resources in the face of a growing population and resource demands. The Legislature amended California Fish and Game Code Section 710.5 to declare that "the department continues to be inadequately funded to meet its mandates."

In October 2017, CDFW submitted a progress report to the Legislature that recognized that the department continued to accumulate unfunded mandates and identified limited funding as the primary barrier to implementing changes.

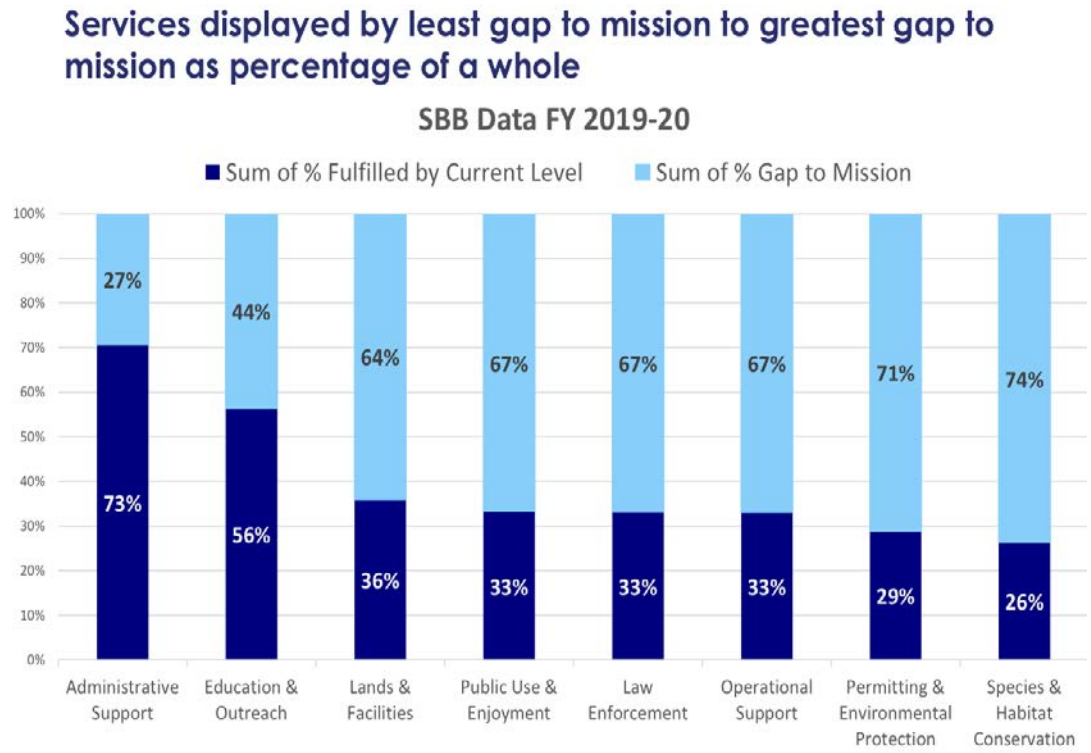
SB 854 (Committee on Budget and Fiscal Review), Chapter 51, Statues of 2018, directed CDFW to conduct a service-based budget (SBB) review.

Service Based Budgeting (SBB). SBB is a task-based budgeting approach that describes the services the department provides and informs budgeting and operational approaches by identifying current staffing at the task level, projected staffing needs to meet its mission, operational improvement actions that may reduce costs, and revenue sources supporting specific activities.

SBB is a budgeting approach that identifies the tasks needed to accomplish the department's mission. This review helps inform future budgets based on staff time needed to complete these tasks. The SBB approach is task-based, labor-focused, and organized by CDFW's services to the public. The SBB organizes CDFW into eight service areas, reflecting its core programs:

- Public use and enjoyment
- Species and habitat conservation
- Permitting and environmental protection
- Lands and facilities
- Law enforcement
- Education and outreach
- Operational support
- Administrative support

CDFW's comprehensive SBB data compared what the department currently (at the time) does to meet its mission.



Source: CDFW

The SBB data from 2019-20 demonstrated that the department was under-resourced to meet its mission. On the whole, the data suggested that the department required three times its current level (at the time) of staffing to meet its mission. According to CDFW, since the SBB findings, the department has

increased its staffing levels by approximately 13 percent. (From 2019-20 2,861.9 to 2025-26 3,232 positions.)

CDFW Programs. CDFW administers the following programs:

Biodiversity Conservation Program. This program encourages the preservation, conservation, maintenance, and restoration of wildlife resources, including the Ecosystem Restoration Program, under the jurisdiction and influence of the state. Activities involve the conservation, protection, and management of fish, wildlife, native plants, and habitat to ensure maintenance of biologically sustainable populations of those species.

Hunting, Fishing, and Public Use Program. This program facilitates diverse and sustainable hunting, fishing (recreational and commercial), trapping, and other public uses, and associated economic benefits to the state by conserving and managing game species. Activities include collection and assessment of information on the distribution and abundance of game fish and wildlife to determine appropriate regulations (bag limits, gear restrictions, etc.) and to monitor the effects of those regulations.

Management of Department Lands and Facilities Program. The program manages department-owned or leased lands and facilities, including hatcheries, wildlife areas, ecological reserves, fish and wildlife laboratories, and public access areas, to contribute to the conservation, protection, and management of fish and wildlife.

Enforcement. This program serves the public through law enforcement, public safety, and hunter education. Law enforcement promotes compliance with laws and regulations protecting fish and wildlife resources; and investigates habitat destruction, pollution incidents and illegal commercialization of wildlife. Wardens also serve the public through general law enforcement, mutual aid and homeland security.

Communications, Education, and Outreach Program. This program minimizes damage and environmental impacts to, restore, and rehabilitates California's fish and wildlife populations and ehir habitats from the harmful effects of oil and other deleterious material spills in marine waters and inland habitats.

Fish and Game Commission. The California Fish and Game Commission ensures the long term sustainability of California's fish and wildlife resources by guiding the ongoing scientific evaluation and assessment of the state's fish and wildlife resources; setting the state's fish and wildlife resource management policies and ensuring these are implemented by the department; establishing appropriate fish and wildlife resource management rules and regulations; and building active fish and wildlife resource management agencies.

(Continue onto next page)

Proposition 4: Climate Bond. The Governor's budget includes the following Proposition 4 proposals that would be administered by CDFW in 2025-26:

- Coastal Resilience
  - $24 million for island ecosystems; fisheries; kelp ecosystems (Bond total: $75 million; PRC Section 92050).
  - $5 milion for hatchery upgrades, Central Valley Chinook salmon (Bond total: $25 million; PRC Section 92070).
- Park Creation and Outdoor Access
  - $11 million to CNRA and CDFW for projects reducing climate impacts on disadvantaged communities and expanding outdoor recreation (Bond total: $200 million; PRC Section 94020)

Proposition 4 includes a total of $1.2 billion for Coastal Resilience and $700 million for Park Creation and Outdoor Access.

3340 CALIFORNIA CONSERVATION CORPS (CCC)

Issue 13: CCC Overview

The CCC provides young individuals the opportunity to work hard responding to fires, floods, and other disasters, restoring the state's environment, and installing clean energy and energy conservation measures at public facilities. Through their service, the Corpsmembers gain life, work, and academic skills to become strong workers and citizens.

In addition to the CCC, there are also 14 local conservation corps located in metropolitan communities throughout the state that are annually certified by the CCC, and engage young people in conservation, recycling, education, and training activities. Because the CCC's programs drive a need for infrastructure investment, the CCC has a capital outlay program to support this need. The figure below shows the Governor's 3-year plan for expenditures and positions at CCC:

3-YEAR EXPENDITURES AND POSITIONS †

		Positions			Expenditures		
		2023-24	2024-25	2025-26	2023-24*	2024-25*	2025-26*
2360	Training and Work Program	445.1	500.2	503.2	$184,097	$207,102	$167,056
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		**445.1**	**500.2**	**503.2**	**$184,097**	**$207,102**	**$167,056**

*Source: Department of Finance. *Dollars in thousands.*

CCC Program: Training and Work Program. CCC's training and work program include the following:

Natural Resource Work. Corpsmembers protect and enhance the state's natural resources through park development, trail construction, tree planting, fire hazard reduction, watershed improvement, wildlife habitat enhancement, removal of non-native vegetation, meadow restoration, energy and water auditing and retrofitting, irrigation system installation, and drought-tolerant and other landscaping.

Disaster Response. Corpsmembers are dispatched to fires, assisting with initial attack, mop-up and logistical support; floods, filling sandbags, reinforcing levees and stabilizing hillsides; earthquakes, removing hazards and staffing disaster assistance centers; oil spill clean-up; snow-removal; search and rescue operations; pest infestation eradication; and homeland security assistance.

Corpsmember Education. Corpsmembers are provided opportunities to advance their academic skills while in the CCC through local adult and charter schools and community colleges.

Corpsmember Development and Training. The CCC stresses the development of both a work and service ethic, which includes teamwork, self-discipline, leadership, and giving back to the state. Corpsmembers learn conservation principles and career planning. The CCC also offers training in trail building, first aid, Hazardous Waste Operations and Emergency Response, and firefighting certification, which can lead to internship opportunities with various employers in the state.

Corpsmember Career Pathways. The CCC dedicates resources to help Corpsmembers transition out of the program to meaningful career pathways, such as higher education, trade schools, apprenticeships, careers with local/state/federal agencies, and to apply their skill sets and build financial independence.

Proposition 4: Climate Bond. The Governor's budget includes the following Proposition 4 proposals that would be administered by CCC in 2025-26:

- Wildfire and Forest Resilience
  - $10 million for demonstrated jobs projects (Bond total: $50 million; PRC Section 91545(a)).

Proposition 4 includes a total of $1.5 billion for Wildfire and Forest Resilience.

3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CALFIRE)

Issue 14: CalFire Overview

CalFire provides hazard — fire, medical, rescue, and disaster — emergency response to the public and provides leadership in the protection of life, property, and natural resources in the state. The department safeguards the public through: engineering, research, development, and adoption of regulations, fire and life safety programs, fire prevention, law enforcement, public information and education, resources protection, and emergency response.

CalFire limits the damage caused by fires, disasters, environmental degradation, and related emergencies by employing efforts such as training for the state's fire service professionals, public education and prevention awareness, responsible stewardship of natural resources, and natural resource and emergency management. Because CalFire's programs drive a need for infrastructure investments, the department has a capital outlay program to support this need.

The figure below shows the Governor's 3-year plan for expenditures and positions at the department.

3-YEAR EXPENDITURES AND POSITIONS †

		Positions			Expenditures		
		2023-24	2024-25	2025-26	2023-24*	2024-25*	2025-26*
2461	Office of the State Fire Marshal	228.6	224.6	225.6	$70,191	$59,223	$61,887
2465	Fire Protection	10,275.1	10,752.6	11,436.1	3,476,658	3,863,925	3,797,291
2470	Resource Management	567.8	569.7	570.7	937,759	314,633	466,558
2475	Board of Forestry and Fire Protection	10.9	10.9	10.9	4,240	3,974	3,990
2480	Department of Justice Legal Services	-	-	-	6,828	6,828	6,828
9900100	Administration	917.7	964.7	1,045.7	202,422	200,571	215,314
9900200	Administration - Distributed	-	-	-	-202,060	-200,210	-214,944
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		**12,000.1**	**12,522.5**	**13,289.0**	**$4,496,038**	**$4,248,944**	**$4,336,924**

*Source: Department of Finance. *Dollars in thousands.*

CalFire's budget and staffing have increased substantially in recent years. In March 2024, the LAO estimated that CalFire's total base wildfire protection budget had nearly tripled over the past ten years (from $1.1 billion in 2014-15 to $3 billion in 2023-24).

CalFire's overall budget also had increased, with its combined budget for fire protection, emergency fire suppression, and resource management and fire prevention more than doubling over the past ten years (from $1.7 billion in 2014-15 to $3.7 billion in 2023-24). Correspondingly, CalFire's staffing levels also have increased significantly over the past decade. Specifically, between 2014-15 and 2023-24, the number of positions that CalFire categorizes as related to fire protection increased from 5,756 to 10,275, and the total number of positions at the department grew from 6,632 to 12,000 (representing roughly an 80 percent increase in both cases).

The 2024 Budget Act included a budget change proposal to begin implementation of a shift to a 66-hour workweek for its firefighters. The costs of this action increases in the current year and in coming years as CalFire phases in the changes, rising to $770 million ($756 million from General Fund) on an ongoing annual basis and 2,457 permanent positions by 2028-29.

CalFire is not subject to the Governor's efficiencies cuts.

CalFire Programs.

Office of the State Fire Marshal (OSFM). OSFM is comprised of six divisions:

- *Code Development and Analysis.* This division is responsible for the development and adoption of codes relating to fire and life safety used statewide by architects, engineers, design professionals, and the local fire and building authorities.

- *Fire and Life Safety*. This division is responsible for applying laws and regulations related to fire prevention and life safety in state-owned and state-occupied facilities.

- *Fire Engineering and Investigations*. This division's primary functions include licensing, product approval, fire/explosion investigations, and illegal fireworks enforcement and disposal.

- *Pipeline Safety*. This division ensures the safe construction, operation, and maintenance of approximately 5,400 miles of intrastate hazardous liquid pipelines that transport crude oil, refined products (e.g. gasoline, diesel, and jet fuel), and Highly Volatile Liquids through populated urban areas, ecologically sensitive areas, and other high consequence areas.

- *State Fire Training*. This division administers the California Fire Service Training and Education System and the Fire Service Training and Education Program for federal, state, and local firefighters.

- *Wildfire Planning and Engineering*. This division will be transitioning into the new Community Wildfire Preparedness and Mitigation Division established by AB 9 (), Chapter 225, Statues of 2021.

Fire Protection. CalFire provides fire protection to keep damages to life, property, and natural resources within social, political, and economic constraints. The objective is to attack fires quickly and aggressively in areas where CalFire has assumed primary direct protection responsibility by virtue of law, contract, or agreement until the fire is under control.

- *Fire Prevention.* This program is responsible for implementation of the Strategic Fire Plan, fire engineering, law enforcement, fire suppression cost recovery, and fire prevention education. This program focuses on the most effective methods, materials, and procedures to mitigate hazard to enforce pertinent laws that deter and mitigate fires. More specifically, efforts focus on what needs to be done before a wildland fire starts to reduce the costs of firefighting, property loss, injury to the public and firefighters, and damage to the environment.

- *Fire Control.* The objective of this program is to detect, respond to, and suppress wildland fires in or threatening the State Responsibility Area. The heart of the effort is an aggressive initial attack strategy. CalFire's goal is to contain 95 percent of all wildfires to ten acres or less. This is achieved through detection, ground attack, air attack, and mutual aid using fire engines, fire crews, bulldozers, helicopters, and fixed wing aircraft.

- *Cooperative Fire Protection.* CalFire provides a full range of fire protection services to local, county, state, and federal agencies throughout the state through the administration of over 100 cooperative fire protection service agreements. Additionally, there are six long-standing agreements wherein countries provide wildland fire protection on behalf of the department.

- *Conservation Camps.* CalFire, in cooperation with the Department of Corrections and Rehabilitation, operates 30 conservation camps throughout the state with capacity to house 152 fire crews. CalFire operates seven permanent Fire Centers, six seasonal Fire Centers, and one Parole Training Center with the California Conservation corps throughout the state that house 28 fire crews. CalFire also operates in conjunction with the California National Guard to staff seven Fire Centers with a total of 10 fire crews. Additionally, CalFire is currently authorized to operate 16 CalFire Firefighter Crews located at seven different Fire Centers. These crews are available to respond to all types of emergencies, including wildfires, floods, search and rescue, and earthquakes. When not responding to emergencies, the crews engage in hazardous fuels reduction, conservation related work projects, and prescribed fire project work to protect the community and resources of the state.

- *Emergency Fire Suppression.* CalFire incurs additional fire suppression expenditures when budgeted initial attack forces are unable to cope with a wildland fire within the initial attack period. Portions of these costs may be reimbursed in the fiscal year the expense was incurred or in a future fiscal year via Fire Management Assistance Grants provided by the Federal Emergency Management Agency or through cost shares provided by other government entities. In addition, CalFire may recover portions of this cost through civil cost recovery actions.

Resource Management. California's state and private forest range, watershed lands, and urban forests provide multiple human, climate, and environmental benefits. The objective of this program is to maintain and enhance those benefits and to minimize damage to these resources form natural catastrophes and human development. Objectives are met by regulation of timber harvesting, coordination with climate and forest restoration related activities for the forest sector, technical assistance to non-industrial landowners, operation of state demonstration forests, operation of forest nurseries, vegetation management projects, and administration of federal forestry assistance programs.

- *Resources Protection and Improvement.* The objective of this program is to improve forest lands and urban forests through activities, such as: forest restoration through fuels reduction and fire reintroduction; the detection, evaluation, and control of forest pests; growing and selling tree seedlings for restoration, carbon sequestration; and, soil erosion control.

- *Forest Practice Regulations.* The objective of this program is to maximize sustained production of high-quality timber products while protecting soil, water, wildlife, recreation, and other values associated with forest land. Forest Practice activities include the review and permitting of commercial timber harvesting operations on nonfederal timber's lands, enforcing state forest practice laws and regulations, and monitoring compliance and the effects of timber operations on forest productivity, water quality, watersheds, soils, botanical resources, wildlife, fisheries, greenhouse gases, and other environmentally sensitive resources.

- *Forest Resource Inventory and Assessment*. The objective of this program is to perform a periodic assessment of the state's forest and rangeland resources. Activities include maintaining and distributing mission-critical datasets for fire planning, providing emergency incident suppport, and meeting certain regulatory requirements.

- *Professional Foresters Registration Program.* The Office of Professional Foresters Registration is a program within the Board of Forestry and Fire Protection. The program is responsible for the licensing and regulation of all persons who practice forestry on non-federal , state, and private lands. The program also licenses "certified specialties" of forestry, with the single certified specialty currently being Certified Rangeland Managers.

Board of Forestry and Fire Protection. The Board of Forestry and Fire Protection is a Governor-appointed body within CalFire. The Board is responsible for developing the general forest policy of the state, determining the guidance polices of the department, and representing the state's interest in federal forests in California. The Board's statutory responsibilities include:

- Establishing and administering forest and rangeland policy of the state;
- Protecting and representing the state's interest in all forestry and rangeland matters;
- Providing direction and guidance to the Director of CalFire on fire protection and resource management;
- Delivering a comprehensive regulatory programs for forestry and fire protection; and,
- Conducting its duties to inform and respond to the people of California.

Department of Justice Legal Services. The objective of this program is to account for the cost of legal services provided by the Department of Justice to CalFire.

Administration. Departmental administration provides executive leadership, policy direction, and a variety of program support services necessary for the successful performance of the department's mission. CalFire headquarters provides leadership through the executive office and through central services in accounting, budgeting, business services, legal, Human Resources, information technology, program accountability, and program and systems analysis. CalFire field units provide localized general support services throughout the state.

Recent Actions. ***66-Hour Workweek.*** The 2024 Budget Act included $199 million ($197 million General Fund) and 338 positions in 2024-25 to begin implementing a shift to a 66-hour workweek as contemplated in the 2022 Memorandum of Understanding with Unit 8. The costs will increase in the coming years as CalFire phases in the changes, rising to $770 million ($756 million from the General Fund) on an ongoing annual basis and 2,457 permanent positions by 2028-29. Expenses include:

- Salaries and benefits for adding new firefighter and other wildfire response-related positions;
- Salaries and benefits for adding new support staff, including administrative personnel and maintenance staff;
- Additional overtime (including both scheduled and unplanned) for firefighters and other wildfire response-related classifications;
- 235 new vehicles, as well as costs for vehicle leases, maintenance, radios, and equipment;
- Various augmented aerial support-related contracts, such as for contracted pilots and mechanics at airbases;
- One-time special repair funding to address maintenance needs at CalFire facilities;
- Training center costs; and,
- Proportional funding for contract counties.

The 2024 Budget Act included provisional language to Item 3540-001-0001 providing contracting efficiencies to support implementation of the 66-Hour Workweek and trailer bill language requiring CalFire to report on or before March 1 of each year to certain committees of the Legislature and the

Legislative Analyst's Office regarding CalFire's wildfire prevention and resilience work of the previous fiscal year, as specified.

Five Firefighter Hand Crews. The 2024 Budget Act included: $46.8 million ($46.4 million General Fund and $373,000 other funds) and 226 positions in 2024-25; and $44.5 million ($43.8 million General Fund and $731,000 other funds) and 234 positions in 2028-29 and ongoing, phased in over five years with varying amounts in the intermediate years to provide vegetation management, hazardous fuel reduction projects, and wildland fire suppression. This action provided funding to make permanent five existing temporary CalFire firefighter hand crews. The five crews include a mix of year-round and seasonal staff. The budget also included provisional language in Item 3540-001-0001 for $2.6 million General Fund to support deferred maintenance and special repair projects at existing CalFire facilities to accommodate additional hand crews.

Additional CalFire Training Center: New Facility. The 2024 Budget Act included a total of $31.6 General Fund one-time for the acquisition of property on which to construct a new training center for CalFire on approximately 115 acres. The administration stated that a future project will be proposed to fully develop the remainder of the property after the initial project is complete.

Fire Hazard Severity Zones Map Update. In February 2025, the Office of the State Fire Marshal began releasing updated Fire Hazard Severity Zones for Local Responsibility Area maps for local jurisdictions. The previous maps were released from 2007 through 2011. In these jurisdictions, city or county fire departments are first responders and enforce fire safety rules.

The release of updated Fire Hazard Severity Zones for Local Responsibility Area maps identify new areas where new development is required to adhere to the strictest standards of wildfire-resilient building codes and land use planning. These new zones and maps add approximately 1.4 million new acres of land into the two higher tiers of fire hazard severity — "High" or "very high" designated areas, which are subject to the strictest standards for wildfire-resilient buildings. The new maps designate 1.16 million acres as "high" and an additional 247,000 acres as "very high."

The release of these updated zones and maps, which are expected to be released one region at a time, began in Northern California. The release begins a 120-day clock for local governments to adopt local ordinances incorporating the State Fire Marshal's recommendations.

(Continue onto next page)

Proposition 4: Climate Bond. The Governor's budget includes the following Proposition 4 proposals that would be administered by CNRA in 2025-26:

- Wildfire and Forest Resilience
  - $60 million for regional projects (Bond total: $128 million; PRC Section 91520(b)).
  - $82 million for the Forest Health Program (Bond total: $175 million; PRC Section 91520(c).
  - $59 million for local fire prevention grants (Bond total: $185 million; PRC Section 91520(d)).
  - $3 million for a fire training center (Bond total: $25 million; PRC Section 91520(e))
  - $10 million for fuel reduction, structure hardening, defensible space, reforestation, and acquisitions (Bond total: $50 million; PRC Section 91520(g)).
  - $0 for fire ignition detection technology (Bond total: $25 million; PRC Section 91535).

- Extreme Heat
  - $500,000 for urban forests (Bond total: $50 million; PRC Section 92540).

Proposition 4 includes a total of $1.5 billion for Wildfire and Forest Resilience and $450 million of Extreme Heat.

Issue 15: Forester Registration Program Fee Increase (Trailer Bill Language (TBL)) (GB)

Governor's Proposal. The Governor's budget requests the inclusion of TBL to increase the statutory limits of the Office of Professional Foresters Registration's (Office) fee schedule, as follows:

- From $200 to $600 for application fees for registration
- From $250 to $750 for certificate of specialization fees and registration renewal fees
- From $25 to $75 for duplicate displays of registration and certificates of specialization
- From $25 to $75 for penalty of failing to renew registration
- From $50 to $150 for reinstatement of registration or certification

These fees have not been revised for over 30 years. CalFire intends for the proposed TBL to provide a long-term solution for the Professional Forester Registration Fund while the Board of Forestry and Fire Protection and the Administration continue to address, through license outreach and fee increases, the decline in revenue, which has led to the structural imbalance of the Professional Forester Registration Fund.

The request to increase the fee range in statute comes in preparation for a wave of retirements among current registered professional foresters. According to self-reported data to the Office, 40 percent of all Registered Professional Foresters in the state have been licensed for 30 years or more; 27 percent of all Registered Professional Foresters identify themselves as being retired, yet continue to pay dues to support the program.

Background. ***Professional Foresters.*** California's Professional Foresters Law became effective on January 1, 1973. The Professional Foresters Law outlines the guiding principles and responsibilities of Registered Professional Foresters, including licensing. This law authorizes the Board of Forestry and Fire Protection, via the Office of Professional Foresters Registration, to collect fees for certain responsibilities, including examination and licensing, and establishes the maximum amount of fees that may be collected for these responsibilities.

Professional Foresters are trained experts in forest management, and are responsible for the sustainable use, conservation, and health of forests. Historically, foresters in California focused on timber harvesting. Their role has evolved over time and their expertise plays a role in wildfire prevention, forest resilience, and watershed management efforts. Foresters are a key player in fuels reduction projects, such as forest thinning and prescribed fire. They also assist in soil health and erosion control projects, along with habitat restoration projects.

Currently, expenses related to grading, development, and administration of Registered Professional Foresters examinations exceed the application fee revenue paid by exam applicants by over $200 per application.

In 2023-24, this led to an approximately $17,000 cost to the Professional Forester Registration Fund on a $35,000 operating expense in the budget, thereby placing a fiscal drag on this fund for every examination that the Office performs. Increasing the range of fees will allow regulatory fee changes so the fund can be increased as necessary. Specifically, the exam application fee increase will allow the Board to recoup a current loss of over $200 per application.

Staff Recommendation. Hold open.

Issue 16: Exclusive Use Aircraft Contract Increase (GB)

Governor's Proposal. The Governor's budget requests to amend the amount included within existing provisional language in Item 3540-006-0001, which waives specified state contracting requirements to enable CalFire to contract for Exclusive Use aircraft to quickly address emergency fire conditions and support fire suppression operations. CalFire requests that the current threshold of $27.5 million, which was originally approved in the 2021 Budget Act, be increased to $65 million based on a historical average methodology.

Requested Budget Bill Language:

> Item 3540-006-0001
> X. The Department of Forestry and Fire Protection is exempted from any applicable law requiring competitive bidding or the supervision or approval of another department or agency of state government for the procurement of or contracting with vendors for exclusive use aviation aircraft, up to an aggregate annual contractual amount of $65,000,000, to meet emergency fire suppression operational needs as described in Provision 1 of this item. Notwithstanding the foregoing, the Department shall include information regarding contracts executed under this authority within the quarterly reports specified in Provision 2 of this item.

The increase is intended to allow CalFire flexibility to contract with EU aircraft quickly to support its fire suppression operations. CalFire has a goal of keeping response times within 20 minutes and 95 percent of fires at ten acres or less.

Background. CalFire, along with other wildland firefighting agencies nationwide, utilize the same limited pool of contract aerial firefighting resources during major fires and periods of dangerous wildfire conditions. At times when the western United States is facing dangerous fire conditions, competition for these limited resources is high.

CalFire secures private assets to ensure adequate resources are available under the state's control when the need arises. This is done through two separate processes: (1) the Exclusive Use (EU) full contracting process, and (2) Call When Needed (CWN) done through emergency authority. The department contracts with vendors that support firefighting aircraft that provide fire suppression in the crucial beginning stages of a wildfire. An EU ties a specific vendor exclusively to the department for a designated period.

CWN provides an increase in support aircraft as they are utilized on individual wildland fires via emergency authorities and are not intended to be reserved for any duration of time. As such, these CWN contractors do not specifically tie these aircraft to CalFire, and they can be called away or receive an EU contract with another entity or firefighting agency thereby rendering them "unavailable" for use and control by CalFire.

The challenge CalFire faces through the state contracting process of competitive bidding for EU contracts is the specific requirements for advertising and bidding. These standard processes can take in excess of 120 days to execute the full contract. CalFire has historically entered into these agreements once a State of Emergency has been declared, relieving CalFire of the standard contracting requirements of advertising and bidding.

The 2021 Budget Act added EU aircraft provisional language to Item 3540-006-0001 waiving specified state contracting requirements. The language enabled CalFire to contract for EU aircraft quickly, up to

certain thresholds, to address emergency fire conditions and support fire suppression operations. Additionally, this language exempted CalFire from applicable provision of law requiring competitive bidding or the supervision or approval of another department or agency of state government for the procurement of or contracting with vendors for EU aviation aircraft, up to an aggregate annual contractual amount of $27.5 million, to meet emergency fire suppression operational needs.

The 2022 Budget Act included $45 million each year for three years, starting in fiscal year 2022-23, to supplement the department's air operations until the C130s are received. CalFire is requesting to amend the threshold amount in the provisional language based on a two-year average of EU actual expenditures from those appropriations and a three-year average of the EU Emergency Fund actual expenditures.

CalFire spent an average of $26.7 million from 2021-22 to 2023-24 against the original $27.5 million provisional language approved amount from the 2021 Budget Act, while spending an average of $38.2 million from 2022-23 to 2023-24 against the $45 million approved amount from the 2022 Budget Act for contracting EU firefighting aircraft. The $65 million figure in this request is calculated using the total actual averages from both sources of funding.

Staff Recommendation. Hold open.

Senate Budget and Fiscal Review—Scott Wiener, Chair
SUBCOMMITTEE NO. 2 **Agenda**

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

Thursday, March 13, 2025
9:30 a.m. or Upon Adjournment of Session
1021 O Street - Room 2200

Consultant: Eunice Roh

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Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

ITEMS FOR PUBLIC COMMENT

3360 ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION

Issue 1: Reappropriation and Technical Adjustment Proposal

Governor's Proposal. The Governor's budget includes the following reappropriations for the California Energy Commission (CEC).

Ref	Fund	ENY	Fund Name	Note
006	0001	2021	General Fund	491 - Reappropriation - Extended June 2026
101	0001	2021	General Fund	491 - Reappropriation - Extended June 2026
001	0001	2022	General Fund	491 - Reappropriation - Extended June 2026
002	0001	2022	General Fund	491 - Reappropriation - Extended June 2026
005	0001	2022	General Fund	491 - Reappropriation - Extended June 2026
007	0001	2022	General Fund	491 - Reappropriation - Extended June 2026
102	0001	2022	General Fund	491 - Reappropriation - Extended June 2026
107	0001	2022	General Fund	491 - Reappropriation - Extended June 2026
002	0001	2023	General Fund	491 - Reappropriation - Extended June 2026
101	0890	2016	Federal Trust Fund	491 - Reappropriation - Extended June 2026
001	0890	2018	Federal Trust Fund	491 - Reappropriation - Extended June 2026
101	0890	2018	Federal Trust Fund	491 - Reappropriation - Extended June 2026
001	0890	2022	Federal Trust Fund	491 - Reappropriation - Extended June 2026
001	0890	2023	Federal Trust Fund	491 - Reappropriation - Extended June 2026
001	3117	2017	Alternative and Renewable Fuel and Vehicle Technology Fund	491 - Reappropriation - Extended June 2027
001	3117	2018	Alternative and Renewable Fuel and Vehicle Technology Fund	491 - Reappropriation - Extended June 2027
001	3117	2019	Alternative and Renewable Fuel and Vehicle Technology Fund	491 - Reappropriation - Extended June 2027
001	3117	2020	Alternative and Renewable Fuel and Vehicle Technology Fund	491 - Reappropriation - Extended June 2027
001	3117	2021	Alternative and Renewable Fuel and Vehicle Technology Fund	491 - Reappropriation - Extended June 2027
101	3117	2022	Alternative and Renewable Fuel and Vehicle Technology Fund	491 - Reappropriation - Extended June 2027
001	3211	2016	Electric Program Investment Charge Fund	491 - Reappropriation -Extended June 2026
101	3211	2016	Electric Program Investment Charge Fund	491 - Reappropriation -Extended June 2026

001	3211	2017	Electric Program Investment Charge Fund	491 - Reappropriation -Extended June 2026
101	3211	2017	Electric Program Investment Charge Fund	491 - Reappropriation -Extended June 2026
001	3211	2018	Electric Program Investment Charge Fund	491 - Reappropriation -Extended June 2026
101	3211	2018	Electric Program Investment Charge Fund	491 - Reappropriation -Extended June 2026
001	3211	2019	Electric Program Investment Charge Fund	491 - Reappropriation -Extended June 2026
101	3211	2019	Electric Program Investment Charge Fund	491 - Reappropriation -Extended June 2026
101	3228	2017	Greenhouse Gas Reduction Fund	491 - Reappropriation - Extended June 2026
101	3228	2018	Greenhouse Gas Reduction Fund	491 - Reappropriation - Extended June 2026
001	3228	2022	Greenhouse Gas Reduction Fund	491 - Reappropriation - Extended June 2026
101	3228	2022	Greenhouse Gas Reduction Fund	491 - Reappropriation - Extended June 2026
001	3117	2016	Alternative and Renewable Fuel and Vehicle Technology Fund	492 - Reappropriation - Extended June 2031
001	3117	2017	Alternative and Renewable Fuel and Vehicle Technology Fund	492 - Reappropriation - Extended June 2031
001	3117	2018	Alternative and Renewable Fuel and Vehicle Technology Fund	492 - Reappropriation - Extended June 2031
601	3117	2018	Alternative and Renewable Fuel and Vehicle Technology Fund	492 - Reappropriation - Extended June 2031
001	3117	2019	Alternative and Renewable Fuel and Vehicle Technology Fund	492 - Reappropriation - Extended June 2031
001	3117	2020	Alternative and Renewable Fuel and Vehicle Technology Fund	492 - Reappropriation - Extended June 2031
001	3117	2021	Alternative and Renewable Fuel and Vehicle Technology Fund	492 - Reappropriation - Extended June 2031
101	3117	2022	Alternative and Renewable Fuel and Vehicle Technology Fund	492 - Reappropriation - Extended June 2031
101	3117	2014	Electric Program Investment Charge Fund	492 - Reappropriation - Extended June 2031

All of these appropriations have been previously approved in prior budget bills. However, because sometimes it takes longer to expend funds than the typical appropriation frame, the department requests additional time to use these funds. All appropriations are listed in Items 3360-491 and 3360-492 of the proposed budget act, SB 65.

Staff Recommendation. Hold open.

Issue 2: Grid Resilience and Innovation Partnership 2 (GRIP 2) Federal Authority

Governor's Proposal. The budget includes $600.6 million in budget authority from the Federal Trust Fund to receive federal funds awarded through the Grid Resilience and Innovation Partnership (GRIP) program authorized by the Infrastructure Investment and Jobs Act (IIJA).

Background. The GRIP program is a $10.5 billion program aimed to improve grid flexibility and resilience, administered by the U.S. Department of Energy's Grid Deployment Office.

The California Harnessing Advanced Reliable Grid Enhancing Technologies for Transmission (CHARGE 2T) project was awarded $600.6 million in federal funding through the GRIP program. This project will reconductor more than 100 miles of transmission lines with advanced conductor technologies and deploy dynamic line ratings (DLR) to quickly and significantly increase the state's system capacity to integrate more renewable energy onto the grid. CHARGE 2T also supports transmission interconnection reform through process improvements, an interconnection portal, workforce investment, and educational resource development. The total budget of CHARGE 2T is anticipated to be roughly $1.5 billion. The remaining $900 million will mostly come from Southern California Edison (SCE) and Pacific Gas & Electric (PG&E) ratepayers through existing federal and state recovery mechanisms.

The CHARGE 2T project will focus on upgrades at over thirty locations throughout northern and southern California. These upgrades were selected based on several factors including acceleration of clean energy access and delivery, technology advancement, impact on disadvantaged communities, reduction in wildfire risks, and cost-effectiveness.

The anticipated cost breakdown is as follows—though final amounts are still being finalized and are subject to change:

- Community Benefits Plans, which include substantial investments in workforce development and labor engagement: $120 million (8%)
- Reconductoring with advanced conductors, including both substation and line work: $1.1 billion (75%)
- Dynamic line rating: $40 million (2%)
- Short circuit duty monitoring: $65 million (4%)
- Interconnection process improvements: $80 million (5%)
- Administration, reporting, and compliance (includes CEC budget and compliance costs in utility budgets): $100 million (6%)

The CEC is the "prime" recipient of this grant, and will work with all subrecipients (PG&E, SCE, CPUC, CAISO, UC Berkeley) to satisfy all requirements of the GRIP program. The CEC secured a conditional award that began January 1, 2025, and will span until the CEC executes a final award agreement no later than April 31, 2025. The performance period of the award spans 8 years ending on December 31, 2032. The Administration estimates that implementation will require the entire program period due to the numerous significant transmission projects involved.

If necessary, the CEC may request one no-cost time extension (NCTE) of up to 12 months, bringing the term to 9 years ending December 31, 2033. All federal funds must be expended by December 31, 2032, unless the CEC requests the maximum NCTE and DOE approves, then all federal funds must be expended by December 31, 2033.

The duration and estimated expenditures/encumbrances are primarily driven by the utilities' transmission project schedules, which in turn are impacted by equipment lead times, labor availability, sequencing project development activities, and seasonality, among other factors. As such, the CEC requests the following provisional language for the CEC to have budget authority for the full term of the CHARGE 2T program: "Funds appropriated under this item shall be available for encumbrance or expenditure until June 30, 2034."

Staff Recommendation. Hold open.

Issue 3: California Energy Commission Chairperson Salary Increase Trailer Bill Language

Governor's Proposal. The Administration proposes trailer bill language to increase the salary of the chairperson of the California Energy Commission by 5 percent for the 2025-26, 2026-27, and 2027-28 years. In 2023, the budget included trailer bill that provided increases in CEC commissioner salaries of five percent per year for the next three fiscal years. This proposal is to reflect a similar increase for the chairperson of the Commission, because the prior language did not apply to the chair.

Staff Recommendation. Hold open.

Issue 4: Demand Side Grid Support Trailer Bill Language

Governor's Proposal. The Administration proposes trailer bill language to amend the Demand Side Grid Support program by exempting the program from the Administrative Procedure Act, allowing the use of third party block grant or contract with incentive program implementers, allowing CEC to provide an advance up to 25 percent of awarded funds at a time, and exempting contracts, grants, or loans as part of the program from any review, consent, or approval from the Department of General Services or other state department or agency.

Staff Recommendation. Hold open.

3360 ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION
8660 PUBLIC UTILITIES COMMISSION

Issue 5: Electric Transmission Grid Study (AB 3264)

Governor's Proposal. The California Public Utilities Commission (CPUC) requests ongoing budget authority of $829,000 for three permanent positions and $500,000 per year for four years for consulting services from the Public Utilities Commission Utilities Reimbursement Account (PUCURA); and the CEC requests $204,000 from the Energy Resources Program's Account annually and one permanent position to implement requirements from AB 3264 (Petrie-Norris and Rivas), Chapter 762, Statutes of 2024 to enhance clean energy initiatives by developing and reporting on a new and complex framework for assessing, tracking, and analyzing total annual energy costs paid by residential households in California.

AB 3264 requires CPUC staff to develop and report on a new and complex framework for assessing, tracking, and analyzing total annual energy costs paid by residential households in California, in consultation with the CEC. AB 3264 also requires CPUC staff to construct scenarios of actions that could lead to different levels of reductions in total annual energy costs.

This type of energy cost modeling presents new additional workload that is not able to be absorbed by existing CPUC and CEC staff at this time. As such, the CPUC requests three positions to develop the modeling tools and conduct ongoing analyses of cost, rate, and bill impacts associated with alternative household energy consumption scenarios as well as one consultant contract to develop total energy cost framework modeling tools during initial framework development as well as ongoing consulting support for forecasting of costs and evaluation of cost reduction options. In addition, CEC requests one position to expand the fuel forecast, develop three cost reduction scenarios, and collaborate with CPUC to implement AB 3274.

Staff Recommendation. Hold open.

8660 PUBLIC UTILITIES COMMISSION

Issue 6: Implementation of Recent Legislation

Governor's Proposal. The Governor's budget includes funding to implement the following bills:

- California Public Utilities Commission Energy Reports (AB 2462): $400,000 for one-time consulting services and $50,000 per year ongoing for subscription fees from PUCURA to annually report on recommendations for actions that could be undertaken during the succeeding 12 months to limit utility cost and rate increases, consistent with the state's energy and environmental goals, culminating in the creation of the SB 695 Report.

- Industrial Process Heat Recovery (AB 2109): $222,000 ongoing for one position from PUCURA to establish rules regarding the exemption of nonbypassable or departing load surcharges from applying to a reduction in kilowatt-hours of electricity consumption due to industrial heat process technology that meets prescribed requirements.

- Neighborhood Decarbonization Zones (SB 1221): $1,652,000 ongoing for seven positions and $49,000 one-time, $240,000 over four years, and $7,000 for training, travel, workshop support, and software licensing from PUCURA to implement a new neighborhood decarbonization program to transition customers from natural gas usage to cleaner forms of energy usage.

- Public Utilities Rate of Return (AB 2666): $2,720,000 ongoing for twelve positions; $35,000 for one-time equipment and training; $40,000 per year for two-years for workshop travel; and $20,000 ongoing for software subscriptions from PUCURA to establish guidelines, evaluate rate of return variances, and adjust revenue requirements as appropriate while ensuring sufficient funds for safe and reliable services, in addition to clearly communicating to consumers about the CPUC and utility work in support of implementing this statute and outcomes.

- Family Electric Rate Assistance Program (SB 1130): $222,000 ongoing from PUCURA for one senior analyst position to implement the changes to the Family Electric Rate Assistance (FERA) program, pursuant to SB 1130.

- System Reliability and Outages (AB 2368): $845,000 ongoing for four positions from PUCURA to implement the reliability and modeling requirements in the integrated resource planning and resource adequacy programs pursuant to AB 2369.

Staff Recommendation. Hold open.

Issue 7: Ongoing Support for Legislation Implementation

Governor's Proposal. The budget includes the following to continue implementing three pieces of legislation from 2021:

- Implementation Support for AB 14 of 2021: $602,000 ongoing from PUCURA to convert three limited-term positions to permanent positions to continue to administer and maintain surcharge and user fee revenues.

- Implementation Support for SB 28 of 2021: $1,139,000 annually from PUCURA to convert four limited-term positions to permanent positions, and the addition of one new permanent position to implement new complaint and enforcement procedures related to video services.

- Implementation Support for SB 4 of 2021: $1,085,000 ongoing from PUCURA to convert five limited-term positions to permanent positions; and $2.55 million one-time for consultant services with an extended encumbrance and liquidation period from the California Advanced Services Fund (CASF) to address the increased demand for broadband funding, larger collection authority, and overall expansion of the CASF program.

Staff Recommendation. Hold open.

Issue 8: Public Advocates Office Administrative Support (AB 2109, AB 2368, and SB 1221)

Governor's Proposal. The budget includes $925,000 from the Public Utilities Commission Public Advocates Office Account (PUC) for four positions to meet the Public Advocates Office's statutory obligations resulting from AB 2109, AB 2368, and SB 1221. Specifically, this request includes one Public Utilities Regulatory Analyst (PURA) V for AB 2109, one PURA V for AB 2368, and one PURA V and one Senior Utilities Engineer for SB 1221:

- AB 2109: 1.0 PURA V position would be assigned to develop expertise on Public Utilities Regulatory Policies Act (PURPA) policy and industrial heat recovery on technology and baseline emissions.

- AB 2368: 1.0 PURA V to design and run probabilistic modeling to support analysis of Loss of Load Expectation (LOLE) studies and Planning Reserve Margins in the Resource Adequacy and Integrated Resource Planning rulemakings. LOLE studies are done to test the California Independent System Operator's (CAISO) system reliability and to determine how much capacity is needed to meet the reliability standard.

  In addition to testing the sufficiency of resources needed for reliability, the LOLE study also establishes a planning reserve margin (PRM). A PRM is the percentage that measures the amount of capacity in a system compared to the peak demand to ensure that expected demand will be met in the planning horizon.

- SB 1221: Two total positions. 1.0 PURA V to perform analysis of proposed program designs, budgets, incentives, cost effectiveness and rate impacts (gas and electric) and 1.0 Senior Utilities Engineer to cover technical, operational and safety aspects, including assessing impacts of proposed pilots on the nearby gas and electrical transmission systems. In addition, safety aspects include risk-spend analysis (evaluating the amount of safety increase per dollar spent), consideration of how any new overhead electrical infrastructure in or close to high threat fire districts are appropriately scoped for hardening, and that the existing gas system is safely removed from service.

Staff Recommendation. Hold Open.

Issue 9: Support for Administrative Law Judge Division

Governor's Proposal. The budget includes $340,000 ongoing for three new support staff positions and position authority for two existing Senior Legal Typist positions to support the Administrative Law Judge (ALJ) Division's timely management and issuance of documents in proceedings and to enhance agenda support functions, records filling and maintenance, as well as support the Intervenor Compensation unit.

Background. In recent years, the number of ALJ positions have increased from 45 in 2019-20 to 62 in 2024-25 due to the additional workload associated with enacted legislation. CPUC reports there is an increase in priority proceedings that tend to be complex and necessitate numerous intervenor compensation requests, imposing additional clerical demands to fulfill the CPUC's intervenor compensation responsibilities. As a result, clerical staff have increasingly billed more overtime, from 203.5 hours in 2019-20 to 1,325.5 hours in 2023-24.

This strain on clerical staff have consequently led to frequent delays in rulings and decisions. As a result, the CPUC requests additional three Legal Secretary positions as well as three Senior Legal Typist positions to address this additional workload and to improve the timeliness and effectiveness of key programs.

Staff Recommendation. Hold open.

Issue 10: Support for CPUC Administrative Functions

Governor's Proposal. The budget includes $575,000 ongoing for four positions, 0.5 position authority to enhance and strengthen the core administrative functions and provide customer service supporting the entire CPUC, and $150,000 ongoing for licensing/data storage from various special funds.

Background. CPUC has added 438 positions and grown by over $235 million in baseline budget since 2017-18. This growth and expansion have led to an increase in FI$Cal system reporting and management, travel, invoicing, and other administrative duties. This growth and expansion have also led to an increase in recruitment, hiring, benefits processing, worker's compensation and other compliance requirements. The CPUC has also seen increased requests for new IT systems of increased complexity to support large, shared data models and geographic data. However, the CPUC support workforce has not grown commiserate with the overall total workforce. For example, CPUC's total workforce has grown by nearly 63 positions or 4.5 percent in recent years, whereas the support workforce has grown by nearly 7 positions or 0.5 percent in the same time period. As such, the CPUC requests 2.5 positions in the Administrative Services Division, two positions in Human Resources Division, and ongoing funding for cloud storage resources in the Information Technology Services Division.

Staff Recommendation. Hold open.

Issue 11: Deaf and Disabled Telecommunications Program Trailer Bill Language

Governor's Proposal. The budget includes trailer bill language that would extend the surcharge for the Deaf and Disabled Telecommunications Program (DDTP) until December 31, 2034 and authorize the CPUC to make recommendations to the Legislature regarding the appropriations for the DDTP.

Background. The DDTP was established to provide telecommunications devices for the deaf or severely hearing-impaired population. Since its creation, the Legislature has modified and expanded the program to provide additional types of specialized telecommunications devices for individuals with hearing and other physical impairments that limit a person's ability to use traditional telecommunications devices. The DDTP is funded through a surcharge on consumers' intrastate telecommunications services. Most recently, AB 497 (Santiago), Chapter 287, Statutes of 2019 extended the sunset date to January 1, 2025. Given the continual need for the DDTP program, the Administration proposes to extend the sunset date.

Staff Recommendation. Hold open.

ITEMS FOR DISCUSSION

3355 OFFICE OF ENERGY INFRASTRUCTURE SAFETY

Issue 12: Department Overview

Background. The primary mission of the Office of Energy Infrastructure Safety (Energy Safety) is to create a safer, sustainable California with utility infrastructure that is managed to reduce excavation and wildfire risk and is adaptable to an evolving climate. Established pursuant to AB 111 (Committee on Budget), Chapter 81, Statutes of 2019, the Department:

- Evaluates electrical corporation wildfire mitigation plans and annual updates, assesses electrical corporation compliance with approved plans, and makes enforcement recommendations to the California Public Utilities Commission.

- Issues safety certifications to electrical corporations demonstrating proactive investments in wildfire safety, including agreeing to implement findings from safety culture assessments, having executive compensation structures tied to wildfire performance metrics, and reporting progress in implementing wildfire mitigation plans.

- Supports the Wildfire Safety Advisory Board, which provides recommendations and advice to the Department on wildfire safety, mitigation performance metrics, and wildfire mitigation plan requirements in addition to reviewing and providing advisory opinions on publicly-owned electrical utility wildfire mitigation plans.

- On behalf of the Underground Safety Board, coordinates the state's safe excavation outreach and education efforts, develops safe excavation standards, investigates accidents, and works with partner state agencies to enforce the "Call Before You Dig" law.

- Evaluates large electrical corporations' 10-year distribution undergrounding plans and assesses large electrical corporation compliance with those plans.

The Governor's budget includes $44.7 million for Energy Safety in 2025-26. The majority of the department's budget is from the Public Utilities Commission Reimbursement Account. The proposed budget would support 199 positions.

Operations and Vacancy Reductions. Budget Act of 2024 included two control sections aimed at improving government efficiencies across state government. Control Section 4.05 authorizes the Department of Finance to reduce state operations expenditures up to 7.95 percent in fiscal year 2024-25 and ongoing, and requires Finance to notify the Joint Legislative Budget Committee how the reduction in state operations expenditures was achieved. Control Section 4.12 authorizes Finance to adjust items of appropriation to achieve savings associated with vacant positions in 2024-25 and propose the elimination of vacant positions to achieve ongoing savings beginning in 2025-26.

Department of Finance provided a letter pursuant to Sections 4.05 and 4.12 on January 10, 2025. This letter provided a summary of statewide reductions, including those at the Energy Safety. According to the letter, Energy Safety has the following reductions:

- 2024-25
  - Vacant Position Funding Reductions (CS 4.12): $828,000 (Other Funds)
  - State Operations Reductions (CS 4.05): $3,462,000 (Other Funds)
- 2025-26
  - Vacancy Position Reductions (CS 4.12): $828,000 (Other Funds)
  - State Operations Reductions (CS 4.05): $3,462,000 (Other Funds)
  - Positions: 5

Staff Comments. Energy Safety plays a critical role in providing oversight of utilities' wildfire mitigation plans. However, wildfire mitigation is a growing driver of increasing electric utility bills—as the Legislature considers how to address energy affordability, it may want to consider how Energy Safety balances wildfire risk reduction with cost. Specifically, how does the department evaluate the cost effectiveness of various wildfire mitigation strategies? In other words, how is the department ensuring utilities are maximizing risk reduction for ratepayer costs? The Legislature may also want to consider how Energy Safety ensuring the wildfire risk reduction work done by utilities is in coordination with neighboring entities, to improve cost efficacy and limit redundancy. The CPUC (jointly with Energy Safety) included this last point as one potential solution to address wildfire mitigation costs, as part of their response to the Executive Order N-5-24 on energy affordability.

In addition, the Administration has provided very limited information regarding the operations and vacancy reductions. Although government efficiency is a worthwhile goal, there needs to be greater clarity and transparency regarding how the Administration came to these savings. Currently, it is unclear which programs have been affected, whether savings are due to greater efficiencies or service level reductions, and if legislation implementation will be impacted as a result. Prior to any budget action, the Legislature may want to ensure these basic questions regarding the reductions and their effects are answered to its satisfaction.

Staff Recommendation. Hold open.

Issue 13: Enforcement of the Dig Safe Law

Background. Energy Safety has one budget change proposal this year—specifically, $1.3 million ongoing from the Safe Energy Infrastructure and Excavation Fund (SEIEF) for seven positions at the Underground Safety Directorate, which supports the Underground Safety Board.

Government Code 4216 requires any excavators to "call before you dig". This is also called the one-call law or the California State Excavation Damage Prevention Law. Typically, anyone who digs have to call 811, or the "call before you dig" line, to notify of a planned excavation. The one-call center then finds the registered utility operators in the area and relays the notification to them. And finally, the utility operators respond to the notification by locating and marking any buried facilities they have in the area, and then letting the excavator know what they did. This process is aimed to prevent damage of buried facilities, such as gas and petroleum, communications, electric, water, and sewer lines.

SB 661 (Hill), Chapter 809, Statutes of 2016 created the Board to coordinate education and outreach activities that encourage safe excavation practices; develop standards; investigate possible violation of the one-call law; and enforce the one-call law. Currently, the Directorate have a budget of $7.1 million in 2024-25 and 24 positions, all of which are filled.

In recent years, the federal Pipeline and Hazardous Materials Safety Administration (PHMSA), who has jurisdiction to evaluate the Board's enforcement of the California State Excavation Damage Prevention Law, have identified several areas that needs improvement, particularly in investigating non-compliant actors and implementing penalties and sanctions for violations. For example, the PMHSA found the Board issued only two civil penalties despite nearly 5,000 federally reported excavation damage notifications.

To improve enforcement capacity, the Office of Energy Infrastructure Safety requests seven positions to create a new Excavation Risk and Compliance Investigation Unit to manage the reviews and investigations for highly complex damage notifications. Specifically, the department proposes one Staff Services Manager II (Supervisory) and five Staff Services Manager I (Specialist) positions to staff a new Excavation Risk and Compliance Investigation Unit to address non-compliance with the Dig Safe Act through investigations, targeted audits, and enforcement actions. In addition, the department proposes one Attorney III position to provide legal support and review of investigations.

The budget proposes to fund this effort from SEIEF, which is funded by fees collected by regional notification centers from "each member of a regional notification center as defined in Government Code Section 216 subdivision (q) who receives 500 or more locate request transmission in the calculation year". A member is considered either an "excavator" or "operator" of maintain underground facilities. There are 944 fee paying members, including investor owned utilities, such as Pacific Gas & Electric, Southern California Gas Company, and Southern California Edison, as well as telecom companies, like AT&T, Comcast, and Frontier. Currently, the fee levels are set to collect $5 million total per year. However, the fee would need to be increased by $1.3 million (or 27 percent) to fully cover the costs associated with this BCP. In addition to approval in the budget, the Board must hold a public hearing to determine whether the fees related to this proposal will be increased.

Staff Recommendation. Hold open.

3360 ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION

Issue 14: Department Overview

Background. The Energy Resources Conservation and Development Commission (CEC) is responsible for ensuring a reliable supply of energy to meet state needs while protecting public health, safety, and the environment. Activities include the following: making public policy recommendations regarding energy; collecting targeted energy data and ensuring data is managed responsibly; developing and implementing research, development, demonstration, and deployment policies and programs that promote strategic energy investments; ensuring energy facilities approved by the Energy Commission are designed, constructed, operated, amended, and decommissioned in a manner that protects the environment and public health and safety, and in compliance with all applicable laws, ordinances, regulations, and standards; adopting building efficiency standards, and adopting and enforcing appliance efficiency standards; promoting development, deployment, and integration of zero-emission and near zero-emission transportation infrastructure and technology; and supporting climate change goals through integrated resource planning, renewable energy development, and system integration.

The Governor's budget includes $2 billion for CEC in 2025-26. The department budget comes from a variety of special funds, including Energy Resources Programs Account, Greenhouse Gas Reduction Fund, Federal Trust Fund, and bond funds. The proposed budget would support 789 positions.

Energy Affordability. Executive Order N-5-24 directed the CEC "to examine all electric ratepayer-funded programs it oversees or administers and to identify any programs, and any other regulations that may be unduly adding to rates, for which the electricity system benefits may not be justified by the costs they impose on electric ratepayers, or whose funding might more appropriately come from a source other than ratepayers." In response, the CEC reviewed energy efficiency programs, the California Schools Healthy Air, Plumbing, and Efficiency (CalSHAPE) Program, and Solar Equipment Lists. The CEC reported:

- **Energy Efficiency:** California's efficiency programs are highly cost-effective to ratepayers and have long been key to achieving affordable bills and meeting the state's energy and environmental goals. The Statewide Codes & Standards Program is funded by electric and gas ratepayers at $56.7 million per year as of 2024, whereas efficiency standards for buildings and appliances are saving billions annually, have saved Californians over $200 billion since inception in the late 1970s, and are set to reach $300 billion in total cumulative economic value to the state by 2030. The CEC recommends retaining the ratepayer supported programs that directly contribute to these foundational efforts, in particular the California Public Utilities Commission (CPUC)-overseen and IOU-managed Statewide Codes & Standards Program. However, the Legislature should consider if the costs of this foundational program should be borne more broadly by electric and gas ratepayers across all of California, given the statewide customer benefits these programs provide.

- **California Schools Healthy Air, Plumbing, and Efficiency (CalSHAPE) Program:** The CalSHAPE program was authorized in 2020 as a COVID-19 urgency measure to re-open schools and improve indoor air quality. Since program implementation, other non-ratepayer funding sources have become available, including the $10 billion Proposition 2 of 2024 and local bond measures. Given the availability of non-ratepayer funding, the Governor and Legislature may consider refunding $196.1 million of unencumbered CalSHAPE funds to electric and gas IOU ratepayers before December 31, 2026.

- **Solar Equipment Lists:** The CEC's Solar Equipment Lists (SELs) provide a standardized, streamlined and cost-effective process for equipment identification that is relied upon by equipment manufacturers, IOUs, publicly-owned utilities (POU), providers of permitting platforms, local governments, certain CPUC and CEC programs, the National Renewable Energy Laboratory (NREL) and other entities across the country. In Spring 2023, the CEC released a public request for information (RFI) to better assess the use cases and benefits of its SELs. California electric utilities' responses to the RFI indicated that by leveraging SELs for interconnection application review, the utilities achieve tremendous cost savings, due to reduced review times and labor hours, exceeding the cost to administer the SELs program by several factors. Information from the SELs is utilized in software platforms that assist local governments in streamlining the permitting processes for distributed energy resources (DER). Without information from the SELs, challenges to interconnection and permitting of DERs would increase, potentially slowing down deployment significantly and adversely impacting the growth of the DER industry. However, the IOUs maintain their own SELs list as required by CPUC's Rule 21. Therefore, the CEC recommends identifying an alternate funding source.

Operations and Vacancy Reductions. Budget Act of 2024 included two control sections aimed at improving government efficiencies across state government. Control Section 4.05 authorizes the Department of Finance to reduce state operations expenditures up to 7.95 percent in fiscal year 2024-25 and ongoing, and requires Finance to notify the Joint Legislative Budget Committee how the reduction in state operations expenditures was achieved. Control Section 4.12 authorizes Finance to adjust items of appropriation to achieve savings associated with vacant positions in 2024-25 and propose the elimination of vacant positions to achieve ongoing savings beginning in 2025-26.

Department of Finance provided a letter pursuant to Sections 4.05 and 4.12 on January 10, 2025. This letter provided a summary of statewide reductions, including those at the CEC. According to the letter, CEC has the following reductions:

- 2024-25
    - Vacant Position Funding Reductions (CS 4.12): $4,348,000 (Other Funds)
    - State Operations Reductions (CS 4.05): $12,042,000 (Other Funds)
- 2025-26
    - Vacancy Position Reductions (CS 4.12): $4,348,000 (Other Funds)
    - State Operations Reductions (CS 4.05): $12,042,000 (Other Funds)
    - Positions: 30

Staff Comments. As the Legislature considers varying strategies to address energy affordability, it may want to consider the recommendations made by the CEC in the response to the recent executive order. In particular, the Legislature may want to explore the alternative funding sources that the department suggests, and consider how the state may balance between clean energy goals and energy efficiency standards with energy cost burdens—and how that cost is distributed across different types of ratepayers, socioeconomic class, locations, and more.

In addition, the Administration has provided very limited information regarding the operations and vacancy reductions. Although government efficiency is a worthwhile goal, there needs to be greater clarity and transparency regarding how the Administration came to these savings. Currently, it is unclear which programs have been affected, whether savings are due to greater efficiencies or service level reductions, and if legislation implementation will be impacted as a result. Prior to any budget action, the Legislature may want to ensure these basic questions regarding the reductions and their effects are answered to its satisfaction.

Staff Recommendation. Hold open.

Issue 15: Proposition 4 Climate Bond Expenditure Plan – Clean Air & Energy

Governor's Proposal. The budget includes $275 million in 2025-26, $229 million in 2026-27, and $24 million in the outyears for Clean Air and Energy programs from Proposition 4 bond funds. Specifically, the Administration proposes the following:

Chapter 9. Clear Air & Energy

($ in Millions)

Department	Program	2025-26	2026-27	Out-Years	Pending Allocation
California Energy Commission	Demand Side Grid Support Program	$47	$0.5	$5	$0
	Development of Offshore Wind Generation	$228	$228	$15	$0
To Be Determined	Public Financing of Clean Energy Transmission Projects	$0	$0	$4	$323
	Total	**$275**	**$229**	**$24**	**$323**

Background. Proposition 4 is a $10 billion climate bond measure that was approved by voters in November 2024. Of that amount, $850 million is intended for clean energy projects. Specifically, $325 million is for the public financing of clean energy transmission projects; $50 million for grants or loans to support the Long Duration Energy Storage Program, zero-emissions distributed energy backup assets, virtual power plants, and demand side grid support; and $475 million for the development of offshore wind generation.

The Administration proposes $2.7 billion in climate bond funds in 2025-26. Of that amount, $275 million is proposed for energy programs. Specifically, $47 million for the Demand Side Grid Support program and $228 million for the Development of Offshore Wind Generation.

Demand Side Grid Support. The CEC administers the Demand Side Grid Support (DSGS) program, which offers incentives to electric customers to provide load reduction and backup generation to support the state's electrical grid during extreme events. The Administration proposes to use $50 million in Proposition 4 bond funds to backfill previously committed $50 million Greenhouse Gas Reduction Fund (GGRF) for the Clean Energy Reliability Investment Plan (CERIP).

DSGS has received funding from the General Fund and GGRF previously, but anticipates all available funding will be exhausted by next year.

Source	**Amount Authorized ($M)**	**Remaining ($M)***
AB 205 (2022) General Fund	$33.5	$0
AB 102 (2023) CERIP General Fund	$19	~$18**
SB 108 (2024) GGRF	$75	$75

*These amounts include estimates of CEC admin costs to date, as well as third-party admin costs encumbered through May 2029. They do NOT include incentives payout for the 2024 program season, which are preliminarily estimated to be up to $26 million.

**The Governor's January 2025-26 Budget proposal included a reversion of the $18 million remaining from the AB 102 appropriation that would reduce the remaining balance for this funding source to zero.

The DSGS Program provides multiple pathways to participation to capture a broad range of clean energy technologies and use cases / business models. It currently has three incentive options available for aggregators and customers to participate in. Participants can select different incentive options for each eligible load reduction resource or device type. The three incentive options include: (1) Emergency Dispatch; (3) Market-Integrated Demand Response; and (3) Market-Aware Storage Virtual Power Plant.

The table below provides additional details on the three incentive options currently available in the DSGS program:

	Option #1 Emergency Dispatch	**Option #2** Market-Integrated Demand Response	**Option #3** Market-Aware Storage VPP
Eligible Resources	Any load reduction resource *(including backup generators)*	Market-integrated demand response	Storage (behind-the-meter batteries and V2X)
Event Trigger	Energy Emergency Alert (EEA) *(Backup generators only dispatch at an EEA 2 with a Governor's EO)*	CAISO market bidding & scheduling	CAISO day-ahead energy market locational marginal price (LMP) ≥ $200 per MWh
Incentive Structure	Customer incentive: $2/kWh energy payment for incremental load reduction during an event and $0.25/kWh standby payment for backup generators that provide a standby commitment but are not triggered based on EEA level or no Governor EO Administration costs: DSGS providers select to receive either (1) 10% of incentives paid or (2) actual incremental administration costs (up to $1 million per year)	Capacity payment based on the demand response resources' demonstrated capacity incremental to resource adequacy commitments. Incentive rates vary by month and by nominated duration. The capacity payment is made to the DSGS provider and incentives are paid to the customer based on the agreed terms between the DSGS provider and customer.	Capacity payment based on the storage VPP's demonstrated capacity in the month. Incentive rates vary by month and by nominated duration. The capacity payment is made to the DSGS provider and incentives are paid to the customer based on the agreed terms between the DSGS provider and customer.
Enrolled Providers	8	5	14
Enrolled Participants	33	230,220	35,492
Capacity Enrolled (Estimates by DSGS Providers)	144 MW	132 MW	240 MW
Summer 2024 Program Events	July 24: EEA Watch	Varies by provider	26 event hours over 16 days (July – Oct)

Development of Offshore Wind Generation. These funds will be used to support the development of offshore wind generation, through the construction, expansion, and improvement as well as upgrades of public port infrastructure for manufacturing, assembly, and staging and integration of components. The CEC is currently implementing the AB 209 waterfront facilities and ports infrastructure grant program and will have important learnings from this process. Implementing Prop 4 after this will benefit from those learnings. Furthermore, recipients under AB 209 are expected to complete planning, environmental, and design tasks that will help prepare their projects to implement Prop 4 funding. The CEC anticipates that the earliest awards could be made by the end of 2026, with 2025-26 funding encumbered by June 2027 and expended by April 2030. The CEC anticipates awarding 2026-27 funding by December 2027 and expending by April 2030.

Public Financing of Clean Energy Transmission Projects. AB 3264 (Petrie-Norris and Rivas), Chapter 762, Statutes of 2024 directs the California Public Utilities Commission, in consultation with the CEC, the California Infrastructure and Economic Development Bank, and California Independent System Operator, to prepare a study identifying findings and proposals to reduce the cost to ratepayers of expanding the state's electrical transmission grid as necessary to achieve the state's goals. This study, required by July 1, 2025, will inform the use of funds allocated for the public financing of clean energy transmission projects.

LAO Comments.

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 we 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 time line 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 and Rivas), Chapter 762, Statutes of 2024. Chapter 762 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, we find 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).

Staff Recommendation. Hold open.

8660 PUBLIC UTILITIES COMMISSION

Issue 16: Department Overview

Background. The California Public Utilities Commission (PUC) regulates privately-owned electric, natural gas, telecommunications, water, railroad, rail transit, and passenger transportation companies, in addition to authorizing cable and video franchises. The PUC empowers California in the areas of telecommunications and utilities through assuring services are reliable, clean, and safe; providing for critical services and infrastructure; designing rates that are fair and reasonable; and protecting the interests of consumers and ratepayers.

The Governor's Budget includes $1.9 billion for CPUC in 2025-26. The department budget comes from a variety of special funds, including the Gas Consumption Surcharge Fund, Universal Lifeline Telephone Service Trust Administrative Committee Fund, and the Public Utilities Commission Utilities Reimbursement Account. The proposed budget would support 1,739 positions.

Energy Affordability. Executive Order N-5-24 directed the CPUC to:

- Examine the benefits and costs to electric ratepayers of programs it oversees and rules and orders it has promulgated pursuant to statutory mandates that may be unduly adding to electric rates, or whose funding might more appropriately come from a source other than ratepayers. Report to Governor Newsom by January 1, 2025, the results of its analysis and its recommendations for modifying or repealing any statute that would reduce costs to electric ratepayers without compromising public health and safety, electric grid reliability, or the achievement of the State's 2045 clean electricity goal and the State's 2045 economy wide carbon neutrality goal.

- Take immediate action under existing authorities to modify or sunset any underperforming or underutilized programs or orders whose costs exceed the value and benefits to electric ratepayers. The commission is requested to return any unused funds collected from ratepayers for underperforming programs and utility investments in the form of a bill credit, if it identifies such funds.

- Consult with California Air Resources Board on options to maximize the effectiveness of California's Climate Credit-which returned an average of $71 to electric ratepayers on their utility bills this fall. Options to improve the credit, particularly for low-income Californians, should be reported by January 1, 2025.

- Consult with the Office of Energy Infrastructure Safety on adjustments to utility wildfire safety oversight processes, procedures, and practices that would yield administrative efficiencies and focus utility investments and activities on cost-effective wildfire mitigation measures that reduce wildfire ignition risk while managing costs to electric ratepayers. Proposals for legislative or regulatory changes should be reported to me by January 1, 2025.

- Pursue, and direct the regulated utilities to pursue, all federal funding opportunities that can help reduce and avoid electric service costs that would otherwise flow into electric ratepayer bills.

In response, the CPUC provided several potential strategies to address energy affordability. For example, the department suggested shifting several significant cost drivers—such as solar subsidies, low-income subsidies, and other ratepayer programs without any cost-effectiveness benefits—from ratepayers to a stable non-ratepayer source of funding. In addition, the department reported the state could use existing General Rate Case processes to review utility spending, limit any future programs to be funded from ratepayers, and direct all programs that benefits all electric customers should also be paid by all electric customers, including those of public owned utilities. The commission also explored how the Climate Credit could be more effective, and suggested targeting the credit to specific groups, such as those enrolled in low-income subsidy programs and those who do not benefit from solar subsidies. And finally, the commission reported integrating wildfire mitigation plans into utility general rate cases could support a more holistic review and tracking of utilities costs, to ensure cost effectiveness is a key factor in utilities' wildfire mitigation strategies.

Operations and Vacancy Reductions. Budget Act of 2024 included two control sections aimed at improving government efficiencies across state government. Control Section 4.05 authorizes the Department of Finance to reduce state operations expenditures up to 7.95 percent in fiscal year 2024-25 and ongoing, and requires Finance to notify the Joint Legislative Budget Committee how the reduction in state operations expenditures was achieved. Control Section 4.12 authorizes Finance to adjust items of appropriation to achieve savings associated with vacant positions in 2024-25 and propose the elimination of vacant positions to achieve ongoing savings beginning in 2025-26.

Department of Finance provided a letter pursuant to Sections 4.05 and 4.12 on January 10, 2025. This letter provided a summary of statewide reductions, including those at the CPUC. According to the letter, CPUC has the following reductions:

- 2024-25
    - Vacant Position Funding Reductions (CS 4.12): $10,000,000 (Other Funds)
    - State Operations Reductions (CS 4.05): $4,697,000 (Other Funds)
- 2025-26
    - Vacancy Position Reductions (CS 4.12): $10,000,000 (Other Funds)
    - State Operations Reductions (CS 4.05): $4,697,000 (Other Funds)
    - Positions: 56

Staff Comments. As the Legislature considers varying strategies to address energy affordability, it may want to consider the recommendations made by the CPUC in the response to the recent executive order. In particular, the Legislature may want to explore what types of non-ratepayer fund sources that could absorb these costs, and consider how the state may balance between clean energy goals with energy cost burdens—and how that cost is distributed across different types of ratepayers, socioeconomic class, locations, and more.

In addition, the Administration has provided very limited information regarding the operations and vacancy reductions. Although government efficiency is a worthwhile goal, there needs to be greater clarity and transparency regarding how the Administration came to these savings. Currently, it is unclear which programs have been affected, whether savings are due to greater efficiencies or service level reductions, and if legislation implementation will be impacted as a result. Prior to any budget action, the Legislature may want to ensure these basic questions regarding the reductions and their effects are answered to its satisfaction.

Staff Recommendation. Hold open.

Issue 17: Data Sharing with the Western Energy Coordinating Council and Others Trailer Bill Language

Governor's Proposal. The budget includes trailer bill language that would allow CPUC to share information, pursuant to an agreement to treat the shared information as confidential, with the Western Energy Coordinating Council (WECC), the North American Electric Reliability Corporation (NERC), and the Northwest Power and Conservation Council (NPCC). In addition, the bill would allow for a disclosure made through the sharing of information between the Independent System Operator, WECC, NERC, NPCC, and a state agency does not constitute a waiver of an exemption.

Staff Comments. According to the department, this trailer bill language is needed because the CPUC needs confidential data (such as procurement decisions, market pricing, or unit level operational data) from other entities for its energy reliability, energy planning, and modeling. Currently, the other entities are requiring CPUC to sign a nondisclosure agreement prior to receiving data. As such, the department requests this statutory change to receive this data. However, the current language reads that the CPUC may share information with these entities as well, not just receive data—which according to the department, is not the intent. The Legislature may want to clarify this intent and amend the language accordingly if the Legislature chooses to approve this trailer bill language.

Staff Recommendation. Hold Open.

3360 ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION
8660 PUBLIC UTILITIES COMMISSION

Issue 18: Implementation Support for SB 846 of 2022

Governor's Proposal. The Governor's budget includes $1.1 million ongoing for five positions from PUCURA for the CPUC and $319,000 ongoing for two positions from the Cost of Implementation Account, Air Pollution Control Fund (COIA) for the CEC for the ongoing workload related to SB 846 (Dodd), Chapter 239, Statues of 2022.

Background. SB 846 extended the operations of the Diablo Canyon Power Plant (DCPP), beyond the CPUC's initial approval of PG&E's proposal to retire the power plant in 2025. As part of this agreement, the 2022 Budget Act included a one-time $5 million allocation for the CPUC and CEC to implement the workload associated with the extension. Of the $5 million, $2.8 million was transferred to CEC and $2.2 million remained with CPUC. The budget authority is set to expire on June 30, 2025.

Pursuant to SB 846, the CPUC re-opened the 2018 DCPP decision, established balancing and memorandum accounts to track DCPP spending, worked with Department of Water Resources (DWR) to review and true-up spending attributable to the $1.4 billion loan authorized under SB 846, ensured continued funding for the Diablo Canyon Independent Safety Committee (DCISC), ensured that reviews of DCPP seismic assessments by the Independent Peer Review Panel (IPRP) took place, approved a contingent 5-year extension of DCPP, established the rules and guidelines for the extended operations forecast proceeding and DCPP non-bypassable charge, and worked with the CEC to issue reports on statewide reliability with respect to DCPP.

However, ongoing workload remains at CPUC and CEC. Specifically, the CPUC requests that these positions be made permanent in order to monitor utility and ratepayer costs and expense from continued operation of DCPP, plan and implement strategies to replace the capacity and energy produced by DCPP to ensure GHG reduction and grid reliability priorities are protected, and ensure the efficient and productive use of the transmission and distribution infrastructure that will remain after DCPP retires.

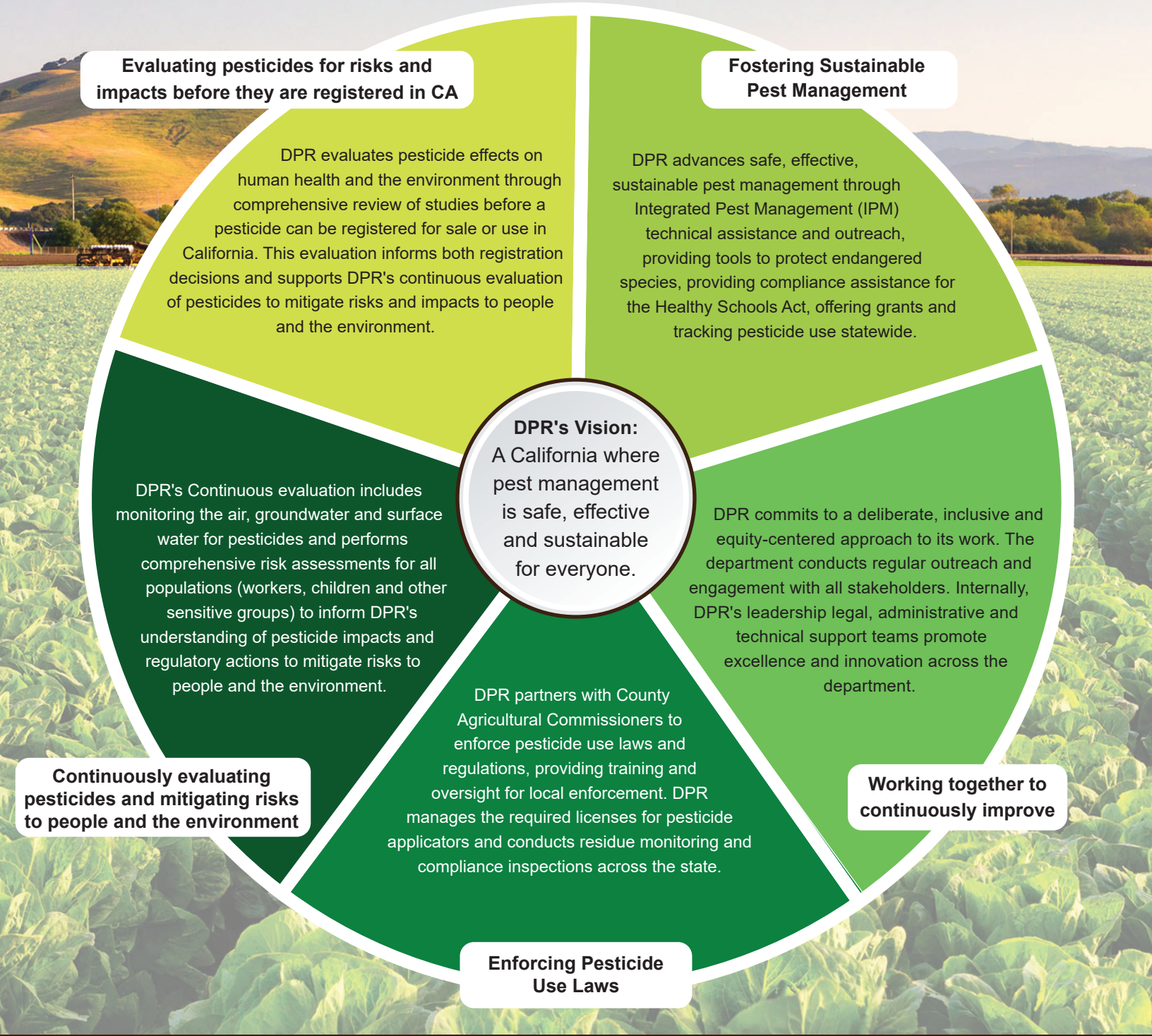
CEC requests two new positions to work on the ongoing legislative reports; expanding models and data collection to the entire state; develop and maintain a reliability dashboard; and collaborate with other state departments and entities. As such, the two departments are requesting ongoing funding to implement SB 846; ensure safe operation of DCPP and proper decommissioning at the end of the extension period; address cost recovery associated with the extended operations; and resolve proceedings more expeditiously.

Staff Recommendation. Hold open.

What We Do At DPR

The California Department of Pesticide Regulation (DPR) protects public health and the environment by fostering sustainable pest management and regulating pesticides.

Pest management plays an integral role in the stability of California's healthy food supply, supports growers and agricultural sustainability, and protects the health of our urban and rural communities and our environment.



Sustainable pest management is a holistic, whole-system approach to managing pests that builds on the concept of IPM with broader consideration of human health and social equity, environmental protections, and economic vitality.

For more information about the California Department of Pesticide Regulation, visit the website at https://www.cdpr.ca.gov/dprabout.htm.

dpr Department of Pesticide Regulation

Senate Budget and Fiscal Review—Scott Wiener, Chair
SUBCOMMITTEE NO. 2 **Agenda**

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

Thursday, March 20, 2025
9:30 a.m. or Upon Adjournment of Session
1021 O Street - Room 2200

Consultant: Joanne Roy

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PUBLIC COMMENT ONLY

0555 CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY (CALEPA)

Issue 1: California Environmental Reporting System Project (Governor's Budget (GB))

Governor's Proposal. The Governor's budget requests $6.6 million in spending authority from the Unified Program Account in 2025-26 to implement a technology refresh project on the California Environmental Reporting System (CERS) known as CERS NextGen. CERS Nextgen is an ongoing information technology project. This request includes continued funding for five permanent positions approved in the 2022 Budget Act. The project is intended to update the technical platform, improve data quality and the processes supporting data quality, and modernize a critical public-facing system that enables more than 160,000 businesses and 104 local regulators to meet their legal reporting obligations.

Background. CalEPA oversees the statewide implementation of the Unified Hazardous Waste and Hazardous Materials Regulatory Management Program (Unified Program), which has the purpose of protecting Californians from hazardous waste and hazardous materials by ensuring local regulatory agencies consistently apply statewide standards when they issue permits, conduct inspections, and engage in enforcement activities. The Unified Program is a consolidation of multiple environmental and emergency programs. The Unified Program applies regulatory standards to over 160,000 business facilities in California. CERS is a web-based application critical to the Unified Program. CalEPA built CERS in 2011 in response to legislation, AB 2286 (Feuer), Chapter 571, Statutes of 2008; and is required to collect and report regulatory data from local government regulators known as Unified Program Agencies (UPAs).

Businesses regulated by UPAs under the Unified Program use CERS to submit data. In addition, some businesses use CERS data to qualify for grant funding and maintain insurance. In 2020, the CERS application received over 500,000 regulatory submissions. The CERS application has interfaces with over 60 government systems. CUPAs use CERS heavily in their compliance, monitoring, and enforcement activities for environmental programs. Annually, CUPA data systems complete over 1 million electronic data transfers with CERS.

Staff Recommendation. Hold open.

Issue 2: ServiceNow Governance and Stabilization (GB)

Governor's Proposal. The Governor's budget requests $662,000 in 2025-26 and ongoing from various special fund sources, and three permanent full-time positions to stabilize the Agency-wide implementation of ServiceNow and to oversee continuous governance and maintenance of the system. These positions are intended to ensure that the system maintenance and updates are applied in a timely fashion, security features are properly applied, system enhancements and modifications adhere to CalEPA's standards, and that system changes are coordinated and communicated Agency-wide to ensure business essential functions are not impacted. CalEPA is asking for the following three positions to address these issues:

- *One Information Technology Specialist (ITS) III position.* The specialist is intended to act as the

Product Owner for CalEPA's SNOW. The product owner will be responsible for creating the overall roadmap to guide and prioritize enhancements efforts on SNOW. This is intended to ensure that BDO strategic objectives are met, and efforts are coordinated to minimize duplicate efforts and reduce miscommunication. The Product Owner will also be responsible for developing and ensuring the governance process for SNOW is followed so decision-making processes are completed in a timely fashion and all stakeholders are provided with an opportunity to provide input.

- *One ITS III position to act as the Platform Architect*. The architect will be responsible for creating the technical standards for SNOW and ensuring sustainability of proposed system design (by reducing complexity, increasing efficiency, and improving maintainability). The architect will provide technical review and act as the technical consultant to the BDO SNOW developers.

- *One ITS II position to act as the SNOW System Administrator & Developer*. The System Administrator will coordinate maintenance activities across all CalEPA SNOW environments to maintain the stability and usability of the platform. This includes support for incident management, participating in the change management process, coordinating deployments, system backups and participating in annual security testing. For these positions to be effective, they need to be centralized under OOS. The work can't be absorbed by current OOS resources. CalEPA's BDOs are supportive of centralizing these positions and have agreed to fund these positions to allow them to continue to be responsive to their customer's needs.

CalEPA lacks trained resources for the complex management of a shared environment, architectural design, and development work. The lack of dedicated resources to manage CalEPA's SNOW environment has led to issues, including: deficient product management and governance; unclear architectural standards, operations & maintenance rules, and procedures; and, reliance on contracted services.

Staff Recommendation. Hold open.

3900 CALIFORNIA AIR RESOURCES BOARD (CARB)
3940 STATE WATER RESOURCES CONTROL BOARD (SWRCB)
3960 DEPARTMENT OF TOXIC SUBSTANCES CONTROL (DTSC)
3970 DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY (CALRECYCLE)

Issue 3: CalEPA Bond and Technical Adjustments (GB)

Governor's Proposal. The Governor's budget includes additional requests for various bond appropriations, reappropriations, and reversions; technical adjustments; reappropriations; and baseline adjustments to continue implementation of previously authorized programs.

Staff Recommendation. Hold open.

3900 CALIFORNIA AIR RESOURCES BOARD (CARB)
3930 DEPARTMENT OF PESTICIDE REGULATION (DPR)
3940 STATE WATER RESOURCES CONTROL BOARD (SWRCB)
3970 CALIFORNIA RESOURCES RECYCLING AND RECOVERY (CALRECYCLE)
3980 OFFICE OF ENVIRONMENTAL HEALTH HAZARD ASSESSMENT

Issue 4: CalEPA Chaptered Legislation Proposals (GB)

Governor's Proposal. The Governor's budget includes various requests for resources from the General Fund and special funds to implement statutory requirements associated with legislation chaptered in 2024. The resources requested by the departments to implement the bills included in this proposal were cited during the 2024 legislative process, including in the Senate and Assembly Appropriations Committees prior to their enrollment. The Department of Finance has evaluated these requests and concurs with the level of resources requested to implement new statutory requirements.

The following figure provides a breakdown of enacted bills and proposed funding and positions. *Please note that the request for SB 1280 (Laird) implementation is listed as Discussion Issue #11.*

(Continue onto next page)

BU	Department	Issue Title, Chapter (Bill)	Fund Source(s)	2025-26	2026-27	2027-28	2028-29	2029-2030	Total Ongoing Positions
3900	State Air Resources Board	Analysis of Industrial Sources of Emissions - Chapter 595 (SB 941)	3237 Cost of Implementation Account	$120	$0	$0	$0	$0	0.0
3930	Department of Pesticide Regulation	Pesticides - Anticoagulant Rodenticides - Chapter 571 (AB 2552)	0106 Department of Pesticide Regulation Fund	$258	$193	$193	$193	$193	1.0
3930	Department of Pesticide Regulation	Pesticide Use Near Schoolsites - Chapter 552 (AB 1864)	0001 General Fund 0106 Department of Pesticide Regulation Fund	$690	$200	$200	$200	$200	1.0
3940	State Water Resources Control Board	Technical, Managerial, and Financial Standards - Chapter 507 (SB 1188)	0306 Safe Drinking Water Account 3324 Safe and Affordable Drinking Water Fund	$925	$675	$675	$900	$900	4.0
3940	State Water Resources Control Board	Drinking Water Outreach for Domestic Well Owners and Tenants - Chapter 506 (AB 2454)	0001 General Fund	$225	$225	$225	$225	$225	1.0
3970	Department of Resources Recycling and Recovery	Solid Waste Reduction and Recycling - Chapter 421 (AB 2902)	3228 Greenhouse Gas Reduction Fund	$345	$345	$345	$345	$345	2.0
3970	Department of Resources Recycling and Recovery	Organic Waste Reduction - Chapter 452 (SB 1046)	3228 Greenhouse Gas Reduction Fund	$500	$0	$0	$0	$0	0.0
3970	Department of Resources Recycling and Recovery	Propane Cylinder Waste Management - Chapter 466 (SB 1280)	0387 Integrated Waste Management Account	$474	$174	$174	$174	$174	1.0
3970	Department of Resources Recycling and Recovery	Organic Waste Reduction Regulations - Chapter 712 (AB 2346)	3228 Greenhouse Gas Reduction Fund	$315	$315	$315	$315	$315	2.0
3970	Department of Resources Recycling and Recovery	Beverage Container Recycling - Chapter 983 (SB 551)	0133 Beverage Container Recycling Fund	$141	$141	$141	$141	$141	1.0
3980	Office of Environmental Health Hazard Assessment	Studying the health effects of microplastics in drinking and bottled water - Chapter 881 (SB 1147)	0001 General Fund	$453	$253	$253	$253	$253	1.0

Source: Department of Finance

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The following are summaries of the enacted legislation related to this budget change proposal:

CARB: SB 941 (Skinner), Chapter 595, Statutes of 2024: Scoping Plan: Analysis of industrial sources of emissions. This bill requires CARB, in the next update to its climate change scoping plan, to include a discussion about the availability of zero-emission alternatives to industrial sources of greenhouse gas emissions.

DPR: AB 2552 (Friedman), Chapter 571, Statutes of 2024: Pesticides – Anticoagulant Rodenticides. This bill expands the existing prohibition on the use of anticoagulant rodenticides to include the use of the first-generation anticoagulant rodenticides (FGARS) chlorophacinone and warfarin, and imposes civil penalties on the unlawful use of FGARS and second-generation anticoagulant rodenticides, as specified.

DPR: AB 1864 (Connolly and Addis), Chapter 552, Statutes of 2024: Pesticide use near school sites. This bill requires a notice of intent to be submitted before a person applies a restricted use pesticide within one-quarter of a mile of a school site using an application method that is restricted under DPR Pesticide Use Near Schools regulations.

SWRCB: SB 1188 (Laird), Chapter 507, Statutes of 2024: Drinking water: Technical, managerial, and financial (TMF) standards. This bill requires SWRCB to develop and adopt minimum TMF capacity standards for specified water systems and requires those water systems to comply with the TMF standards.

SWRCB: AB 2454 (Lee), Chapter 506, Statutes of 2024: Drinking water: Rental property: Domestic well testing: Outreach for domestic well owners and tenants. This bill requires an owner of a domestic well that serves a rental property located within the boundaries of a free water testing program, to participate in the program and perform specified actions, including providing test results to tenants, and, if the test results demonstrate a violation of any primary drinking water standard, ensuring tenants have access to an adequate supply of safe drinking water.

CalRecycle: AB 2902 (Wood), Chapter 506, Statutes of 2024: Solid waste reduction and recycling. This bill makes changes to the organic waste policy established under SB 1383 (Lara), Chapter 395, Statutes of 2016, including waiving rural jurisdictions from collection and procurement requirements until January 1, 2037, and exempting bear bins from the collection bin lid color requirements, and making them eligible for CalRecycle grants, among other changes.

CalRecycle: SB 1046 (Laird), Chapter 452, Statutes of 2024: Organic waste reduction. This bill requires CalRecycle to develop a Programmatic Environmental Impact Report for use in review of small- and medium-sized compost facilities under the California Environmental Quality Act.

CalRecycle: SB 1280 (Laird), Chapter 466, Statutes of 2024: Propane cylinder: Reusable or refillable: waste management. This bill prohibits the sale of propane cylinders that are not reusable or refillable on and after January 1, 2028. (**This issue is included as Discussion Issue #11)*

CalRecycle: AB 2346 (Lee), Chapter 712, Statutes of 2024: Organic waste reduction regulations: Procurement of recovered organic waste products. This bill makes numerous changes to recovered organic procurement requirements established through SB 1383 (Lara), including authorizing local jurisdictions to invest in various activities related to organic materials in lieu of proctoring recovered organics, expanding the types of products eligible for procurement credit, and making various other

changes to the calculations used to establish procurement credits and targets.

CalRecycle: SB 551 (Portantino), Chapter 983, Statutes of 2024: Beverage Container Recycling. This bill allows beverage manufacturers to demonstrate compliance with the state's recycled content requirements for beverage containers by submitting a consolidated report to CalRecycle, as specified.

OEHHA: SB 1147 (Portantinto), Chapter 881, Statutes of 2024: Drinking Water: Studying the health effects of microplastics in drinking and bottled water. This bill requires OEHHA to study the health effects of microplastics in drinking water and bottled water, and authorizes SWRCB, after OEHHA's study is complete, to request that OEHHA develop a public health goal for microplastics in drinking water.

Staff Recommendation. Hold open.

3960 DEPARTMENT OF TOXIC SUBSTANCES CONTROL (DTSC)
4265 CALIFORNIA DEPARTMENT OF PUBLIC HEALTH (CDPH)

Issue 5: Biomonitoring California Funding Realignment (GB)

Governor's Proposal. The Governor's budget requests to shift $425,000 General Fund from CDPH to DTSC in 2025-26 and ongoing. This fund shift is in lieu of continuing an Interagency Agreement (IAA) that supports laboratory services provided by DTSC per the legislative mandate of SB 1379 (Perata), Chapter 599, Statutes of 2006. The General Fund transfer to the Toxic Substances Control Account (TSCA) will fund two permanent positions in 2025-26 and ongoing to support DTSC's statutory obligations for implementation of the California Biomonitoring program. This request has no net cost to the General Fund or any other fund.

This realignment is intended to allow all departments collaborating on biomonitoring to readily access funds at the start of each fiscal year; and eliminate the administrative need to create interagency agreements (IAAs) between CDPH and DTSC, further increasing efficiencies between departments.

AB 164 Ting, Chapter 84, Statutes of 2021, allocated an additional $2 million General Fund to Biomonitoring California and nine positions. With these additional funds, CDPH established an interagency agreement (IAA) with DTSC for $425,000 annually to provide laboratory testing services required by Biomonitoring California to assess chemical exposures in the state.

Regular renewal of the IAA and processing fund transfers has created administrative delays in DTSC's implementation of Biomonitoring California deliverables, and prevents DTSC from hiring permanent positions for this work due to the funding renewal cycles of the IAA.

Approval of this technical budget request is intended to stabilize permanent funding for DTSC's role in Biomonitoring California to measure many previously unknown and undetected chemicals in biological samples. Coupled with CalEPA's CalEnviroScreen (a tool to identify pollution burden in disadvantaged communities), biomonitoring helps protect Californians and reduces their exposure to toxic chemicals.

Staff Recommendation. Hold open.

3970 CALIFORNIA RESOURCES RECYCLING AND RECOVERY (CALRECYCLE)

Issue 6: Reusable Grocery Bag Program (SB 270) Fund Shift (GB)

Governor's Proposal. The Governor's budget requests a fund shift of $256,000 in 2025-26 and ongoing from the Integrated Waste Management Account (IWMA) to the Reusable Grocery Bag Fund (RGBF) to fund an existing Environmental Scientist and Accounting Office to implement SB 270 (Padilla), Chapter 850, Statutes of 2014. Additionally, CalRecycle requests authority to use RGBF funds collected in the amount of $256,000 collected to date to cover its staffing costs with the SB 270 program requirements. This shift in funding and authority is meant to ensure that fees collected from reusable grocery bag producers are used as intended to fund the implementation of the Reusable Grocery Bag Program, thereby reducing the expenditures currently incurred by the IWMA. The fund shift and requested appropriation will be a net zero cost.

Background. SB 270 (Padilla), Chapter 850, Statutes of 2014, prohibits the distribution of single-use plastic carryout bags at most grocery stores, convenience stores, liquor stores, and pharmacies. Instead, stores may make recycled paper bags or reusable grocery bags available to customers and must charge no less than $0.10 per bag. Reusable grocery bags must be certified by a third-party certification entity to be included on the List of Certified Reusable Grocery Bags and Producers. Additionally, SB 270 mandated CalRecycle to develop an administrative certification fee schedule that would generate sufficient revenue to cover its program implementation costs and to establish the RGBF to collect fees from reusable grocery bag producers. As of July 2019, reusable grocery bag producers must submit proof of certification documentation to CalRecycle and pay an administrative certification fee to the RGBF biennially to be included on the list.

Staff Recommendation. Hold open.

DISCUSSION

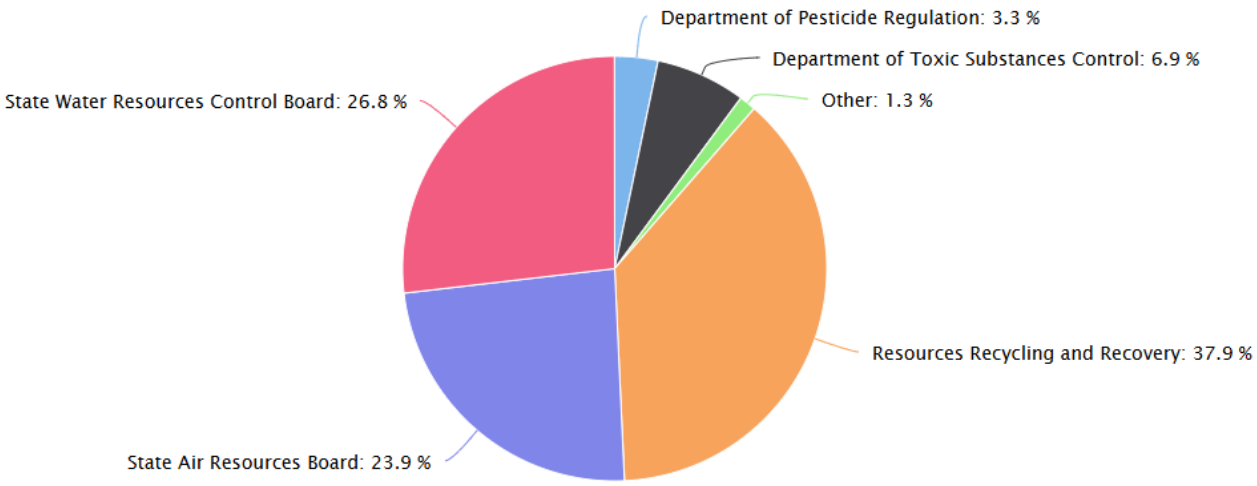
0555 CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY (CALEPA)

Issue 7: CalEPA Overview

CalEPA's mission is to restore, protect, and enhance the environment, to ensure public health, environmental quality, and economic vitality. The agency fulfills its mission by developing, implementing, and enforcing environmental laws that regulate air, water and soil quality, pesticide use, and waste recycling and reduction. The Office of the Secretary heads CalEPA, oversees and coordinates the activities of the following:

- ***California Air Resources Board (CARB)***. CARB works to reduce air pollution and diesel exhaust to improve air quality and addresses climate change with integrated programs to reduce greenhouse gas emissions.
- ***Department of Pesticide Control (DPR).*** DPR protects people and the environment by fostering sustainable pest management and regulating pesticides.
- ***Department of Resources Recycling and Recovery (CalRecycle)***. CalRecycle helps the state reduce, recycle, and reuse waste.
- ***Department of Toxic Substances Control (DTSC).*** DTSC cleans up hazardous waste sites to put them back into productive use and reduce blight and contamination to the neighborhoods and surrounding environments.
- ***Office of Environmental Health Hazard Assessment (OEHHA)***. OEHHA serves as the scientific foundation for CalEPA's environmental regulations and provides information to consumers, policy makers, and manufacturers on the safety of chemicals in the environment.
- ***State Water Resources Control Board (SWRCB)***. SWRCB ensures that the quality of drinking water and water ways is safe and balances its use to meet the needs of all users.

The pie chart below represents $4.8 billion of expenditures within CalEPA. These amounts do not include federal funds, certain on-governmental cost funds, or reimbursements.



Source: Department of Finance

The following table reflects positions and expenditures for each department in CalEPA. State funds reflect total General Fund, special funds, and selected bond funds. Total funds include state funds, federal funds, other non-governmental cost funds, and reimbursements.

Code	Departments	Positions	Total State Funds*	Total All Funds*
0555	Environmental Protection, Secy	118.0	$28,938	$44,171
3900	State Air Resources Board	2,120.4	$1,156,887	$1,185,402
3930	Department of Pesticide Regulation	553.7	$159,499	$162,495
3940	State Water Resources Control Board	2,852.8	$1,299,531	$1,944,628
3960	Department of Toxic Substances Control	1,444.2	$331,927	$387,887
3970	Resources Recycling and Recovery	1,066.9	$1,833,440	$1,836,844
3980	Environmental Health Hazard Assessment	161.4	$31,726	$36,702
3996	General Obligation Bonds-Environmental	-	$948	$948
Totals, Positions and Expenditures		**8,317.4**	**$4,842,896**	**$5,599,077**

*Source: Department of Finance. * Dollars in thousands.*

The Secretary for Environmental Protection is the cabinet-level agency responsible for protecting the environment. The Secretary coordinates the state's environmental regulatory programs and oversees the fair and consistent enforcement of environmental law, which safeguards the state's residents and promotes the state's economic vitality. The Secretary also centralizes coordination of California-Mexico border environmental efforts. Below is the Governor's budget three-year plan for expenditures and positions for the Secretary of CalEPA.

3-YEAR EXPENDITURES AND POSITIONS †

		Positions			Expenditures		
		2023-24	2024-25	2025-26	2023-24*	2024-25*	2025-26*
0340	Support	90.3	110.0	118.0	$44,616	$51,514	$44,171
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		**90.3**	**110.0**	**118.0**	**$44,616**	**$51,514**	**$44,171**

† Savings resulting from SEC. 4.05 and/or SEC. 4.12 of the 2024 Budget Act are currently being recorded as an unallocated statewide set-aside. As a result, this department's budgetary displays may reflect overstated expenditures and may also potentially reflect negative fund balances in particular programs and funds.

*Source: Department of Finance. *Dollars in thousands.*

The Secretary administers environmental justice, environmental law enforcement, emergency preparedness and response, Certified Unified Program Agencies, and scientific review programs. The Secretary leads GHG reduction and climate change activities in state government and is responsible for coordinating the implementation of AB 32 (Núñez and Pavley), Chapter 488, Statues of 2006.

Operations and Vacancy Reductions. The Budget Act of 2024 included two control sections — Control Section 4.05 and Control Section 4.12 —aimed at improving government efficiencies across state government. Control Section (CS) 4.05 authorizes the Department of Finance (DOF) to reduce state operations expenditures up to 7.95 percent in 2024-25 and ongoing, and requires DOF to notify the Joint Legislative Budget Committee how the reduction in state operation expenditures was achieved. CS 4.12 authorizes DOF to adjust items of appropriation to achieve savings associated with vacant positions in 2024-25 and propose the elimination of vacant positions to achieve ongoing savings beginning in 2025-26.

DOF provided a letter pursuant to CS 4.05 and 4.12 on January 10, 2025. This letter provided a summary of statewide reductions, including CalEPA and its boards, departments, and offices (BDOs). DOF has provided the following table showing the reductions at CalEPA and its BDOs (not including the California Air Resources Board):

Various CalEPA Department Reductions

	2025 Baseline Budget[2]			(CS 4.05)[3]			4.12)[4]				Net Reductions			
Department/Entity	General Fund	Special Funds	Total	General Fund	Special Funds	Total	General Fund	Special Funds	Total	Positions	General Fund	Special Funds	Total	% Baseline
Environmental Protection, Secretary	$3,767	$17,422	$21,189	-$299	-$1,321	-$1,620	-$374	-$1,218	-$1,592	-10.0	-$673	-$2,539	-$3,212	-15.2%
Department of Pesticide Regulation	$0	$121,170	$121,170	$0	-$3,000	-$3,000	$0	-$3,295	-$3,295	-19.0	$0	-$6,295	-$6,295	-5.2%
State Water Resources Control Board	$77,302	$572,746	$650,048	-$6,019	-$27,831	-$33,850	-$5,773	-$12,492	-$18,265	-100.0	-$11,792	-$40,323	-$52,115	-8.0%
Department of Toxic Substances Control	$30,452	$251,697	$282,149	-$1,343	-$17,264	-$18,607	-$809	-$14,430	-$15,239	-111.1	-$2,152	-$31,694	-$33,846	-12.0%
Resources Recycling and Recovery	$7,023	$271,455	$278,478	$0	-$15,001	-$15,001	-$770	-$10,938	-$11,708	-98.8	-$770	-$25,939	-$26,709	-9.6%
Environmental Health Hazard Assessment	$12,146	$18,856	$31,002	-$866	-$1,499	-$2,365	-$1,002	-$1,196	-$2,198	-13.0	-$1,868	-$2,695	-$4,563	-14.7%

Source: Department of Finance

The Administration has provided very limited information regarding the operations and vacancy reductions and has said that it will provide more details in April 2025.

3930 DEPARTMENT OF PESTICIDE REGULATION (DPR)

Issue 8: DPR Overview

DPR protects public health and the environment by regulating pesticide sales and use and fostering reduced-risk pest management. DPR ensure compliance with pesticide laws and regulations through its oversight of County Agricultural Commissioners, who enforce pesticide laws and regulations at the local level. The following figure is the Governor's proposed three-year plan for expenditures and positions:

3-YEAR EXPENDITURES AND POSITIONS †

		Positions			Expenditures		
		2023-24	2024-25	2025-26	2023-24*	2024-25*	2025-26*
3540	Pesticide Programs	447.8	499.7	553.7	$139,113	$156,910	$162,495
9900100	Administration	-	-	-	-	-	-
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		**447.8**	**499.7**	**553.7**	**$139,113**	**$156,910**	**$162,495**

† Savings resulting from SEC. 4.05 and/or SEC. 4.12 of the 2024 Budget Act are currently being recorded as an unallocated statewide set-aside. As a result, this department's budgetary displays may reflect overstated expenditures and may also potentially reflect negative fund balances in particular programs and funds. Fiscal year 2023-24 budget display reflects the best available information for use in decision-making for this department and/or these fund(s). Additional review and reconciliation of 2023-24 ending fund balances will occur in the spring to evaluate if a budget adjustment is required.

*Source: Department of Finance. *Dollars in thousands.*

Programs. Pesticide Programs protect residents and the environment from adverse pesticide impacts with particular emphasis on the protection of children, vulnerable populations, and communities. Specific activities include:

- Evaluating whether to register pesticide products for sale or use in California.
- Assessing human health and environmental (air, water quality, and wildlife) risks from pesticides.
- Examining, licensing, and certifying individuals and businesses that recommend, perform, or supervise pest control.
- Collecting pesticide use data and evaluating use trends.
- Monitoring pesticide residues in fresh produce, air, and water as well as occupational settings.
- Protecting surface and groundwater from pesticide movement through evaluation, prevention, and mitigation.
- Protecting non-target wildlife from pesticide risks.
- Reevaluating and mitigating human health and environmental hazards from pesticides.
- Overseeing local enforcement of pesticide laws and regulations by County Agricultural Commissioners.
- Ensuring pesticide products sold in the marketplace are registered and meet state health, environmental, and safety standards; and sellers comply with mill assessment responsibilities.
- Promoting the development and adoption of reduced risk pest management practices through outreach, incentives, and grants.

DPR released its 2024-2028 Strategic Plan in December 2024. This plan outlines its mission, vision, and goals, including:

- Increasing access to safe, effective, sustainable pest management.

- Tracking, evaluating, and enforcing safe pesticide use.
- Fostering engagement, collaboration, and transparency.
- Promoting organizational excellence and innovation.

The plan was supported with funding in the 2024-25 budget. The plan builds on the department's work and progress in recent years including: mitigation actions that address human health and environmental impacts associated with chloropyrifos, 1,3-dichloropropene (1,3-D), neonicotinoids, and rodenticides; oversight of the state's pesticide use enforcement program; release of the Sustainable Pest Management (SPM) Roadmap and the expansion of grant funding to accelerate the availability and adoption of integrated pest management solutions; the development of a statewide pesticide application notification system; the expansion of multilingual pesticide safety outreach and language access support; and expanded engagement with all interested parties.

DPR released the final SPM Roadmap in January 2023. The SPM Roadmap aims to transition the state to SPM by 2050, focusing on safer, sustainable pest control practices and replacing high-risk pesticides with alternatives.

Mill Assessment. The mill assessment program is a self-assessment system. Each quarter, DPR sends reporting forms to pesticide registrants, licensed pest control dealers, and licensed pesticide brokers for these entities to report their sales. Completed forms are due to DPR within 30 days of the end of the quarter.

AB 2113 (Garcia), Chapter 60, Statutes of 2024, increases the mill assessment on the sale of registered pesticides, over a four-year period, capping at 30 mills ($0.03 per dollar sales), to pay for programs within DPR related to the regulation of pesticide sales and use. Currently, the mill assessment is 24.5 mills or 2.1 cents per dollar sales.

The mill assessment generates approximately 80 percent of revenue of the DPR Fund. The DPR Fund supports pesticide registration, worker health and safety, medical toxicology, information systems, pesticide product quality, license and test certification, enforcement, and pesticide management and analysis.

3970 DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY (CALRECYCLE)

Issue 9: CalRecycle Overview

CalRecycle regulates the reduction, reuse, and recycling of resources to protect the state's environment, climate, and public health. CalRecycle works towards these goals through implementing programs, providing funding, and partnering with stakeholders to recycle materials throughout the state. CalRecycle also collaborates with federal, state, and local agencies in delivering debris removal assistance and operations in the event of natural disasters, such as wildfires. The following figure is the Governor's proposed three-year plan for expenditures and positions:

3-YEAR EXPENDITURES AND POSITIONS †

		Positions			Expenditures		
		2023-24	2024-25	2025-26	2023-24*	2024-25*	2025-26*
3700	Waste Reduction and Management	562.9	573.9	601.9	$512,806	$387,939	$246,957
3705	Loan Repayments	-	-	-	-9,922	-11,158	-11,158
3710	Education and Environment Initiative	9.6	9.6	9.6	2,236	3,163	3,264
3715	Beverage Container Recycling and Litter Reduction	328.6	344.8	330.8	1,454,962	1,963,121	1,597,781
9900100	Administration	124.6	124.6	124.6	21,591	21,432	21,494
9900200	Administration - Distributed	-	-	-	-21,591	-21,432	-21,494
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		**1,025.7**	**1,052.9**	**1,066.9**	**$1,960,082**	**$2,343,065**	**$1,836,844**

† Savings resulting from SEC. 4.05 and/or SEC. 4.12 of the 2024 Budget Act are currently being recorded as an unallocated statewide set-aside. As a result, this department's budgetary displays may reflect overstated expenditures and may also potentially reflect negative fund balances in particular programs and funds.

*Source: Department of Finance. *Dollars in thousands.*

Programs. ***Waste Reduction and Management.*** The objectives of the Waste Reduction and Management Program include:

- Overseeing that all nonhazardous solid waste is stored, collected, processed, and disposed in a safe and environmentally sound manner.
- Participating in the development and maintenance of local solid waste management plans that describe how each city and county will reduce solid waste disposal to achieve at minimum a 50 percent diversion of waste from landfills.
- Developing programs and policies to support the state goal that no less than 75 percent of solid waste generated be source reduced, recycled, or composted by the year 2020 and after.
- Reducing organic waste disposal 75 percent by 2025 to support the state's climate goals and rescue at least 20 percent of currently disposed surplus food by 2025.
- Cleaning up solid waste disposal sites when the responsible party either cannot be identified or is unable or unwilling to pay for timely remediation, and where cleanup is needed to protect public health and safety, or the environment.
- Developing and promoting waste reduction strategies through reuse, upcycling, and source reduction.
- Promoting the use of recycled materials in California manufacturing.

- Reducing the amount of improperly disposed used oil and promoting used oil recycling.
- Reducing electronic waste by providing safe and convenient collection and recycling of specified electronic equipment.
- Responding to local recovery needs following natural disasters by coordinating debris removal operations in collaboration with federal, state, and local agency partners.

Education, Environmental Justice, and Tribal Relations. In cooperation with the State Department of Education and the State Board of Education, CalRecycle's Office of Education, Environmental Justice, and Tribal Relations develops and implements a strategy for educating pupils, faculty, and administrators on the importance of integrating environmental concepts and principles for elementary and secondary schools.

Beverage Container Recycling and Litter Reduction. CalRecycle administers the Beverage Container Recycling and Litter Reduction program (also known as the Bottle Bill program) with a goal of achieving an 80 percent recycling rate for glass, aluminum, and plastic beverage containers in the state. To achieve this goals, the Division of Recycling oversees the following: (1) that the California Redemption Value (CRV) is paid beverage distributors for each beverage sold in California; (2) that consumers are refunded CRV for recycling beverage containers; (3) that recycling centers are conveniently located; (4) that grants are made to encourage recycling and development of markets for recycled materials; (5) that strong oversight and enforcement programs are in place to protect the integrity of the Beverage Container Recycling Fund; and (6) that public outreach and private partnerships are promoted.

Plastic Pollution Prevention and Packaging Producer Responsibility Act (SB 54 (Allen), Chapter 75, Statutes of 2022). SB 54 established the Plastic Pollution Prevention and Packaging Producer Responsibility Act, which covers certain single-use packaging and plastic single-use food service ware. The act requires producers, through a producer responsibility organization (PRO) to: (1) source reduce plastic covered material; (2) ensure covered material sold, offered for sale, distributed, or imported in or into the state after January 1, 2032, is recyclable or compostable; and, (3) ensure that plastic covered material offered for sale, distributed, or imported in or into the state meets specified recycling rates. Circular Action Alliance has been approved to serve as the PRO.

Among other things, SB 54 deadlines for 2025 include adoption of SB 54 regulations and CalRecycle's first biennial progress report to the Legislature. The deadline for CalRecycle to submit the proposed SB 54 regulations to the Office of Administrative Law (OAL) for review and finalization was Friday, March 7, 2025.

As noted in the Los Angeles Times article entitled, "Newsom stymies implementation of landmark California plastic law, orders more talks," (Suzanne Rush, March 7, 2025), on the last day to submit to OAL, the Governor's Office stated that the Governor "'is redirecting CalRecycle to restart these regulations to ensure California's bold recycling law can achieve its goal of cutting plastic pollution and is implemented fairly.'" CalRecycle and stakeholders (including regulators, lawmakers, environmentalists and industry groups) worked together and negotiated for two years to write the proposed regulations that were supposed to be submitted.

Issue 10: Responsible Textile Recovery Act of 2024 – Implementation of SB 707 (GB)

Governor's Proposal. The Governor's budget requests 27 permanent ongoing positions to be phased in over two fiscal years (18 positions in 2025-26 and nine positions in 2027-28) with a total ongoing cost of $4.55 million to implement the Responsible Textile Recovery Act of 2024 (Textiles Act) (SB 707 (Newman), Chapter 864, Statutes of 2024). CalRecycle needs to hire a new team of staff and supervisors to meet its statutory obligations, complete rulemaking, and conduct tasks necessary to implement and enforce the Textiles Act. These positions will also support CalRecycle's outreach to interested parties to enable public comment and participation in rulemaking workshops and regulation development.

In addition, CalRecycle requests budget bill language to authorize a loan (equally split between the Beverage Container Recycling Fund (BCRF) and Electronic Waste Recovery and Recycling Account (EWWRA) to cover implementation costs until CalRecycle gets reimbursed by the Producer Responsibility Organization (PRO).

Although the Textiles Act allows CalRecycle to approve only one initial PRO by March 1, 2026, the department may approve additional PROs after January 1, 2035, to develop and implement stewardship plans for textiles management. This proposal assumes that CalRecycle oversees one approved PRO with one stewardship plan. If additional PROs are approved after January 1, 2035, CalRecycle may need additional resources at that time.

The Textiles Act requires CalRecycle to promulgate regulations; perform research, review, and make determinations on which entities are a "producer," and which products are "covered products" under the law; receive annual notifications from online marketplaces regarding third-party sellers with over one million dollars in sales of covered products; conduct outreach to potentially regulated entities; receive lists of brands of covered products from producers or the PRO; post lists of compliant producers; review and approve PRO applications; guide the development of needs assessments prepared by the PRO; review plans for compliance with statute and regulations; review annual reports to verify compliance; establish, review, and adjust performance standards; conduct audits of the PRO and individual producers; prepare technical and scientific analyses; conduct compliance inspections of regulated entities throughout the state and take appropriate enforcement actions; provide administrative support; and invoice the PRO for CalRecycle costs. The level and number of staff requested is based on CalRecycle's experience in implementing other EPR programs such as carpet, architectural paint, mattresses, pharmaceutical drugs and home generated sharps waste stewardship.

Background. ***The Textiles Act.*** The Textiles Act is the first textile and apparel extended producer responsibility law in the country. The regulated community will include hundreds of producers that sell, offer for sale, or distribute apparel or textile articles in California. Given the complexity and variety of the covered products in the program, CalRecycle will need to develop an understanding of the industry to review PRO applications, determine which PRO can most effectively implement the law, and guide the development of the statewide needs assessment in consultation with the PRO. Oversight of the textile and apparel EPR program will be complex due to the quantity and diversity of producers and products that will require a significant level of review and analysis.

Textiles and Apparel. Textiles and apparel are a significant portion of California's waste stream, are expensive and difficult to manage, and are a growing environmental issue. CalRecycle's 2021 Waste Characterization Study estimates textiles comprised over three percent of the municipal solid waste stream in California in 2021, totaling about 1.2 million metric tons. Textile waste, such as clothing, was the eighth most prevalent material type disposed of by single-family residences costing Californians tens

of millions of dollars in disposal costs.

In the United States, 13 percent of textile waste is recycled, while the remaining 87 percent of discarded clothing and textiles are landfilled or incinerated. Most recycled textile material is "downcycled" into composite fiber materials, such as thermal insulation or carpet. Typically, recycled textile fiber cannot be turned back into clothing because most clothes are made of a blend of materials, such as cotton and polyester. When discarded clothing is shredded using mechanical recycling processes, short, low-quality fibers are produced, which are not suitable for use in new clothing.

Despite historically low textile recycling rates, 95 percent of discarded textiles are reusable or recyclable, meaning they are in a condition suitable for reuse or still have tags identifying the materials used. Tags are important for recycling since it is critical to know the textile material type to select the proper recycling processes for that material. Once textile waste is comingled in the municipal solid waste stream, it cannot be reused or recycled.

When garments are donated or sold for resale or reuse, only 10 to 15 percent are directly resold in the stores where they are deposited. Second-hand markets cannot handle all the waste. Of the remaining material, 30 percent is cut down to rags, 20 percent is converted into recycled fibers for use such as carpet padding, insulation, and pillow stuffing, 5 percent is landfilled in California, and 45 percent is sent overseas for further processing.

Extended Producer Responsibility (EPR). EPR programs place a shared responsibility for end-of-life product management on producers, and other entities involved in the product chain, instead of the public, while encouraging product design changes that minimize negative impacts on human health and the environment at every stage of the product's lifecycle. EPR places primary responsibility on the producer or brand owner, who makes design and marketing decisions. EPR also creates a setting for markets to emerge that reflects the environmental impacts of a product, and to which producers and consumers respond.

The Textiles Act contains similar programmatic elements as other EPR programs CalRecycle currently oversees, such as requiring PROs to submit stewardship plans and budgets to CalRecycle that describe how they will comply with the statutory and regulatory requirements and report their progress through the submission of annual reports. The Textiles Act requires that producers cover the cost of the program, including CalRecycle's costs for oversight and enforcement of the law.

Staff Recommendation. Hold open.

Issue 11: SB 1280 (Laird): Propane Cylinder: Reusable or Refillable: Waste Management

Governor's Proposal. The Governor's budget requests $474,000 Integrated Waste Management Account in 2025-26 and $174,000 in 2026-27 and ongoing; and one position ongoing.

SB 1280 (Laird), Chapter 466, Statutes of 2024: Propane cylinder: Reusable or refillable: waste management. This bill prohibits the sale of propane cylinders that are not reusable or refillable on and after January 1, 2028.

The budget request is consistent with the legislative fiscal analysis for SB 1280, which stated that the department will have costs, likely in the hundreds of thousands of dollars, to adopt regulations to implement this bill.

The legislative fiscal impact analysis further notes that SB 1280 creates significant cost pressure for CalRecycle to enforce the prohibition (special fund or General Fund), and for the Attorney General to engage in enforcement activities and respond to lawsuits challenging or seeking clarification of this bill (General Fund).

Background. Disposal propane cylinders are single-use, generally one-pound, cylinders typically used in camping stoves, portable heaters, lanterns, portable shower, portable grills, boat engines, scooters, lawn care equipment, insect foggers, and welding equipment. An estimated 40-60 million disposable one-pound propane cylinders are sold in the United States each year. As the state accounts for roughly 10 percent of the population, it is estimated that more than 4 million disposable one-pound propane cylinders are sold in the state annually.

Small, disposable propane tanks pose safety and economic negative impacts for materials recovery facilities, landfills, and parks, causing fires and explosions when tanks leak or are punctured. "Empty," single-use cylinders often contain small amounts of gas, posing a danger to sanitation workers due to risk of explosion and fires. Because of the high hazard level, this waste stream is costly to manage and dispose of properly.

3960 DEPARTMENT OF TOXIC SUBSTANCES CONTROL (DTSC)

Issue 12: DTSC Overview

The mission of DTSC is to protect people and the environments from harmful effects of toxic substances by restoring contaminated resources, enforcing hazardous waste laws, reducing hazardous waste generation, and encouraging the manufacture of chemically-safer products. The Governor's budget includes a 3-year expenditures and positions plan for DTSC, as follows:

3-YEAR EXPENDITURES AND POSITIONS †

		Positions			Expenditures		
		2023-24	2024-25	2025-26	2023-24*	2024-25*	2025-26*
3620	Site Mitigation and Restoration Program	498.6	512.6	512.6	$164,498	$323,107	$215,048
3625	Hazardous Waste Management	533.0	548.0	548.0	98,414	125,499	125,236
3626	Hazardous Waste Facilities	23.5	23.5	23.5	3,198	7,137	7,149
3630	Safer Consumer Products	113.8	113.8	115.8	20,668	29,523	30,029
3635	State Certified Unified Program Agency	10.8	10.8	10.8	2,252	2,427	2,431
3645	Exide Technologies Facility Contamination Cleanup	-	-	-	130,954	200,836	4,348
3650	Board of Environmental Safety	15.0	15.0	15.0	1,824	3,638	3,646
9900100	Administration	232.5	218.5	218.5	63,224	54,976	55,102
9900200	Administration - Distributed	-	-	-	-63,224	-54,976	-55,102
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		**1,427.2**	**1,442.2**	**1,444.2**	**$421,808**	**$692,167**	**$387,887**

† Savings resulting from SEC. 4.05 and/or SEC. 4.12 of the 2024 Budget Act are currently being recorded as an unallocated statewide set-aside. As a result, this department's budgetary displays may reflect overstated expenditures and may also potentially reflect negative fund balances in particular programs and funds.

*Source: Department of Finance. *Dollars in thousands.*

DTSC Programs. ***Site Mitigation and Restoration Program.*** The Site Mitigation and Restoration program implements the state's laws regarding site cleanup and the federal Superfund program. The program currently oversees approximately 1,290 hazardous substance release site investigations and cleanups, and monitors long-term operations and maintenance activities at more than 249 sites where the cleanup process is complete. Additionally, the program is responsible for ensuring compliance with the terms of approximately 1,061 land-use restrictions in place of properties throughout the state.

New sites are identified through surveillance and enforcement efforts, emergency response activities, examination of other previously identified potential sites, and public and private entities that voluntarily request DTSC take action to return local properties to productive use. These sites and projects including cleaning up federal and state Superfund properties, abandoned mines, other abandoned and underutilized properties known as "brownfields," and both active and closed military installations. The program is also responsible for the Stringfellow Hazardous Waste Site, a federal Superfund site and former hazardous waste disposal site.

The program works with the Governor's Office of Emergency Services and other state agencies to assure response readiness for acts of terrorism involving the use of toxic chemicals. Additionally, the program mitigates off-highway hazardous waste spills and responds to hazardous waste contamination resulting from illegal drug laboratories.

Hazardous Waste Management. The Hazardous Waste Management program regulates the generation, storage, transportation, treatment, and disposal of hazardous waste to minimize risks to public health and the environment. The program oversees permitting and compliance at 100 authorized facilities that manage hazardous waste, approximately 800 registered businesses that transport hazardous waste, approximately 5,000 federally regulated generators, over 70,000 state-regulated generators, and approximately 300 facilities that are subject to corrective actions. Additionally, the program manages approximately $2.5 billion in financial assurance resources and supports and oversees 81 local agencies implementing the hazardous waste program elements of the Unified Program.

The program monitors hazardous waste transfer, storage, treatment, and disposal facilities for illegal activity, including electronic manifest surveillance and monitoring registered hazardous waste transporters; enforcement of hazardous waste requirement violations found through routine inspections; complaint intake, triage, and infestations; and other focused enforcement initiatives. The program also enforces compliance with hazardous waste requirements related to electronic waste and used oil.

Hazardous Waste Facilities. The Hazardous Waste Facilities program oversees the hazardous waste permitted facilities that are permitting for storage, treatment, and disposal of hazardous waste to minimize risks to public health and the environment. The program oversees the maintenance activities and compliance at 100 authorized facilities that manage hazardous waste and approximately 300 facilities that are subject to corrective actions. Additionally, the program manages approximately $2.5 billion in financial assurance resources.

The program monitors permitted hazardous waste storage, treatment and disposal facilities for illegal activity, including electronic manifest surveillance, enforcement of hazardous waste requirement violations found through routine inspections; complaint intake, triage, and investigations; and other focused enforcement initiatives.

Safer Consumer Products (SCP). The SCP program compels manufacturers to reduce human and environmental exposure to toxic chemicals that are used in consumer products. The SCP program calls for industry to develop safer consumer products by identifying safer alternatives that eliminate or reduce the use of hazardous chemicals which may harm people or the environment. The SCP also collects information on the presence of toxic chemicals in products in order to identify Priority Products for possible regulation; provides support and guidance to Priority Product manufacturers for the analysis of safer alternatives, and issues regulatory responses to proposed alternatives. The program encourages the adoption of "green chemistry" practices.

State As Certified Unified Program Agency (CUPA). CalEPA designated DTSC as the CUPA in Trinity and Imperial Counties. As the CUPA, DTSC is responsible for implementing the six elements of the Unified Program: hazardous waste generator and onsite treatment activities; spill-prevention control and countermeasure plans for owners of above ground petroleum storage tanks; the underground storage tank program; hazardous material release response plans and inventories; the California Accidental Release Prevention Program; and certain Uniform Fire Code requirements pertaining to hazardous material management plans and inventories.

Exide Technologies Facility Contamination Cleanup Program. This cleanup program oversees removal and remedial actions in the communities surrounding the former Exide Technologies facility in the City of Vernon, as well as closure and corrective action at the facility itself. Under the program, DTSC is responsible for testing the soil for lead contamination in properties, including residences, schools, daycare centers, and parks within a 1.7-mile radius of the facility. The program will clean up

contaminated soil at those properties with the highest levels of lead in soil and greatest potential for exposure.

Board of Environmental Safety. The Board of Environmental Safety is a five-member board that sets fees through regulations, hears hazardous waste permit appeals, and provides strategic guidance to the department. The board also has an Ombudsperson who serves as a resource to the public and the regulated community.

Administration. DTSC's Administration program provides accounting, budgeting, revenue collection, human resource and workforce management, regional administration and business services, contracts and procurement, and information management, and business services. The program also provides legal counsel, communication, environmental chemistry support, and environmental equity services.

Hazardous Waste Control Account (HWCA).

Legislative Analyst's Office (LAO) Background: *HWCA Funds Support the Regulation of Hazardous Waste.* According to the LAO, HWCA primarily supports activities that DTSC conducts related to regulating the generation, storage, transportation, and disposal of hazardous waste through permitting, compliance monitoring, and enforcement of noncompliance.

HWCA Restructured as Part of a Larger DTSC Reform Package. Budget trailer legislation adopted as part of the 2021-22 budget package (SB 158 (Committee on Budget and Fiscal Review), Chapter 73, Statutes of 2021), restructured and increased the charges that support DTSC's two major fund sources: HWCA and the Toxic Substances Control Account (TSCA). The resulting revenues were intended to (1) solve longstanding structural deficits in HWCA and TSCA, (2) support a new Board of Environmental Safety (BES), (3) support programmatic expansions that would better enable DTSC to protect people and the environment from toxic substances, and (4) build sufficient reserves in both accounts.

For HWCA specifically, SB 158 replaced several prior fees with a new generation and handling (G&H) fee and also increased existing facility fees. While the legislation was enacted as part of the 2021-22 budget package, the state did not begin to receive additional revenues until 2022-23 due to the timing of how charges for both accounts are collected.

Board of Environmental Safety. SB 158 also established the BES within the department. Besides hearing permit appeals for hazardous waste facilities and providing strategic guidance to the department, beginning in 2023-24 the five-member board is responsible for setting charge levels for HWCA and TSCA. Specifically, the board is responsible for setting charges annually to align revenues from both accounts with the amount of expenditures authorized by the Legislature through the annual budget act.

HWCA Revenues Primarily Come From Two Major Regulatory Fees. Funding for HWCA primarily comes from the G&H fee and facility fees:

- *G&H fee* is charged on a per-ton basis to all entities that generate five or more tons of hazardous waste in a calendar year;

- *Facility fees* are annual charges levied on permitted facilities that treat, store, or dispose of hazardous waste.

SB 158 set rates for both fees for 2022-23, but authorized BES to adjust rates each year starting in 2023-24.

The 2024-25 budget provided DTSC the authority to take regulatory actions related to the exemption review process and related penalties.

HWCA Update. According to DTSC:

Last year, the department went through an emergency rulemaking process for regulations that included specifying generator reporting and record keeping requirements, clarifying certain fee exemptions, establishing an exemption review process, and adopting a penalty framework for failure to comply with reporting requirements. These regulations should have some impact on the 2024-25 fee returns — for example, generators will be provided greater clarity on the application of exemptions. It is likely that the full impact on revenues will be achieved in outyears.

The California Department of Tax and Fee Administration (CDTFA) completed the required programming to implement the escalated penalty rates established in SB 156 (Committee on Budget and Fiscal Review), Chapter 72, Statues of 2024. CDTFA issued a special notice to fee payers informing generators that escalating penalties will be assessed for any late-filed generation and handling fee return, payment, or prepayment. DTSC that anticipates the new penalty rates will have a positive effect on compliance, though the magnitude of this impact is unknown.

HWCA's budget galley indicates that revenues are projected to grow from $66.3 million in 2023-24 to $84.5 million in 2024-25. The $84.5 million revenues forecasted for 2024-25 are a combination of multiple fees, including Facility Fees, Activity Fee-for-Service, and the G&H fee, of which $7.9 million is due to fee rate increases. The remaining $59 million in revenue includes a $9 million increase in revenues compared to prior years due to increased fee compliance such as clarified exemptions and fee payer outreach. Overall, DTSC is seeing a substantial increase in fee revenues collected to date compared to last year, roughly $11 million more.

Issue 13: National Priorities List (NPL) and State Orphan Sites (GB)

Governor's Proposal. The Governor's budget requests a transfer of $36.6 million from TSCA to the Site Remediation Account (SRA) and $36.6 million expenditure authority from SRA in 2025-26 to fund the state's NPL obligations and state orphan sites with Priorities 1A, 1B, 2, and 3, and statewide service contracts. The following provides high-level definitions of each priority:

- ***Priority 1A.*** Immediate and acute conditions requiring a "time critical" response.
- ***Priority 1B.*** Ongoing operations and maintenance (O&M) of a state or federally funded site remediation treatment system necessary to prevent exposure to human or environmental receptors. Priority 1B includes state-match NPL.
- ***Priority 2.*** Actual human exposure or natural resource impacts under current conditions.
- ***Priority 3.*** Potential exposure under current conditions; and could allow the contamination to spread, impacting additional people and resources and increasing future costs.

DTSC assigns the highest priority to those sites with federally mandated costs, those that have immediate acute health threats, and those that have existing systems that require ongoing contracted costs to operate and maintain the remedy.

Background. ***NPL Sites.*** In 1980, the federal government created the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), commonly referred to as the "Superfund" law, to address cleanup needs at the nation's most heavily contaminated toxic waste sites. CERCLA provides broad response authority for the United States Environmental Protection Agency (USEPA) to protect people and the environment from the risks posed by releases of hazardous substances, pollutants, and contaminants. Under CERCLA, the Superfund program identifies, investigates, and cleans up America's most contaminated hazardous waste sites, known as National Priorities List (NPL) sites.

NPL sites are highly contaminated and pose substantial threats to public health and the environment. They are often in densely populated urban areas with a legacy of earlier industrial use. The remediation of these sites are intended to return blighted land to beneficial and productive use.

There are 1,340 sites nationwide on the NPL, of which 96 active sites are located in California. The USEPA adds approximately one site in California each year to the NPL. Currently, responsible parties fund cleanup costs for 74 of the active California NPL sites. DTSC oversees the cleanup of one site located on tribal lands but has no financial obligations to fund the cleanup costs or O&M expenses.

The remaining 22 active listed sites are considered fund-lead NPL sites, which means the USEPA has determined that there are no viable responsible parties to fund the cleanup, and, therefore, the USEPA is partially funding the cleanup with federal Superfund funding. The listing of an NPL site that uses federal funds to pay for the cleanup is a regulatory action that obligates the state to pay 10 percent of the cost of constructing the cleanup remedy, and 100 percent of the cost of O&M the remedy after it is built.

Once a site remedy becomes operational and functional, the USEPA and the state enter into a Site Transfer Agreement to affect an orderly transfer of O&M activities and funding responsibilities. "Operational and functional" is either one year after remedy construction is complete, or when it is determined, concurrently by the USEPA and the state, to be functioning properly and is performing as designed, whichever occurs first. Remedies considered "restoration" are designed to return surface water or groundwater to beneficial uses and are operated by the USEPA for 10 years prior to transitioning to state O&M.

Each year, the USEPA provides DTSC with its best estimate of the state's upcoming funding obligations for NPL sites. The listing of new sites, coupled with the transition of older sites from construction to O&M, increases the state's funding obligations.

In November 2021, the federal Bipartisan Infrastructure Law (BIL) was passed, which, among other things, allocated a one-time $5.4 billion for cleaning up longstanding pollution at Superfund and brownfields sites. The funding included:

- $3.5 billion for Superfund site clean-up work; and,
- $1.5 billion to scale-up community-led brownfields revitalization.

Additionally, the BIL reinstated the Superfund chemical excise taxes with a focus on chemicals and hazardous imported substances and will have higher rates for a newly expanded group of taxable substances. It is expected to generate $14.5 billion over 10 years or $1.5 billion annually to fund work under CERCLA.

The one-time $3.5 billion BIL funding can only be used for "shovel ready" projects and currently three of the 22 fund-lead sites in California have been prioritized by USEPA Region 9 to receive BIL funds. The accelerated progress on NPL sites will result in: (1) cost savings for remediation for the state, and (2) the state's receipt of additional sites in long-term O&M sooner than originally anticipated.

State Orphan Sites. In 1981, California enacted the Carpenter-Presley-Tanner Hazardous Substances Act (State Superfund Act), which, among other things, established a program to provide response authority for releases of hazardous substances, including spills and hazardous substances illegally disposed that pose a threat to public health or the environment at nonfederal sites. The State Superfund Act requires any response action taken or approved to meet certain requirements regarding specified state and federal regulations and to include the preparation of a health or ecological risk assessment. A risk assessment must include data evaluation, exposure assessment, toxicity assessment, risk characterization and any health risk assessment. The State Superfund Act also requires the exposure assessment of any risk assessment prepared in conjunction with a response action to meet specified requirements, including the development of reasonable maximum estimates of exposure for both current land use conditions and reasonably foreseeable future land use conditions at the site.

State orphan site cleanup includes the investigation and cleanup of properties where no responsible party has been identified who has the means to pay for the needed response actions. There are estimated to be between 150,000 to over 200,000 contaminated sites in California. Of these, DTSC has identified approximately 9,800 contaminated sites statewide that may impact or threaten groundwater designated for crops or drinking water. These sites may also expose adults and children to toxic metals or vapors where they live, work, study, and play. DTSC uses Site Remediation Account (SRA) funds to investigate these releases and issue enforcement orders where responsible parties can be identified. Sites without viable responsible parties depend on the state to bear the cleanup costs.

Site Remediation Account (SRA). SRA funds are to be used for direct remediation of sites contaminated or suspected of contamination by hazardous materials. Allowed expenditures include payments to contractors for investigations, characterizations, removal, remediation, or long-term operation and maintenance of sites contaminated or suspected of contamination by hazardous materials. Funds may also be used to provide interim supplies of bottled water and the construction, operation, and maintenance of protective systems, such as indoor air treatment systems, systems to treat contaminated groundwater used for drinking water, removal of soil contamination by excavation or by soil vapor

extraction systems, alternative drinking water supplies such as providing activated carbon on supply wells, consolidating and capping wastes, and imposing land use controls. The SRA can only be used for contracted costs and cannot be used for DTSC staff costs.

The major revenue source of SRA is transfers of funds from TSCA. Money in SRA is only available upon appropriation by the Legislature.

Funding History. Prior to 2016, funding for the SRA was based on a formula which adjusted the 1998 baseline annually by the Consumer Price Index (CPI), providing approximately $10 million annually. This formula could not keep pace with project needs and projected costs.

In 2016, AB 2891 (Committee on Environmental Safety and Toxic Materials), Chapter 704, Statutes of 2016, amended Health and Safety Code Section 25173.7 to state the intent of the Legislature to annually appropriate sufficient SRA funds to pay for the estimated costs for direct site remediation at both federal Superfund sites and state orphan sites. AB 2891 also established a base of not less than $10.8 million, with annual CPI adjustments to the SRA for direct site remediation costs. For 2025-26, the estimated SRA base amount is $14.9 million based on the 2024 CPI adjusted base. Since the passage of AB 2891, DTSC annually requests funding for estimated direct site remediation costs for investigation and cleanup work on NPL and state orphan sites at sites where the contamination is already known to be above safe standards.

In 2021, SB 158 (Committee on Budget and Fiscal Review), Chapter 73, Statute of 2021, included DTSC governance and fee reform and provided a one-time $500 million General Fund appropriation to fund a site discovery and enforcement program and pay for needed investigations over a six-year period. To expedite cleanup activities at orphan sites, DTSC committed to use $40 million of the funds appropriated in SB 158 at selected orphan sites that were previously funded by SRA. The sites were selected for SB 158 funding based on location (i.e., in vulnerable communities) and proximity to potential receptors, with the intent to accelerate cleanup on sites with known contamination that otherwise would not be cleaned up due to limited orphan funding. As a result of this appropriation, there was a decrease in estimated SRA costs at these selected state orphan sites due to funding shift from the SRA to SB 158. The SB 158 funds do not fund remedy O&M at orphan sites selected for accelerated cleanup.

In 2024, the Budget Act included a transfer of $20.5 million from TSCA to SRA; and $20.5 million expenditure authority from SRA in 2024-25 to fund the state's NPL obligations and state orphan sites.

Also in 2024, because there was a shift of some Cleanup in Vulnerable Communities Initiative (CVCI) costs to the Greenhouse Gas Reduction Fund, additional SRA funding will be needed to support orphan site projects. In addition, the SB 158-funded discovery and enforcement program is expected to discover new contaminated sites, some of which may become orphan sites. These orphan sites will be referred to SRA funding for additional site investigation and cleanup. As a result, the total estimated SRA costs for orphan sites likely will increase to address these newly identified sites.

Staff Recommendation. Hold open.

Senate Budget and Fiscal Review—Scott Wiener, Chair
SUBCOMMITTEE NO. 2 **Agenda**

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

Thursday, April 3, 2025
9:30 a.m. or Upon Adjournment of Session
1021 O Street - Room 2200

Consultants: Eunice Roh and Joanne Roy

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PUBLIC COMMENT ONLY

3560 STATE LANDS COMMISSION (SLC)

Issue 1: Bolsa Chica Lowlands Restoration Project (Governor's Budget (GB))

Governor's Proposal. The Governor's budget requests $4.08 million in 2025-26, $4.05 million in 2026-27 and $4.35 million in 2027-28 from the General Fund for continued operations and management responsibilities for the Bolsa Chica Lowlands Restoration Project (BCLRP) in Orange County.

This request also includes $330,000 in 2025-26 to hire a consultant to initiate a feasibility study for the implementation of Sea Level Rise (SLR) adaptations to protect the habitat, wildlife, oil operations and surrounding neighborhood from flooding, and associated liability to the state. Bolsa Chica sits below mean sea level due to oil drilling subsidence and will be impacted by SLR earlier than other coastal areas.

This request includes maintenance and operations, such as annual dredging, support contracts, and deferred repairs. The cost of annual dredging required to sustain the wetland habitat has increased significantly in the last three years, contributing to the overall increase in maintenance and operational costs.

The BCLRP does not have a stable funding source, and the original endowment funding is nearly depleted. The restoration effort is at risk of collapsing if additional funding is not provided for ongoing operations and maintenance and SLR adaptive planning. If that happens, the state's liability may be extensive.

An inability to maintain the system would likely result in the eventual failure and loss of critical habitat and a valuable public resource, a significant loss to the state's goal of preserving our coastal wetlands, as well as an investment of over $165 million. It could also have significant impacts to the state in the form of financial liabilities caused by the failure of the project.

Background. Over 90 percent of Southern California's original coastal wetlands have been lost to development. The BCLRP is the largest coastal wetland restoration project in the history of Southern California. Since its establishment in 2006, over $165 million has been invested in the project. The continued function and success of the BCLRP is of significance to the state because it preserves coastal wetlands and endangered species habitat and provides public access to sovereign public trust lands. With 20 access points and two adjacent parking lots, as many as 400 people visit the wetlands on any given day.

The US Environmental Protection Agency recognizes the importance of creating significant wetland habitats at Bolsa Chica as critical habitat for migratory birds along the Pacific Flyway and habitat for wildlife and fish. The project also contributes a significant component to the US Army Corps of Engineers' policy of "no net loss" of wetlands.

Staff Recommendation. Hold open.

Issue 2: Rincon Decommissioning Project Implementation (GB)

Governor's Proposal. The Governor's budget requests $12.5 million General Fund in 2025-26, with an extended encumbrance period through June 30, 2028, to implement the Rincon Decommissioning Project (Project). The Project addresses the decommissioning of Rincon Island, the associated Onshore Facility and the related onshore pipeline connections, all of which supported oil and gas production from state leases offshore. The work proposed includes remediation of soil and groundwater contamination at the Onshore Facility, and soil and interstitial water contamination at the Island. Additionally, these funds are needed to address the state's liability for remediation of the adjacent Coast Ranch Parcel, recently donated to the state through a settlement, and to cover project cost contingencies and staff costs for project implementation.

An appropriation of $12.5 million is intended to resolve the funding gap between total estimated project costs of $22.5 million, and the remaining available balance in SLC's Special Deposit Fund (estimated to be $10 million at the time Phase 3 will commence).

Completion of Phase 3 decommissioning activities is intended to protect public health and safety by remediating contaminated state lands and removing hazards from state lands. The decommissioning activities proposed will also make these sites available for future leasing opportunities, including habitat preservation and conservation, consistent with the state's 30x30 Initiative.

Caretaker costs are estimated at $476,000 per year but have been under budget each year to date. Caretaker costs will continue to be expended until decommissioning is complete.

Approximately $10 million will be available in the Special Deposit Fund for decommissioning work after accounting for anticipated caretaker costs. No other funding is currently available to support clean-up and decommissioning costs.

Background. ***Rincon Island and Associated Facilities.*** Rincon Island was constructed in 1959 and, along with the Onshore Facility and the adjacent privately owned Coast Ranch Parcel, was used for oil and gas production from state lands.

SLC historically issued leases to oil production companies for this purpose. RILP was the most recent lessee of these lands, producing oil under State Oil and Gas Leases, as authorized by Public Resources Code Sections 145, 410, and 1466.

Rincon Island is an approximately 2-acre manmade island located approximately 3,000 feet offshore of Punta Gorda in Ventura County, immediately offshore of the community of Mussel Shoals. The island is comprised of sand, boulders and gravel, and is reinforced with concrete tetra-pods. The Rincon Island Causeway is a single lane, 2,732-foot-long wood and steel bridge that connects Rincon Island to shore. The causeway provides vehicle, equipment, and personnel access to the island. The Rincon Island Wharf is located at the end of the causeway on Rincon Island and is comprised of wood and steel pilings and wood decking.

The Onshore Facility consists of a 6.01-acre parcel owned by the state and located 1.3 miles east of Rincon Island, down coast from Mussel Shoals, at 5750 W. Pacific Coast Highway, Ventura. A 4.91-acre formerly-privately owned parcel known as the "Coast Ranch Parcel" is immediately adjacent to the Onshore Facility, and the oil and gas facilities and equipment needed for oil and gas production from the state oil and gas leases, including wells, storage tanks, and processing equipment, is located on both the Onshore Facility and the Coast Ranch Parcel. Wells were directionally drilled from the Onshore Facility

and Coast Ranch Parcel into submerged lands. Oil and gas pipelines previously ran along the causeway to the shore and connected to the Onshore Facility.

Staff Recommendation. Hold open.

Issue 3: Selby Slag Remediation Reappropriation (GB)

Governor's Proposal. The Governor's budget requests a reappropriation of $1.63 million General Fund and $2.65 million in reimbursement authority, with an extended encumbrance period through June 30, 2027, to accept cost-sharing contributions for the preliminary plans phase of the Remedial Action Plan (RAP) at Selby Slag. This funding was originally authorized for 2022-23 and was reappropriated in 2023-24.

This project represents the implementation of the RAP. The Department of General Services (DGS) will act as the Project and Construction Manager on SLC's behalf, pursuant to the DGS Project Management Plan. Total project costs are currently estimated at $144.48 million. The current project schedule estimates the certification of the environmental impact report by DTSC by the end of 2025, with the Preliminary Plans beginning by March 2026, and being completed by August 2027.

Background. Selby Slag is an extensively heavy metal contaminated site on 66 acres in Contra Costa County. A settlement agreement required an initial cleanup of the site, which was completed in the mid-1990s. In the early 2000s, studies showed the site's contaminants entering San Francisco Bay. DTSC directed the parties to develop a remediation plan to address this contamination. In response, the parties developed the RAP.

The state is obligated to pay a proportionate share of the hazardous remediation costs; SLC's share of the preliminary plans is 38 percent ($1.63 million). The other two parties with proportionate shares are represented as reimbursement authority, with C.S. Land, LLC contributing 20 percent ($855,000) and ASARCO (its funds are held in trust by DTSC) the remaining 42 percent ($1.8 million)). SLC will recover shared costs from DTSC and C.S. Land, LLC.

Staff Recommendation. Hold open.

3780 NATIVE AMERICAN HERITAGE COMMISSION (NAHC)

Issue 4: Department of Justice Litigation Costs (GB)

Governor's Proposal. The Governor's budget requests one-time $430,000 General Fund in 2025-26 to cover Department of Justice (DOJ) litigation costs.

The NAHC is currently involved in litigation initiated by the City of Corona regarding the NAHC's designation of a Native American cemetery on the site of construction of a wastewater reclamation facility after the discovery of Native American human remains. The NAHC anticipates a substantial increase in DOJ legal fees—estimated to be $430,000 as a result of this litigation—which cannot be absorbed within the NAHC's baseline budget.

Background. The City of Corona is bringing four causes of action and one in the alternative against the NAHC, requesting a bench trial on its main causes of action and a jury trial for the alternative. The costs of the proceedings are extensive. This litigation requires a substantial amount of document review, discovery, and court filings. The NAHC does not have the legal resources to successfully defend the litigation without the assistance of the DOJ. The ongoing litigation is anticipated to be resolved in 2025-26.

Staff Recommendation. Hold open.

3790 DEPARTMENT OF PARKS AND RECREATION (PARKS)

Issue 5: Border Field State Park (SP): Monument Mesa Day Use and Interpretive Area (GB)

Governor's Proposal. The Governor's budget requests $1 million in spending authority in 2025-26 for the working drawings phase of the Border Field SP: Monument Mesa Day Use and Interpretive Area project. This project will update the outdoor educational plaza at Monument Mesa with areas for mixed-use group events as well as provide interpretive elements and exhibits. This project will also improve walkways and landscaping. This project is intended to enhance the visitor experience by providing landscape and hardscape upgrades to Monument Mesa area and installing integrated interpretive elements and exhibits that will discuss and highlight the border story, as well as commemorate the importance of Friendship Park. Total project costs are estimated at $5 million and the project is expected to be competed in December 2028.

Background. Border Field SP is a 760-acre parcel of land situated in the extreme southwest corner of California. The park is part of a larger 2,400-acre unit called the Tijuana River National Estuarine Research Reserve (Reserve) established in 1982 and administered by the National Oceanographic and Atmospheric Administration (NOAA). The park provides restrooms, picnic areas, barbecues, horse corrals, and interpretive displays. Visitors can enjoy beach combing, hiking, horseback riding, bird watching, and learning about the historical and cultural significance of Friendship Park and the Monument Mesa area.

The Treaty of Guadalupe Hidalgo officially ended the US-Mexican War on February 2, 1848. Subsequently, in 1850, delegations from both countries began surveying the US-Mexico border from the west. The Monument Mesa Day Use area at the southwest quadrant of the park is named for the monument identifying the westernmost border marker between the United States and Mexico. Visitors can see the actual survey marker at this location.

Due to the park's location adjacent to the international border, there is a continual balancing act between the mission of the federal Department of Homeland Security and the mission of Parks. In part because of these distinct missions, the park has experienced degradation and diminishing visitation over time.

For instance, the public increasingly perceived a portion of Monument Mesa, once known as Friendship Park, as a border enforcement area rather than a public park. The construction of a Federal Border Infrastructure Project (FBIP) contributed to this perception. The FBIP resulted in a loss of state lands and damages to Border Field SP. The state and federal governments agreed on a settlement to compensate Parks for the losses.

Still, the FBIP restricts public access on Monument Mesa due to the construction of tall steel fences. The public can no longer walk up to the 19th-century historic survey monument. The fences also restrict public access to Friendship Park, which is adjacent to Monument Mesa. Although Monument Mesa is popular as a day-use picnic area, the public may no longer access the historical elements of the park. Additionally, Border Patrol needs access to the northwest corner of the Mesa to occasionally park their vehicles.

Staff Recommendation. Hold open.

Issue 6: California Indian Heritage Center (CIHC): Design and Construction (GB)

Governor's Proposal. The Governor's budget requests $9 million in 2025-26 for the CIHC project in Yolo County. The request includes $3 million General Fund for initial designs in the working drawing phase, $3 million in reimbursement authority to the State Parks and Recreation Fund (SPRF) for subsequent drawings, and $3 million General Fund for the construction of immediate public use improvements to advance the first phase of the park buildout.

This proposal includes budget bill language to make the working drawings funds available for encumbrance for two years rather than one. This project involves extensive collaboration with numerous tribal communities and stakeholders and is located on a riverfront, which will result in longer than average time requirements for design, permitting, environmental compliance and construction.

The requested appropriation is intended to allow Parks to fully develop the site, which will include up to approximately 120,000 square feet of building space, equipment and furnishings, outdoor plaza, and venues, along with interpretive/educational trail-connections to the Sacramento River.

This project is intended to address problems associated with the State Indian Museum in a facility constructed in 1940 on the grounds of Sutter's Fort State Historic Park. The California Indian Cultural Center and Task Force selected a site at the confluence of the Sacramento and American Rivers in West Sacramento for the CIHC.

Staff Recommendation. Hold open.

Issue 7: California State Parks Library Pass Program (GB)

Governor's Proposal. The Governor's budget requests a one-time transfer of $6.75 million General Fund to the SPRF for the Library Pass program in 2025-26. This proposal is intended to provide 33,000 State Library Parks Passes to more than 1,100 library branch locations throughout the state.

Staff Recommendation. Hold open.

Issue 8: Candlestick Point SRA: Phase 01 Initial Build-Out of Park (GB)

Governor's Proposal. The Governor's budget requests $2 million from the California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access for All Fund (Proposition 68) in 2025-26 for the working drawings phase of the Candlestick Point State Recreation Area (CPSRA): Initial Build-Out of Park project in San Francisco County. This continuing project is intended to allow for the design and construction of the initial build-out of the park unit to provide core improvements, public access, and recreation enhancements.

Provisional language is requested making these program funds available for encumbrance for two years, rather than one year. This project location is a place of natural resource sensitivity. This results in longer than average time requirements for design, permitting, environmental compliance, and construction.

As a portion of the funding needed to complete this project is tied to future land transfers associated with the ongoing redevelopment of the adjacent communities, working drawings and construction have been

split into two phases. This request will fund Phase 01 working drawings. Parks will not request funding for Phase 02 working drawings until sufficient funding has been received to complete the project.

Total project costs, including Phase 01 ($20 million) and Phase 02 ($30 million), are $50 million ($10 million Proposition 68, $10 million Natural Resources and Parks Preservation Fund, and $30 million from future land transfers to the State Park Contingent Fund) for the initial build-out of core improvements at this park.

Background. CPSRA is located in the southeast part of the City and County of San Francisco. Acquired in the late 1970s, the CPSRA was the first California State Park unit developed to bring state park values into the urban setting. From historic wetlands to landfill and landscaped park, CPSRA demonstrates major land use changes of the San Francisco Bay. As of now, much of the CPSRA is underutilized and in need of substantial improvement, restoration, and reconfiguration. Its location on the western shoreline of the San Francisco Bay provides a variety of recreational opportunities including windsurfing, fishing, bird watching, and walking. The trails, group picnic sites, and fishing piers at this urban park offer visitors a getaway to open space and outdoor activities.

SB 792 (Len), Chapter 203, Statutes of 2009, authorizes Parks to transfer certain lands within CPSRA to the San Francisco Redevelopment Agency (now the San Francisco Office of Community Investment and Infrastructure (OCII), the Successor Agency). In exchange for the transfer of lands between OCII, SLC, and Parks, in a series of phased closings, funding will eventually provide for operation and maintenance of the CPSRA, planning and construction of improvements, and other considerations combining to the total value of $50 million.

Of this amount, a dedicated allocation for operations and maintenance of $10 million has been set aside from previous transfers, with the remaining $40 million allocated for designing and constructing park improvements, subject to future land transfers.

To date, only a limited amount of land has been transferred to OCII. The remaining transfers are expected to occur in phases over the next nine years, with the last transfer expected to be complete by the end of 2029. Therefore, the build-out of this park, envisioned in the 2013 General Plan, has been on hold. The proposed funding would allow Parks to design and fund partial construction of the initial core improvements (Phase 01). Funds from land transfers will be utilized as they become available for remaining construction activities.

Staff Recommendation. Hold open.

Issue 9: Hollister Hills State Vehicle Recreation Area (SVRA): Entrance Kiosk (GB)

Governor's Proposal. The Governor's budget requests $182,000 Off-Highway Vehicle Trust Fund (OHVTF) in 2025-26 for the preliminary plans phase of the Hollister Hills State Vehicular Recreation Area (SVRA) Entrance Kiosk project in San Benito County. This new project includes an entrance kiosk, site work, utilities, and accessible parking. Total project costs are estimated at $1.65 million and estimated to be completed in October 2028.

Parks requests provisional language to make these program funds available for encumbrance for two years, rather than one year — This project is in a park with culturally and naturally sensitive areas, which results in longer than average time requirements for design, permitting, environmental compliance and construction.

The existing entrance kiosk is located too close to the main road and does not allow adequate space for vehicles to line up to pay the entrance fee. In peak season, vehicle lines extend into the main road, causing unsafe conditions for themselves and other motorists. The existing kiosk is not accessible and does not provide adequate space for operations.

The new Entrance Kiosk would be relocated in the park to provide adequate space for vehicles to line up to pay without causing vehicles to back up into the main road. The Entrance Kiosk would be accessible to the public and designed to accommodate operational needs.

Background. Hollister Hills SVRA is located six miles south of Hollister. The Gabilan Mountains are an hour drive from San Jose. Park elevations range from 660 feet to 2,425 feet. This area is a motorcycle, four-wheel drive, all-terrain vehicle, and dune buggy use area. For motorcyclists and all-terrain vehicle riders, the park offers 64 miles of trails in addition to motocross, vintage, training track, and mini-bike tracks.

Staff Recommendation. Hold open.

Issue 10: Off-Highway Vehicle Trust Fund (OHVTF) Local Assistance Grants (GB)

Governor's Proposal. The Governor's budget requests $29 million OHVTF in 2025-26 for local assistance grants. The OHVTF provides state funds to local and state agencies and other organizations for grants that support various off-highway motorized vehicle projects and programs.

Background. The OHV Recreation Act of 1988 provides for well-managed OHV recreation by providing financial assistance to cities, counties, districts, federal agencies, state agencies, educational institutions, federally recognized Native American Tribes, California Native American Tribes, certified community conservation corps, and nonprofit entities.

The OHV local assistance program, administered by the Off-Highway Motor Vehicle Recreation Division, supports the planning, acquisition, development, maintenance, administration, operation, enforcement, restoration, and conservation of trails, trailheads, areas, and other facilities associated with the use of off-highway motor vehicles and programs involving off-highway motor vehicle safety or education.

Staff Recommendation. Hold open.

Issue 11: R.H. Meyer Memorial State Beach (SB): Parking Lot Expansion, Facility and Site Modifications (GB)

Governor's Proposal. The Governor's budget requests $4.8 million Natural Resources and Parks Preservation Fund in 2025-26 for the construction phase of the continuing project, R.H. Meyer Memorial SB: Parking Expansion, Facility and Site Modifications project in Los Angeles County. This project includes increasing available parking to help reduce pedestrian and vehicle accidents, installing permanent vault toilets, repairing the beach trail, and reducing beach trail erosion through grading and the use of more durable yet permeable surfaces. Total project cost is $5.49 million and construction is estimated to be completed in December 2026.

The purpose of this project is to enhance public safety by providing additional parking within the park, repair the beach access trail, and reduce beach trail erosion by grading the parking lot and installing more durable but permeable surface. In addition, the project will decrease maintenance time and costs by installing permanent vault toilets with increased holding capacities.

Background. R.H. Meyer Memorial SB is located approximately 10 miles northwest of Malibu and three miles southeast of Leo Carrillo Campground on the Pacific Coast Highway (PCH) in Los Angeles County. It is comprised of three cliff-foot strands known as "pocket beaches" on which El Matator, the site of this project is located. Acquired in the 1980s, El Matador incorporates an asphalt paved entrance and road that transitions into a gravel surfaced day-use parking lot, situation at the top of the cliff just off the PCH, and contains 40 spaces for visitor parking. However, the parking lot is regularly full by 10 a.m., as visitation has significantly increased. As a result, visitors use both the east (inland) and west (coastal) sides of the four-lane PCH as overflow parking, which poses a public safety risk by exposing people to fast-moving traffic as they exit and unload their vehicles. Additionally, this lot does not provide any permanent restroom facilities. Instead, there are chemical portable toilets available for visitors, which are unsightly and have an increased potential for hazardous material spills due to necessary weekly pump-outs.

Staff Recommendation. Hold open.

Issue 12: State Parks Roads and Bridges (BCP and TBL) (GB)

Governor's Proposal. The Governor's budget requests $8.6 million SPRF ongoing and an increase of $8.6 million in ongoing annual transfers from the Highway Users Tax Account, Transportation Tax Fund (HUTA) to SPRF beginning in 2025-26. The increased transfer will increase the department's proportional share of current HUTA revenues, which have not been updated since 1993.

The proposed TBL requires the Governor's annual Budget Bill to increases the amount not to exceed from $3.4 million to $12 million to be appropriated by the Legislature from the HUTA to SPRF for state park highway purposes.

Escalating construction costs and unchanged resource levels over the last 30 years have contributed to roads and bridges within the state park system to increasingly fall into disrepair.

This proposal is intended to right-size the department's share of highway maintenance funding. This funding will be used for continued improvement and maintenance of roads and bridges within the state

park system. Additional HUTA funding will also allow Parks to work more cooperatively with the California Department of Transportation and local counties to address road and bridge concerns by leveraging state funds to pursue additional federal highway funding.

Background. Over the last three decades, the state park system has grown and now serves more than 75 million visitors each year with associated impacts to roads and related infrastructure. Parks is currently responsible for maintaining nearly 3,000 miles of roads, 152 bridges (including 56 major bridges regularly inspected by Caltrans), and more than 38 million square feet of parking surfaces. Construction costs have also increased over the last 30 years with the California Construction Cost Index roughly tripling since 1993.

Staff Recommendation. Hold open.

3860 DEPARTMENT OF WATER RESOURCES (DWR)

Issue 13: Central Valley Flood Protection Board (CVFPB): Yolo Bypass Cache Slough Partnership and Federal Comprehensive Studies (GB)

Governor's Proposal. The Governor's budget requests $324,000 Proposition 68 in 2025-26 to provide planning and communication support for currently authorized positions to support CVFPB's role in supporting the Yolo Bypass Comprehensive Study (YBCS), Yolo Bypass Master Plan and associated environmental compliance (CEQA), and the Yolo Bypass Cache Slough Partnership communication and engagement. This proposal also requests the reversion of approximately $31,000 Proposition 68 bond previously appropriated to the CVFPB in the Budget Act of 2021.

The requested funding is needed to support CVFPB staff to continue support for the YBCS Partnership, Yolo Bypass Master Plan, and the newly defined Yolo Bypass Comprehensive Study in 2024-2025. CVFPB staff participates in document development, provides support, and helps to coordinate planning initiatives essential to the flood system, the long-term stability of flood risk reduction, and multi-benefit projects.

Background. The YBCS Partnership is a coalition of 16 Partners (federal, state, and local agencies) working collaboratively to address six regional priorities: flood management, habitat restoration, water supply, water quality, agriculture, and recreation.

As a Non-Federal Sponsor of the Yolo Bypass Comprehensively Study, CVFPB plays a key role in the development of a comprehensive study of the Sacramento River in the vicinity of the Yolo Bypass System to identify actions to be undertaken by the federal government for the management of the Yolo Bypass for the purposes of flood risk management, ecosystem restoration, water supply, hydropower, and recreation.

Staff Recommendation. Hold open.

Issue 14: CVFPB: Extension of Reimbursable Authority from Sacramento Area Flood Control Agency (SAFCA) (GB)

Governor's Proposal. The Governor's budget requests to extend the reimbursable authority by the Sacramento Area Flood Control Agency (SAFCA) of $1 milion annually for two years (2025-26 and 2026-27) to support the existing permanent positions and work being completed in the 2019 Budget Act.

These positions oversee project coordination with partnering agencies including DWR, SAFCA, USACE, and local Levee Maintaining Agencies (LMA). Activities also include development and reporting of activities monthly and annually to CVFPB as required.

It is the responsibility of CVFPB to manage the State Plan of Flood Control (SPFC) as well as its regulatory authority to take enforcement action against noncompliant encroachments. Staff will continue to work on flood risk reduction projects, provide project coordination, and perform CVFPB's legislatively mandated responsibilities of permitting, enforcement, and inspection. This proposal is intended to help leverage federal funding to implement much needed flood risk reduction projects to the greater Sacramento region, thus reducing the state's potential liability from future flood related disasters.

Background. The Sacramento metropolitan area is one of the highest risk areas for flooding in the United States with an unacceptably high risk from levee failure that threatens public safety, property, and critical infrastructure. The Sacramento Levee Section positions funded by SAFCA through reimbursable authority have a primary goal of supporting the USACE flood risk reduction projects in the greater Sacramento region. Unauthorized encroachments threaten the integrity and intended function of the state's flood control system. CVFPB is the lead regulatory agency responsible for enforcement and permitting of these encroachments with the goal of protecting lives and infrastructure from catastrophic flooding.

The state has provided assurances to the federal government that it will manage, operate and maintain the SPFC in accordance with federal requirements. The state has in turn allocated routine operations and maintenance to LMAs, but at least one California appellate court has found liability on the state for an SPFC failure. (See Paterno v. State (1999) 74 Cal. App. 4th 68).

Staff Recommendation. Hold open.

Issue 15: Delta Levees Special Flood Control Projects and Delta Levees Maintenance Subventions (GB)

Governor's Proposal. The Governor's budget requests a reversion of $8.7 million Proposition 1 Local Assistance (LA) funding appropriated in 2021-22, and a new corresponding new appropriation of $8.7 million for State Operations (SO).

An $8.7 million shortfall is anticipated in 2025-26 of SO funds to administer both the Delta Levees Special Flood Control Projects and Delta Levee Maintenance Subventions Programs.

The requested funds are intended to allow continuation of the Delta Levees Special Flood Control Projects and Delta Levee Maintenance Subventions Programs in the Sacramento-San Joaquin Delta to implement and manage/administer projects for levee repairs, improvement and maintenance, and habitat mitigation and enhancement.

Background. Delta levees protect hundreds of thousands of acres of farmland, Legacy Communities, major highways and other critical infrastructure, as well as water quality and critical habitat in the Sacramento-San Joaquin Delta (Delta).

To ensure continual protection, DWR administers projects for levee repairs, improvement and maintenance, and habitat mitigation and enhancement including a mandate that requires DWR to develop and implement a program of flood control projects on specific islands and towns in the Delta. To comply with this mandate, DWR has developed the Delta Levees Special Flood Control Projects (Special Projects) Program.

This program requires DWR work with local public agencies, public beneficiaries, and the California Department of Fish and Wildlife (CDFW) to develop projects necessary to accomplish needed flood protection while achieving a net long-term habitat improvement in the Delta. DWR works closely with more than 70 local Reclamation Districts and CDFW to develop and implement both flood protection and habitat enhancement projects. Climate change, sea level rise, and other threats to the Delta's levee system and the critical state resources the levees protect underscore the need for this program. This

program's purpose is to improve water resilience and security, protect ecosystem biodiversity, expand nature-based solutions, and increase climate resilience by helping local agencies improve, operate, and maintain the Delta's levee system. This program also helps provide equitable and inclusive access for recreation within this fragile water supply/flood control region. The program reduces the risk of flooding to a portion of the population that are economically impacted/vulnerable communities in the Delta.

Levee safety standards were established to ensure the levees could protect the communities, farms, business, and infrastructure in the Delta. Based upon the most recent engineering planning studies developed by local Reclamation Districts (RDs) in the Delta, there are approximately 500 miles of levees that do not meet these standards. The RDs estimate $1.39 billion in levee/flood control improvement projects is necessary to bring Delta levees up to compliance with levee standards, While DWR continues to administer more than $750 million in grants provided to RDs over the last 20 years for levee and habitat improvements in the Delta, $1.39 billion is still needed to meet the levee maintenance need over future years.

Staff Recommendation. Hold open.

Issue 16: Water Desalination Grant Program — Planning, Monitoring, and Administration (GB)

Governor's Proposal. The Governor's budget requests a new appropriation of $1.62 million Proposition 1 for the Water Desalination Program funding consisting of approximately $540,000 annually over three years for administration of desalination grants.

This funding request is for DWR staff to continue monitoring and administration activities that include preparing grant agreement amendments, managing budget, and processing invoices to ensure claimed expenses are eligible; reviewing and approving project deliverables; conducting site visits to verify the work is being conducted as contracted and billed; reviewing and analyzing the invoices and progress reports, resolving disputes, tracking expenditure; preparing project completion reports; responding to program audits, maintaining project information in a tracking database, meeting bond reporting requirements, conducting program performance evaluation and responding to legislative and executive inquiries, conducting post-project performance monitoring; tracking and quantifying statewide desalination production to assess contribution of Proposition 1 funding to statewide supplies; and monitoring advances in desalination technologies to support implementation of funded projects.

There are more than a dozen projects funded by the Proposition 1 grants that are in various phases (planning, permitting, construction, close-out). Because of the size, complexity, and environmental sensitivity of desalination projects, planning, monitoring, and administration of these projects will last several years.

Background. The program provides grant funds as an incentive to local or regional entities to implement projects that produce state, regional, and local potable water supply or reliability benefits through the planning, design, and construction of feasible brackish and seawater desalination projects. Grant funds are also provided to advance water desalination technology research pilot projects. To date, the program has awarded over $82 million of Proposition 1 grant funds to 20 projects which included feasibility studies, research, design pilots, and construction projects to support the evaluation, development, and implementation of potable groundwater and surface water desalination projects in California. Of the 20 projects, five have been completed. The remaining 15 projects are in various stages of implementation (planning, permitting, construction, project close out). Water supplies produced from the projects funded by the grants are intended to provide communities with a new water supply source to add to their water

supply portfolio to improve their water supply reliability. It is a resilient baseline supply that enables suppliers to manage other variable supplies. The five completed projects produced about 3,100 acre-feet of fresh water per year. When completed, the remaining projects are anticipated to collectively produce about 38,000 acre-feet of fresh water per year.

Construction projects funded by the grants are located throughout the state: City of Antioch, City of Camarillo, City of Dana Point, City of Avalon, City of Torrance, City of Santa Monica, and Monterey County.

Staff Recommendation. Hold open.

Issue 17: Rehabilitation of High Hazard Potential Dams Grant Federal Trust Fund Authority (GB)

Governor's Proposal. The Governor's budget requests a total of $30 million ($10 million per year for three years) of additional federal trust fund authority to DWR, Division of Flood Management (DFM) for the Federal Emergency Management Agency's (FEMA) Federal Rehabilitation of High Hazard Potential Dams (HHPD) Grant Program.

DWR currently receives $10 million in federal trust fund authority. The increase will give DWR authority to receive and pass-through FEMA's Rehabilitation of HHPD Grant assistance through 2027-28. The purpose of FEMA's HHPD program is to provide eligible dam owners with technical, planning, design, and construction assistance for eligible rehabilitation activities that reduce dam risk and increase community preparedness.

California's grant amount for the 2024 grant cycle will be an estimated $18 million. The federal grant money is divided among the states under dual criteria, where one-third of the total allocation is divided equally between all states with eligible applications, and the remaining two-thirds is divided proportionally to states with eligible applications based on the number of eligible dams in the state to eligible dams in all states. As the HHPD Grant funds have progressively increased, the original reimbursable authority will not be sufficient beginning in 2024-25.

Additional authority is requested to support grant funding that will be allocated by FEMA to DWR, and then to the selected dam owner(s), to improve dam safety and community preparedness. DWR is the grant recipient, and the dam owners will be the subrecipients. This authority will be utilized for existing DWR staff to:

- Identify, select, and notify potential subrecipients of the availability of the program.
- Ensure that potential subrecipients are provided information on the application process,
- program eligibility, including the requirements for FEMA-approved mitigation plans that
- include all dam risks, and key deadlines.
- Determine subrecipient eligibility, including the requirement for a FEMA-approved
- mitigation plan.
- Submit revisions or amendments for FEMA review and approval.
- Conduct environmental and floodplain management reviews.
- Establish priorities for the selection of projects.
- Process requests for advances of funds and reimbursement of funds.
- Monitor and evaluate the progress and completion of the selected projects.

- Review and approve cost overruns.
- Process appeals.
- Provide technical assistance as required to subrecipient(s).
- Comply with the administrative and audit requirements affiliated with the program.

In 2019, FEMA announced a new grant to rehabilitate dams. Since then, DWR has participated and been awarded funds in the amounts of $260,483 in 2019 from an available allocation of $10 million; $267,244 in 2020 from an available allocation of $10 million; $921,442 in 2021 from an available allocation of $11.64 million; and $1.02 million in 2022 from an available allocation of $11.64 million.

In 2024, the overall funding total to all states was increased to $185 million and it is anticipated that additional funding in the amount of $11.64 million will become available later in fall 2024.

Staff Recommendation. Hold open.

Issue 18: Habitat Restoration Contracting (Trailer Bill Language (TBL)) (GB)

Governor's Proposal. The Governor's budget requests trailer bill language to provide DWR authority to contract for the efficient delivery of multi-benefit habitat and environmental outcomes. This authority is intended to enable the department to continue contracting for full delivery of multi-benefit and habitat restoration projects through Public-Private-Partnerships based on available funding. The proposed TBL is as follows:

> SEC. 2. Division 1, Chapter 2.5, Article 5 (commencing with Section 290 is added to the Water Code, to read:
> SECTION 290 HABITAT RESTORATION CONTRACTING
> 290. Habitat Restoration Contracting
> (a) Notwithstanding any other law, when undertaking a habitat restoration project, and where the department has lawfully available funds to carry out such a project, the department has authority to enter into contracts to accomplish the restoration pursuant to this Section, existing authority under Public Contract Code sections 10105 and 10106, and Government Code section 65967.
> (b) Contracts may include the physical restoration of any State or privately-owned real property, and any incidental or necessary services to accomplish that purpose. This may include, but is not limited to, acquisition or sale of real property, including to the Department, conducting environmental reviews, performance of design, securing any necessary permits, and ongoing monitoring or land management.
> (c) Solicitations issued by the department shall be subject to the following:
> (1) The department shall prepare a request for proposals in a manner consistent with existing state law and as prescribed by the department.
> (2) The request for proposals shall include all applicable terms and conditions that may apply to the restoration project.
> (3) The request for proposals shall include minimum requirements for proposals, standards for competition including the minimum number of proposals required, the processes and procedures for the scoring, evaluation of proposals, and protests.
> (d) Contracts entered into by the department shall provide compensation, including through progress payments, based upon measurable environmental outcomes and performance targets.
> (e) Contracts entered into by the department that include work meeting the definition of a "public work" pursuant to Section 1720 of the Labor Code shall be subject to Chapter 1 of Part 7 of Division 2 of the Labor Code.
> (f) In establishing the terms and conditions that apply for each project, the department shall classify the nature of the services to be provided as provided in existing state law. The department shall ensure that the contract includes terms and conditions consistent with those applicable to state contracts for each identified classification.

DWR, Department of General Services, and the Department of Finance have worked together to craft a proposal combining project delivery steps into a "full delivery" model — a simplified approach for Public-Private-Partnerships to achieve desired environmental outcomes. Essentially, one agreement initiates the planning, design and restoration work, after which the project is turned over to the state to complete.

The efficiency being sought here is specific to the need to move at a scale and scope that can match the effect of climate pressures are exerting on landscapes and the state's environmental restoration goals. The "full delivery" model is intended to allow DWR to accelerate and maximize the amount of habitat created with the funding they possess.

Background. Under historic contracting practices, DWR has utilized the Design-Bid-Build method for infrastructure projects. This method is well suited for hard infrastructure projects like dams, bridges, and buildings, where clear specifications are critical. This approach provides DWR with control over design details that must meet engineering and operational standards. However, the Administration contends that Design-Bid-Build is not as effective for multi-benefit, natural infrastructure projects like floodplain and river restoration where significant site-specific uncertainty requires substantial design adaptation in the field.

The Administration states that a delivery method that works well for natural infrastructure habitat restoration projects is one that combines project delivery steps into a "full delivery" model, allows for a single contract to encompass multiple project phases for efficient project delivery, including environmental clearances, acquisition of property rights, design, permitting, implementation, and post construction monitoring. Combining phases into one contract shifts the inherent risks that come with creating habitat to the private sector, which results in significant cost and time efficiencies in project delivery.

Staff Recommendation. Hold open.

Issue 19: FEMA Hazard Mitigation Grant Reimbursement Authority (GB)

Governor's Proposal. The Governor's budget requests a total of $8.7 million in reimbursement authority ($4 million in 2025-26, $3.35 million in 2026-27, and $1.35 million in 2027-28) for FEMA Hazard Mitigation Grant Program (HMGP) grants related to alluvial fan hazard mitigation efforts. This request also is intended to support three Division of Flood Operations existing staff. DWR needs a continuation of reimbursement authority to leverage federal funds for major disaster preparedness mitigation activities.

Reimbursement authority of $ 8.7 million is required to leverage federal funds and allow DWR to receive reimbursements for the project costs from an awarded FEMA HMGP grant through the California Office of Emergency Services (CalOES). CalOES is the recipient of the HMGP (Presidential disaster declaration, DR-4407) grant for the state. DWR is one of the subrecipients of the grant.

After the presidential disaster declaration, DR-4407 in November 2018, DWR applied and was awarded an $11.5 million FEMA Hazard Mitigation grant funded pilot project in January 2021 for alluvial fan and watershed hazard assessments monitoring and mitigation. DWR received initial reimbursement authority through the 2020 Budget Act for the HMGP, which is due to expire in 2025.

The primary goal of DWR's project is to develop a statewide alluvial fan risk early warning/emergency management system that conveys the general extent of risk areas and provides the framework for risk management, response and recovery work including post fire evacuation warnings.

Background. An alluvial fan floodplain is a landform shaped like a fan which originates at its apex at the base of canyons or mountain ranges and is characterized by complex high-velocity flood flows which

often carrying sediment and/or debris. California's alluvial fan floodplains can pose a life safety risk of 10 to 1 when compared to clear water floods in river systems.

In California, warming climate, sequences of prolonged drought and wildfire, punctuated with or followed by periods of extreme rainfall will result in increased magnitude of flash floods and debris flows threatening life and property on alluvial fans. Extreme and sub-daily rainfall pertinent to alluvial fan flooding is anticipated to intensify at an even greater rate than more moderate rainfall at daily or longer timescales.

Over the past 25 years there have been seven Presidential disaster declarations and numerous Governor's state of emergency declarations due to post-wildfire flash floods and debris flows. After a presidential disaster declaration, FEMA funds plans and projects that reduce the effects of natural disasters through their HMGP. In California these grants are administered by CalOES. The key purpose of the HMGP is to ensure that the opportunity to take critical mitigation measures to reduce the risk of loss of life and property from future disasters is not lost during the recovery and reconstruction process following a disaster.

Staff Recommendation. Hold open.

3940 STATE WATER RESOURCES CONTROL BOARD (SWRCB)

Issue 20: US Environmental Protection Agency (USEPA) Lead and Copper Rule Revisions (GB)

Governor's Proposal. The Governor's budget requests eight permanent positions from the Public Water System, Safe Drinking Water State Revolving Fund, which is continuously appropriated. Federal grant awards supporting position and contract funding will be expended from the same fund with no additional appropriation authority required, to implement a system (WaterTAP) for intake, management, analytics support, and federal reporting of lead and copper data in compliance with the revised Lead and Copper Rule Revisions (LCRR).

This proposal creates a Division of Drinking Water (DDW) unit to manage data collection, maintenance, analytics and publishing for information provided by public water systems. The eight positions are intended to assist with the implementation of the new database, as well as with ongoing maintenance and reporting needs.

This unit will also support the 14 staff from the 2023-24 Lead and Copper Rule Revision Regulation Implementation and Database BCP in both the implementation and adoption of regulations by collecting and making available related data and analytics. These staff will support the creation, implementation, and maintenance of the data, including a public facing application.

Without this unit at SWRCB, each of the 28 district offices and 26 Local Primacy Agency (LPA) Counties would need to collect, maintain, analyze, and publish data independently. This proposal is intended to maximize the use of available federal funds and save state resources by providing for the efficient intake of information, compliance determination, public transparency, and federal reporting of this complicated, expansive regulation.

SWRCB's Division of Drinking Water (DDW) will need to create an intake data system for water systems to upload required documentation and certifications, compliance forms and data in a secure portal with the ability for staff to review and query for compliance. The current Safe Drinking Water Information System (SDWIS) is not capable of meeting these needs. Due to the number and complexity of added requirements, the system will need to track submissions, deadlines, automate compliance decision support, and support new federal reporting requirements. As part of the primacy delegation, California is required to report specific information to the USEPA on a quarterly basis to ensure conformance with federal regulations and to demonstrate appropriate actions are taken. This data system is necessary to support USEPA reporting as current federally provided tools are inadequate to meet the complex needs of California's 4,368 water systems.

Background. On January 15, 2021, the USEPA published the Lead and Copper Rule Revisions (LCRR), the first major update to the Lead and Copper Rule (LCR) in nearly 30 years. USEPA's new LCRR strengthens the LCR to better protect communities and children in elementary schools and childcare facilities from the risks of lead exposure. The LCRR relies on removal of the lead material over corrosion control treatment and empowers communities through required public educational information. The LCRR requires state drinking water programs to continue the current lead and copper rule program as well as add additional program elements not associated with any current program.

Federal funding from Drinking Water State Revolving Fund grants as part of the Bipartisan Infrastructure Legislation (BIL) is available for expenditure until 2028-29 to support the positions and contracts during

the implementation phase of the project. These grants will provide approximately $2 million in annual funding over four years for the eight requested positions alongside an anticipated $45 million in contract funding over four years to fund the project.

The Center for Disease Control and Prevention (CDC) states that there is no safe level of lead in blood levels of children. Reducing lead in drinking water is a critical step to reducing children's overall lead exposure. In 1974, the USEPA established a maximum containment level goal (MCLG) for lead of zero, or no lead is safe. The Lead and Copper Rule (LCR), promulgated nearly 30 years ago, relied on corrosion control treatment to reduce the risk of lead. The new Lead and Copper Rule Revisions (LCRR) relies more on direct material inventory of lead within a water system and removal of the lead material. The LCRR also contains direct sampling of schools and childcare facilities to protect the most sensitive populations. Washington, D.C. and Flint, Michigan, were in the headlines for widespread lead poisoning within their cities. Both cities were in compliance with the existing rule for much of the last 30 years. The additions in the LCRR will protect the citizens of California from the risk of lead. While most of the existing LCR is still in effect, there are many additions to the rule that reduce the effect of lead on the population of California, especially children.

SWRCB, as the federally designated primacy agency for the drinking water program in California, is responsible for the implementation of the federal Safe Drinking Water Act (SDWA) and the California SDWA. It is mandated to establish and maintain a minimum regulatory program for all public water systems that ensures consumers are reasonably protected from waterborne diseases and chemical contamination. Under state law and the USEPA primacy delegation to SWRCB to operate a drinking water program, SWRCB is responsible for the Public Water System Supervision program in California. If the state does not adequately fulfil its mandate to protect public health in this area, including those systems delegated to the counties, the federal government may withdraw primacy from California. This could jeopardize federal funding for the drinking water program in California. Implementation of the LCRR is a portion of the delegated program requirements.

Staff Recommendation. Hold open.

DISCUSSION

3860 DEPARTMENT OF WATER RESOURCES (DWR)

Issue 21: Department Overview: DWR

DWR's responsibilities are to protect, conserve, develop, and manage the state's water supply. The department evaluates existing water resources, forecasts future water needs, and explores potential solutions to meet the state's growing needs for personal use, irrigation, industry, recreation, power generation, and fish and wildlife. DWR also works to prevent and minimize flood damage, oversee the safety of dams, and educate the public about the importance of water and its efficient use. Because DWR's programs drive a need for infrastructure investment, the department has a capital outlay program to support this need.

The figure below summarizes the Governor's 3-year expenditure and positions plan:

3-YEAR EXPENDITURES AND POSITIONS †

		Positions			Expenditures		
		2023-24	2024-25	2025-26	2023-24*	2024-25*	2025-26*
3230	Continuing Formulation of the California Water Plan	480.1	489.1	493.1	$2,075,156	$991,088	$661,585
3240	Implementation of the State Water Resources Development System	2,238.1	2,256.1	2,256.1	2,843,942	3,300,609	1,755,123
3245	Public Safety and Prevention of Damage	587.0	587.0	587.0	556,212	427,022	589,589
3250	Central Valley Flood Protection Board	54.3	54.3	54.3	23,426	24,642	23,344
3255	Services	13.7	13.7	13.7	8,651	8,673	8,675
3260	California Energy Bond Office	28.0	28.0	28.0	911,400	911,389	911,392
3265	Loan Repayment Program	-	-	-	-1,405	-1,405	-1,405
9900100	Administration	553.5	553.5	553.5	158,974	110,423	110,423
9900200	Administration - Distributed	-	-	-	-158,974	-110,423	-110,423
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		**3,954.7**	**3,981.7**	**3,985.7**	**$6,417,382**	**$5,662,018**	**$3,948,303**

† Savings resulting from SEC. 4.05 and/or SEC. 4.12 of the 2024 Budget Act are currently being recorded as an unallocated statewide set-aside. As a result, this department's budgetary displays may reflect overstated expenditures and may also potentially reflect negative fund balances in particular programs and funds. Fiscal year 2023-24 budget display reflects the best available information for use in decision-making for this department and/or these fund(s). Additional review and reconciliation of 2023-24 ending fund balances will occur in the spring to evaluate if a budget adjustment is required.

Source: Department of Finance

California Water Plan. The California Water Plan (Plan) is the state's strategic plan for the efficient use, management, and development of the state's water resources. The Plan is updated every five years and provides a framework for water managers, legislators, and the public to consider options and make decisions regarding the state's water future. The Plan evaluates current and future water conditions, challenges, and opportunities. It presents basic data and information on the state's water resources including water supply evaluations and assessments of existing and future agricultural, urban, and environmental water uses. The Plan identifies and evaluates multiple future scenarios and over 30 resource management strategies such as conservation, recycling, desalination, transfers, storage, conveyance, water quality, watershed management, ecosystem restoration, groundwater, and urban land use management to help meet future demands in light of uncertainties and unexpected catastrophic events. This program also identifies ways for the state to: (1) help local agencies and governments

prepare interacted regional water management plans on a watershed basis and diversify their regional water portfolios to ensure sustainable water uses, relatable water supplies, better water quality, environmental stewardship, efficient urban development, protection of agriculture, and supporting a strong economy, (2) help cities, counties, and local agencies prepare a Water element for their General Plans, Urban Water Management Plans and Agricultural Water Management Plans, and (3) help local agencies and tribal governments improve water and land use planning coordination.

Programs. ***State Water Project (SWP).*** The SWP is a water storage and delivery system that consists of 700 miles of conveyance (canals, pipelines, and tunnels), 34 storage facilities (reservoirs and lakes), 21 pumping plants, four pumping-generating plants, and five hydroelectric power plants. SWP provides water to over 25 million Californians and 750,000 acres of irrigated farmland. The state's water supply depends on several factors, including rainfall, snowpack, runoff, water storage facilities, and pumping capacity from the Sacramento-San Joaquin Delta (Delta). The amount of water available for distribution and operational constraints are meant to be balanced with the need to protect fish and wildlife, water quality, and environmental and legal obligations.

For the last 20 years, SWP's average water is 34 percent for agriculture and 66 percent for residential, municipal, and industrial uses. The SWP also serves to help manage the state's water supply during extremes such as flooding and drought, it also is a major source of hydroelectric power deliveries for the state's power grid.

SWP's water supplies originate in the high Sierra Nevada Mountains where snowmelt and rainfall flow through rivers and tributaries. SWP moves water from Lake Oroville towards the Delta, which serves as the hub for the state's water supply and delivery system. SWP captures and stores its share of these water supplies, which is then delivered through 700 miles of canals and pipelines for use in several parts of the state. SWP is a complex and complicated system; and it is one of the largest water and power delivery systems in the world.

DWR's Role in SWP. DWR is the owner and operator of the SWP and is responsible for and manages SWP's water supply and infrastructure — administering the financing, construction, upgrades, operation, and maintenance of the SWP. However, DWR does not fund SWP — this is the responsibility of the State Water Contractors.

State Water Contractors (SWC). While the majority of the SWP was being constructed in the 1960s, public agencies and local water districts signed long-term water supply contracts with DWR and are collectively known as the SWP long-term water contractors, or more simply, SWP water contractors. Today, 29 local public water agencies (PWAs) make up SWC, which is a non-profit association. These PWAs serve parts of the Bay Area, San Joaquin Valley, Central Coast, Southern California, Inland Empire, and Desert regions. The water supply contracts (which expire in 2035) set forth the maximum amount of SWP water that a contractor may request annually. However, the amount of SWP water available for delivery varies from year to year and is based on a number of factors, including:

- Hydrologic conditions
- Current reservoir storage
- Delivery requests from the SWP water contractor

The SWC PWAs finance the SWP's maintenance, operations, and capital improvement costs. Ultimately, the SWP is paid for by the 27 million Californians, who receive water from the SWP, via the water utility rates of their local PWA.

The Delta. As noted above, the Delta is at the center of the SWP's water distribution system. Roughly two-thirds of the state's water originates in the Sierra Nevada mountains, eventually flowing through the Delta where, consistent with water rights and applicable water quality requirements, it is delivered to various regions of the state.

The Delta is an estuary. An estuary and its surrounding wetlands are bodies of water usually found where rivers meet the sea. Estuaries are home to unique plant and animal communities that have adapted to brackish water — a mixture of fresh water draining from the land and seawater. In the Delta, many species of birds (including waterfowl and sandhill cranes) and fish (such as the Chinook salmon, Central Valley steelhead and green sturgeon) depend on the habitats in and around the 700,000-acre estuary for survival. However, the Delta has been negatively impacted by pollution, invasive species, and destruction of the area's wetlands and river habitat. In addition, water supply operations have reversed the direction of rivers flowing out of the Delta, jeopardizing several native species.

Delta Conveyance. Delta Conveyance refers to the SWP water transport infrastructure hub in the network of waterways comprising the Sacramento-San Joaquin Delta (Delta), collecting and moving water to the Bay Area and Southern California. As the owner and operator of SWP, DWR is responsible for all associated upgrades and maintenance, including the Delta Conveyance Project.

Delta Conveyance Project (DCP). The goal of DCP (formerly known as California Water Fix and the Bay Delta Conservation Plan) is to upgrade the massive water transporting system. Project proponents plan to re-plumb the SWP infrastructure by drawing river water into the system with two, new intake facilities miles upstream from its current location and transport water around the Delta to Bethany Reservoir. The reservoir is on the 444-mile California Aqueduct, which is the main artery that transports water south. DCP would allow more water to be transported south.

DCP's plan to relocate the intakes further upstream would serve the purpose of avoiding the earthquake risk of levees rupturing and allowing seawater to flood water pumps and other facilities.

DCP includes building a 45-mile, 36-foot diameter tunnel 100-130 feet beneath the West Coast's largest estuary, bypassing the ecologically sensitive Delta where regulations restrict pumping. Building the tunnel could take until at least 2044, with construction expected to start around 2029 and last about 15 years.

The estimated cost of DCP is $20 billion. Of the 29 local PWAs, 18 of them are funding the planning and design of the DCP through local sources. A question arises — because the DCP is not being funded by all of the SWC, will it in fact be an element of the SWP? Or will the DCP solely be used to the benefit of the contractors funding the DCP?

Although DWR is not responsible for funding DCP, the department assists with SWP capital project financing by issuing revenue bonds. (Investors purchase the revenue bonds, thereby providing money to the issuer of the bonds. In return, the issuer promises to repay the bondholders' principle plus a specified rate of interest over the life of the bonds using revenue from the project that was financed by the bonds.) Revenue bonds are not liabilities of the state. These bonds are solely the obligation of the SWP and are repayable from SWP revenue. For DCP, that revenue will be provided only by the participating PWAs.

The project has been the subject of intense debate for over six decades, pitting Delta locals, environmentalists, tribes, and the fishing industry against state officials, including the Governor and DWR, and SWC.

Opposition is concerned that the project may imperil the Delta ecosystem by reducing freshwater flows needed for fish, farms, and communities in the region. Some argue that the further upstream water is diverted, the lower water quality will be for downstream users. DWR contends that pumping limits will protect the river and that existing rules safeguard downstream water quality will remain in place.

Public Safety and Prevention of Damage. This program supports the California Water Action Plan by protecting life and property from damage by floods, ensures proper construction and maintenance of jurisdictional dams and levees, and provides loans for levee construction. Activities include assessing the state and regional investment needs to reduce risk, preventive floodplain management to discourage unwise use of areas subject to flooding, protection of floodplains, issuance of flood warnings, operation of flood control facilities, coordination and supervision of flood fight activities, and annual levee and flood channel maintenance and inspection in cooperation with other local, state, and federal partner agencies. This program also buys land, easements, and right-of-way for federal flood control projects and supervises the design and construction of new dams and periodic inspections and the reevaluation of all existing jurisdictional dams for proper operation and maintenance. Fiscal oversight and coordination activities associated with the Disaster Preparedness and Flood Prevention Bond Act of 2006 are administered under this program. The program also reviews federal dam projects in coordination with federal and other state agencies with regard to dam safety.

Central Valley Flood Protection Board. The Central Valley Flood Protection Board has regulatory authority over the State Plan of Flood Control (SPFC) facilities, designated floodways, and regulated streams in the Central Valley. The Board regulates encroachments on the system by issuing permits and initiating enforcement action when necessary to maintain the integrity of the levees and floodways that protect the valley's people and property. The Board manages the state's portfolio of real property held by the Sacramento-San Joaquin Drainage District. The Board serves as the non-federal sponsor to the United States Army Corps of Engineers on large joint state-federal levee improvement projects and assists the more than 100 local maintaining agencies that operate and maintain the SPFC. The Board conducts regular public meetings, workshops, and tours, providing a public forum for stakeholders.

Services. This program provides technical support within DWR and expertise in the fields of water resources planning, development, and management; watermaster services; scientific analyses performed by DWR's chemical laboratory; information technology; mapping, surveying, and engineering services for other agencies.

California Energy Bond Office. The California Energy Bond Office manages the Electrical Power Fund and DWR Charge Fund. The Electric Power Fund was created in response to the 2001 California energy crisis; for a limited period of time, the Electrical Power Fund purchased electric power on behalf of the state's investor-owned utilities and issued $11.3 billion in bonds. The final amount of the outstanding bonds were defeased in September 2020. Bond proceeds were used to repay amounts borrowed for power purchases during the 2001 energy crisis. The DWR Charge Fund was created by AB 1054 (Holden), Chapter 79, Statutes of 2019, to collect remittances from charges on invested-owned utilities ratepayers pursuant to Water Code Section 80550.

Proposition 4: **Climate Bond.** The figure below shows the Governor's budget proposal for various components of Proposition 4 to be implemented by DWR.

Purpose	Code Section	Implementing Department	Bond Total	2025-26 Proposed	
				Amount	Percent of Bond Total[a]
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
Integrated regional water management	91031	DWR	$100	$0.5	0.5%
Riverine Stewardship Program	91032(c)	DWR	50	0.1	0.2
Salton Sea Management Program	91033(a)	DWR/CNRA	160	148	93
Water data management, stream gages	91017	SWRCB/DWR	15	1	7
Groundwater management	91012(a)	DWR	$386	$10	3%
Brackish desalination, salinty 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

Source: Legislative Analyst's Office

LAO Background. ***Last Year's Budget.*** The 2024 budget package included a total of $3.2 billion from various fund sources to support DWR in 2024-25, including $416 million from the General Fund. (The total includes the roughly $1.5 billion in annual payments from water contractors for DWR's work on the State Water Project that is continuously appropriated outside of the annual budget act.) The total DWR budget is down a net $4.3 billion (57 percent) from the estimated 2023-24 expenditure level. The decrease is due primarily to the expiration of one-time funds that were available to DWR in 2023-24—including large carryovers from prior years—and is partially offset by the augmentations for flood management.

Includes $94 Million in 2024-25 for Flood Management. The budget provides DWR with additional General Fund for three flood management programs:

- ***Urban Flood Risk Reduction—$33 Million.*** Of the total, $23 million is for the state's share of cost for flood projects that are managed by the U.S. Army Corps of Engineers and are part of the State Plan of Flood Control. The other $10 million will support associated state operations costs.
- ***Central Valley Systemwide Flood Risk Reduction—$31.3 Million.*** Funding will support three multibenefit flood management projects that also are part of the State Plan of Flood Control. These projects are primarily state funded.
- ***Pajaro Flood Management Projects—$30 Million.*** This appropriation will support the state's share of cost for federally authorized flood control projects in Pajaro in Monterey County.

DWR also received an augmentation of $16.5 million from the General Fund provided through early budget action in April 2024 (and scored as a revision to the 2023-24 budget) to support flood recovery and response: $13.5 million for repairs to levees in the Sacramento-San Joaquin Delta that are on or near state-owned land and $3 million for the state's share of cost for federally supported Delta levee repairs.

Issue 22: Electricity Supply Strategic Reliability Reserve Facility Divestiture Trailer Bill Language

Governor's Proposal. The Administration proposes trailer bill language to specify restrictions on operations be applied to facilities constructed and owned by the department, not just facilities constructed by the department as currently stated in existing statute.

Background. Chapter 61, Statutes of 2022 (AB 205) directed DWR to contract for, and/or construct, temporary and emergency supply-side assets under the Electricity Supply Strategic Reliability Reserve (ESSRR) program. These temporary and emergency assets are limited in their operation to "extreme events" such as wide-spread heat events, wildfires, or any other climate-driven energy emergencies. Specifically, the existing statute states that "[f]acilities […] constructed by the department or under contract with the department […] shall only operate as necessary to respond to extreme events […] and shall not operate at any other time."

Currently, the existing statute can be interpreted to read that these facilities constructed by the department are continually limited to only operate during extreme events. However, the department proposes to amend statute to clarify this limitation only applies to facilities constructed and owned by the department.

The department reports that as the ESSRR program ends, DWR would like to have the ability to divest ownership of these assets at some point. However, if these facilities are continually limited to operate only during extreme events, the value of these assets would be significantly diminished. Therefore, this proposed trailer bill language would allow DWR to recoup more costs by maintaining the asset's value by specifying these facilities can be operated at other times—as long as it is no longer owned by the department. The proposed language would apply to three facilities with a total capacity of 143 megawatts.

Specifically, these three facilities are natural gas generators, located in Modesto, Turlock, and Lodi. According to the department, a similar model from the same company with similar emission reduction technology achieved certification from the California Air Resources Board in its distributed generation program, which certifies that the GHG emissions from the generator is low enough to be exempt from air district permit requirements.

These generators were purchased with one-time funds for emergency and temporary purposes. Long-term ownership and operation of these facilities may (1) require additional appropriation to fund the ESSRRP if the assets continue to be operated, or (2) likely will require decommissioning, storage, and security costs if the assets are not operated but cannot be sold—especially because the assets are situated on non-State leased land.

The department requests this trailer bill language to recoup some of the costs of these generators. Currently, DWR estimates to be able to recuperate up to $40.5 million in aggregate for these three generators, if the trailer bill language is approved. Any potential sale is expected to occur in 2028 at the earliest. The Modesto Irrigation District, Turlock Irrigation District, and the City of Lodi have all expressed interest in having an option to purchase these assets to bolster their own electric reliability, including but not limited to addressing extreme events.

If the proposal is not approved, the facilities would have continuing value but the State will forfeit that value resulting in decommissioning costs of over $20 million to remove the generators from their current sites, continued ownership costs associated with storing the assets or finding new locations for the assets, and funding for potential continued operation beyond 2028.

Staff Recommendation. Hold open.

3940 STATE WATER RESOURCES CONTROL BOARD (SWRCB)

Issue 23: Department Overview: SWRCB

SWRCB, along with the nine Regional Water Quality Control Boards (RWQCBs), promote proper allocation and use of the state's water resources, and preserve, enhance, and restore the quality of water resources. These objectives are achieved through the Water Quality, Water Rights, and Drinking Water programs. The following figure summarizes the Governor's 3-year expenditures and positions plan for SWRCB:

3-YEAR EXPENDITURES AND POSITIONS †

		Positions			Expenditures		
		2023-24	2024-25	2025-26	2023-24*	2024-25*	2025-26*
3560	Water Quality	1,708.8	1,985.3	1,987.3	$3,008,648	$1,673,059	$1,611,673
3565	Drinking Water Quality	420.6	435.6	447.6	236,350	238,424	244,910
3570	Water Rights	388.9	417.9	417.9	136,640	113,248	85,244
3575	Department of Justice Legal Services	-	-	-	2,801	2,801	2,801
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		**2,518.3**	**2,838.8**	**2,852.8**	**$3,384,439**	**$2,027,532**	**$1,944,628**

† Savings resulting from SEC. 4.05 and/or SEC. 4.12 of the 2024 Budget Act are currently being recorded as an unallocated statewide set-aside. As a result, this department's budgetary displays may reflect overstated expenditures and may also potentially reflect negative fund balances in particular programs and funds. Fiscal year 2023-24 budget display reflects the best available information for use in decision-making for this department and/or these fund(s). Additional review and reconciliation of 2023-24 ending fund balances will occur in the spring to evaluate if a budget adjustment is required.

Source: Department of Finance

Programs. ***Water Quality.*** This program advances the highest possible quality of water for the state. Specific activities include:

- Formulating, adopting, and updating water quality control plans and policies that set standards and provide guidance in water management decisions.

- Monitoring water quality to determine compliance with control plans, permit terms, conditions, and water standards and implementing the Total Maximum Daily Load program to address pollution in the state's most seriously impaired water bodies by developing plans that allocate responsibility for reducing pollution.

- Ensuring the waters of the state are not degraded by hazardous waste spills or tank leaks, or by spills or tank leaks from solid and hazardous waste treatment, storage, and disposal facilities.

- Requiring waste discharges, including storm water discharges, to prevent and abate water pollution and inspect dischargers to determine compliance with requirements.

- Assisting owners and operators of underground tasks in financing the cleanup of unauthorized releases from their tanks.

- Administering financial assistance programs, which include loan and grant funding for construction of municipal sewage facilities, drinking water systems, water recycling facilities, watershed protection projects, and nonpoint source pollution control projects.

Drinking Water. The Drinking Water Program works to protect and improve the health of all state residents by promoting the safety of drinking water. The program is responsible for enforcing the state and federal Safe Drinking Water Acts, adopting drinking water standards, and enforcing compliance with drinking water standards. The program also establishes criteria for water recycling projects; supports and promotes water system security; provides support for improving technical, managerial, and financial capacity of public water systems; certifies laboratories that analyze environmental samples for regulatory purposes; and maintains a registry of certified water treatment devices.

Water Rights. The Water Rights Program ensures that the state's water resources are put to beneficial use, while protecting prior rights, water quality, and the environment. Specific activities include:

- Allocating the unappropriated waters of the state to ensure water is used in accordance with state laws.

- Maintaining a record of title of appropriative water rights initiated and maintained since 1914, including those for stock ponds, livestock, and small irrigation and domestic use ponds.

- Maintaining records of water diversion and use under riparian and pre-1914 rights and groundwater extractions in four southern counties.

- Enforcing permit and license terms and conditions, abating illegal diversions, protecting public trust resources, and preventing waste or unreasonable use under all rights.

- Assisting the courts in determining existing rights to surface water throughout the state through court reference and statutory adjudication proceedings, and in determining rights to groundwater through the groundwater adjudication process.

Proposition 4: Climate Bond. The figure below shows the Governor's budget proposal for various components of Proposition 4 to be implemented by SWRCB.

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
Urban stormwater management	91023	SWRCB	110	1	1
California-Mexico rivers and coastal waters	91032(j)	SWRCB	50	9	19
Water reuse and recycling	91014	SWRCB	386	153	40
Water data management, stream gages	91017	SWRCB/DWR	15	1	7

Source: Legislative Analyst's Office

LAO Background. ***Last Year's Budget.*** The budget includes a total of $1.8 billion from various fund sources to support SWRCB in 2024-25, including $161 million from the General Fund. This represents a net decrease of $1.8 billion, or 50 percent, from the estimated 2023-24 expenditure level. The year-to-

year change is due primarily to the expiration of one-time funds including large carryovers from prior years. Some changes to SWRCB's budget include:

- ***Support to Address Impact of Recent U.S. Supreme Court Decision.*** The budget provides $6.1 million in 2024-25 and $4.8 million in 2025-26 and ongoing—all from the Waste Discharge Permit Fund—as well as 26 new permanent positions for SWRCB to handle increased workload resulting from the May 2023 *Sackett v. U.S. Environmental Protection Agency* decision. That decision reduces the number of wetlands over which the federal government has regulatory authority. Given existing state laws, SWRCB will have to assume some of those regulatory responsibilities.
- ***Leviathan Mine—$3.7 Million.*** The budget includes one-time General Fund for SWRCB to make safety improvements to a pond water treatment system at the Leviathan Mine, a federally listed Superfund site in Alpine County. Budget trailer legislation also authorizes the state to transfer ownership of the property—and the associated liability—to another entity (such as the former owner of the mine) if it is in the best interests of the state. The increase is more than offset by a reversion of $5.1 million approved last year to reline the walls of a diversion channel at the mine. (Should the state proceed with selling the property, this relining activity would be handled by the new owner.)
- ***New Groundwater Recharge Permitting Unit—$1.2 Million.*** The budget includes $1.2 million from the Water Rights Fund on an ongoing basis and five permanent positions to expedite and streamline groundwater recharge permitting.

Issue 24: Implementation of the Sustainable Groundwater Management Act (SGMA) (GB)

Governor's Proposal. The Governor's budget requests a loan of $16.4 million from the Underground Storage Tank Cleanup Fund to the Water Rights Fund to support 22 existing positions and continue critical implementation tasks in SWRCB's SGMA program. The funding is intended to mitigate fee uncertainty until sufficient fee revenue is collected. The proposed loan of $16.42 million would be enough to cover the cost of the 22 positions for up to three years.

The loan shall be repaid with future SGMA fee revenues, if feasible; alternatively, if fee funding is not legally able to be collected as anticipated, this loan shall be repaid from the General Fund.

LAO Bottom Line. *The Governor's proposal to loan* SWRCB *$16.4 million over three years from the Underground Storage Tank Cleanup Fund to support 22 existing positions in SGMA program seems reasonable and necessary given that the board is not currently collecting fee revenues from the two probationary subbasins.*

LAO Background. According to the LAO:

SGMA requires SWRCB to pay for its SGMA-related costs with revenues from fees it imposes on groundwater extractors. SGMA authorizes SWRCB to impose these fees when a groundwater basin has been designated as probationary due to noncompliance with SGMA.

Status of Six Subbasins Whose Plans Were Deemed Inadequate. DWR reviews groundwater basins' plans for achieving groundwater sustainability. If it determines that a basin's plan(s) are inadequate, it refers the basin to SWRCB for possible state intervention, which would begin with a probationary period. Of the six basins referred to SWRCB by DWR, SWRCB has:

- Designated two as probationary—Tulare Subbasin and Tule Subbasin.
- Cancelled Kaweah Subbasin's January 7, 2025, probationary hearing to give SWRCB staff additional time to review the subbasin's revised groundwater sustainability plans. If SWRCB determines that those plans adequately address deficiencies, it could remove Kaweah Subbasin from probationary consideration.
- Extended the time for Kern County Subbasin to correct deficiencies in its plans. In its February 20, 2025 hearing, SWRCB cited significant progress made thus far by the subbasin's groundwater sustainability agencies as the reason for the continuance. The next hearing is scheduled for September 17, 2025.
- Not yet scheduled hearings for two—Delta-Mendota and Chowchilla Subbasins.

SWRCB Has Not Yet Collected Any Fee Revenues. Despite having designated two basins as probationary, SWRCB has not yet collected any fee revenue for two different reasons. In the case of Tulare Subbasin, which the board designated as probationary in April 2024, the Kings County Farm Bureau subsequently sued the state, alleging SWRCB overstepped its regulatory authority and violated procedural rulemaking laws. A superior court judge issued a preliminary injunction in July 2024, preventing enforcement—including collection of fees—by SWRCB. The injunction remains in place as legal proceedings—including appeals by SWRCB—continue. In the case of Tule Subbasin, which SWRCB designated as probationary in September 2024, collection of annual well fees and volumetric extraction fees will not begin until February 2026 (extractors were required to begin tracking extractions in January 2025). (Of note, no parties filed suit to challenge the probationary designation in Tule Subbasin and the window for making such a challenge has now closed.)

SWRCB Requesting a Loan to Cover Staffing Costs. SWRCB currently has 40 authorized positions for SGMA-related workload, which includes assessing subbasins for probation, preparing for hearings, and administering extraction reporting requirements, among other activities. The state has provided some funding to support these positions ($654,000 annually to support three positions from 2021-22 through 2023-24 and $4.8 million annually to support 19 positions in 2023-24 and 2024-25) but approved this support on a limited-term basis given that fee revenues were ultimately supposed to cover SGMA enforcement costs. After 2024-25, remaining ongoing state funding ($3.5 million annually, mostly from the General Fund) will only be sufficient to support 18 of the 40 positions. SWRCB consequently has requested a loan from the USTF. The administration indicates that the loan ($5.5 million annually for three years) would be taken from USTF's cash balance, which is in the hundreds of millions, and that the proposal would not affect USTF-related programs. SWRCB would have four years to repay the loan. If SWRCB is legally unable to collect SGMA fees in time to repay the loan, the Governor proposes to repay the loan from the General Fund.

SWRCB Believes Future Groundwater Fee Revenues Should Be Sufficient to Cover Costs. If SWRCB's authority to regulate and enforce SGMA—including through imposing fees—is upheld by the courts, SWRCB expects fee revenues will be sufficient to cover existing workload costs. The board notes that fee revenues will be variable. This is because (1) the goal is to move basins off probation and into compliance, which consequently means the number of basins designated as probationary will change year-to-year (in addition, the amount of fee revenue will vary by basin); (2) the amount of groundwater extracted in a given year (and thus amount of fee revenue collected) will vary depending on that year's amount of precipitation (with more groundwater used in dry years); and (3) future compliance rates are unknown and difficult to predict. State statute provides SWRCB with the authority to adjust fee amounts periodically through emergency regulation and the board indicates that this will help it deal with the variability and ensure that revenue totals roughly align with actual costs.

LAO Comments. The proposed special fund loan seems like a reasonable and necessary stopgap measure to cover SWRCB's SGMA-related staffing costs given that ongoing litigation over SWRCB's regulation of the Tulare Subbasin has prevented SWRCB from collecting fees and fee collection has not yet begun in Tule Subbasin. The outcome of the Tulare case could affect SWRCB's ability to regulate SGMA more broadly. If SWRCB's appeals are ultimately unsuccessful, the administration and Legislature likely will need to revisit the issue to address the potential longer-term consequences on SGMA implementation.

Staff Recommendation. Hold open.

3790 DEPARTMENT OF PARKS AND RECREATION (PARKS)

Issue 25: Department Overview: Parks

The mission of Parks is to provide for the health, inspiration, and education of the people of California by helping to preserve the state's biological diversity, protecting its most valued natural, cultural, and historical resources, and creating opportunities for high-quality outdoor recreation.

The responsibilities of Parks include: stewardship of natural resources, historic, cultural, and archeological sites, and artifacts and structures; provision of interpretive services for park visitors; construction and maintenance of campsites, trails, visitor centers, museums, and infrastructure such as roads and water systems; and creation of recreational opportunities such as hiking, bicycling, fishing, swimming, horseback riding, jogging, camping, picnicking, and off-highway vehicle recreation.

In addition, the Division of Boating and Waterways funds, plans, and develops boating facilities of waterways throughout the state and ensures safe boating for the public by providing financial aid and training to local law enforcement agencies.

Because Parks's programs derive a need for infrastructure investment, Parks has a capital outlay program to support this need. The following figure shows Parks's three-year expenditures and positions plan:

3-YEAR EXPENDITURES AND POSITIONS †

		Positions			Expenditures		
		2023-24	2024-25	2025-26	2023-24*	2024-25*	2025-26*
2840	Support of the Department of Parks and Recreation	4,574.9	4,733.3	4,740.3	$1,333,392	$858,584	$988,723
2850	Division of Boating and Waterways	66.8	66.8	66.8	31,480	31,160	31,181
2855	Local Assistance Grants	-	-	-	660,907	129,726	330,250
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		**4,641.7**	**4,800.1**	**4,807.1**	**$2,025,779**	**$1,019,470**	**$1,350,154**

† Savings resulting from SEC. 4.05 and/or SEC. 4.12 of the 2024 Budget Act are currently being recorded as an unallocated statewide set-aside. As a result, this department's budgetary displays may reflect overstated expenditures and may also potentially reflect negative fund balances in particular programs and funds. Fiscal year 2023-24 budget display reflects the best available information for use in decision-making for this department and/or these fund(s). Additional review and reconciliation of 2023-24 ending fund balances will occur in the spring to evaluate if a budget adjustment is required.

Source: Department of Finance

Proposition 4: Climate Bond. The figure below shows the Governor's budget proposal for various components of Proposition 4 to be implemented by Parks.

Purpose	Code Section	Bond Total	2025-26 Proposed Amount	Percentage of Bond Total
Statewide Park Program	94010(a)	$200	$190	96%
Deferred Maintenance	94040	175	84	49
Implementing Sea Level Rise Adaptation Strategy	92040	50	24	48
Forest health and watershed projects	91520(f)	200	33	17

Source: LAO

In addition, the Governor's budget proposes backfilling two Parks related previous General Fund commitments in the Climate-Energy Package with Proposition 4 funding, as shown below:

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**

Source: LAO

LAO Background. ***Last Year's Budget.*** According to the LAO, the 2024-25 budget included roughly $878 million from various funds for the Department of Parks and Recreation (Parks), including $272 million from the General Fund. This represents a net decrease of $1.1 billion, or 56 percent, from the estimated 2023-24 expenditure level. This decrease primarily is due to the expiration of one-time augmentations that were available to Parks in 2023-24, including large carryovers from prior years.

Pass Programs. The budget provides funding to extend two pilot programs that provide free passes to state parks including:

- ***Library Pass Program.*** The budget provides $7 million on a one-time basis in 2024-25 from the General Fund to extend the Library Park Pass Program pilot for one year. This program allows library patrons to check out passes that provide free access to certain state parks.
- ***Adventure Pass Program.*** The budget provides $2 million ongoing from Proposition 98 General Fund to the California Department of Education to administer the Adventure Pass Program operated by Parks. This program provides 4th graders and their families free access to certain state parks. The budget package also includes trailer legislation authorizing Parks to operate the program on an ongoing basis.

Repairing Storm Damage at State Parks. The budget includes $5 million in 2024-25 from the Natural Resources and Parks Preservation Fund and $51 million in reimbursement authority phased in over the next two years ($5 million in 2024-25 and $46 million in 2025-26) to repair damage from 2023 and 2024 winter storms. These amounts are in addition to funding and reimbursement authority increases provided as part of the 2023-24 budget for similar purposes.

Deferred Maintenance. The spending plan provides $15 million from Proposition 40 (2002) for Parks deferred maintenance projects. This augmentation partially offsets a reduction of $30 million from the General Fund for deferred maintenance, resulting in a $15 million net reduction as shown in the "Other Recent Augmentations" section of this post.

Malakoff Diggins State Historic Park. The budget provides $6 million General Fund in 2024-25 and $2 million General Fund annually in 2025-26 and 2026-27 to continue to clean up contamination from historical mining activities at Malakoff Diggins State Historic Park.

Next Generation (NextGen) Recreation Sales and Reservation Management System. The budget includes authority for 5 positions in 2024-25, rising to 17 positions in 2026-27 and ongoing, to support the implementation of a new reservation system at Parks known as NextGen. These positions are anticipated to be funded for the first three years (2024-25 through 2026-27) by redirecting $9 million of General Fund monies that were originally appropriated for deferred maintenance projects at the department. After the initial three years, the department anticipates that new revenues generated from the system's implementation will become available to support the positions.

Supports Various Capital Outlay Projects at State Parks. The budget includes a total of $12 million in 2024-25 (mostly from bond funds and the Natural Resources and Parks Preservation Fund) for various capital outlay projects at state parks. Of this funding, $3 million from Proposition 40 bond funds will support additional planning costs associated with the Indian Heritage Museum and $4 million from the Natural Resources and Parks Preservation Fund will replace expired grant funding needed to complete improvements at the entrance to El Capitan State Beach.

CALIFORNIA LEGISLATURE

STATE CAPITOL
SACRAMENTO, CALIFORNIA
95814

SENATE NATURAL RESOURCES & WATER COMMITTEE
SENATE BUDGET SUBCOMMITTEE NO. 2 ON RESOURCES, ENVIRONMENTAL PROTECTION AND ENERGY

INFORMATIONAL HEARING

Defensible Space: Zone Zero Implementation

April 24, 2025, 9:30 a.m. or upon adjournment of the Senate Floor session
1021 O Street, Room 2200

AGENDA

I. Opening remarks

II. Defensible Space and Zone 0: State Efforts

- Dan Stapleton, Board of Forestry and Fire Protection
- Daniel Berlant, Department of Forestry and Fire Protection

III. Scientific and Local Government Perspectives

- Steven Hawks, Insurance Institute for Business and Home Safety
- Yana Valachovic, UC Cooperative Extension
- Dustin Gardner, Ventura County Fire Department
- Tim Kawahara, UCLA Ziman Center for Real Estate

IV. Public comment

V. Closing Remarks

CALIFORNIA LEGISLATURE

STATE CAPITOL
SACRAMENTO, CALIFORNIA
95814

SENATE NATURAL RESOURCES & WATER COMMITTEE
SENATE BUDGET SUBCOMMITTEE NO. 2 ON RESOURCES, ENVIRONMENTAL PROTECTION AND ENERGY

INFORMATIONAL HEARING

Defensible Space: Zone Zero Implementation

April 24, 2025, 9:30 a.m. or upon adjournment of the Senate Floor session
1021 O Street, Room 2200

I. Purpose of the hearing

This hearing aims to examine regulatory delays; funding challenges; and promote the timely advancement of regulations, public education, and enforcement mechanisms related to defensible space.

a. What is "defensible space?"

"Defensible space" is an area around a structure, usually up to 100 feet, where vegetation and combustible materials are removed or managed so as to create a buffer between the structure and the surrounding area. Defensible space can slow or stop a wildfire approaching a structure, and can provide a safe place for firefighters to defend the structure.

There are three ways a structure can ignite from a wildland fire:

1. *Direct flame impingement.* This is when a flame makes contact with the structure and directly ignites flammable features of the structure.
2. *Radiant heat.* The heat given off by burning material near the structure may cause part of the structure to reach its spontaneous ignition temperature.
3. *Embers.* Wind-thrown embers can travel miles ahead of the flaming fire front. Embers can land in and ignite vegetation around, on, or under a structure; ignite

wooden components (such as a roof or deck) of a structure; or enter a structure through eaves or vents.

Defensible space may reduce a structure's vulnerability to flames, radiant heat, and embers.

b. How is defensible space regulated in California?

The Public Resources Code (PRC) authorizes the Board of Forestry and Fire Protection (Board) to write regulations for the removal of vegetation around the first 100 feet of structures in the State Responsibility Area (SRA) (Section 4291). The SRA is the area in the state where the Department of Forestry and Fire Protection (Department) has the financial responsibility for the prevention and suppression of wildfires.

Defensible space in the very high fire hazard severity zones (VHFHSZ) in the Local Responsibility Area (LRA)[1] is codified in local ordinance and enforced by local governments. The minimum standards are prescribed in Government Code (GOV) § 51182. These standards are largely the same as the standards in the PRC for the SRA, with some differences:

1. The standards in LRA are only applicable to *occupied* dwellings and structures (GOV § 51182(a)). The defensible space requirements in SRA are applicable to all buildings and structures (PRC § 4291(a)).
2. An insurance company may require more than 100 feet of defensible space if a fire expert provides findings that the additional fuel modification is necessary. The fire expert is designated by the local fire chief in the LRA and the Director of the Department in the SRA (GOV § 51182(a)(1)(C) and PRC § 4291(a)(1)(C), respectively).
3. The State Fire Marshal may exempt a structure from the defensible space requirements or vary the requirements based on the composition of the materials of the structure (PRC § 4291(c)).
4. The State Fire Marshal may authorize the removal of vegetation in accordance with the defensible space standards and may make the expense a lien upon the property (PRC § 4291(d)).
5. Minor language differences regarding the sources of risk of flammability the Board is required to consider in its guidance document (PRC § 4291(e)(1) includes barbecue equipment and outdoor fire pits, GOV § 51182(c)(1) does not).
6. The State Fire Marshal has certain requirements regarding recommendations to the Board and public noticing concerning an ember resistant zone that are not present in Government Code (PRC §4291(f)).
7. There are more specific requirements in Public Resources Code regarding the timing of the effectiveness of the new ember resistant zone for new and existing structures that are not present in Government Code (PRC § 4291(g)).
8. The State Fire Marshal is not authorized to change defensible space inspection practices to implement the ember resistant zone until the State Fire Marshal

[1] LRA is largely incorporated cities and other more densely populated areas.

makes findings that the Legislature has appropriated sufficient resources to do so (PRC § 4291(h)).

9. The terms “fuel” and “person” are defined in the Public Resources Code, but undefined in the Government Code (PRC § 4291(a)(1)(A), PRC § 4291(j), respectively).

c. Recent Changes to Law

Until 2021, defensible space requirements included two “zones” of vegetation management in the 100 feet of defensible space. “Zone 1” is the first 30 feet around a structure, where more intense vegetation management creates space between flammable items such as trees, shrubs, patio furniture, and wood piles. “Zone 2” extends from 30 to 100 feet, and promotes the removal of ladder fuels that may transfer a ground fire to a crown fire in the upper most part of trees and tall shrubs.

AB 3074, authored by Assemblymember Laura Friedman, was signed by the Governor and chaptered in 2020 (Chapter 259, Statutes of 2020). Among other provisions, AB 3074 added a new zone to the defensible space requirements – an “ember resistant zone” in the first 0-5 feet around structures known colloquially as “Zone 0.”

In AB 3074, the Legislature declared “[e]mber ignitions are responsible for the majority of wildland fire home ignitions. Establishing a five-foot ember-resistant zone around a structure to eliminate specified materials near structures that will likely be ignited by embers provides important new protections that enhance a home’s chance of surviving a wildfire.” The Legislature also declared “[i]t is the intent of the Legislature that, due to the fiscal impact of COVID-19 to the state, the Department of Forestry and Fire Protection should not increase its inspection or training staff to implement the amendments made by this act to Sections 51182 and 51186 of the Government Code, and Section 4291 of the Public Resources Code, which create a requirement for a five-foot ember-resistant zone around a structure, until the state has sufficient resources to do so in a cost-effective manner.”

II. Regulatory Delays and Funding Challenges

a. Regulatory Delays

The Board of Forestry and Fire Protection was required to update regulations and guidance documents for a Zone 0 by January 1, 2023. Those regulations are still in progress. Following the Palisades and Eaton Fires in January 2025, where over 15,000 structures were destroyed, Governor Newsom issued Executive Order N-18-25, which directed the Board to complete the formal rulemaking process for Zone 0 regulations by December 31, 2025.

The Board created a workgroup of representatives from the Department, the scientific community, insurance industry, and public education specialists that considered materials to be removed from the first five feet around structures to most effectively create an “ember resistant zone.” The Board hosted a workshop in May 2022 attended by over 200 people. The Board then expanded the workgroup to include members of the public and nonprofit community groups. After several presentations of the proposed requirements to the Board’s Resource Protection Committee throughout 2022 and

2023, the workgroup drafted proposed regulations for presentation to the Board in summer 2023.

Since then, work on these regulations slowed down as the Administration considered the costs to homeowners and examined ways to economically incentivize this work. Additionally, there were concerns that the Board's proposed requirements did not go far enough in creating a completely non-combustible zone, rather than an ember resistant zone. Until the Governor's Executive Order in January 2025, the Administration had not authorized the Board to proceed with the draft regulations.

b. Funding Challenges

The implementation of AB 3074 by both the Board and the Department, in their respective roles, was contingent on appropriations from the Legislature for those purposes. The Department, on behalf of themselves and the Board, submitted Budget Change Proposal Request 3540-033-BCP-2021-GB to the Department of Finance requesting $3.2 million for AB 3074 implementation. This request was funded in the Budget Act of 2021.

Given the delays in developing the regulations, the authorization for this funding may expire prior to the finalization of the Board's proposal. This may present challenges to effective public education, inspection, and enforcement.

III. Enforcement

a. Public Education

Community organizations are critical partners helping educate their neighbors about why defensible space is important and which actions to prioritize for home hardening. Fire Safe Councils, Firewise USA communities, university extensions, Master Gardeners, and other local organizations provide a more personal touch when homeowners are deciding such intimate decisions as their landscaping and home renovations. Community partners encourage defensible space through positive reinforcement and gentle peer pressure rather than legal enforcement through tickets, court hearings, and liens.

b. Enforcement

The Department publishes a public, online dashboard demonstrating the progress of inspections towards the Department's annual goal (by fiscal year (FY)) of 250,000 defensible space inspections. In the current FY 2024-25, the Department has conducted 186,435 inspections. In the previous FY, 2023-24, the Department completed 299,273 inspections. Most of the inspections in FY 2023-24 took place between March and August, inclusive. So far in FY 2024-25, September, October, and November have seen a greater number of inspections than they did last year.

In FY 2023-24, 30,506 properties received initial notices of noncompliance. That number dropped to 7,946 second noncompliance notices, and 1,695 third noncompliance notices.

So far in FY 2024-25, 15,411 properties have received initial notices of noncompliance. That number dropped to 5,847 properties receiving second notices of noncompliance, and 1,246 receiving third notices. It is likely these numbers will increase as inspections continue through spring of the FY.

IV. Los Angeles Wildfire Recovery

a. Palisades and Eaton Fires

Palisades Fire Around mid-morning on January 7, 2025, a fire was reported in the Pacific Palisades neighborhood of Los Angeles. Fueled by the driest nine months on record in Southern California and a Santa Ana wind event with gusts up to 80 mph, the fire burned 23,448 acres, destroyed 6,837 structures, and sadly resulted in twelve fatalities.

Eaton Fire Later that same day, the same drought and wind conditions drove a fire that began in Eaton Canyon in the San Gabriel Mountains, near Altadena Drive and Midwick Drive in Altadena (Los Angeles County), to 14,021 acres. The Eaton Fire destroyed 9,418 structure and tragically claimed the lives of eighteen people.

Twelve Other Fires A dozen other fires burned in Southern California during the rest of January, burning over 50,000 acres. JPMorgan projects insured losses from these 14 fires to exceed $20 billion, setting a new record for wildfire-related insurance claims in US history. Total economic losses estimated by JPMorgan are predicted to be over $50 billion.

b. Rebuilding Recommendations

Just six weeks after the fires, the Urban Land Institute, UCLA Ziman Center for Real Estate, and the USC Lusk Center for Real Estate developed the Project Recovery response plan, identifying roadblocks to recovery and proposing actionable recommendations. Some key recommendations include:

1. Leverage federal and state funding for immediate needs.
2. Explore financial tools such as resilience bonds or public/private partnerships to invest in fire mitigation and infrastructure improvements.
3. Implement defensible space regulations and fire-resilient building codes for rebuilding.
4. Fast-track rebuilding efforts by enhancing government capacity to effectively and efficiently manage the permitting and inspection process.

Senate Budget and Fiscal Review—Scott Wiener, Chair
SUBCOMMITTEE NO. 2 **Agenda**

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

Thursday, May 1, 2025
9:30 a.m. or Upon Adjournment of Session
1021 O Street - Room 2200

Consultant: Eunice Roh

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ITEMS FOR DISCUSSION

VARIOUS DEPARTMENTS

Issue 1: Cap-and-Trade Spending Plan

Governor's Proposal. The Governor's Budget includes $1.8 billion in discretionary Greenhouse Gas Reduction Fund (GGRF) expenditures, in addition to $2.4 billion continuous appropriations and $430 million in statutory obligations. The proposed spending plan generally aligns with the multi-year commitments made in prior years, with the exception of two changes: a $32 million shift from GGRF to Proposition 4 for the Clean Energy Reliability Investment Plan and an $81 million shift from the GGRF to the Motor Vehicle Account (MVA), to address fund insolvency in the budget year.

Background. According to the LAO:

Expenditures for Most Cap-and-Trade Auction Revenues Are Directed by Statute. The California Air Resources Board (CARB) holds quarterly cap-and-trade auctions. The revenues from these auctions are deposited into GGRF and generally are allocated to climate-related programs. Over the past three years, individual quarterly auctions have generated an average of $1.1 billion in revenue, with annual amounts averaging $4.4 billion. Under current law, most GGRF is allocated to specific programs, as shown in Figure 1. The remaining revenue is available for appropriation by the Legislature for discretionary spending programs, as well as to cover state administrative costs, through the annual budget process.

Figure 1

Continuous Appropriations and Other Statutorily Required GGRF Appropriations

Program	Department	Appropriation Amount
High-speed rail project	HSRA	25 percent of annual revenues
Affordable Housing and Sustainable Communities Program	SGC	20 percent of annual revenues
TIRCP	CalSTA	10 percent of annual revenues
Low Carbon Transit Operations Program	Caltrans	5 percent of annual revenues
Healthy and resilient forest activities	CalFire	$200 million
Safe and Affordable Drinking Water Program	SWRCB	5 percent of annual revenues (up to $130 million)
Manufacturing tax credit	N/A	Roughly $100-$140 million
State Responsibility Area fee backfill	CalFire	Roughly $70-$90 million

GGRF = Greenhouse Gas Reduction Fund; HSRA = High-Speed Rail Authority; SGC = Strategic Growth Council; TIRCP = Transit and Intercity Rail Capital Program; CalSTA = California State Transportation Agency; Caltrans = California Department of Transportation; CalFire = California Department of Forestry and Fire Prevention; SWRCB = State Water Resources and Control Board; and N/A = not applicable.

Past Two Budget Agreements Included Plans for Spending Out-Year Discretionary GGRF. The past two budget agreements—2023-24 and 2024-25—not only appropriated GGRF to discretionary programs for those respective budget years, but also included plans to dedicate a large share of out-year discretionary GGRF revenues for specific purposes. This contrasts with the historical practice of allocating funding on a year-by-year basis. As shown in Figure 2, the bulk of the agreed-upon planned GGRF spending would backfill reductions to expenditures that were previously planned to be made from the General Fund for a wide variety of activities. These actions were taken with the intent of sustaining previous multiyear spending commitments while achieving General Fund savings in response to the deficit and worsening budget condition.

Figure 2

Discretionary Greenhouse Gas Reduction Fund Expenditure Plan as of *2024-25 Budget Act*

(In Millions)

Program	Department	2024-25	2025-26	2026-27	2027-28	2028-29
Fund Shifts From General Fund		**$2,434**	**$1,504**	**$1,314**	**$1,089**	**$650**
Climate Packages		**$1,371**	**$1,051**	**$952**	**$989**	**—**
Drinking water/wastewater projects (Water)	SWRCB	$225	$30	—	—	—
Drayage trucks & infrastructure (ZEV)	CEC	157[a]	—	—	—	—
Flood projects (Water)	DWR	126	—	—	—	—
ZEV fueling infrastructure grants (ZEV)	CEC	120[a]	—	—	$99	—
Habitat restoration projects (NBA)	DWR	103	—	—	—	—
Streamflow Enhancement Program (Water)	WCB	101	—	—	—	—
Demand side grid support (Energy)	CEC	75	75	—	—	—
Clean trucks/buses/off-road equipment (ZEV)	CEC	71[a]	—	—	—	—
Protecting wildlife (NBA)	WCB	70	—	—	—	—
Emerging opportunities (ZEV)	CARB	53	—	—	—	—
Fire prevention grants (Wildfire)	CalFire	40	—	—	42	—
Transit buses & infrastructure (ZEV)	CEC	29[a]	—	—	—	—
Ocean protection activities (Coastal)	OPC	28	—	37	—	—
Extreme heat/community resilience (Extreme heat)	OPR	25	—	—	—	—
Equitable Building Decarbonization (Energy)	CEC	25	—	—	93	—
Long duration storage (Energy)	CEC	23[a]	26	—	—	—
Carbon removal innovation (Energy)	CEC	20[a]	—	—	—	—
Prescribed fire pilot; monitoring & research (Wildfire)	CalFire	26	—	—	—	—
Wetlands restoration (NBA)	CDFW	17		—	—	—
Livestock methane reduction (Agriculture)	CDFA	17	7	—	—	—
Climate Action Corps (Community Resilience)	OPR	9	9	9	9	—
Salton Sea activities (Water)	DWR	7	—	—	—	—
ZEV programs (ZEV)	CEC	—	385	299	387	—
ZEV programs (ZEV)	CARB	—	215	301	213	—
Distributed Electricity Backup Assets (Energy)	CEC	—	200	180	—	—
Hydrogen grants (Energy)	CEC	5	34	—	—	—
Oroville pump storage (Energy)	DWR	—	30	100	100	—
Watershed climate resilience (Water)	WCB	—	15	—	—	—
Water recycling/groundwater cleanup (Water)	SWRCB	—	15	—	—	—
Tribal engagement (Wildfire)	CalFire	—	10	—	—	—
SWEEP (Water)	CDFA	—	—	21	—	—
Environmental justice grants (Community Resilience)	CalEPA	—	—	5	—	—
Unit fire prevention projects (Wildfire)	CalFire	—	—	—	26	—
Regional Forest and Fire Capacity (Wildfire)	DOC	—	—	—	20	—
Transportation and Other Environmental Programs		**$1,063**	**$453**	**$363**	**$100**	**$650**
Competitive and formula-based TIRCP	CalSTA	$958[a]	$368	$20	—	—
Vulnerable community toxic cleanup	DTSC	65	—	43	—	—
Diablo Canyon land conservation	Various	40	10	50	$50	—
CERIP	CEC	—	50	150	50	$650
Highways to Boulevards	Caltrans	—	25	50	—	—
Oil well plug/abandonment	DOC	—	—	50	—	—

(Continued)

Program	Department	2024-25	2025-26	2026-27	2027-28	2028-29
Non-Fund Shifts		**$315**	**$278**	**$480**	**$710**	**$275**
AB 617—Community Air Protection	CARB	$250	$250	$250	$250	$250
Zero Emission Transit Capital Program	CalSTA	—	—	230	460	—
Salton Sea activities	Various	65	3	—	—	—
Community renewable energy	CPUC	—	25	—	—	25
Totals		**$2,750**	**$1,783**	**$1,794**	**$1,799**	**$925**

[a] Includes funding scored in 2023-24.

SWRCB = State Water Resources Control Board; ZEV = zero-emission vehicles; CEC = California Energy Commission; DWR = Department of Water Resources; NBA = nature-based activities; WCB = Wildlife Conservation Board; SWEEP = State Water Efficiency and Enhancement Program; CARB = California Air Resources Board; CalFire = California Department of Forestry and Fire Protection; OPC = Ocean Protection Council; OPR = Governor's Office of Planning and Research; CDFW = California Department of Fish and Wildlife; CDFA = California Department of Food and Agriculture; CalEPA = California Environmental Protection Agency; DOC = Department of Conservation; TIRCP = Transit and Intercity Rail Capital Program; CalSTA = California State Transportation Agency; DTSC = Department of Toxic Substances Control; CERIP = Clean Energy Reliability Investment Plan; Caltrans = California Department of Transportation; and CPUC = California Public Utilities Commission.

Governor Proposes $1.8 Billion Discretionary Spending in 2025-26. As shown in Figure 3, the Governor proposes spending $4.8 billion from GGRF in 2025-26. Of this amount, the proposal provides $2.6 billion for continuous appropriations, $346 million for other existing statutory commitments, and $1.8 billion for discretionary spending. Almost all of the proposed 2025-26 discretionary spending would be used to implement agreements that were part of the 2024-25 budget package, as detailed in Figure 2. Based on the administration's revenue assumptions and proposed expenditures, it estimates GGRF would maintain a balance (also known as a reserve) of roughly $160 million at the end of 2025-26.

Adds Two Proposed Fund Shifts Aimed at Supporting MVA. The Governor proposes two modifications to the cap-and-trade expenditure plan agreed to as part of the 2024-25 budget. Both are GGRF-related fund shifts with the goal of supporting CARB activities typically funded by MVA. (As we discuss in our February 2025 publication, *The 2025-26 Budget: Transportation Proposals*, MVA continues to be structurally imbalanced and faces insolvency in the budget year absent corrective action.) The two proposals include:

- ***Clean Energy Reliability Investment Plan (CERIP) Fund Shift ($32 Million Shift From GGRF to Proposition 4).*** The Governor proposes shifting $32 million of planned spending to implement CERIP from GGRF to Proposition 4. (The Legislature established CERIP in 2022 to support various activities aimed at helping the state reach its clean energy goals.) Along with this proposed fund shift, the Governor would designate the funding specifically for the Demand Side Grid Support Program. (Previous budget agreements included intent to provide GGRF for CERIP-related activities in 2025-26 but deferred decisions on which specific activities would be funded to future budget deliberations.) This proposal would reduce pressure on GGRF by $32 million in 2025-26. (Please see our February 2025 report, *The 2025-26 Budget: Proposition 4 Spending Plan*, for further discussion of these shifts.)

- ***MVA Offset ($81 Million Shift From GGRF to MVA).*** The Governor proposes to transfer a total of $81 million from GGRF to MVA in 2025-26. This consists of the $32 million that would be "freed up" by the CERIP fund shift discussed above, along with $49 million from projected additional unallocated discretionary GGRF revenues. These transfers would pay for the costs of CARB's Mobile Source Program, which is intended to reduce emissions from on- and off-road mobile sources. (Separately, the Governor also proposes to transfer $85 million from CARB's Air Pollution Control Fund to further address MVA shortfalls.)

Figure 3

Governor's Proposed 2025-26 Cap-and-Trade Expenditure Plan

(In Millions)

	Department	Proposed in 2025-26 Budget
Continuous Appropriations[a]		**$2,576**
High-speed rail project	HSRA	$936
Affordable Housing and Sustainable Communities Program	SGC	749
TIRCP	CalSTA	374
Healthy and resilient forests activities	CalFire	200
Low Carbon Transit Operations Program	CalTrans	187
Safe and Affordable Drinking Water Program	SWRCB	130
Other Existing Statutory Commitments		**$346**
Manufacturing tax credit	N/A	$141
Baseline operations	Various	117
State Responsibility Area fee backfill	CalFire	88
Discretionary Appropriations		**$1,832**
2024-25 Budget Agreement		**$1,783**
Fund shifts from General Fund (climate packages)	Various	$1,504
Non-fund shifts	Various	278
New Proposals		**$49**
Motor Vehicle Account offset	CARB	$81
CERIP	CEC	-32[b]
Total		**$4,754**

[a] Based on Governor's revenue assumption of $4.2 billion in 2025-26.

[b] Governor proposes shifting $32 million of planned spending on CERIP from GGRF to Proposition 4.

HSRA = High Speed Rail Authority; SGC = Strategic Growth Council; TIRCP = Transit and Intercity Rail Capital Program; CalSTA = California State Transportation Agency; CalFire = California Department of Forestry and Fire Prevention; SWRCB = State Water Resources and Control Board; N/A = not applicable; CARB = California Air Resources Board; CERIP = Clean Energy Reliability Investment Plan; and CEC = California Energy Commission.

LAO Assessment.

Governor's Proposal Maintains Agreed-Upon Expenditure Plan. We find the Governor's GGRF proposal to be largely consistent with the expenditure plan agreed to in 2024-25. (The one relatively small modification is related to the proposed fund shift for CERIP.) Assuming GGRF revenues are adequate and the Legislature's priorities remain unchanged, maintaining these previous spending plans is both reasonable and appropriate. However, should the budget condition or prioritization of potential activities change, the Legislature may want to revisit these intentions.

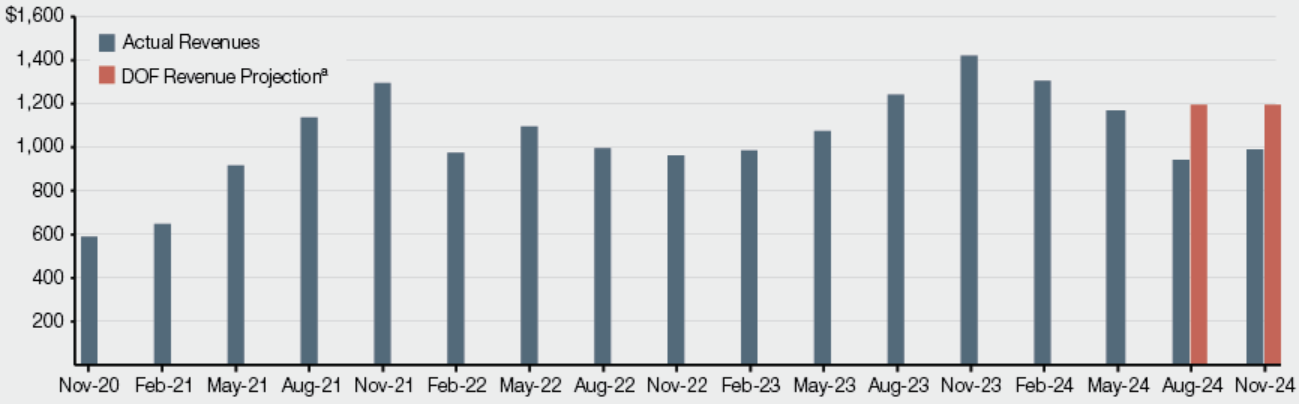
Using GGRF to Backfill MVA Comes With Trade-Offs. The proposed fund shifts come with notable trade-offs, as we discuss in further detail in *The 2025-26 Budget: Transportation Proposals*. For example, a key advantage is that they allow the state to continue to keep MVA balanced in 2025-26 without raising vehicle fees or reducing service levels. However, some key disadvantages include that (1) the amount shifted to Proposition 4 results in the bond funds being used to sustain existing commitments rather than to enhance the state's climate efforts, (2) using unallocated projected discretionary GGRF revenues for this purpose means they are not available for other purposes, and (3) sustaining the proposed level of expenditures from GGRF in 2025-26 may be difficult if revenues fail to strengthen, as discussed below.

2024-25 GGRF Revenues Are Coming in Below Projections. The Department of Finance (DOF) estimates future GGRF revenues based on an average of actual allowance prices from auctions that occurred in the previous calendar year. In general, we find this methodology to be a reasonable approach. However, the past two auctions have reflected some weakening in allowance prices compared to the auctions that took place during the prior year. Specifically, DOF projected 2024-25 auction prices of about $38 per allowance, but actual prices at the first two quarterly auctions of the fiscal year were roughly $31. Accordingly, as shown in Figure 4, GGRF revenues in 2024-25 have been somewhat lower than the administration's projections last spring that formed the basis of the *2024-25 Budget Act's* GGRF spending package.

Figure 4

Recent Quarterly GGRF Auction Revenues Underperformed Projections

(In Millions)



[a] DOF forecast as of the 2024-25 Budget Act.

GGRF = Greenhouse Gas Reduction Fund and DOF = Department of Finance.

LAO

If Revenue Trends Continue at Modest Decline, Planned Current-Year Expenditures Likely Still Feasible… Two auctions remain in the 2024-25 fiscal year—February and May. We estimate that even if allowance prices continue to trail the *2024-25 Budget Act's* assumptions, if they remain at comparable levels to the past two auctions (roughly $31), GGRF likely will be able to continue to support the expenditures that currently are planned for 2024-25. This is in part because many of the continuous appropriations are calculated as a percentage of GGRF revenues and thus automatically adjust downward when revenues decline. However, should allowance prices decline more steeply than occurred in the August and November 2024 auctions, modifications to planned expenditures for 2024-25 could potentially be necessary. DOF could address such a circumstance through Control Section 15.14 of the annual budget act, which provides a mechanism for DOF to make midyear reductions if auction revenues are insufficient to support discretionary GGRF spending at the budgeted levels.

…But Revisiting GGRF Spending Plan for 2025-26 Could Be Necessary Depending on February and May Auction Results. If the somewhat lower allowance prices that the state has experienced over the past two auctions persist into 2025-26, we estimate that revenues may not be sufficient to fund existing statutory commitments and the budget-year spending plan agreed to in the 2024-25 budget package. Specifically, we estimate that if the allowance prices seen at the past two auctions persist throughout 2025-26, in adopting the final budget plan the Legislature and Governor would need to reduce the Governor's proposed 2025-26 expenditures by nearly $200 million to prevent a negative fund balance for GGRF at the end of the fiscal year. Since GGRF revenues are subject to substantial uncertainty, as

we discuss in greater detail below, revenues could be notably higher or lower than recent trends. Further declines in revenues compared to what has been the case thus far would necessitate additional reductions to planned expenditures, whereas increases in revenues could potentially result in additional monies becoming available for discretionary purposes.

Substantial and Increasing Degree of Uncertainty Around GGRF Revenues. Predicting how the cap-and-trade market will behave and forecasting corresponding GGRF revenues are always subject to some uncertainty. However, a couple of factors may contribute to more uncertainty than usual for this exercise over the next several years. The Legislature may want to keep these uncertainties in mind as it makes its GGRF budgeting decisions. In particular:

- ***CARB Considering Cap-and-Trade Program Changes.*** CARB has indicated that it intends to begin a rulemaking process for potential amendments to the cap-and-trade program that would influence allowance prices. These include potential changes to the number of allowances the state makes available and the allocation of those allowances.

- ***2030 Expiration of Statutory Authorization.*** Before the Legislature last extended the statutory authorization for the cap-and-trade program in 2017, revenues from GGRF began to decline due to investor uncertainty about the status of the program. Should considerable uncertainty about the fate of the program exist as its next statutory end-date approaches (2030), a similar downward pressure on revenues could emerge.

- ***Linkage With Washington State.*** CARB has indicated that it is discussing linking California's cap-and-trade program with the program in Washington state. Such action could affect allowance prices in both states as they come into alignment.

Revisiting Spending Plan Also Could Make Sense if Budget Condition Worsens. As of January 2025, both our office and DOF projected that the state's General Fund will be roughly balanced in 2025-26 under the Governor's budget proposal. However, various factors could change over the coming months that could affect the condition of the state's General Fund. For example, if the costs of responding to and recovering from the January 2025 wildfires that affected the Los Angeles region are higher than anticipated or state revenues come in lower than projected, the state's budget condition could worsen. Additionally, our office and DOF project out-year deficits of over $10 billion annually over the next few years. To the extent the state's budget condition weakens in the coming months, the Legislature could consider modifying its GGRF spending plan. For example, if revenue declines result in the state facing a large budget problem that necessitates cuts to ongoing programs, the Legislature could consider forestalling those reductions by redirecting GGRF to help sustain higher-priority activities.

LAO Recommendations.

Monitor Auctions and General Fund Condition Over Coming Months. Given the growing uncertainty around cap-and-trade revenues, we recommend the Legislature continue to closely monitor quarterly auctions to assess how revenues are materializing. To the extent that revenues from the February and May 2025 auctions deviate from projections, the 2025-26 GGRF spending levels may not be able to support the plans included in the 2024-25 budget agreement.

Additionally, we recommend that the Legislature consider updated information on the condition of the General Fund as it becomes available over the coming months before it finalizes its GGRF spending plan. In the event that the General Fund condition deteriorates notably, the Legislature could consider redirecting GGRF as a tool to help sustain its highest-priority activities.

Adopt GGRF Spending Plan Consistent With Legislative Priorities. Ultimately, once the picture is clearer regarding GGRF revenues as well as the General Fund condition, we recommend the Legislature adopt a GGRF expenditure plan that is consistent with its intent and priorities. This will include assessing strategies for supporting the MVA and the programs that account historically has supported, and the degree to which the Legislature is comfortable with the trade-offs associated with the Governor's proposed fund shifts.

Staff Comment. The Governor's proposed GGRF expenditure plan largely maintains the multi-year commitments made in the 2024-25 budget, with the exception of two items—(1) backfilling a $32 million prior GGRF commitment with Proposition 4 funds and (2) transferring $81 million to the MVA to help address the impending fund deficit. As the Legislature considers this year's expenditure plan, it may want to consider whether these changes align with its priorities, as well as if there are any additional changes that may be needed.

For example, the Legislature may want to consider how the GGRF expenditure plan currently allocates funding towards ZEV programs. The 2025-26 GGRF expenditure plan includes significant discretionary spending for zero-emission vehicle programs at CARB ($215 million) and CEC ($385 million). Specifically, the budget proposes to fund the following ZEV categories at the two departments:

Department	Category	2025-26	2026-27	2027-28
Air Resources Board				
	Charter Boats Compliance	20		20
	Clean Cars 4 All & Other Equity Projects			45
	Community-Based Plans, Projects and Support / Sustainable Community Strategies	100	79	100
	Drayage Trucks & Infrastructure	48	37	48
	Emerging Opportunities	47		
	Ports		185	
	CARB Subtotal	215	301	213
Energy Commission				
	Drayage Trucks & Infrastructure	50	49	50
	Clean Trucks, Buses and Off-Road Equipment	89		137
	Fueling Infrastructure Grants	140	80	219
	Equitable At-Home Charging	60	40	80
	Ports		130	
	Emerging Opportunities	46		
	CEC Subtotal	385	299	486
	Total	600	600	699

Under the proposed budget bill language, CARB and CEC have discretion on which specific programs are funded under each of these categories. Each department has their own specific process to allocate these funds—for CARB, it is through the Funding Plan and for CEC, it is through Clean Transportation Program. Both programs include a public proceeding process to develop an annual investment plan, through which department staff can engage with stakeholders, develop a specific allocation plan, and submit to the board or commission for final approval. The following provides a brief summary of each category, which programs the funding has gone towards, and how that is determined:

- **Charter Boats Compliance (CARB).** Funding under this category is aimed at reducing emissions from vessels subject to the Commercial Harbor Craft regulation, by supporting cleaner technology for commercial passenger fishing vessels, excursion and research vessels, as well as public and private ferries, helping reduce diesel particulate matter emissions near port communities. The project/program through which the funding for this category will be administered will be determined through a public process and ultimately described in CARB's annual Funding Plan. Previous budgets have included $60 million for Charter Boats Compliance, which was awarded through the Sustainable Heavy-Duty Initiatives for Future Technology (SHIFT) program (formerly known as the Advanced Technology Demonstration and Pilots). Approximately $52 million dollars has been encumbered in grant agreements and the remaining funds have been committed to projects, pending grant execution.

- **Clean Cars 4 All & Other Equity Projects (CARB).** This category of funding is aimed to help increase low-income individuals' and households' access to clean transportation options. Specific program allocations are determined by CARB's Funding Plan process. Funding has gone towards the following projects and programs:

    - Regional Clean Cars 4 All (local air district programs): Provides incentives to help lower income consumers living in priority populations to replace their old higher polluting vehicles with newer and cleaner transportation. Currently available in the state's 5 largest air districts. $107 million remains as of January 31, 2025.
    - Driving Clean Assistance Program (includes Statewide Clean Cars 4 All, the Financing Assistance Program, and Zero Emission Assurance Project): Offers Statewide Clean Cars 4 All in all areas outside of the 5 implementing air districts and the Financing Assistance Program provides access to low interest rate loans and incentives statewide for consumers that don't have a vehicle to scrap. The Zero Emission Assurance Project helps lower-income Californians reduce the risk of buying a used zero-emission vehicle by providing a rebate or vehicle service contract for the replacement battery or fuel cell component. The Zero Emission Assurance Project is expected to launch as a part of the Driving Clean Assistance Program later this year. $208 million ($105 million for Statewide Clean Cars 4 All, $93 million for Financing Assistance, and $10 million for the Zero-Emission Assurance Project) remains as of January 31, 2025.
    - California E-Bike Incentive Project: Provides voucher incentives to low-income California residents for the purchase of electric bikes (e bikes) including cargo e bikes and adaptive e bikes. $21 million remains, as of January 31, 2025.
    - Access Clean California Project: Helps streamline access to California Climate Investments' consumer-facing, equity-focused clean transportation and clean energy incentive programs for low-income and disadvantaged communities.

- **Community-Based Plans, Projects and Support / Sustainable Community Strategies (CARB).** Funding generally supports projects that increase access to zero-emission mobility in low-income communities and reduce vehicle miles traveled. Specifically, funding has been allocated towards the following projects/programs:

    - Clean Mobility Options Project: Provides funding for community-driven mobility projects that include electric car sharing, carpooling, regular bicycle and electric bicycle sharing, scooter sharing, vanpools, innovative transit services, fixed route transit, and other clean mobility options that best suit their communities' needs. Previously, CARB allocated $10 million to this program.

- Clean Mobility in Schools Project: Funds a variety of clean transportation projects in and around school communities. This includes funding for zero-emission vehicles, charging infrastructure, active and alternative modes of transportation, fleet and energy transition plans, education, curriculum, workforce training, and more. Previously, CARB allocated $16.7 million to this program.
- Sustainable Transportation Equity Project: Funds a variety of community-driven clean transportation projects, such as public transit, shared mobility services, active transportation infrastructure, land use planning and housing policy, workforce development, and clean transportation planning and education. Previously, CARB allocated $16.7 million to this program.
- Planning and Capacity Building Grants: Funds a variety of community-led planning and capacity building projects that include clean mobility transportation planning, community transportation needs assessments, community capacity building, outreach, workforce training and development, ongoing technical assistance, and other critical community-led clean mobility investment needs. Previously, CARB allocated $16.7 million to this program.

- **Drayage Trucks & Infrastructure (CARB).** This funding supports incentives to purchase zero-emission drayage trucks, and is administered through the Clean Truck and Bus Voucher Incentive Project (HVIP) as a dedicated set aside. CARB has received a total of $312 million for this category from the ZEV Package to date. All previous appropriations have been fully encumbered and the HVIP drayage truck set-aside is now closed to new applications. Fleets have placed purchase orders for the new zero-emission drayage trucks and CARB expects vehicle deliveries will occur within 12-18 months due to build times and truck availability.

- **Emerging Opportunities (CARB).** Funding under this category supports the advancement of zero-emission technologies in sectors where zero-emission options are not yet widely available such as maritime, aviation, locomotives, and off-road applications. The project/program through which the funding for this category will be funded will be determined through a public process and described in CARB's annual Funding Plan. CARB has received $53 million for this category from the ZEV Package to date. CARB and CEC held a joint solicitation for this funding in late 2023 into early 2024, under Advanced Technology Demonstration and Pilot Projects.

- **Ports (CARB and CEC).** This category of funding is intended to support ports in transitioning its vehicles and equipment to zero-emission, through funding port vehicles and vessels, forklifts, goods movement vehicles and equipment, and other mobile sources of pollution at ports. CARB and CEC will work in collaboration through the public process to develop the details on how this funding is implemented, including project prioritization, but anticipate it being through established programs to provide vehicle and equipment and infrastructure incentives. This could potentially be a joint solicitation.

- **Drayage Trucks & Infrastructure (CEC).** Funding under this category has been allocated through two mechanisms: (1) a grant solicitation to support medium- and heavy-duty (MDHD) ZEV infrastructure at ports and (2) EnergIIZE, a third party administered block grant that provides incentives for ZEV infrastructure for MDHD vehicles. According to the CEC, the funding proposed for 2025-26, 2026-27, and 2027-28 is intended to support deployment of charging and hydrogen refueling infrastructure for zero-emission drayage trucks at ports, and goods movement corridors related to ports.

- **Clean Trucks, Buses and Off-Road Equipment (CEC).** This category of funding supports the deployment of charging and hydrogen refueling infrastructure for clean trucks, buses, and off-road equipment, including, but not limited to, construction and agricultural vehicles and equipment. This is a broad category that allows for infrastructure funding to support smaller trucks (i.e., delivery trucks) up through larger heavy-duty trucks and also buses (transit & schools). CEC has allocated this funding through various grant solicitations and third-party administered block grants.

- **Fueling Infrastructure Grants (CEC).** This category supports the deployment of charging infrastructure for light-duty electric vehicles. Prior funding under this category has been allocated through various grant solicitations and third-party administered block grants, such as Fast and Available Charging for All Californians and Charging Infrastructure for Government Fleets.

- **Equitable At-Home Charging (CEC).** Funding under this category supports the deployment of equitable at-home charging infrastructure for those living in multi-unit dwellings such as apartments and/or homes with limited access or means to support home charging. Prior funding under this category has been allocated through the Reliable, Equitable, and Accessible Charging for Multi-family Housing grant solicitation as well as the Communities in Charge block grant.

- **Emerging Opportunities (CEC).** Funding under this category support the zero-emission aviation, locomotives, marine vehicles, and vehicle-grid integration efforts. Prior funding under this category has been allocated through the Responsive, Easy Charging Products with Dynamic Signals grant solicitation as well as Advanced Technology Demonstration and Pilot Projects program in partnership with CARB.

Although the Legislature has previously provided CARB and CEC significant authority to allocate funds under these categories, it can directly allocate funds to specific programs. In particular, several stakeholders have requested additional funding be provided to local air pollution districts participating in Clean Cars 4 All, an incentive program for low-income individuals; the HVIP program, which provides incentives for medium- and heavy-duty vehicles; zero-emission school buses; Funding Agricultural Replacement Measures for Emission Reductions (FARMER) Program; among many others. The Legislature may want to consider to what extent it would like to prioritize specific ZEV programs by providing a direct appropriation, and how it can best direct CARB and CEC in using state funds to meet the needs of the zero-emission transition.

The Legislature may also want to consider the GGRF allocations to ZEV programs in context of a recent legal settlement with Hino Motors, a heavy-duty engine manufacturer. In January 2025, the California Attorney General and CARB announced a $236.5 million settlement with Hino Motors, to address claims that Hino fraudulently obtained low emission vehicle subsidies from the State and allegedly violated California laws including the False Claims Act and Unfair Competition Law. Of the settlement amount, $111.8 million is required to be spent to mitigate harmful emissions of NOx in California. Stakeholders have requested this amount be allocated to HVIP, as it supports the zero emission transition of medium- and heavy-duty vehicles, and thus, mitigates NOx. CARB reports that these settlement funds have not yet been received. However, once the funds are received, the department intends to make a proposal to the Legislature for appropriation through the budget process.

Staff Recommendation. Hold open.

3900 STATE AIR RESOURCES BOARD

Issue 2: Implementation of Advanced Clean Fleets, Zero-Emission Airport Shuttle, and Zero-Emission Forklift Regulations

Governor's Proposal. The Governor's budget includes two proposals to provide CARB with ongoing resources in order to implement regulations aimed at improving air quality and reducing GHG emissions:

- ***ZEF.*** $3.5 million on an ongoing basis from APCF and 17 positions to support the implementation and enforcement of CARB's recently adopted ZEF regulations.

- ***ACF and ZEAS.*** $5.8 million on an ongoing basis from APCF starting in 2026-27 and the conversion of 32.5 limited-term positions to permanent positions in 2025-26 to implement CARB's recently adopted ACF and ZEAS regulations.

LAO Assessment.

Lack of Federal Waivers Prevents California From Enforcing Most Components of ZEF, ACF, and ZEAS Regulations. Because they represent unique state-level vehicle standards, under federal law, CARB must secure federal waivers to enforce the ZEAS and ZEF regulations, as well as most of the ACF regulation. While CARB secured a waiver for the ZEAS regulation in 2023, it has not done so for its ZEF and ACF regulations. Accordingly, while CARB can enforce the ZEAS regulation and certain portions of the ACF regulation, it does not have authority to enforce most of the ACF regulation or any of the ZEF regulation. Moreover, signals from the new federal administration suggest it is not likely to grant California additional waivers and may even attempt to rescind already-approved waivers. For example, on January 20, 2025, President Trump signed an Executive Order stating that it is the policy of the United States to eliminate the "electric vehicle mandate" and to terminate, "where appropriate, state emissions waivers that function to limit sales of gasoline-powered automobiles." Accordingly, CARB is unlikely to be able to enforce the ZEF regulation or most of the ACF regulation for at least the next four years.

Given Lack of Enforcement Authority, Re-Evaluation of Approach Could Make Sense. Together, the Governor's two proposals would provide nearly 50 positions and over $9 million annually from APCF to implement all three regulations. This proposed use of APCF funds comes with trade-offs, as they could otherwise be used to support a variety of other types of regulations and programs that also would help the state meet its climate goals and air pollution standards. As such, the Legislature will want to give careful consideration to which activities it believes will be most cost-effective at achieving the state's objectives. CARB contends that implementing the ZEF and ACF regulations is an important step in helping the state achieve its climate goals and meet air quality standards. However, absent the authority to enforce the bulk of these regulations, the state will likely need to step back and consider whether to shift efforts and resources towards alternative strategies to achieve GHG and air quality goals. For example, a modified approach could rely more on (1) other regulations or activities that are covered under existing waivers and/or (2) activities that are unlikely to require federal waivers, such as financial incentive programs, programs that assess varied fee levels based on a vehicle's emissions, or indirect source rules. (Indirect source rules are regulations that address air pollution from mobile sources that are indirectly associated with a facility. For example, they could require the operator of a warehouse to offset the emissions from the trucks that use its facility.)

These types of modified approaches likely would come with trade-offs—including related to costs, expected amounts of emission reductions, and impacts on regulated industries—that would be important for the Legislature to weigh prior to deciding how to move forward.

Lack of Information on State Operations and Vacancy Reductions Complicates Legislative Decision-Making. At the same time that CARB is requesting additional positions to implement these new regulations, the administration is in the process of making reductions that could affect other programs and/or regulations aimed at helping the state meet its climate goals and air pollution standards. Specifically, as mentioned above, the Administration currently is in the process of implementing two reductions across nearly all state departments—one aimed at achieving ongoing General Fund state operations savings of up to 7.95 percent beginning in 2024-25 and another aimed at capturing additional savings from permanently eliminating vacant positions regardless of their funding source. As of this writing, CARB has provided minimal details on how these reductions will be implemented across the department. Absent such information, the Legislature has no way to assess how these reductions will affect other existing programs or regulations that might help the state meet its air quality standards and GHG-reduction goals or other key legislative priorities. This complicates the Legislature's efforts to assess whether the proposed new positions are the highest priorities for limited funding, or whether funding might more effectively be used to help maintain support for existing priority programs and regulation implementation.

LAO Comments.

Direct CARB to Report at Budget Hearings on Potential Approaches to Meeting Goals Given Lack of Waivers. In light of the lack of federal waivers for the ZEF and ACF regulations and resulting limitations on the state's regulatory enforcement abilities, we recommend the Legislature direct CARB to provide information at spring budget hearings on the various types of alternative approaches that the state could explore to meet its climate goals and air quality standards, as well as the associated advantages and disadvantages. This would give the Legislature more information about the types of strategies that it could consider for helping the state meet its goals.

Direct CARB to Report at Budget Hearings on Plans for State Operations and Vacancy Reduction Savings. We recommend that the Legislature direct CARB to provide a detailed report at budget hearings on its plans for the state operations and vacancy reduction savings, including identifying the specific personnel, contracts, and programs that will be affected. We further recommend that the Legislature direct CARB to provide information on any anticipated programmatic impacts of the proposed reductions. Such information is key to enabling the Legislature to better assess (1) how the changes may impact the state's ability to meet its GHG reduction goals and air pollution standards, (2) whether the changes are consistent with legislative priorities, and (3) how to prioritize the Governor's new proposed position and funding augmentations against a broader context of department-wide resources. (Our recent report, *The 2025-26 Budget: State Departments' Operational Efficiencies [Control Sections 4.05 and 4.12]*, provides a framework with some questions the Legislature could ask the Administration regarding the impacts of these reductions.)

Direct Implementation Resources Toward Priority Activities. We recommend the Legislature incorporate information that CARB provides at budget hearings—including on alternative options for meeting the state's air pollution standards and GHG emission reduction targets, as well as planned reductions associated with state operations and vacant positions—into its decisions regarding whether to fund the proposed positions to support the ZEF, ACF, and ZEAS regulations. The Legislature could then use this information to more fully evaluate how any additional funding and positions could be used to achieve state goals most cost-effectively.

To the extent the Administration is not able to provide adequate information to inform legislative decision-making within the time frame of the spring budget hearings, the Legislature could consider rejecting the proposals without prejudice and directing the Administration to provide further information prior to requesting ongoing funding at a later date.

Staff Recommendation. Hold open.

Issue 3: Expanded Resources for Carbon Capture, Removal, Utilization, and Storage Program (SB 905)

Governor's Proposal. The Governor's Budget includes $2.2 million in 2025-26 and $4.3 million ongoing beginning in 2026-27 from the Cost of Implementation Account (COIA) for 18 positions to implement SB 905 (Caballero and Skinner), Chapter 359, Statutes of 2022. SB 905 requires that CARB establish a Carbon Capture, Removal, Utilization, and Storage Program (Program) to evaluate carbon capture, utilization, or storage (CCUS) technologies and carbon dioxide removal (CDR) technologies and facilitate the capture and sequestration of carbon dioxide from those technologies.

Background. The 2023 budget provided $3.6 million annually for three years, with $1.9 million for nine limited-term positions and $1.7 million for contract funds. Currently, six of the nine limited-term positions are vacant, and CARB has been unable to successfully fill these vacancies with subject matter experts despite repeated recruitments. According to the department, this is due to the limited-term nature of those existing authorized positions. CARB encountered significant delays in program implementation primarily due to the limited number of positions and the inability to recruit qualified staff based on the limited term tenure of positions. Although contract funding was authorized, procurement for IT services has been delayed due to a lack of qualified staff to design system requirements and manage contracts. In addition, CARB has not met several statutory deadlines to adopt regulations and protocols for CCUS and CDR due to the limited staffing and resources dedicated to SB 905 implementation.

The department proposes staffing and budget levels similar to what was originally requested in 2023. This includes 18 positions to complete initial regulatory work, such as conducting CCUS/CDR technology reviews, updating CCS protocols for technologies/project types, developing regulations for financial responsibility and permit portal, establishing a centralized public project database, and conducting program/project reporting for reports due to the Legislature.

Staff Comments. CARB has encountered severe challenges in filling positions to implement SB 905 in the last two years. As a result, the Carbon Capture, Removal, Utilization, and Storage Program development has been hindered and statutory deadlines have not been met. There may be several reasons why the department has struggled to fill these positions. According to CARB, the primary reason is because these positions are limited-term. However, the difficulty to recruit and retain staff can be due to other issues as well, such as a limited pool of candidates with the required skills and expertise. Furthermore, due to the limited information available about the vacancy and state operations reductions at this time, it is unclear how Control Sections 4.12 and 4.05 are impacting SB 905 implementation. For example, without further information, it is difficult to assess whether these control sections further hindered CARB from hiring these positions and moving forward with any operational expenses. Given the department's lack of success in filling these positions the last two years, the Legislature may want to request from CARB, in addition to requesting for permanent positions, how it plans to prioritize this effort, improve its recruitment and retention strategies, fill vacancies expeditiously, and meet the deadlines included in statute (or if passed, as soon as possible).

The Legislature may also want to request additional information on how CARB plans to implement community protections included in SB 905. Health and Safety Code 39741.1 requires CARB to establish a Carbon Capture, Removal, Utilization, and Storage Program that, among other things, ensures all projects include certain community protections, such as strategies to minimize copollutant emissions, monitoring criteria pollutants and toxic air contaminants, and more. According to CARB, the department will embed such community protection requirements in the development of the CCUS program and all related rulemaking efforts through community engagement. CARB reports that specific timelines for program development can only be finalized once final resources are in place. However, stakeholders have voiced concern with the lack of a committed timeline to implement the rulemaking, particularly with respect to the community protections outlined in HSC 39741.1(a)(3). The Legislature may want to request from CARB how the department plans on incorporating these community protections in its rulemaking and how it will be prioritized in the rulemaking process.

Staff Recommendation. Hold open.

Issue 4: E15 Fuel Specification

Governor's Proposal. The Governor's budget includes $2.3 million ongoing from the Air Pollution Control Fund for ten permanent positions to complete the regulatory process to authorize the use of motor vehicle fuels with up to 15 percent ethanol blending (E15) and conduct ongoing program implementation enabling the use of E15 fuels in California.

Background. According to the LAO:

Current Regulations in California Allow for 10 Percent Ethanol Blending in Gasoline. California statute provides authority for CARB to issue regulations for motor vehicle fuel specifications, among other areas. Under this authority, CARB has established regulations that authorize the use of up to 10 percent ethanol in gasoline (a blend known as E10). CARB reports that virtually all gasoline currently sold in California is E10.

Since U.S. EPA Waiver Issued, Other States Have Approved Use of E15. Starting in 2010, U.S. EPA has issued various waivers for the adoption of up to 15 percent ethanol in gasoline (known as E15) for 2001 and newer conventional vehicles. (The use of E15 is not authorized for older vehicles, motorcycles, lawnmowers and other types of off-road equipment, delivery trucks, or other types of heavy-duty vehicles.) Since the adoption of those waivers, all other states besides California have authorized the sale of E15. However, according to the U.S. Department of Energy, E15 only is available at roughly 3,000 gas stations across 31 states (roughly 2 percent of gas stations that sell fuel to the public), and E10 continues to be the standard blend nationwide.

Statute Requires Certain Steps Prior to Establishment of Regulations Governing Motor Fuel Specifications. Existing statute requires CARB to undertake specific actions prior to establishing regulations governing motor fuel specifications. For example, CARB must conduct certain analyses, including an evaluation of the environmental impacts of the proposed policy change known as a "multimedia evaluation." CARB reports that a multimedia evaluation includes three main steps (referred to as tiers) that generally involve the following activities: (1) Tier I: summarizing existing research and identifying knowledge gaps, (2) Tier II: conducting experiments to fill the identified knowledge gaps, and (3) Tier III: preparing a final report summarizing the existing and new research and providing findings and conclusions. According to CARB, completing a multimedia evaluation typically takes two to five years.

Statute further requires that the multimedia evaluation be approved by the California Environmental Policy Council, which is an entity composed of the heads of seven state environmental protection-related agencies.

CARB Is Undertaking a Process to Consider Allowing E15. CARB indicates that it initiated a multimedia evaluation for E15 in 2018 and finalized the Tier I analysis in 2020. The department has not yet completed Tier II or Tier III but anticipates finishing these remaining steps by summer 2025. Once complete, CARB will use the multimedia evaluation process to determine whether to move forward with developing a regulation to authorize the use of E15 in California.

Governor Issued Directive to CARB Related to E15. In October 2024, Governor Newsom sent a letter to CARB directing the department to expedite its actions related to E15. In that letter, the Governor also indicated that the Administration "welcomes a partnership" with the Legislature in 2025 to consider necessary statutory changes and funding that would further expedite CARB's consideration of authorizing the use of E15 in California.

LAO Assessment.

Potential Trade-Offs Associated With Shift to E15. Recent reports have highlighted various potential trade-offs associated with E15. For example, in August 2024, the California Energy Commission issued a *Transportation Fuels Assessment* that found that E15 likely would reduce gasoline prices and may present fewer environmental harms than E10. However, the analysis also noted that shifting to E15 could result in a loss of fuel economy of roughly 1 percent, that fueling equipment and some vehicles may lack the capability of operating with E15, and that more analysis is necessary to understand the pollution impacts.

Premature to Provide Ongoing Funding for Program Given Uncertain Outcome of Regulatory Process. To the extent that expediting the development of E15 regulations is a priority for the Legislature, providing resources to support that activity in the near term is reasonable. However, authorizing ongoing funding for CARB positions to support the implementation of the policy now—as the Governor is proposing—would be premature at this time for two reasons. First, whether CARB ultimately will pursue and adopt E15 regulations is uncertain, given that the multimedia evaluation has not yet been completed. Notably, while CARB indicates that thus far its analyses have not identified major environmental or public health concerns associated with E15, it cannot forecast the ultimate outcome of any regulatory process or board action. Second, the program's staffing needs are subject to change as the policy moves from regulation development to implementation and enforcement. Initially, CARB proposes to use the requested staff to complete development of the E15 regulation to bring to the board for consideration by summer 2026. (The department indicates the process likely would take until late 2027 absent the proposed additional resources.) After the regulation has been adopted, CARB indicates that it would use the additional staff for associated implementation and enforcement activities. However, the staff expertise required for regulation development likely would differ from that for implementation and enforcement, potentially resulting in differences in both the number of personnel needed as well as their respective duties.

Modifying Proposal to Provide Limited-Term Funding Would Better Align With Known Workload, but Would Come With Trade-Offs. Because future E15-related workload still is uncertain, a stronger justification exists for modifying the proposal to provide limited-term resources to complete the regulatory process. The Legislature could then revisit the need for and level of ongoing positions and funding once more is known about future implementation and enforcement needs. However, such an approach has associated trade-offs.

The administration has indicated that activities which are funded on a limited-term basis present some challenges. For example, attracting and retaining qualified staff to complete activities supported with limited-term funding can be more difficult since associated positions generally provide less stability for employees. This challenge can lead the Administration to request ongoing funding and positions even when workload is short term in nature or subject to substantial uncertainty—as we believe is the case with the E15 regulation development and future workload. Yet a key drawback to this approach is that it obligates the state to hire and maintain permanent staff—and support their associated future pension benefits—even when they may no longer be needed or justified after the short-term workload they were brought on to complete has ended. In the case of the E15 proposal, despite the trade-offs involved, we find providing limited-term funding to be more appropriate than ongoing support in light of (1) the uncertainty regarding whether the policy will be implemented and (2) if it is ultimately implemented, the changing resource needs as the program moves from regulatory development to implementation.

LAO Recommendation.

Modify Proposal to Provide Proposed Funding for Positions on a Two-Year, Limited-Term Basis. We recommend providing the requested funding for positions on a two-year, limited-term basis rather than on an ongoing basis. To the extent CARB's multimedia evaluation ultimately supports the development of an E15 regulation, this modified action would provide funding for the development of such a regulation. Should the regulatory process culminate in the adoption of an E15 regulation, CARB could request the requisite amount of ongoing funding for the appropriate number and classifications of permanent positions to implement and enforce the regulation as part of a future budget request. The department will be in a better position to assess the level of this ongoing workload once the regulatory process is complete.

Staff Recommendation. Hold open.

Issue 5: Regulatory Fee Authority Trailer Bill Language

Governor's Proposal. The Governor proposes trailer bill language that would provide CARB the authority to impose fees on entities regulated by the board, for the purpose of recovering reasonable costs incurred in regulating that entity. Under this proposal, CARB would be able to collect fees for a range of their responsibilities, including, but not limited to, developing new and amending existing airborne toxic control measures as well as emission reduction measures for on-road and nonroad sources; implementing and enforcing airborne toxic control measure; and identifying, quantifying, inventorying, monitoring, evaluating, and reducing emissions of toxic pollutants in communities across the state, among other activities.

Background. According to the LAO:

State Levies Fees to Fund Certain Costs. The state assesses a variety of fees and charges to help fund its operations. Typically, the state levies fees to pay for the costs of specific regulatory activities or for providing specified government services or products. Under the State Constitution, fees must be set at a reasonable level, generally reflecting the costs of the services or benefits provided. The State Constitution allows the Legislature to increase fees to cover the costs of specific state activities with a majority vote of each house of the Legislature. (This is in contrast to taxes, from which revenues can be used for a broader range of activities and which require a two-thirds vote of each house of the Legislature.)

Legislature Has Longstanding Practice of Granting Departments Authority to Assess Specific Fees. In many cases, the Legislature has enacted statutes that delegate some of its authority to set and/or modify fees to state departments. When the Legislature delegates this authority, it often provides direction in statute regarding how such fees are to be assessed. For example, the Legislature may specify the entities and activities that will be subject to the fees, the amounts of the fees to be collected, the mechanism for increasing the fees (such as to adjust for inflation), the authorized uses of the fee proceeds, and the duration of the fee authority.

Legislature Has Provided CARB Authority to Collect Certain Fees. The Legislature has authorized CARB to collect various specified fees and charges. For example, under existing statute, CARB has explicit authority to assess fees related to a range of specific regulatory programs, such as to certify and audit motor vehicles and motor vehicle engines and to regulate non-vehicular sources of emissions. CARB uses the revenues it collects through this existing fee authority—along with funding from penalties, taxes, and other sources—to carry out its functions. However, existing statute does not include a broad authorization for CARB to assess fees to support any and all climate and air quality-related programs; generally, the department's existing fee authority is for activities or programs specifically enumerated in law.

Legislature Has Provided CARB Particularly Broad Authority to Establish Regulations. As discussed later in this brief, the Legislature has authorized CARB to establish regulations related to meeting the state's climate goals and air pollution standards. In general, the authority that the Legislature has granted to CARB is broader than what is typical; for most other departments, the scope of the authorized regulatory power is more limited and specific. CARB has used its broad authority to promulgate numerous regulations, such as those that require entities to shift to ZEVs (including the ZEF, ACF, and ZEAS regulations discussed elsewhere in this report) and require reductions in the carbon intensity of transportation fuels (known as the Low Carbon Fuel Standard program).

LAO Assessment.

New Proposed Authority for CARB to Assess Fees Appears Quite Broad. The proposed budget trailer legislation could have the effect of greatly expanding CARB's authority to assess fees to fund its activities related to air pollution and GHG reductions. In contrast to its current fee-setting authority, which is limited to specific regulatory programs, this proposal would provide broad authority for the department to assess fees related to the activities it conducts pursuant to Division 26 of the Health and Safety Code. The exact scope of the fees or other charges that could be assessed under this proposed authority is not entirely clear. However, the language appears to be broad enough that it could potentially be interpreted to allow CARB to assess charges that go beyond the simple administration and enforcement of regulations. For example, should the proposed budget trailer legislation receive a two-thirds vote of both houses of the Legislature, it potentially could be interpreted to allow CARB to assess fees on certain entities (such as high polluters) and use the revenue to make payments to other entities (such as low polluters). As discussed above, CARB already has broad authority to promulgate regulations related to air pollution and GHG emission reductions. When taken together with the proposed expansion of fee authority, CARB would have a wide-ranging ability to craft new policies and raise the funds to support them without additional legislative action, so long as the department believes the policies would help the state achieve its air pollution standards and climate goals.

Breadth of Requested Fee Authority Does Not Appear Justified. We have two significant concerns with the Administration's proposal. First, we do not believe that CARB has provided a compelling rationale for why it needs such broad fee authority to pursue the state's climate and air quality goals. CARB argues that the scale of actions needed to address California's air pollution and climate challenges require more funding and that the proposed legislation would enable it to raise those funds. While some additional funding may ultimately be needed for CARB to implement its programs and regulations, in our assessment, the department has not made an adequate case for why the proposed broad delegation of authority is warranted and why a more narrowly crafted authorization to increase fees for specific activities would not suffice. For example, the department could identify a specific set of problems it wants to address and actions it wants to undertake and request authority from the Legislature to raise fees that are targeted around supporting those activities. CARB has not offered a persuasive explanation for why the Legislature should depart from this traditional approach to setting fee policy. Second, CARB has not provided adequate information over how it would use the proposed new authority. CARB is effectively requesting that the Legislature grant it authority to raise additional fees without providing a clear understanding of what those fees would include, which entities would pay them, or the amount that would be charged. This lack of information makes it impossible for the Legislature to assess the costs or benefits of potential fees CARB might impose, thereby also precluding it from comparing and balancing those two key considerations before approving this proposal.

Proposal Requests Legislature Delegate Core Responsibility for Setting Fees and Charges. Given the lack of detail around why CARB needs the expansive proposed authority to accomplish the state's goals or how the department would use it, we think this proposal requests that the Legislature delegate too much of its constitutional fee-setting responsibility to the administration. The California Constitution entrusts the Legislature with the fundamental "power of the purse," which includes the responsibility to determine the fees and charges assessed on Californians. In general, we believe the Legislature should be cautious in delegating this core responsibility, particularly without specific parameters and a compelling justification. Any new fees CARB might assess under the proposed new authority would be subject to a public rulemaking process and approval by its board. However, in our view, such processes are not an adequate substitute for decisions made by the Legislature, which is the state's elected body charged with determining overall state fee and expenditure policies. Also, while the annual budget process would give the Legislature an opportunity to appropriate the money raised by the proposed new fees, that also would not serve as an adequate substitute for legislative approval of the specific fees—by the time the department requests that the Legislature appropriate the revenue, CARB could already have set and levied the fees.

LAO Recommendation.

Reject Proposed Budget Trailer Bill Language. We recommend the Legislature reject the proposed budget trailer legislation as the breadth of the requested fee authority is not justified and would delegate too much legislative control and authority to the administration. To the extent CARB requires additional authority to raise revenues to implement specific programs and regulations, the department can return at a future date with a more narrowly crafted proposal for the Legislature to consider. Such a proposal should include a robust justification for the specific fees the department proposes to levy, as well as key details on the proposed fees such as: (1) the specific activities that would be subject to the fees, (2) the proposed fee amounts, (3) the entities that would be subject to paying the fees, (4) the level of expected fee revenues, and (5) how the fee revenues would be used. This type of detailed information is critical to enable the Legislature to adequately weigh the anticipated costs and benefits associated with providing CARB with additional fee-raising authority.

Staff Comments. CARB is primarily funded out of various special funds, including the Air Pollution Control Fund (APCF) and the Motor Vehicle Account (MVA). However, both APCF and MVA face funding challenges. For example, the MVA continues to face operational shortfalls as expenditures outpace revenues. In the Governor's Budget, absent any action, the MVA is projected to be insolvent with a fund balance of -$148 million in 2025-26. APCF has also historically faced a similar structural deficit—meaning expenditures outpacing revenues. But in recent years, the APCF have received penalty funds, typically from manufacturers or distributers of motor vehicles for violations of regulations, which has improved the fund condition. It is important to note, however, that these funds typically have specific requirements. For instance, CARB recently entered into a joint settlement with Hino Motors, and of the settlement money, $111.8 million is required to be spent to mitigate harmful emissions of NOx in the state. In the long-term, it is difficult to budget with settlement monies, since the timing and amount of the penalties are unknown—and ideally, penalty revenues will decrease over time as fewer companies are found violating regulations.

Given the challenges that these special funds face, the Governor's Budget includes trailer bill language that would allow CARB to impose fees to recover costs of regulation. These fees would be deposited to the Certification and Compliance Fund (CCF). This would allow the department to (1) shift costs to regulated entities and embody more of a "polluter pays" model; (2) potentially reduce expenditures out of the MVA and APCF in the long-term; and (3) create a more sustainable funding solution for its regulatory programs.

Under this proposal, CARB anticipates all fees will still be subject to the annual budget process—meaning, the department will report back with any new proposals to generate fee revenue for specific programs. This will be in addition to the board's own rulemaking process. If the trailer bill language is approved, CARB anticipates using the proposed authority to collect fees for the Transport Regulation Unit (TRU) and Commercial Harbor Craft (CHC) regulations. Both regulatory programs have been previously approved in the 2022 and 2023 budgets, and presumed to be funded through the collection of fees or payments by regulated owners and operators deposited in the CCF. However, a recent court ruling prohibited CARB from collecting fees included in the TRU Regulation. As a result, TRU programmatic work is currently being funded by APCF.

As the Legislature assesses the merits and tradeoffs of this proposal, it has options to amend aspects of the language to best meet specific policy goals. For example, the Legislature may want to consider modifying the scope of the proposal, by authorizing fee authority for specific programs, setting caps for fee levels, including a sunset date, among other changes. The Legislature may want to consider the level of oversight and involvement through the budget and/or policy process to institute in providing such fee authority to the department; the potential impacts of fees on consumers and regulated entities; as well as funding and programmatic alternatives to this proposal.

Staff Recommendation. Hold open.

ITEMS FOR PUBLIC COMMENT

3900 STATE AIR RESOURCES BOARD

Issue 6: Cap and Trade Administrative Services (WCI, Inc.)

Governor's Proposal. The Governor's budget includes $1 million in 2025-26 and $2 million ongoing beginning in 2026-27 from the Cost of Implementation Account for the California Air Resources Board (CARB)'s increased contract services costs. Specifically, CARB is facing a cost increase for contract services from the Western Climate Initiative (WCI, Inc.) to help support the Cap-and-Trade program.

Background. WCI, Inc. is a non-profit corporation that provides administrative services, such as contracted financial and market monitoring services, as well as technical systems to the participating jurisdictions—which currently are California, Washington, and Quebec—to help implement greenhouse gas emissions trading programs. WCI, Inc. is solely funded by fees paid by member jurisdictions, assessed based on the costs to provide administrative services, develop, maintain, and operate technical systems, and for staff and operations.

Currently, CARB's budget includes $2 million ongoing for contract services from WCI, Inc. In 2020-21, CARB received one-time funding of $21.1 million from 2021-22 through 2025-26 to fund the development of a new auction platform and market registry systems while concurrently maintaining the legacy systems. The department reports the development is largely complete, with the new auction platform in use and the new market registry anticipated for release in late 2025. As the one-time funding ends this budget year, CARB requests ongoing funding (an additional $2 million, so $4 million total) for increased in-house staff to maintain and improve administrative services provided by WCI, Inc. Specifically, this ongoing funding will allow WCI, Inc. to shift from contracted IT services to in-house technical staff to maintain and operate the newly built technical systems.

Staff Recommendation. Hold open.

Issue 7: Conversion of Limited-Term to Permanent Positions for Incentives Portfolio

Governor's Proposal. The budget includes position authority for CARB to convert 25 positions from limited-term to permanent. These positions are intended to support the department's incentives programs.

Background. CARB implements several incentive programs that provides funding for zero-emission vehicles and equipment in a wide range of sectors and environments to ultimately reduce GHG emissions and improve air quality. These incentive programs include Clean Transportation Initiatives, Community Air Protection (CAP), and Carl Moyer programs.

In recent years, CARB has received significant amounts of funding for these incentive programs from the General Fund, Greenhouse Gas Reduction Fund, settlement funds, and other special funds. In particular, programs grew rapidly in the 2022 budget due to the surplus at the time. As these programs received an influx of funding, CARB administratively created 25 limited-term positions to support these programs as they expanded in a short period of time. CARB is now requesting these positions be made permanent because supporting and implementing these programs have become ongoing workload—lasting longer than the two years that limited-term positions are restricted to.

This request is specifically for position authority, as these positions will be funded out of the 5 percent administrative set asides from funding for incentive programs.

Staff Recommendation. Hold open.

Issue 8: Mobile Source Laboratory Equipment Support and Maintenance

Governor's Proposal. The budget includes $8 million ongoing from the Certification and Compliance Fund for CARB to support and maintain its mobile source laboratory, which is key to investigating manufacturers violating emissions standards. Of this amount, $6.5 million will support cost increases in maintenance, service, and training contracts, equipment procurements, and laboratory supplies. The remaining $1.5 million will fund the replacement of laboratory equipment beyond its useful life.

In addition, the Administration proposes trailer bill language to specify deficiency fines and fees are a part of the certification, audit, and compliance programs regulating motor vehicle manufacturers.

Background. CARB's mobile source laboratory is equipped with more than 1,000 individual pieces of equipment to test almost any size engine or vehicle on any fuel used in California – both at higher emission rates characteristic of older vehicles and the lowest emission rates characteristic of current and future emission standards. These systems must be regularly maintained, repaired when broken, supported with calibration gases and other consumables, operated with compliant and functional software, and replaced when obsolete. The department's budget currently includes $4 million ongoing for equipment maintenance contracts, equipment calibrations, lab supplies, and consumables for heavy-duty testing. However, CARB requests additional funding to maintain, repair, and replace equipment, to supply the laboratory with consumable materials, including calibration gases, and to subscribe to the software upon which the laboratory runs.

The department proposes to fund these ongoing needs from fines and fees from manufacturers. Specifically, CARB has an existing on-board diagnostic (OBD) program which notifies the vehicle/engine operator when the engine is not operating properly and needs to be repaired. A "check engine" light is the most well-known portion of this system. The OBD program is incredibly complex and sometimes manufacturers disclose issues in their system which cannot be fixed before vehicles are offered for sale. In these cases, CARB has offered deficiency fines on a limited basis, to settle non-compliance through an enforcement process, and payable to the Air Pollution Control Fund (APCF).

CARB anticipates about $5 to $10 million will be generated from OBD deficiency fines. These funds are currently deposited into the APCF, but the department proposes trailer bill language that specifies these deficiency fines should be considered compliance fees. According to CARB, this would allow the department to begin deposit these funds to Certification and Compliance Fund (CCF) instead. Because this would require an update to its regulations, this budget request proposes to additionally transfer funds from APCF to CCF for two years, until the CCF is sufficiently robust to support the allocation.

Staff Recommendation. Hold open.

Issue 9: Right Sizing of IT Procurement, Contracting, and Business Technology Management

Governor's Proposal. The budget includes $439,000 in 2025-26 and $840,000 ongoing beginning in 2026-27 from various funds for information technology (IT) procurement, contracting, business technology management, and contact management units.

Background. Under CARB's Office of Information Services, the Information Technology Procurement, Contracting, and Reporting Section (ITPCRS) supports the department by managing IT contracts for CARB's hardware/software purchasing, mobile devices, infrastructure purchasing, hardware/software support, network management, consulting and implementation services, laboratory equipment, online subscriptions, data services, and University and interagency agreements. However, as the department needs have grown, ITPCRS have been unable to meet that increased demand.

For example, ITPCRS received over 500 IT requisition requests for CARB and more than 115 IT requisitions for CalEPA in 2022-23. In 2023-24, ITPCRS received over 900 IT requisition requests for CARB and over 85 IT requisitions for CalEPA. On August 1, 2024, CARB transferred delegated purchasing authority to CalEPA for CalEPA's requisitions at the direction of the Department of General Services. The current contract load is estimated at 230 contracts, with an estimated value of $400 million. This results in a ratio of 153 procurements and 58 contracts per 1 support staff. This workload demand means procurements and contracts are not executed timely, not properly managed, and not completed by the end of the appropriation's encumbrance period, and this results in costly project delays. It is also causing issues in quality and compliance with State policy and management of Telecom services. In both 2022-23 and 2023-24, ITPCRS was unable to complete more than 10 percent of the contracting and procurement requests. Additionally, over 40 percent of completed requests were delivered or provided after the required need-by date.

Moving forward, the department estimates the number of assets, acquisitions, and contracts will grow expeditiously due to (1) continued organizational growth, (2) oversight directives that classify previous non-IT goods and services as IT goods and services, and (3) ongoing legislative and regulatory actions resulting in complex projects or contracts. CARB requests two Information Technology Specialist II for IT Project Contracting Support and two Information Technology Specialist I for IT Procurement and Contracting to meet such ongoing need.

Staff Recommendation. Hold open.

Addressing Affordability and Equity in California's Climate Markets:
An Environmental Justice Agenda for Cap & Trade

Prepared for the California State Senate, Budget and Fiscal Review Subcommittee No. 2 on Resources, Environmental Protection and Energy, and Committee on Senate Environmental Quality, Joint Hearing on Cap and Trade. *Modified from educational materials developed by advocates from multiple environmental justice organizations, including Asha Sharma and Phoebe Seaton, Leadership Counsel for Justice & Accountability (LCJA); Lauren Gallagher, Communities for a Better Environment (CBE); Dan Ress, Center on Race, Poverty & the Environment (CRPE); and Katie Valenzuela, Everyday Impact Consulting.*

May 8, 2025

Connie Cho, M.Sc., J.D.
Senior Policy Advisor
Asian Pacific Environmental Network (APEN)

April 17, 2025

Senate Pro Tem Mike McGuire
1021 O Street, Suite 8518
Sacramento, CA 95814

Assembly Speaker Robert Rivas
1021 O Street, Suite 8330
Sacramento, CA 95814

Re: Addressing Affordability and Equity in California's Climate Market Programs

Dear Pro Tem McGuire and Speaker Rivas:

The undersigned environmental justice organizations and allies are writing to uplift the policy solutions for Cap-and-Trade Reauthorization that would directly address the compounding and worsening affordability and climate crises disproportionately impacting low income communities and communities of color, as highlighted in the 'Environmental Justice Priorities for an Extension of the Cap-and-Trade Program' recommendations submitted to you in January 2025. We urge the Legislature to use its authority to secure meaningful protections for environmental justice communities and mitigate the regressive economic impacts of the program and the costs of the climate crisis by guaranteeing equitable benefits in California's climate market programs.

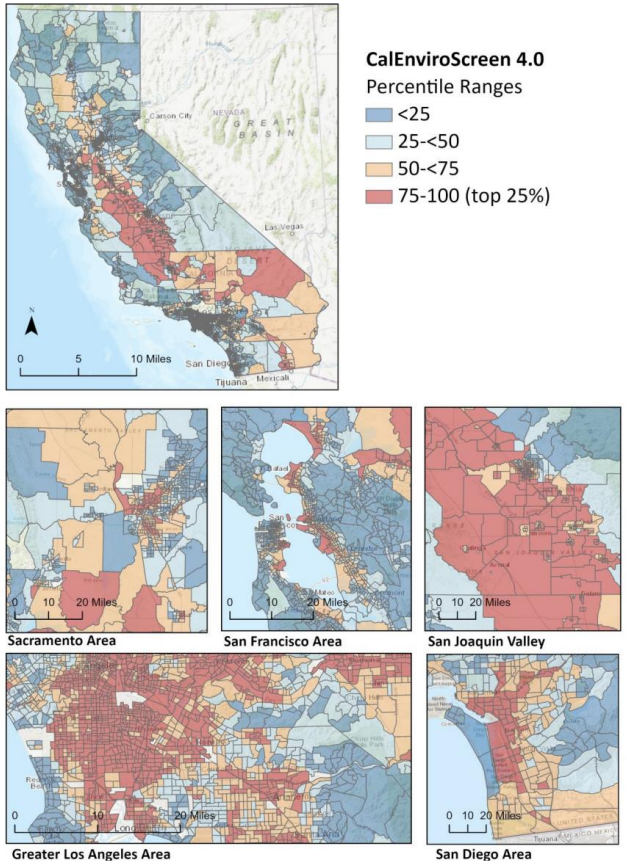
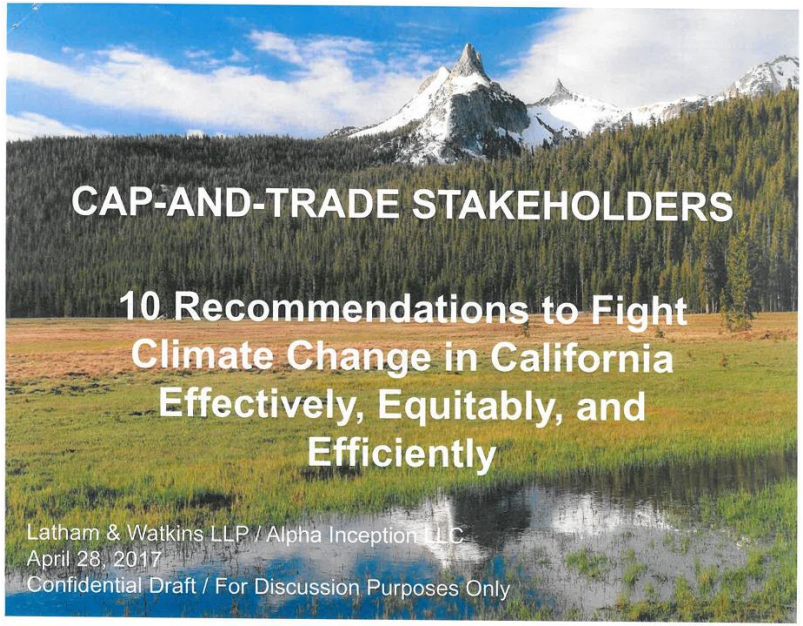
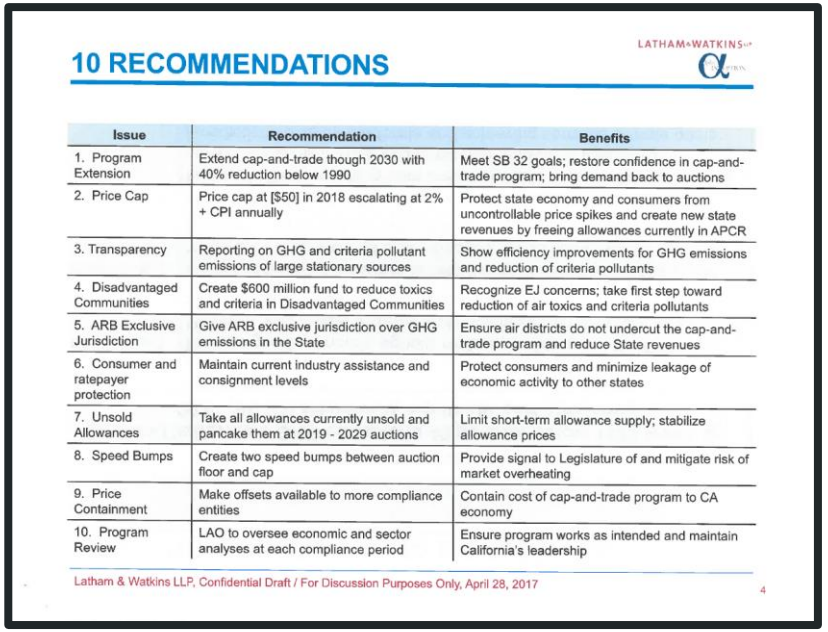


Figure 2. Map of California Showing Statewide CalEnviroScreen 4.0 Quartiles

Big Oil 2017: “Protect Consumers”





10 RECOMMENDATIONS

LATHAM & WATKINS LLP

Issue	Recommendation	Benefits
1. Program Extension	Extend cap-and-trade though 2030 with 40% reduction below 1990	Meet SB 32 goals; restore confidence in cap-and-trade program; bring demand back to auctions
2. Price Cap	Price cap at [$50] in 2018 escalating at 2% + CPI annually	Protect state economy and consumers from uncontrollable price spikes and create new state revenues by freeing allowances currently in APCR
3. Transparency	Reporting on GHG and criteria pollutant emissions of large stationary sources	Show efficiency improvements for GHG emissions and reduction of criteria pollutants
4. Disadvantaged Communities	Create $600 million fund to reduce toxics and criteria in Disadvantaged Communities	Recognize EJ concerns; take first step toward reduction of air toxics and criteria pollutants
5. ARB Exclusive Jurisdiction	Give ARB exclusive jurisdiction over GHG emissions in the State	Ensure air districts do not undercut the cap-and-trade program and reduce State revenues
6. Consumer and ratepayer protection	Maintain current industry assistance and consignment levels	Protect consumers and minimize leakage of economic activity to other states
7. Unsold Allowances	Take all allowances currently unsold and pancake them at 2019 - 2029 auctions	Limit short-term allowance supply; stabilize allowance prices
8. Speed Bumps	Create two speed bumps between auction floor and cap	Provide signal to Legislature of and mitigate risk of market overheating
9. Price Containment	Make offsets available to more compliance entities	Contain cost of cap-and-trade program to CA economy
10. Program Review	LAO to oversee economic and sector analyses at each compliance period	Ensure program works as intended and maintain California’s leadership

Latham & Watkins LLP, Confidential Draft / For Discussion Purposes Only, April 28, 2017 4

Debra Kahn. ‘Greens see oil industry fingerprints on climate legislation’ E&E News Climatewire, June 30, 2017.
Accessed at https://consumerwatchdog.org/resources/industrycapandtradeproposal.pdf.

PERE
USC Program for Environmental & Regional Equity

UC Berkeley Center for Law, Energy & the Environment

As early as 2009, academic researchers warned about the **inequitable distributional impacts of the climate crisis combined with a lax Cap-and-Trade program**, including **regressive affordability impacts** from:

- "**Skyrocketing prices for basic necessities**" including the cost of water, food, and electricity due to climate impacts;
- "**Reduced or shifting job opportunities**" because "the majority of jobs in sectors that will likely be significantly affected by climate change, such as agriculture and tourism";
- **Increased medical costs from worsened health conditions** and **community-wide economic impact of increased premature mortality** due to greater underlying chronic conditions from disproportionate cumulative pollution burden;
- Uphill **economic recovery without savings from costly extreme weather events/disasters** (e.g., wildfires, flooding).

Rachel Morello Frosch, Manuel Pastor, Jim Sadd, and Seth Shonkoff. The Climate Gap: Inequalities in How Climate Change Hurts Americans & How to Close the Gap. 2009. *https://dornsife.usc.edu/eri/publications/the-climate-gap-inequalities-in-how-climate-change-hurts-americans-how-to-close-the-gap/*; Minding The Climate Gap: What's at Stake if California's Climate Law isn't Done Right and Right Away. 2010. https://dornsife.usc.edu/eri/publications/minding-the-climate-gap-whats-at-stake-if-californias-climate-law-isnt-done-right-and-right-away/

Forthcoming 2025 UC Berkeley study conducts an updated literature review on the impact of costs of climate change on California households and consumers. Due to higher temperatures, limited water availability, and higher incidence of disease from climate change, Californians are experiencing:

- Rising food costs;
- Increased health and public health costs;
- Increased insurance costs;
- Post-disaster rent increases;
- Fewer mortgages;
- Costs of more frequent disasters/extreme weather events (e.g., wildfires, heatwaves) on individuals and families as well as businesses from disrupted supply chains, reduced crop yields, which lead to increased consumer costs;
- Wage losses in outdoor industries.

Kasia Kosmala-Dahlbeck, Economic Costs of Climate Change in California: Preliminary Findings, April 2025. *https://www.law.berkeley.edu/wp-content/uploads/2025/04/Costs-of-Climate-Change-Preliminary-Findings.pdf*

Coalition Letter: Eliminate Free Allowances to Oil & Gas Industry

On April 21, 2025, a **coalition of 40 organizations** submitted a letter to request that the Legislature:

(1) Reject a straight reauthorization;
(2) Reduce or even eliminate the free allowances given to the oil and gas industry;
(3) Prioritize raising revenue for the Greenhouse Gas Reduction Fund and/or the California Climate Credit instead.

***In 2024 alone*, the allowances given freely to the oil and gas industry are estimated to be valued at <u>over $890 MILLION</u>**

Coalition Letter: Recommendations for Greenhouse Gas Reduction Fund (GGRF) Investments

On April 30, 2025, a **coalition of *over* 40 organizations** submitted a letter to request that the Legislature:

(1) Reject a straight reauthorization;
(2) Implement a **revised Greenhouse Gas Reduction Fund spending plan* that centers California's most underserved communities**, investing in:
  (a) Disadvantaged communities
  (b) Both urban and rural communities
  (c) Address the climate crisis in multiple ways – decarbonization, adaptation, and resilience
  (d) Community-identified programs and/or programs that engage communities
  (e) Have a strong proven record of success**

*The coalition letter lists 10 core equity programs, see later slide
**One proposal is an evidence-based expansion of a pilot program.

Coalition Letter: Equitable GGRF Investments

Programs (listed in alphabetical order)	Agency	Program Type
AB 617 Implementation	CARB	Air Quality
Affordable Housing and Sustainable Communities	Strategic Growth Council	Housing / Transportation
Clean Transportation Incentives	CARB/CEC	Transportation
Community Resilience Centers	Strategic Growth Council	Multi-benefit / Climate Resilience
Cleanup in Vulnerable Communities Initiative	DTSC	Multi-benefit
California Oil Worker Readiness Program	EDD	Multi-benefit
Equitable Building Decarbonization	California Energy Commission	Energy
Low Carbon Transportation Operations Program	Caltrans	Transportation
SAFER Water Program	State Water Board	Water
Sustainable Agriculture Programs	Various (See Appendix A)	Agriculture
Transformative Climate Communities	Strategic Growth Council	Multi-benefit / Climate Resilience
Transit and Intercity Rail Capital Program	CalSTA/Caltrans	Transportation
Urban and Community Forestry	CalFIRE	Natural Resources
Urban Greening	CNRA	Natural Resources

EJ Affordability and Equity GGRF Priorities

- Reduce greenhouse gas emissions
- Build climate resilience and invest in climate adaptation
- Address affordability
- Achieves equity
- Oversubscribed & underfunded
- Highly visible/felt in communities
- Increases buy-in for climate programs

Program	Amount Requested
SGC Community Resilience Centers	**3.75% or at least $150M** in continuous GGRF funding
SGC Transformative Climate Communities	**3.75% or at least $150M** in continuous GGRF funding
CEC Equitable Building Decarbonization	**8.8% or at least $400M** in continuous GGRF funding
SWB SAFER Water Program	Maintain continuous appropriation of **5% and remove cap**
CARB Community Air Protection Program (AB 617)	**10% or at least $450M** in continuous GGRF funding
EDD CA Oil Worker Readiness Program	**10% or at least $450M** in continuous GGRF funding
DTSC Cleanup in Vulnerable Communities Initiative	**4.15% or at least $166M** in continuous GGRF funding
CEC Community Solar & Storage	**$250M** appropriated over three years
CARB/CEC Clean Transportation Incentives*	**$700M** one-time appropriation for targeted programs*

*Equitable transportation incentives (incl. other forms of transit) subject to refinement and coordination.

Questions?

Photo, background: APEN Richmond youth organizer during RYSE **Community Resilience Center** construction phase.

Photo, front right: LCJA community members in Eastern Coachella Valley planning and designing a CRC within a **Transformative Climate Communities (TCC)** planning grant.

APPENDIX

SUPPORT Strategic Affordability & Equity Reforms

If reformed, the **Cap and Trade** program—**projected to reach $136 Billion to $318 Billion**—could deliver tangible benefits to all Californians while also protecting the most vulnerable communities during the cost of living crisis.

Key Cap-and-Trade Recommendations for Affordability and Equity

- The legislature should **secure funding for proven, multi-year equity programs through continuous appropriations from the Greenhouse Gas Reduction Fund (GGRF)**.
- The legislature should **reform the CA Climate Credit** ratepayer rebate to **increase benefits to the lowest income ratepayers** while maintaining universal support for all Californians.
- **Prioritize the growth of funds available for Californians** through the GGRF and ratepayer rebates through market reforms **while updating consumer protection mechanisms**.
- **Eliminate free allowances to industry—target oil and gas**.
- **Guarantee funding of proven programs** currently funded by offsets; **eliminate the troubled offsets protocol.**
- **Address air pollution** in disadvantaged communities.

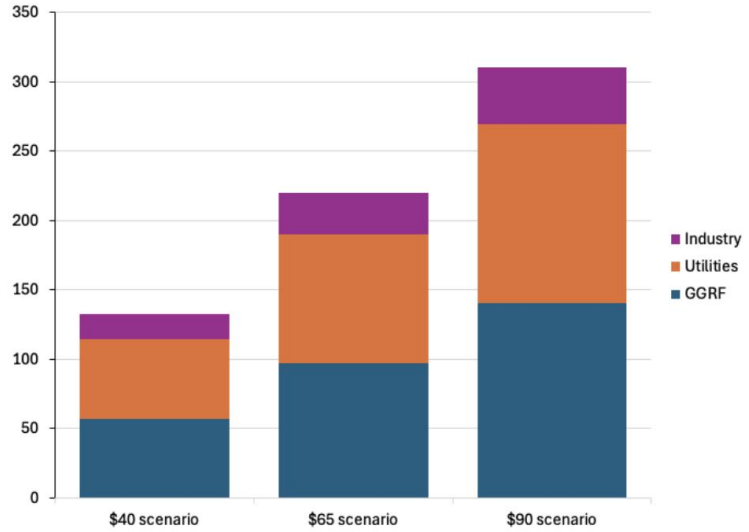


Figure 4. Projected allowance value, 2026 through 2045 (billion 2023 USD). *This figure shows how allowance values could substantially increase with higher market prices. All three scenarios assume that allowances are allocated to fund the GGRF, to benefit utility customers, and to benefit large industrial emitters according to recent historical patterns.[9] In practice, policymakers could designate a different mix of allowance allocations.*

REJECT Straight Reauthorization

A **straight reauthorization** means...

- The legislature **continues to give up the power to direct billions more to Californians in need** from a program that will reach ***$132 Billion to $318 Billion*** over 20 years.
- The legislature **is siding with Big Oil billionaires to lock-in expensive subsidies** instead of Californians.
- The legislature is willing to **leave Californians unprotected at the gas pump**, if oil companies decide to pass on sudden spikes in compliance costs (*which we can expect with news of reauthorization*).

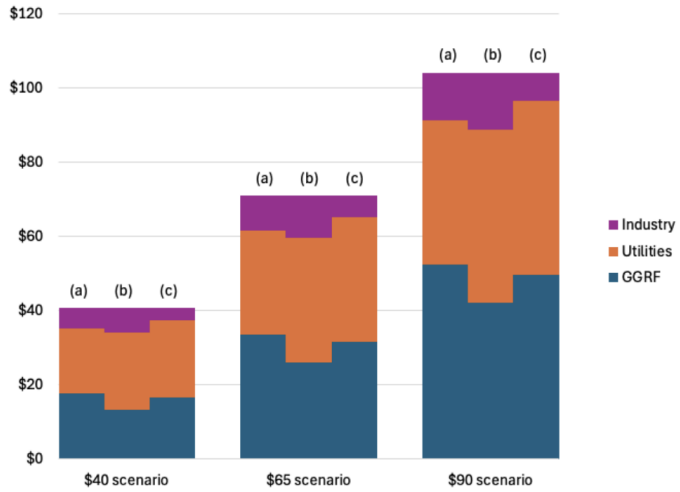


Figure 5. Projected allowance value, 2026 through 2030 (billion 2023 USD). *This figure reports the projected allowance value that benefits the GGRF, utilities (and their customers), and large industrial emitters across three allowance intervention scenarios depicting how CARB would modify total allowance budget years for the same period of time. Column (a) reports results for the proportional reduction scenario, in which all three groups are affected in equal proportion; column (b) reports results assuming that all allowance reductions come from the GGRF; and column (c) reports results assuming that industrial allocations are cut in half and the GGRF bears the remaining required reductions. All three scenarios result in the same total allowance value, but depict different choices as to the distribution of program benefits.*

Why?

A straight reauthorization could be more expensive for Californians now and later.

Cap-and-Trade Not Currently Positioned to Close State's 2030 Emissions Gap

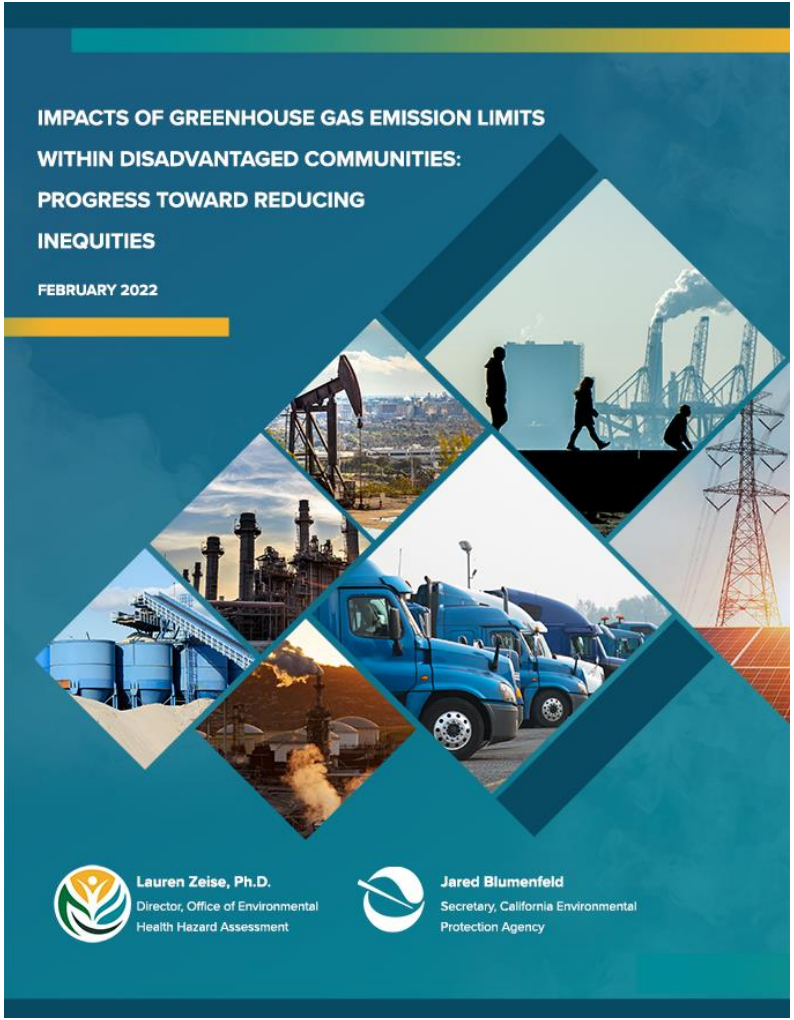
2017 Scoping Plan Update Identified Cap-and-Trade as a Policy That Would Ensure the State Meets Its Target. The 2017 plan explicitly stated that to the degree other policies collectively fell short of meeting the state's GHG reduction goals—sometimes referred to as an emissions gap—the cap-and-trade program would reduce emissions further to make up the difference.

2022 Scoping Plan Update Does Not Specify the Expected Role for Cap-and-Trade in Meeting Statewide GHG Targets. Based on our review of the current program, we found the following:

- Cap-and-trade can be a cost-effective way to achieve GHG goals.
- The program is not currently well-positioned to ensure the state meets its 2030 target. Cap-and-trade allows banking of allowances from earlier years, which could hinder the state's ability to rely on the program to achieve its overall emissions reductions goals under the current program cap.
- The cap is set at a level that is insufficiently stringent under a range of future scenarios.
- Lack of program stringency also affects allowance prices and auction revenue.

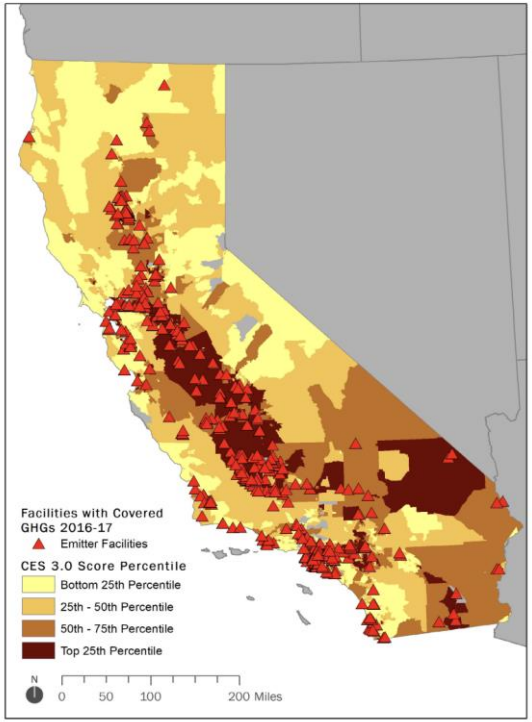
"[Climate breakdown] is a recipe for permanent recession."

- Simon Stiell, Executive Secretary of the UN Framework Convention on Climate Change



Cap-and-Trade entities are overwhelmingly in communities with the worst cumulative pollution burdens, negative health outcomes, and socioeconomic indicators.

Figure 2. Cap-and-Trade Facilities and CES Scores in California, 2016-2017



https://dornsife.usc.edu/eri/publications/minding-the-climate-gap-whats-at-stake-if-californias-climate-law-isnt-done-right-and-right-away/

Most Covered Facilities in All Sectors are Located in or near High-Scoring CES Communities

Nearly half (280/613) of Cap-and-Trade covered facilities are located near communities with CES scores above the 75th percentile (*Figure 9*). There are fewer Cap-and-Trade covered facilities located near communities with lower CES scores. The majority of facilities in four sectors (cogeneration, electricity generation, other combustion sources and refineries) were located near disadvantaged communities (Table 1). Each facility was assigned a CES score based on the maximum non-zero CES score near the facility. This analysis included all facilities that were covered by the Cap-and-Trade Program during any year from 2011–2018 (n=613) and included individual oil and gas production facilities, rather than geological basin[11] level data.

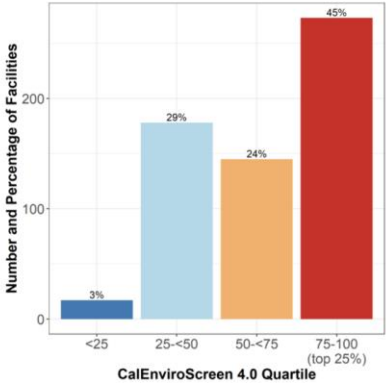


Figure 9. Number and Percentage of Facilities by CalEnviroScreen 4.0 Quartile

Table 1. Facilities Categorized in High CalEnviroScreen 4.0 Quartile by Sector

Sector (Number of Facilities)	Percentage of Facilities
Refinery (21)	71%
Other Combustion Sources (130)	61%
Electricity Generation (96)	49%
Cogeneration (42)	57%

Cap-and-Trade Covered Facilities are Over 3 Times More Likely to be Near Communities with High CES Scores and High Percentage People of Color

Overall, Cap-and-Trade covered facilities are three times more likely to be near communities with high CES scores and high percentage people of color. Refineries and other combustion sources are even more likely to be near communities with high CES scores and high percentage people of color (Figure 10). For this analysis, census tracts were categorized as either having a facility or not having a facility within the census tract boundary. The odds of a facility being located in a high-scoring CES census tract (75th–100th percentile) compared to a low-scoring CES census tract (<25th percentile) was evaluated using an odds ratio approach for both CES score and percent people of color. Results are shown as odds ratios and 95% confidence intervals for CES in orange and people of color based on ACS data. An odds ratio of 1, indicated by the dashed line, signifies that a facility within a sector is not more likely to be located in a high-scoring compared to a low-scoring CES census tract. For example, refineries are nine times more likely to be located near high-scoring CES census tracts compared to low and five times for likely to be near tracts with a high percentage of people of color versus low.

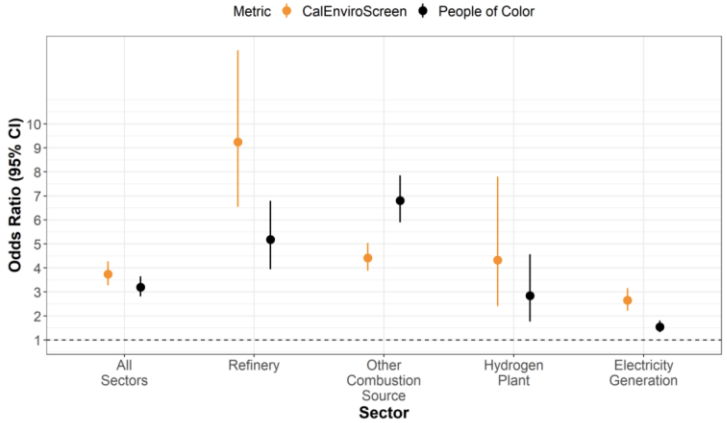


Figure 10. Odds of a Facility/Sector Being in a High-Scoring Versus Low-Scoring Community for CalEnviroScreen 4.0 Quartile and Percentage People of Color

Minding the Climate Gap

What's at Stake if California's Climate Law isn't Done Right and Right Away

Manuel Pastor, Ph.D. | Rachel Morell

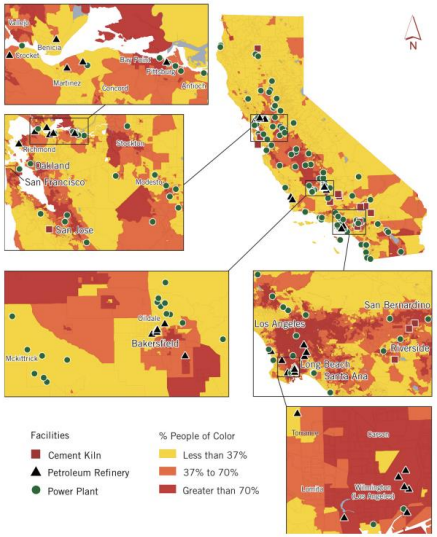
Climatic Change (2011) 109 (Suppl 1):S485–S503
DOI 10.1007/s10584-011-0310-7

The climate gap: environmental health and equity implications of climate change and mitigation policies in California—a review of the literature

Seth B. Shonkoff · Rachel Morello-Frosch ·
Manuel Pastor · James Sadd

Received: 12 February 2010 / Accepted: 26 September 2011 / Published online: 24 November 2011
© Springer Science+Business Media B.V. 2011

Major Greenhouse Gas-Emitting Facilities in California



Out-of-State Oil Companies are Leading Contributors to Both Public Health Risks from Air Pollution and the Effort to Suspend California's Climate Law

- Texas oil companies **Valero** and **Tesoro** are among the biggest financial backers of the effort to suspend California's climate law.
- Among the major greenhouse gas emitters studied, all four of the major Tesoro and Valero facilities rank in the top 15 facilities creating the largest public health risk from air pollution, according to an index that considers the possible effect on premature mortality. Additionally, both companies have facilities that are on the list of top contributors to pollution disparity, according to an index that measures disparate impacts on minority neighborhoods.
- Delaying implementation of California's climate law will not just contribute to continuing climate change, it could push back the opportunity to more quickly clean the air, reduce disparate exposure of people of color to dirty air, and generate new jobs in emerging green industries.

Top Ten Percent of California's Major Greenhouse Gas-Emitting Facilities Ranked by Estimated Pollution-Related Health Impacts

Rank	Facility Name	City
1	ExxonMobile Torrance Refinery	Torrance
2	Tesoro Wilmington Refinery	Wilmington (LA)
3	BP Carson Refinery	Carson
4	Chevron El Segundo Refinery	El Segundo
5	ConocoPhillips Los Angeles Refinery Wilmington	Wilmington (LA)
6	Shell Martinez Refinery	Martinez
7	Valero Benicia Refinery	Benicia
8	Mountainview Power Plant	San Bernardino
9	Chevron Richmond Refinery	Richmond
10	California Portland Cement Company Colton Plant	Colton
11	Paramount Refinery	Paramount
12	Valero Wilmington Refinery	Wilmington (LA)
13	Cemex VictorvilleWhite Mountain Quarry	Apple Valley
14	Tesoro Golden Eagle Refinery	Martinez
15	Etiwanda Generating Station	Rancho Cucamonga

Top Ten Facilities Polluting Disproportionately in Communities of Color

Rank	Facility Name	City
1	BP Carson Refinery	Carson
2	Tesoro Wilmington Refinery	Wilmington (LA)
3	Paramount Refinery	Paramount
4	ConocoPhillips Wilmington Refinery	Wilmington (LA)
5	ExxonMobile Torrance Refinery	Torrance
6	Chevron Richmond Refinery	Richmond
7	Mailburg Generating Station (Vernon Power Plant)	Vernon
8	ConocoPhillips Carson Refinery	Carson
9	Valero Wilmington Refinery	Wilmington (LA)
10	California Portland Cement Company Colton Plant	Colton

For the full report, please visit: http://bit.ly/ClimateGap

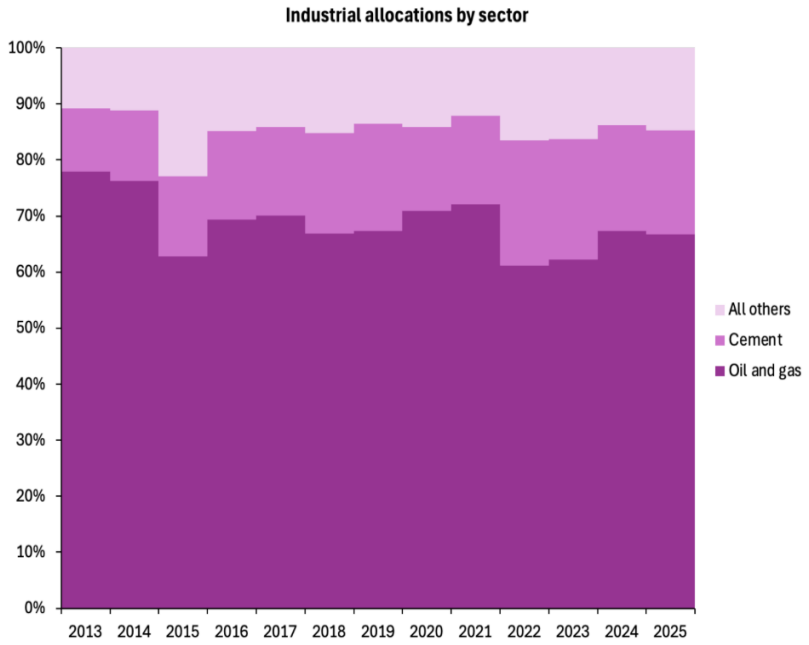
OEHHA
California Office of Environmental Health Hazard Assessment

Table 2. Direction of Emission Changes at Facilities Near High-Scoring CES Communities Varies by Pollutant and Sector (2018 Compared to 2012 Emissions)

Sector	Number of facilities in high-scoring CES communities (maximum)	GHG	PM2.5	Air Toxics
[redacted]				
Hydrogen Plants	6	↑	↑	↓
[redacted]				
Refinery	14	↑	↑	↓

Photo credit: Communities for a Better Environment (CBE), taken from the school playground of CBE members in Wilmington

Eliminate Free Allowances for the Oil and Gas Industry



2/3rd of all industrial free allowances have been handed over to Big Oil—but Californians have not seen any benefits or cost protections. Instead, we've seen rising gas prices and even price gouging.

- According to the CEC, we see gas price spikes for reasons unrelated to C&T compliance costs that are passed through to consumers; analysts assume pass through of nearly all compliance costs.
- The industrial assistance factor (set at 100% without any pretext of being a real calculation) is supposed to 'prevent leakage' but oil refiners make relative business choices based on their global portfolio in the global transition energy transition.
- These free allowances are functionally giveaways to the fossil fuel industry for $$'s that could instead be invested back to communities

California has some of the worst air quality in the country. The problem is rooted in the San Joaquin Valley

Nation Jun 16, 2022 6:22 PM EDT

California Farm Counties Are Not Even Close to Meeting the EPA's New Clean Air Quality Standard

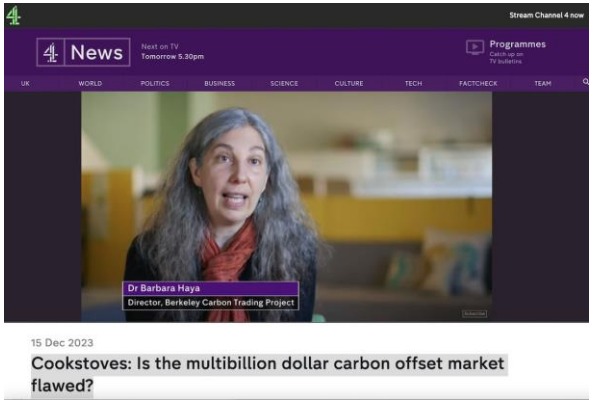
The nation's largest agriculture region has never been able to meet the EPA's standard for pollution from particulate matter. Health and environmental justice groups are hoping the new rules will spur urgent action.

BY VIRGINIA GEWIN · MARCH 5, 2024

AB 617 IMPLEMENTATION FLAWS

- Lack of CARB enforcement of AB 617 community plans
- Loopholes in best available control technology (BARCT/BACT requirements)
- Dollars going to industry incentives instead of community priorities.

Eliminate Offsets (and Fund Proven Programs via GGRF)



- The state has **certified the sale of enough credits to meet almost all the greenhouse gas reductions** required of companies through 2030.
- Multiple studies demonstrate **85% of offsets do not reduce GHG emissions** as described and lack legislative oversight and accountability.
- According to the 2022 OEHHA study, **four the five largest purchasers of offsets have oil refineries**, who have not seriously reduced GHG emissions.
- **Proven, equitable and tribal-led programs** currently funded by the offsets protocol **can still be funded** if the offsets program is eliminated **via the GGRF from resulting increases in generated auction revenues**

Highlights

1. Equitable GGRF Investments
2. Equitable CA Climate Credit
3. Secure (Real) Air Quality Improvements

Case Study: Transformative Climate Communities (TCC)

The Transformative Climate Communities (TCC) Program funds community-led development and infrastructure projects that achieve major environmental, health, and economic benefits in California's most disadvantaged communities. TCC empowers the communities most impacted by pollution to choose the strategies and projects best suited to achieve their community vision and enact transformational change. All with data-driven milestones and measurable outcomes.

Since 2018, the California Strategic Growth Council (SGC) has awarded over $424 million in TCC grants to 37 of the most disadvantaged communities in California through a competitive process. TCC is funded through the State General Fund and cap-and-trade dollars at work through California Climate Investments.

- **$424 Million** Total Awarded
- **37** Disadvantaged Communities
- **177** Unique Projects
- **283** Diverse Partnerships
- **298,254 of CO_2** Equivalent Avoided
- **Over $827M** in Additional Leverage Funding

California Department of Conservation

WHAT DOES TCC FUND?

TCC's unique, place-based strategy for reducing greenhouse gas emissions is designed to catalyze collective impact through a combination of community-driven climate projects in a single neighborhood. Projects must reduce greenhouse gas emissions significantly over time, leverage additional funding sources, and provide health, environmental and economic benefits to the community.

Project examples include, but are not limited to:

- Affordable and sustainable housing developments
- Transit stations and facilities
- Electric bicycle and car share programs
- Solar installation and energy efficiency
- Water-energy efficiency installations
- Urban greening and green infrastructure
- Bicycle and pedestrian facilities
- Recycling and waste management
- Health equity and well-being projects
- Brownfields redevelopment
- Community microgrids
- Indoor air pollution reduction

WHO IS ELIGIBLE TO APPLY?

A diverse range of community, business and local government stakeholders must form a Collaborative Stakeholder Structure to develop a shared vision of transformation for their community. This may include:

- Community-based organizations
- Local governments
- Nonprofit organizations
- Philanthropic organizations and foundations
- Faith-based organizations
- Coalitions or associations of nonprofits
- Community development finance institutions
- Community development corporations
- Joint powers authorities
- California Native American tribes

Contact

tcc@sgc.ca.gov

sgc.ca.gov/programs/tcc/

HOW ARE OUTCOMES TRACKED AND MONITORED?

An evaluation team will monitor and report project greenhouse gas emissions reductions for awarded applicants using a quantification methodology certified by the California Air Resources Board. The evaluation team also will work with grantees to track co-benefit indicators based on the program's health, environmental, and economic goals.

37 AWARDED COMMUNITIES

- Southwest Fresno
- Ontario
- Watts
- West Oakland
- Southeast Los Angeles County
- East Los Angeles
- Moreno Valley
- East Oakland
- South Sacramento
- South Stockton
- Sacramento River District
- Northeast San Fernando Valley
- McFarland
- Indio
- South Los Angeles
- Tulare County
- East Riverside
- Pomona
- Porterville
- Richmond
- Spring Valley
- Karuk Tribe
- Pájaro Valley and Watsonville
- Chicken Ranch Rancheria and Jamestown
- Allensworth
- Hoopa Valley Tribal Reservation
- Wiyot Tribe
- Southeast Bakersfield
- Coachella
- San Diego - Barrio Logan
- Eastern Coachella Valley
- North Santa Barbara County
- ... and more

Updated December 2023

Case Study: TCC Fresno

TCC FRESNO COMPONENTS

- 56 affordable homes
- Install solar systems on over 200 homes
- Provide energy efficiency improvements for 200 households
- Over 2,500 new trees
- Construct 17 acres of parks and community gardens
- Increase frequency of local electric bus system
- Create new electric vehicle- and bicycle-sharing programs
- New West Fresno City College Satellite Site

BY THE NUMBERS

- Project area: 4.9 square miles
- Partners: 13
- Emissions reductions: 28,400 tonnes CO_2e
- TCC grant: $66.5 million
- Leveraged funds: $85.5 million

Community engagement builds capacity and buy-in for shared electric bikes and cars

BACKGROUND

This case study explores how TCC funding for community engagement can develop local leadership and support for infrastructure projects. Specifically, the story highlights the community engagement strategy for Fresno's Clean Shared Mobility Network through the lens of two Fresnans who have been empowered in different ways through the process. For more on the network, see page 64. For more on Transform Fresno's Community Engagement Plan, see page 42.

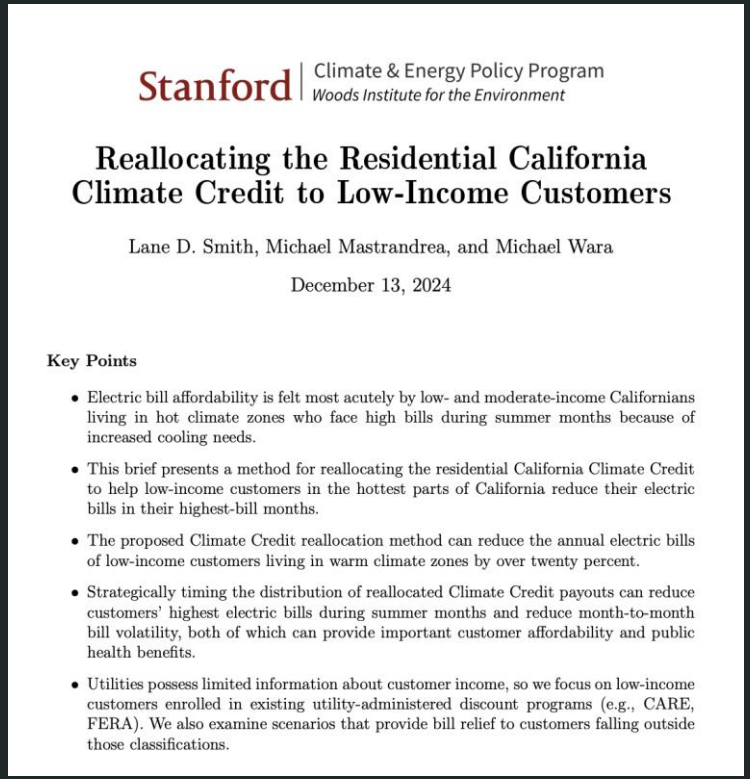
Interviews for this story were held in August 2022 and January 2023.

Keshia Thomas celebrates new electric vehicle charging infrastructure installed at an affordable housing site in southwest Fresno. Photo credit: Fresno Housing.

Construction of The Monarch @ Chinatown, a TCC-funded affordable housing development. Photo credit: Fresno Housing

Reform the CA Climate Credit to Benefit Lower Income, Highly Climate-Impacted People

- Direct the CPUC to implement a process for distributing the Climate Credit that **prioritizes distributing the Credit to low-income households particularly those in hot climate zones**, as proposed by Stanford researchers.
- Direct the CPUC to ensure the CA Climate Credit ratepayer rebate is **given during peak usage months**.
- ***Additionally, take steps to improve and expand enrollment in bill assistance programs***.



Stanford | Climate & Energy Policy Program
Woods Institute for the Environment

Reallocating the Residential California Climate Credit to Low-Income Customers

Lane D. Smith, Michael Mastrandrea, and Michael Wara

December 13, 2024

Key Points

- Electric bill affordability is felt most acutely by low- and moderate-income Californians living in hot climate zones who face high bills during summer months because of increased cooling needs.
- This brief presents a method for reallocating the residential California Climate Credit to help low-income customers in the hottest parts of California reduce their electric bills in their highest-bill months.
- The proposed Climate Credit reallocation method can reduce the annual electric bills of low-income customers living in warm climate zones by over twenty percent.
- Strategically timing the distribution of reallocated Climate Credit payouts can reduce customers' highest electric bills during summer months and reduce month-to-month bill volatility, both of which can provide important customer affordability and public health benefits.
- Utilities possess limited information about customer income, so we focus on low-income customers enrolled in existing utility-administered discount programs (e.g., CARE, FERA). We also examine scenarios that provide bill relief to customers falling outside those classifications.

Secure (Real) Air Quality Improvements

Given the flaws in AB 617, the Legislature should:

- give CARB explicit authority to enforce community plans;
- target investments to community priorities (rather than industry incentives); and
- strengthen Best Available Control Technology (BARCT/BACT) requirements

Secure (Real) Air Quality Improvements

the Climate Beat

Grist

Follow Donate

Environmental justice law in New York could prevent new pollution in hard-hit neighborhoods

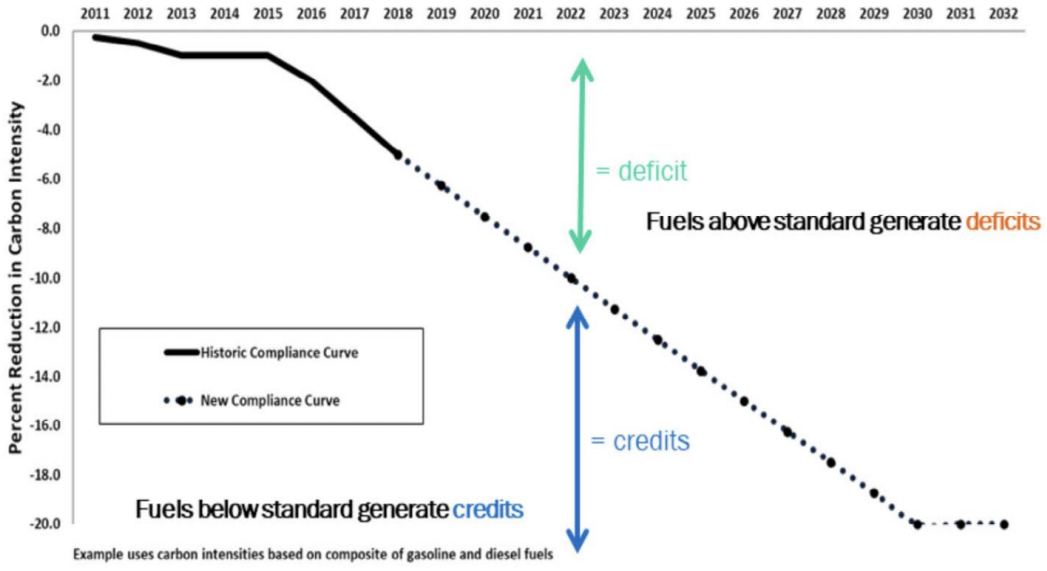
The state joins New Jersey in passing toughest legislation in country.

Courtesy of We Act for Environmental Justice

- **Prevent** additional and expanding polluting facilities in environmental justice communities similar to **cumulative impacts legislation** enacted in New York and New Jersey.
- **Require** 2 EJ seats on each air district board.

If you are really concerned about the potential of rising gas prices...

Threat to Affordability:
2024 Low Carbon Fuel Standard (LCFS) Amendments



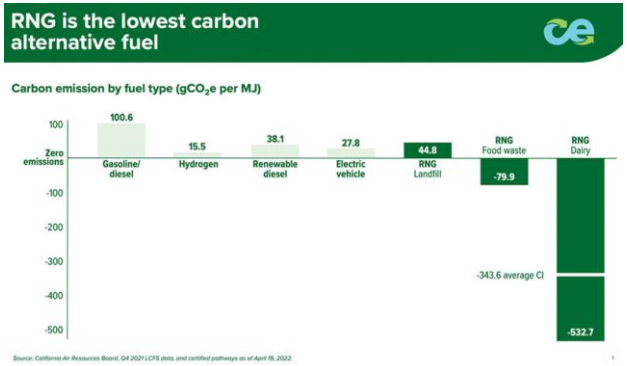
What is the LCFS?

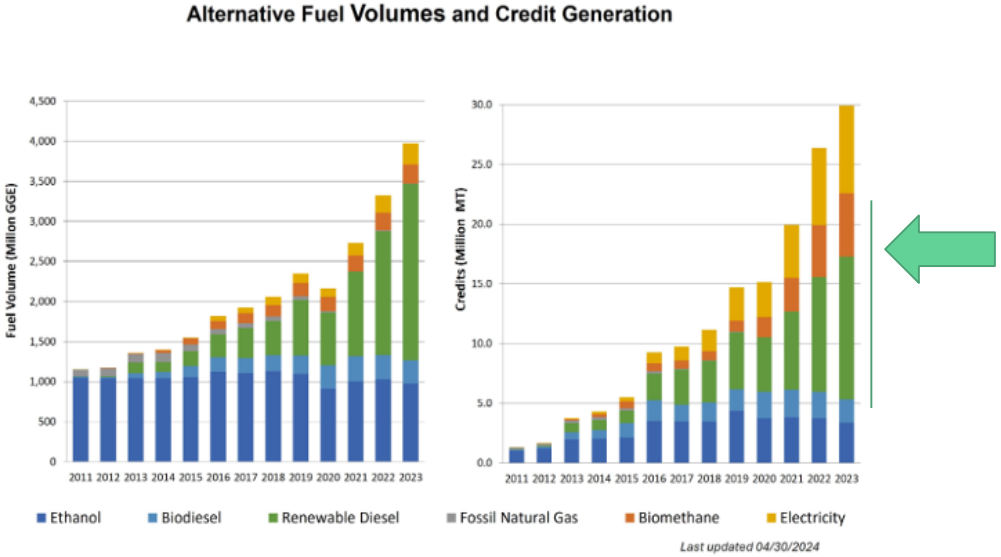
The LCFS and Cap and Trade are two different market programs to reduce GHGs.

Stated goal is to reduce the carbon intensity of the transportation fuel mix in California

$2-$4 billion program annually, that will likely increase when rule changes go into effect

LCFS Primarily Pays for Polluting Combustion Fuels





2024 LCFS Increasing Pass-Through Costs to Consumers

Studies estimate that costs to consumers will significantly increase as a result of recent rule changes.

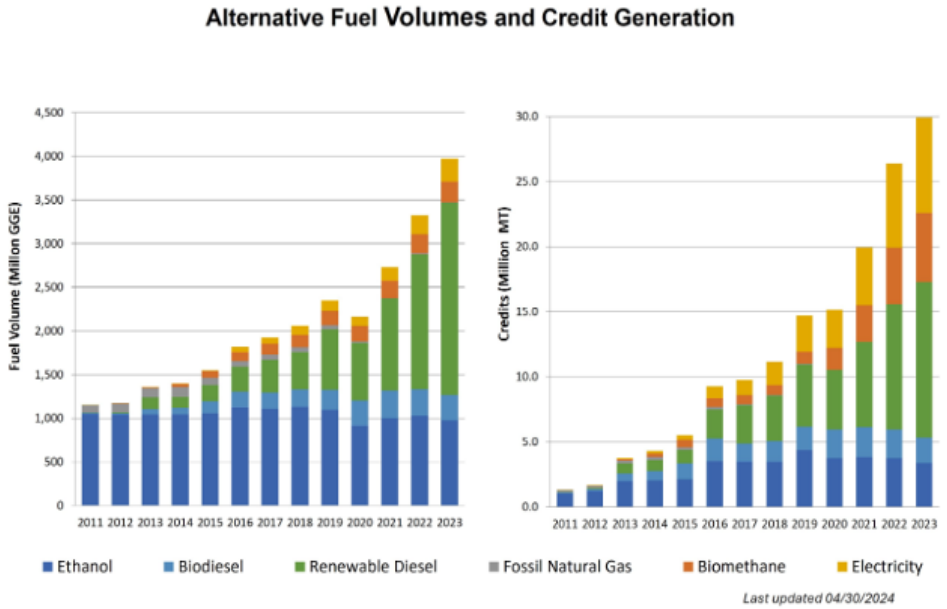
Two recent studies anticipate increased cost impacts:

$0.19/gal to $0.84/gal in 2030 and
*$0.34/gal to $1.47/gal in 2035^*

$0.34/gal to $0.85/gal in 2030 and
~$0.60 to $1.50/gal in 2035*

^ Duffy, Jim. A Transparent Response to Questions about the Cost of the LCFS. Nov. 5, 2024.
* California's Low Carbon Fuel Standard, Kleinman Center for Energy Policy, Oct. 2024

Consumer Money Is Paying for Polluting Combustion Fuels



Parallel Recommendations for the 2024 LCFS Amds.

- Protect consumers and improve environmental performance and program integrity by directing CARB to apply existing law for market-based compliance mechanisms to the Low Carbon Fuel Standard
- Require direct consumer protections against steep fuel price increases through a more effective cost containment mechanism to address the inflated costs of polluting biogas and biofuels
- Rein in the flood of credit incentivizing polluting combustion fuels over electrification

Questions?

Reach out! katie@everydayimpactconsulting.com

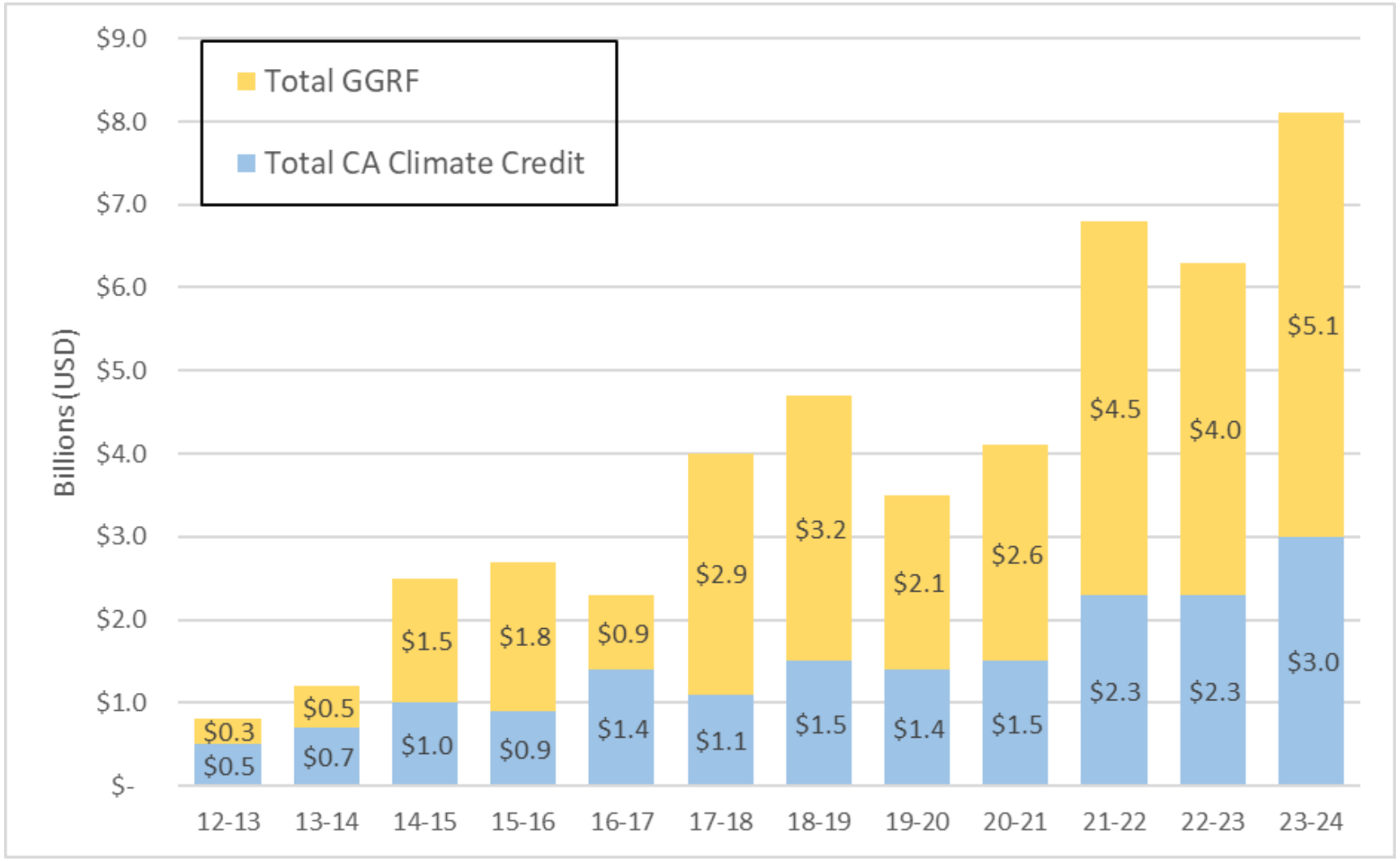
NET-ZERO CALIFORNIA

www.netzerocalifornia.org

Analyzing cap-and-trade program investments

Senate EQ and Budget Sub 2 Hearing – 05/08/2025

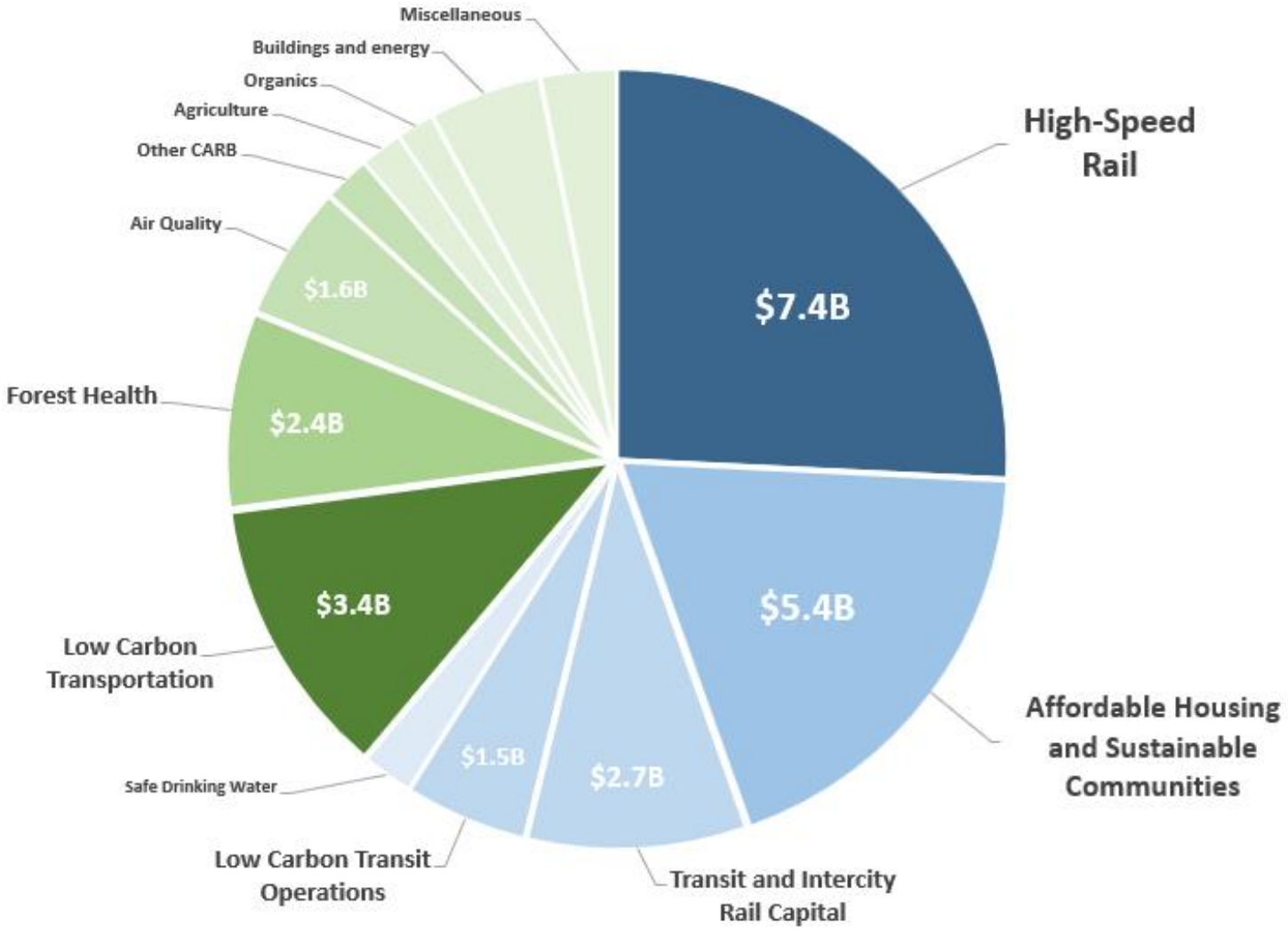
Summary of total expenditures



Key takeaways

- Total: $50B:
  - Credit: ~$20B
  - GGRF: ~$30B
- Recent years:
  - Credit: $2-3B/yr
  - GGRF: $4-5B/yr
  - **Total: $6-8B/yr**

Summary of GGRF allocations



Key takeaways

- Total 90 programs at 24 state agencies
- ~65% is continuous (blue) per SB 862 (2014)
- Per CCI data:

Allocated	$28.7B
Implemented	$15.4B
TBD	$13.3B

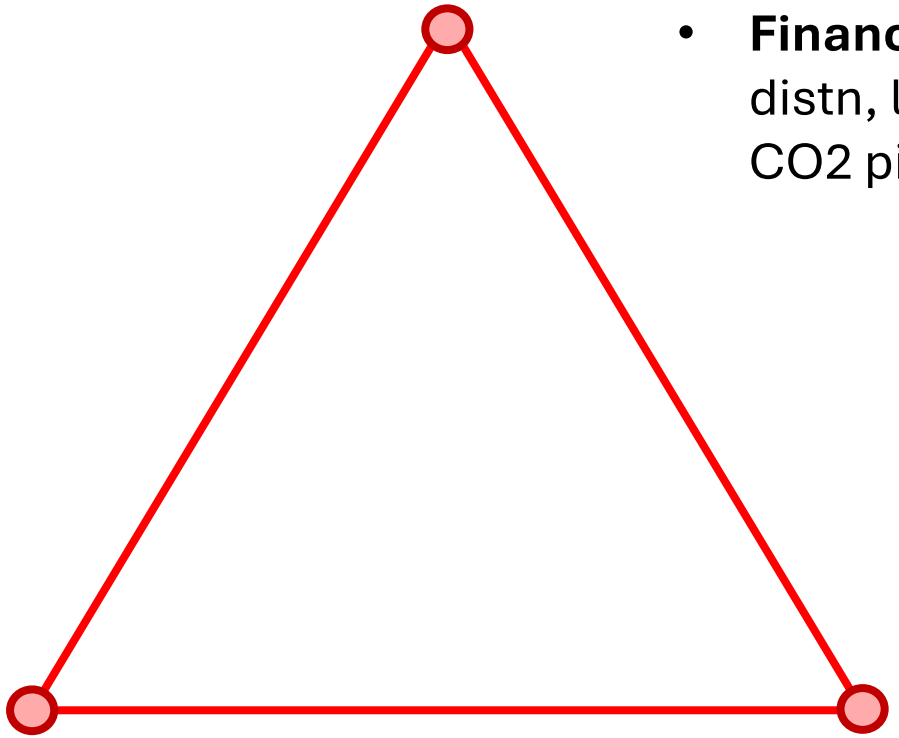
Assessing performance

- **California Climate Credit:**
  - ~$3B allocation = ~$10/month electric bill savings for IOU customers (PG&E, SCE)
- **Greenhouse Gas Reduction Fund:**
  - Some cost-effective programs; but more than 50% either: a) cost above $1,000/ton, or b) generate zero GHG reductions
  - Current continuous allocations (HSR, Affordable Housing, Transit) not identified as priorities in the 2022 Scoping Plan

“Affordable Net-Zero” reallocation

Infrastructure

- **Financing** for transmission, distn, long lead-time gen, CO2 pipelines and storage

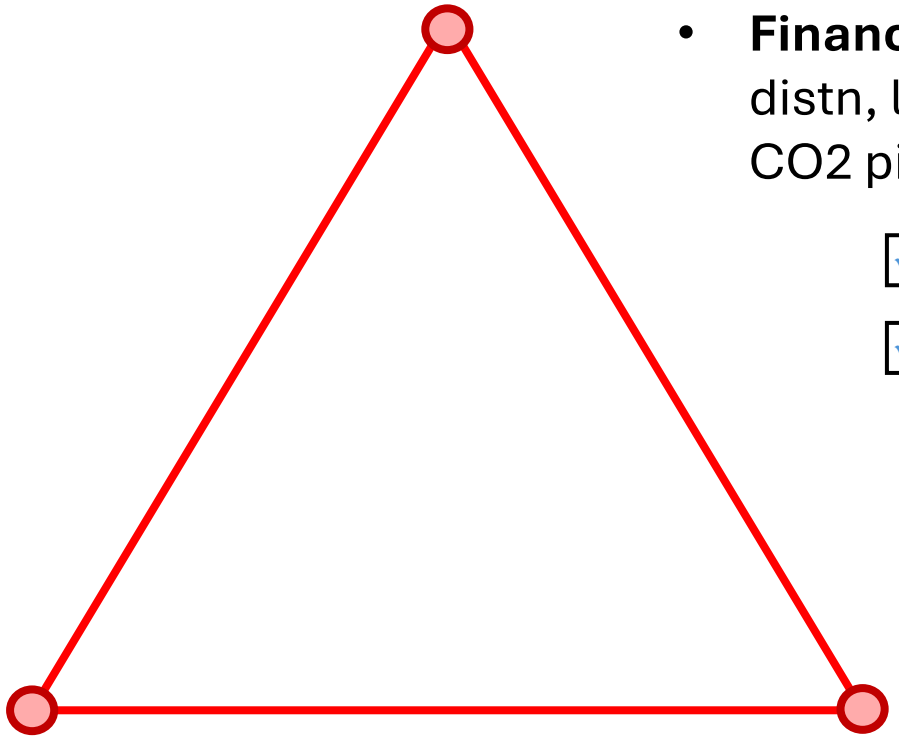


- **Grants** for innovation, e.g. clean firm, industrial decarb, carbon removal, MHD transport

- **Grants** for resilience, e.g. wildfire prevention

Technology **Resilience**

“Affordable Net-Zero” reallocation



- **Financing** for transmission, distn, long lead-time gen, CO2 pipelines and storage

☑ Affordability

☑ Decarbonization

☑ Decarbonization

☑ Innovation

- **Grants** for innovation, e.g. clean firm, industrial decarb, carbon removal, MHD transport

- **Grants** for resilience, e.g. wildfire prevention

☑ Affordability

☑ Resilience

Opportunity for Infrastructure Fund

- Identifying opportunities for **low-cost loans, guarantees and recoverable grants** can allow funds to be revolved
- **Example:**

• 20% allocation ($1B/yr) to Fund for five-years	= $5B fund by 2030
• Revolved every 3-years	= $25B by 2045
• Leveraged private capital	= $125B (assume 5x)

$5B revolving fund mobilizes $150B in total capital

Further background:

- Data analysis of cap-and-trade program investments (updated: May 2025)
- A clean energy infrastructure plan for the GGRF (April 2025)
- Strengths and limitations of California's cap-and-trade program (March 2025)
- Aligning GGRF with the 2022 Scoping Plan (September 2024)

California State Senate, Senate Environmental Quality Committee and Budget Subcommittee No. 2 on Resources, Environmental Protection and Energy

Sens. Catherine Blakespear and Benjamin Allen, Chairs (May 8, 2025)

Danny Cullenward, JD, PhD (dcullenward@ghgpolicy.org)
Senior Fellow, Kleinman Center for Energy Policy, University of Pennsylvania
Vice Chair, Independent Emissions Market Advisory Committee[1]

Summary of testimony

- The total value of California's cap-and-trade allowances is nearly $10 billion a year:[2]
  - About 45% goes to the Greenhouse Gas Reduction Fund (GGRF).
  - About 41% goes to utilities (to the benefit of their ratepayers).
  - About 14% goes to industrial emitters.
- If policymakers reauthorize the program, then allowance prices will increase (likely dominant in the near term) as allowance supplies decrease (dominant in the long run).[3]
- The total value of allowances and the distribution of that value depend on:
  - How carbon prices increase and what limits CARB's market regulations set on those levels, including maximum price ceiling levels (see Figure 1); and
  - How CARB's program regulations allocate allowances to benefit the GGRF, utilities (and their customers), and large industrial emitters.
- Over the next 20 years (2026 through 2045), total allowance value could evolve to between $132 to $311 billion (in constant 2023 USD) (see Figure 2).
- Over the next 5 years (2026 through 2030), total allowance value could evolve to between $41 to $104 billion (in constant 2023 USD) (see Figure 3).
- Depending on market prices and how CARB changes allowance budgets, reauthorization could lead to an increase or decrease in near-term GGRF revenue.
- Historically, market-design decisions have largely been delegated to the California Air Resources Board. Policymakers may wish to consider providing additional guidance on design features that determine the overall size and distribution of allowance values.

---

1 This testimony reflects my individual views and not those of the IEMAC.

2 See Chapter 3 in the 2024 IEMAC Annual Report.

3 Results presented in this handout are based on a report I authored, which is available here: https://www.ghgpolicy.org/california-allowance-value.

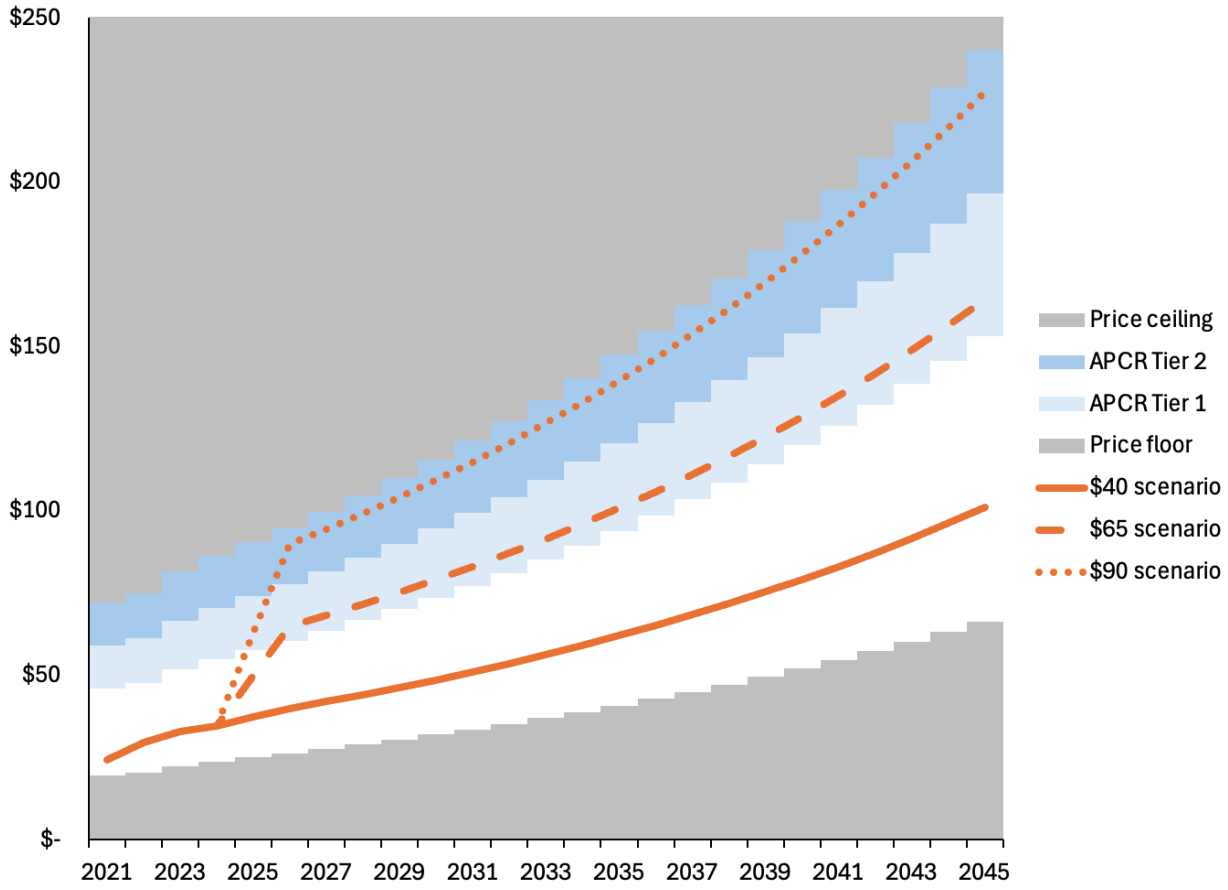


Figure 1. Carbon price scenarios (2023 USD per allowance). *This study considers how cap-and-trade program allowance values might evolve across three carbon price scenarios. Each scenario begins with a price of $40, $65, or $90 per allowance in 2026 that increases annually at 5% in constant 2023 USD.*

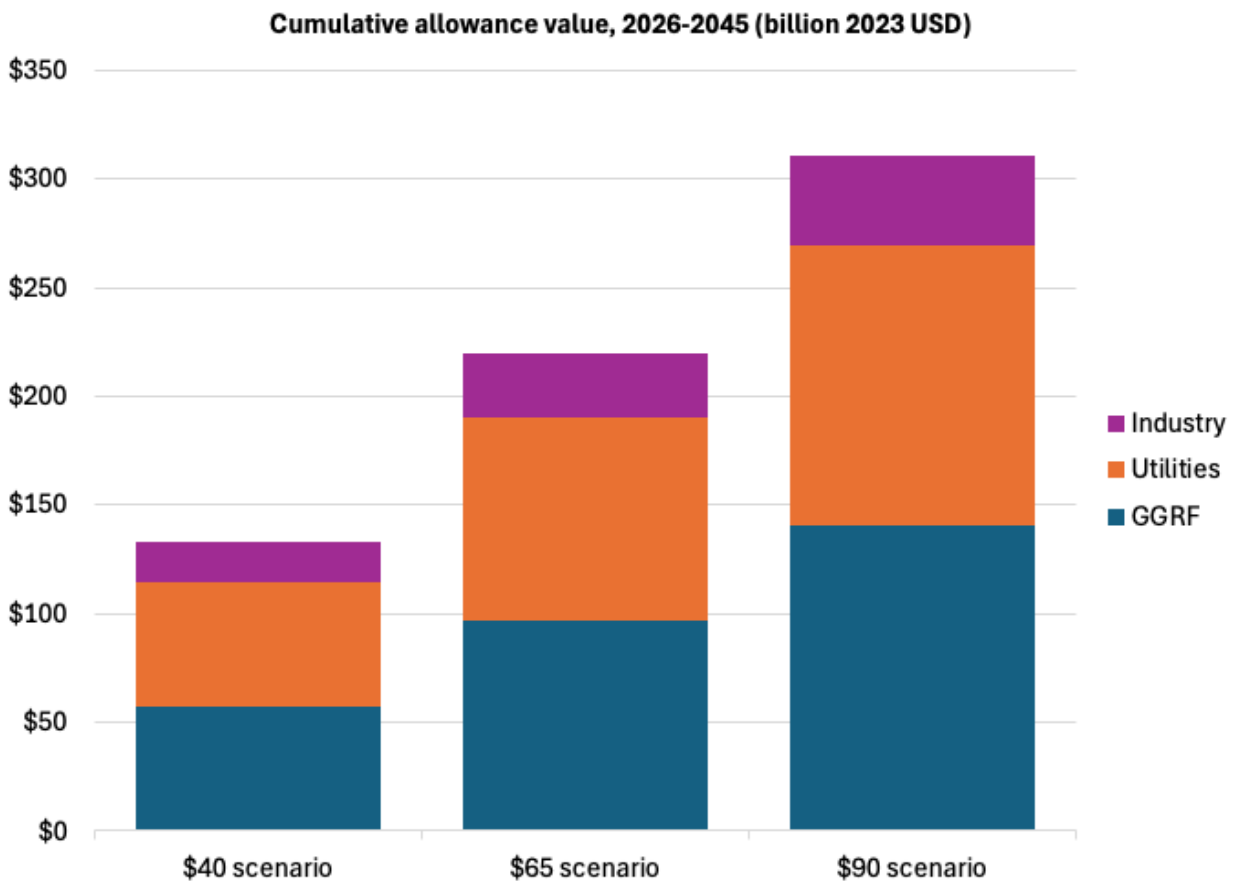


Figure 2. Projected allowance value, 2026 through 2045 (billion 2023 USD). *This figure shows how allowance values could substantially increase with higher market prices. All three scenarios assume that allowances are allocated to fund the GGRF, to benefit utility customers, and to benefit large industrial emitters according to recent historical patterns. In practice, policymakers could designate a different mix of allowance allocations.*

Note that, on average over the 20-year period, total allowance value would:

- Fall to about $7 billion/year under the $40 scenario
- Grow to about $11 billion/year under the $65 scenario
- Grow to about $16 billion/year under the $90 scenario

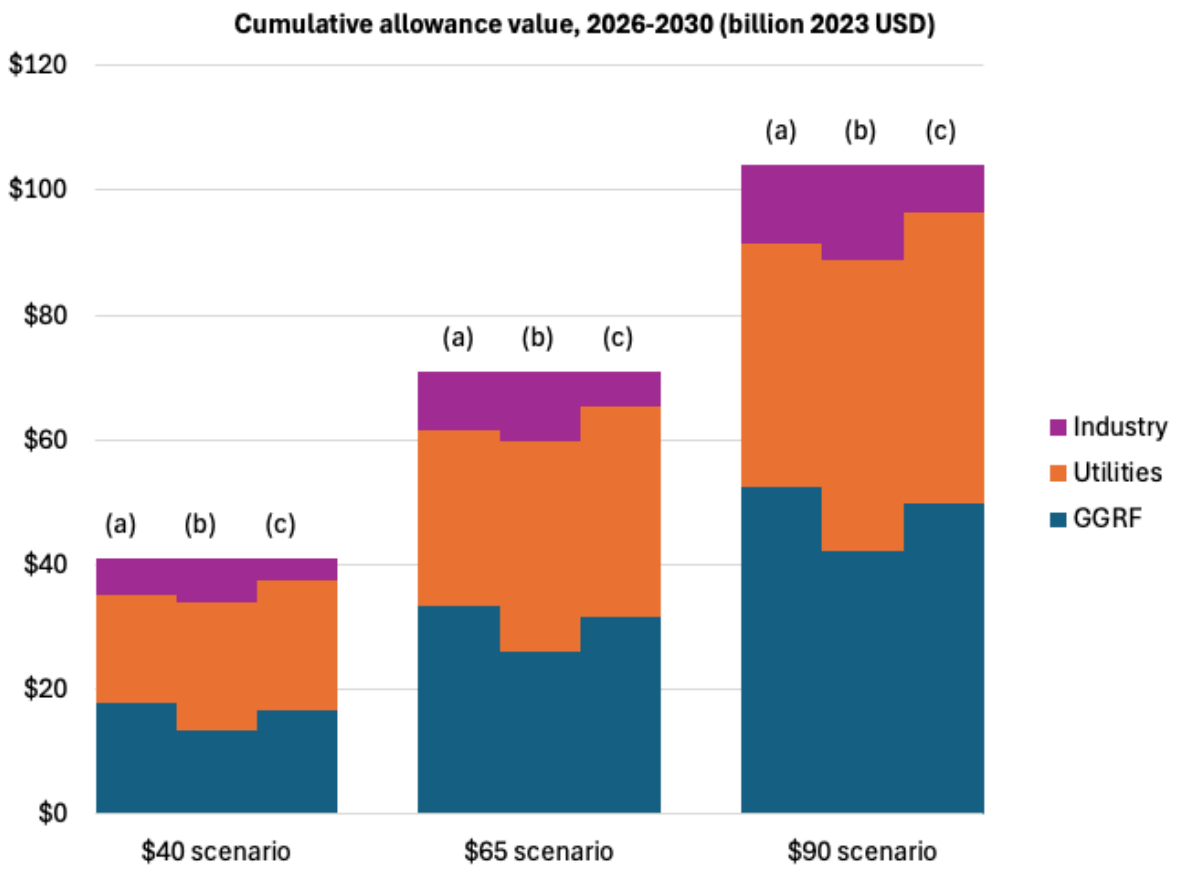


Figure 3. Projected allowance value, 2026 through 2030 (billion 2023 USD). *This figure reports the projected allowance value that benefits the GGRF, utilities (and their customers), and large industrial emitters across three allowance intervention scenarios depicting how CARB would modify total allowance budget years for the same period of time. Column (a) reports results for the proportional reduction scenario, in which all three groups are affected in equal proportion; column (b) reports results assuming that all allowance reductions come from the GGRF; and column (c) reports results assuming that industrial allocations are cut in half and the GGRF bears the remaining required reductions. All three scenarios result in the same total allowance value, but depict different choices as to the distribution of program benefits.*

Note that, on average over the 5-year period, total allowance value would:

- Fall to about $8 billion/year under the $40 scenario
- Grow to about $14 billion/year under the $65 scenario
- Grow to about $21 billion/year under the $90 scenario

MAY 8, 2025

Cap-and-Trade Program: Key Choices Ahead

PRESENTED TO:

Senate Budget and Fiscal Review Subcommittee No. 2 on Resources, Environmental Protection and Energy
Hon. Ben Allen, Chair

Senate Environmental Quality Committee
Hon. Catherine Blakespear, Chair

LEGISLATIVE ANALYST'S OFFICE

Background

Cap-and-Trade Program Represents Key Component of State's Efforts to Meet Its Climate Goals. Over the past 20 years, California has taken a leadership role in global climate policy. The state has established a series of increasingly ambitious greenhouse gas (GHG)-reduction goals and created a variety of policies and programs aimed at meeting these goals. Of particular importance is the cap-and-trade program, which was created through the passage of Chapter 488 of 2006 (AB 32, Núñez) and extended through 2030 by Chapter 135 of 2017 (AB 398, Garcia).

Cap-and-Trade Helps Ensure State Meets GHG-Reduction Goals Cost-Effectively. The program serves as a "backstop" within the state's overall suite of climate efforts. That is, to the degree other policies collectively fall short of meeting the state's GHG reduction goals, cap-and-trade can ensure that covered entities reduce emissions further to makeup the difference. The program also helps the state meet its GHG reduction goals in a relatively cost-effective manner, as the requirement to purchase allowances incentivizes emitters to undertake the least costly reductions. Should the program expire in 2030, the state would need to identify other—likely less cost-effective—activities and policies to attain additional GHG emissions reductions in order to meet its climate goals.

Cap-and-Trade Reduces GHG Emissions by Pricing Them, Which Raises Consumer Costs... By pricing emissions, the program provides a financial incentive for emitters to reduce their GHGs, but also raises their cost of doing business. Historically, they have passed most of these compliance costs on to consumers. If the program were to be extended through 2045, we estimate that emitters would need to pay a couple hundred billion dollars for allowances during this period. Many of these charges likely would be passed on to California consumers in the form of higher prices, such as for gasoline and diesel fuel.

...But Also Produces Revenues the Legislature Can Direct. Since the passage of AB 398 (with a vote of two-thirds of the Legislature), the revenues from the sale of allowances have been considered akin to tax revenues and have been able to be used for any purpose. Also, importantly, the Legislature is able to direct these revenues to address its priorities, such as offsetting the costs to consumers of the program, further reducing GHG emissions, and/or addressing other urgent needs. This feature is unlike the state's other GHG-reduction programs.

Legislature Faces Important Choices Around Reauthorization of Program

Legislature Faces Key Decisions as Sunset Date Approaches. Reauthorization could shape the program for many years to come. Also, in light of the dollar amounts at stake, choices around how the program is structured could have significant implications for various legislative priorities.

Legislature May Have Various Policy Priorities for Reauthorization. For example, the Legislature may want to prioritize GHG reductions, mitigating the program's effects on affordability, and/or addressing other policy priorities, such as improving local air pollution or adapting to climate change impacts.

Reauthorization Offers Two Key Tools to Achieve Legislative Policy Priorities. Broadly, the Legislature has two main types of tools at its disposal to achieve its policy priorities. First, it could make changes to the design of the program, such as related to the level of the cap and/or the levels of the price floor and ceiling. Historically, the Legislature has deferred most of these program design decisions to the California Air Resources Board (CARB). Second, it could direct the use of the value of the program's allowances. This could include shifting the balance of free allowances provided to various recipients versus those sold to benefit the Greenhouse Gas Reduction Fund (GGRF), and/or modifying GGRF's statutory spending allocations.

Legislature Has Various Reauthorization Options Depending on Its Policy Priorities. In the figure on the next page, we summarize some examples of options the Legislature could pursue to help achieve its policy priorities through cap-and-trade reauthorization.

Legislature Faces Important Choices Around Reauthorization of Program

(Continued)

Summary of Some Options for Addressing Potential Legislative Priorities in Cap-and-Trade

Category	Options
Policy Priority: Greenhouse Gas Reductions	
Program Design	✓ Lower cap on emissions.
	✓ Modify treatment of offsets, such as by putting offsets "under the cap" or strengthening requirements for their use.
Use of Allowance Value	✓ Spend GGRF revenues on cost-effective activities to reduce emissions in uncapped sectors.
Policy Priority: Affordability	
Program Design	✓ Lower price ceiling to prevent potential for high allowance prices.
Use of Allowance Value	✓ Spend GGRF revenues to offset or reduce costs of the program, such as by providing rebates to households.
	✓ Increase number of free allowances dedicated to offsetting costs, such as by increasing the amount of electricity rebates or paying for utility wildfire mitigation costs.
Other Policy Priorities	
Use of Allowance Value	✓ Reduce number of free allowances to sell more and thereby generate additional funding for GGRF to spend on other priorities.
	✓ Modify current GGRF spending, such as by eliminating some continuous appropriations or reducing some statutory funding levels, and direct funding for other priorities.

GGRF = Greenhouse Gas Reduction Fund.

Legislature Faces Important Choices Around Reauthorization of Program

(Continued)

Options Generally Involve Notable Trade-Offs. Many of the options for addressing legislative priorities come with important trade-offs. For example, some actions focused on reducing additional GHG emissions could put upward pressure on allowance prices, thereby affecting affordability. The Legislature will want to carefully weigh these trade-offs given the implications involved.

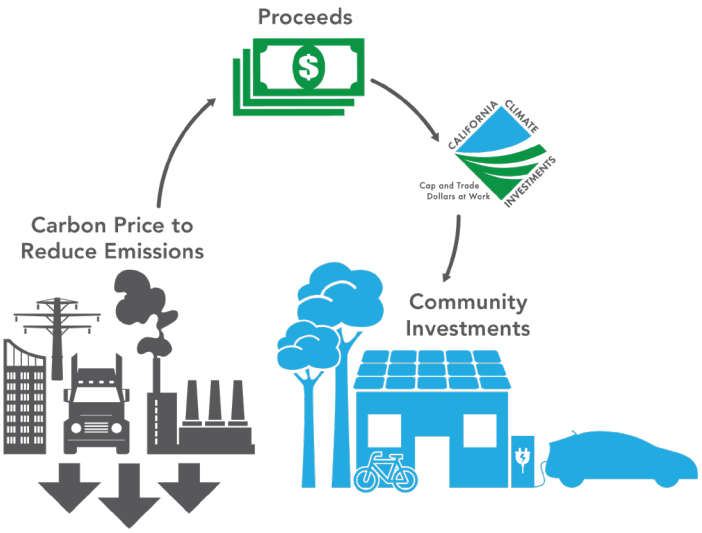
Important for Legislature's Priorities to Be Reflected in Reauthorization. We encourage the Legislature to ensure that its key policy priorities are reflected in the design and operation of the program going forward, including providing clear statutory direction as applicable. In areas where the Legislature does not provide such direction, it will essentially defer to CARB to weigh the associated trade-offs and make program design choices. This could be appropriate in some cases, particularly when the decisions are highly technical and do not affect key legislative priorities. However, in other cases, it could result in decisions that are not consistent with legislative priorities.

CALIFORNIA AIR RESOURCES BOARD

May 2025

Cap-and-Trade Program Fact Sheet

The Cap-and-Trade Program is a foundational part of California's climate policy portfolio and needs to be extended to help achieve the state's goal of carbon neutrality by 2045. The program was first authorized by AB 32 in 2006, and extended in 2017 when the legislature passed AB 398 with a two-thirds vote, clarifying the role of the program post-2020 and creating additional community air protection efforts.



How It Works

Cap-and-trade establishes a declining limit on major sources of greenhouse gas (GHG) emissions throughout California and creates a powerful economic incentive for polluters to invest in cleaner, more efficient technologies and energy.

It is one of a suite of regulations and incentives identified by the state's climate change scoping plan to cost-effectively achieve California's greenhouse gas emission reduction goals. Emissions reductions achieved under other programs, such as the Renewables Portfolio Standard and Low Carbon Fuel Standard, count as compliance with the Cap-and-Trade Program.

Program Features

Cost Containment

Per AB 398, the program includes a price ceiling and price speed bumps to protect against price spikes. Offsets provide a limited and lower cost compliance option. Multi-year compliance periods allow smoothing of annual variability. Industry receives some free allowances to minimize emissions leakage and to remain competitive. Limited banking of allowances supports planning and hedging to reduce compliance costs.

Improving Air Quality

The program has been scientifically proven to reduce air pollution in addition to greenhouse gas emissions and is aligned with efforts to continue to reduce harmful air pollution. It also provides critical funding for community air protection efforts.

Offsets

Carbon offset projects are a small but important part of the program that keeps compliance costs low and ensure California can achieve its climate goals. The design of the compliance offset program ensures emissions reductions are real, additional, and permanent, and it has been successfully litigated. Offsets can be used to cover only 4% of an entity's compliance requirements through 2025 and 6% going forward. Half of the offsets used must be from projects that provide direct environmental benefits to California and offsets are supported by private sector investment in reduction activities.

Information Transparency

The California Air Resources Board provides a wide range of information on every aspect of the Cap-and-Trade Program including data on allowance allocation, compliance detail, ARB offset credit issuance, auctions, market activity, and the Voluntary Renewable Electricity Program.

California Climate Investments

Cap-and-Trade Program Data Dashboard

Cap-and-Trade By the Numbers

Program Basics

4-6x
less costly than prescriptive regulations on the energy and industrial sectors

80%
of state's greenhouse gas emissions covered

400
covered facilities

400
private investors

12
years of successful implementation

11
years linked with Québec

8
regulatory updates

Revenue and Reinvestment

$32 billion
generated for the Greenhouse Gas Reduction Fund (GGRF)

75%
of appropriated GGRF dollars benefiting priority populations

$15 billion
in energy bills credits for utility customers

50
quarterly auctions

$12 billion
to minimize emissions leakage and protect California jobs and businesses

Carbon Offset Projects

273 million
verified compliance offsets issued

$1.5 billion
in verified offsets issued to tribal projects

6
approved offset project types

CALIFORNIA LEGISLATURE

STATE CAPITOL
SACRAMENTO, CALIFORNIA
95814

SENATE BUDGET AND FISCAL REVIEW SUBCOMMITTEE NO. 2 ON RESOURCES, ENVIRONMENTAL PROTECTION, AND ENERGY AND SENATE ENVIRONMENTAL QUALITY COMMITTEE

SENATORS ALLEN AND BLAKESPEAR
CHAIRS

9:30am or upon adjournment of Session Thursday, May 8, 2025
1021 O Street, Room 2200

JOINT OVERSIGHT HEARING

Cap-and-trade

BACKGROUND INFORMATION

Where we stand today

Cap-and-trade is California's flagship greenhouse gas (GHG) emission reduction program. Cap-and-trade establishes a declining limit on roughly 80% of the sources of GHG emissions throughout California (called "covered entities"), and it creates a powerful economic incentive for significant investment in cleaner, more efficient technologies. The California Air Resources Board (CARB) creates allowances equal to the total amount of permissible annual emissions (i.e., the "cap"). One allowance equals one metric ton of carbon dioxide equivalent emissions (using the 100-year global warming potential). Each year, fewer allowances are created and the annual cap declines.

First authorized in 2006 under AB 32's authority to create a "market-based compliance mechanism", and reauthorized with reforms via AB 398 (E. Garcia, Chapter 135, Statutes of 2017), cap-and-trade has operated continuously for over

ten years. The first auction of allowances occurred November of 2014, where roughly 23 million allowances were sold at a price of $12.10 each, the proceeds of which went into the Greenhouse Gas Reduction Fund (GGRF) to be appropriated by the Legislature. In contrast, the latest auction—February 2025—saw over 51 million allowances sold at a price of $29.27 each (down from a high point of $41.76 in the February 2024 auction), bringing over $851 million into GGRF. All in all, the program has funded $31 billion in investments across the state since its inception.

However, the current authorization for CARB to implement the cap-and-trade regulations ends on December 31, 2030.

In advance of the program's expiration, the Legislature and Governor alike have expressed emphatic interest in continuing the program beyond 2030. In an April 2025 joint statement between the Governor, Senate President pro Tempore, and Assembly Speaker[1], the directive was made clear:

> "California must continue to lead on reducing pollution and ensuring our climate dollars benefit all residents. That's why we're doubling down on cap-and-trade: one of our most effective tools to cut emissions and create good-paying jobs.
>
> "In just the last decade, cap-and-trade has invested billions of dollars in projects by holding polluters accountable – helping clean our air, protect public health and propel new careers.
>
> "Cap-and-trade is a huge success and, working together, we'll **demonstrate real climate leadership** that will attract investment and innovation to **deliver the technologies of tomorrow**, right here in California." (Emphasis added)

Beyond climate leadership and developing innovative technology that can be used elsewhere, California has also committed to addressing issues of affordability. In this particular political moment, where tariffs are actively worsening an already-concerning cost of living crisis, recognition of the struggles faced by everyday Californians crosses party lines. In another April 2025 statement from Senate

[1] Governor Newsom, Legislature double down on state's critical cap-and-trade program in face of federal threats https://www.gov.ca.gov/2025/04/15/governor-newsom-legislature-double-down-on-states-critical-cap-and-trade-program-in-face-of-federal-threats/

President pro Tempore Mike McGuire introducing a three-bill affordability package[2], the Senate leader said,

> "For too long, hardworking families have **struggled to afford the basics**—skyrocketing housing costs and utility bills are stretching budgets and folks are struggling to achieve a job that pays a family-sustaining wage. That's why the state Senate is taking bold action to help fix the status quo here in the Golden State." (Emphasis added)

Taken altogether, some of California's biggest current goals are clear, even if the paths to achieve those goals remain murky. The State must:

- Protect Californians from skyrocketing living expenses;
- Reaffirm California's climate leadership; and
- Invest in a climate-prepared future for California

By using these goals as lenses through which to evaluate our options, the Legislature can think effectively about the future of the cap-and-trade program. The program is massive, complex, and consequential.

Perhaps the first major question facing the Legislature as it contemplates program reauthorization is whether it should be extended without any further reforms or changes. For a number of reasons, leaders in both the Senate and Assembly have expressed an interest in reforming the program. The initial language of SB 840 stated that, "It is the intent of the Legislature to enact subsequent legislation to reform, and extend the operation of [cap-and-trade]."[3] And, in a recent panel at The Climate Center's California Climate Policy Summit, Assemblymember Jacqui Irwin stated unequivocally, "We've had a lot of folks with anxiety coming in and saying, 'We just want a clean reauthorization.' But I think it's really up to the Legislature to take a good look at what's working and what could be improved upon."[4]

Although by no means exhaustive, the remainder of this document will assess some different policy options and "What ifs" policymakers might consider as part

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[2] Pro Tem McGuire, Senators Launch Affordability Package: 'Investing in Your California Dream' https://sd02.senate.ca.gov/news/pro-tem-mcguire-senators-launch-affordability-package-investing-your-california-dream

[3] SB 840, Limón and McGuire, Allen, Becker, Blakespear, Caballero, Gonzalez, Laird, and Stern, as introduced February 21, 2025.

[4] Lawmakers are ready to get down and dirty with cap and trade, Begert, Blanca and Kahn, Debra, 04/22/2025 https://www.politico.com/newsletters/california-climate/2025/04/22/lawmakers-are-ready-to-get-down-and-dirty-with-cap-and-trade-00305518

of cap-and-trade reform discussions. Not every policy reform will advance every goal, and that is to be expected.

At its core, a cap-and-trade program that helps California achieve its goals must answer the following questions, none of which have easy answers:

- How should allowances be distributed within cap-and-trade? (Section 1, pages 4-12)
- How should emissions and projects outside of the program be addressed? (Section 2, pages 12-17)
- How can the communities hit the hardest be helped the most? (Section 3, pages 17-21)
- How can GGRF revenues support this transition? (Section 4 pages 21-24)

The ideas contained show a number of possible paths forward to try to achieve all three goals through modifications to all four areas of cap-and-trade reform. The Senators and panelists gathered for the hearing may find discussions of the pros, cons, and alternatives to the ideas presented here illuminating in charting the best path.

There is no one right way to reauthorize cap-and-trade, every decision—even deciding to keep things the same—has consequences, and we can never perfectly predict the future. Nevertheless, the better informed members of the Legislature are, the better their decisions can be.

1. How should allowances be distributed within cap-and-trade?

There are three primary ways that allowances enter the market: freely allocated to industry, allocated to utilities to be consigned to auction, and auctioned to fund the Greenhouse Gas Reduction Fund (GGRF). The three segments sum to the "cap" of cap-and-trade. What are some options the Legislature may wish to consider for reforming those portions, and what impacts would that have on achieving our three goals? What options affect the size of the market altogether?

1.1. Overall allowance quantity and distribution

1.1.1. What if the cap is reduced to increase ambition?

As part of the 2022 Scoping Plan Update, CARB modeled different emission reduction trajectories to achieve 2045 carbon neutrality (as

required by AB 1279, Muratsuchi, Chapter 337, Statutes of 2022). Under current law (i.e. SB 32), California is required to reduce the state's GHG emissions to 40% below the 1990 level by 2030. The challenge and magnitude of reaching that goal is significant. Nevertheless, CARB determined that in order to be on track for carbon neutrality in 2045, California should further strive for a 48% reduction by 2030. This is a monumental undertaking, but doing so appears to be necessary to meet our carbon neutrality goals.

In an October 2024 Market Notice[5], CARB announced that expected forthcoming cap-and-trade amendments would work towards this by including, in part, "Removal of at least a total of 180 million allowances from 2026-2030 annual budgets from the auction and allocation pools of allowances to align with the 2022 Scoping Plan and reflect updates to the AB 32 Greenhouse Gas Inventory and up to 265 million allowances in aggregate removed from 2026-2045 annual budgets." This will address the updated targets envisioned for the program, as well as the oversupply of banked allowances resulting from excess supply in early years.

Notably, the Notice did not describe the specifics of from where those allowances would be removed. *Even if the allowance price remained at a modest $30, the combined 445 million allowances removed from the program would represent some $13.35 billion in assets reallocated between now and 2045, and it is not clear whose share will be affected*. In other words, even though the location of the removal of allowances to increase program stringency seems like an academic distinction, it will decide who does and does not get billions of dollars of allowances.

Although the need for an increase in cap-and-trade stringency seems a near-certainty to achieve our GHG emission reduction goals, the nature of that adjustment is not certain at all. Absent any input from the Legislature, CARB will determine from who gets fewer allowances in order to lower the overall program cap.

[5] CARB, Information Regarding Cap-and-Trade Regulation Updates. Issued October 15, 2024. https://ww2.arb.ca.gov/sites/default/files/cap-and-trade/nc-CT_Notice_Oct_2024.pdf

The following three sections describe the main ways that allowances enter the cap-and-trade program. In short, they are either freely allocated to industry (14% of all allowances), allocated to utilities to be consigned to auction to benefit ratepayers (37% of the total), or sold at auction to fund GGRF (46%). (For completeness, there is also the Allowance Price Containment Reserve, which received only 3% of allowances in 2024 for purposes of protecting against future price spikes).

It bears repeating: *in order to increase cap-and-trade stringency—which CARB has found is necessary to meet our climate goals—one or more of these three categories will necessarily need to receive fewer allowances than planned. Otherwise there is no way to remove enough allowances from the overall program to meet our goals.*

1.2. Freely allocated to industry

1.2.1. What if California ceased all industrial allowance free allocation?

The allowances given to industrial sources (roughly 14% are allocated to prevent leakage (i.e. emission reductions in California being counterbalanced by emission increases out of the state, such as a manufacturer moving to another state with laxer policies). When tasked by AB 32 to develop a market-based compliance mechanism, CARB was directed in statute to minimize leakage, and the free allowance approach was selected in the rulemaking process.

Regardless of intention, freely allocated allowances to industry in 2024 did represent over $1 billion in assets from the state's primary GHG emission reduction program given freely to major sources of pollution in the state. So it is understandable that some believe those assets could be better allocated in line with our goals by defraying utility bills or increasing GGRF revenues.

If the Legislature elected to discontinue any freely allocated allowances to industry, the roughly 400 covered entities (ranging from petroleum refineries to potato chip manufacturers) under cap-and-trade would see their costs of program compliance increase. The indirect impacts of these costs are unknown but could be significant for some industries,

which could be a downside. The upsides—depending on how those allowances are used instead—could felt by utility customers or any beneficiary of a GGRF-funded program.

1.2.2. What if California imposed a Carbon Border Adjustment Mechanism?

Freely-allocated allowances are not necessarily the only way to stop covered entities from simply leaving the state and selling their products back to California with a competitive advantage; another option is a Carbon Border Adjustment Mechanism (CBAM). A CBAM is effectively a tariff on carbon intensity; any good being sold in or into the state could have a fee levied on it proportionate with its carbon intensity. If effective, this would prevent companies from simply leaving California to operate in lower-cost, higher-polluting states and selling their goods at an advantage over California businesses.

The world's largest carbon market, the European Union's (EU's) Emission Trading System (ETS) is currently undergoing a three-year transition from a free allowance allocation regime to a CBAM, with the CBAM expected to be in full force next year.[6] However, the ETS has a significant advantage over California's cap-and-trade program, because the EU has authority over its trade policies, and California does not. Being one of fifty states, California is subject to the so-called "dormant commerce clause" doctrine of the U.S. Constitution, which, "prevents the States from adopting protectionist measures and thus preserves a national market for goods and services."[7]

Despite the dormant commerce clause, a CBAM is not entirely out of the question for California. Other California climate policies, such as the Low-Carbon Fuel Standard (LCFS) impose a carbon intensity cost on goods produced out of state, and that program has weathered legal challenges.[8] In short, it could be argued that by imposing a carbon

[6] Carbon Boarder Adjustment Mechanism https://taxation-customs.ec.europa.eu/carbon-border-adjustment-mechanism_en

[7] Artl.S8.C3.7.1 Overview of Dormant Commerce Clause. https://constitution.congress.gov/browse/essay/artI-S8-C3-7-1/ALDE_00013307/

[8] Abbott, Kathryn. The Dormant Commerce Clause and California's Low Carbon Fuel Standard. Michigan Journal of Environmental & Administrative Law, 2012, Volume 3, Issue 1

intensity fee on in- and out-of-state goods, a CBAM (even one that generally made out-of-state goods costlier) would not be prima facie in violation of the dormant commerce clause. This is not a settled issue, and any legal basis for a CBAM-like policy would have to be carefully considered and would very likely be challenged in court. However, short of freely-allocated allowances or a CBAM, it is not clear what other options could exist for preventing leakage.

1.2.3. What if freely-allocated allowances more accurately reflected leakage risk?

To tailor leakage prevention at the level necessary for each industry, CARB had previously assessed leakage risk, which was a product of their emissions intensity and their trade exposure. Some industries (like oil extraction) were deemed to have a high leakage risk have indeed would have had their IAF set to 100%. Others, like automobile manufacturing, were deemed to have low leakage risk, and would have only received at most 50% of their historical freely-allocated allowances starting 2018. No two covered entities are exactly the same, and yet as part of the 2017 reauthorization, major industrial sources of GHG emissions were required by law to receive the same "Industry Assistance Factor" (IAF) of 100%, which is part of how their freely-allocated allowance amount is calculated. Ultimately, AB 398 set that number to 100% in perpetuity, and the Legislature could consider once more allowing CARB to set the IAF based on calculated leakage risk.

Care should be taken to understand the impacts of accurately assessing leakage risk and allocated allowances accordingly once more. One particularly notable sector in the present moment is petroleum refineries. According to previous cap-and-trade regulations, petroleum refineries have medium leakage risk, and so they would have begun having a 75% IAF starting in 2018 if not for the AB 398 requirement. While the specific amounts of freely-allocated allowances are not reported in order to protect confidential business information, sector-wide numbers do provide some sense of scale.[9] For one approximated example, the "petroleum refining & hydrogen production" sector was

[9] Cap-and-trade program data. CARB. https://ww2.arb.ca.gov/our-work/programs/cap-and-trade-program/cap-and-trade-program-data

allocated 17.75 million allowances last year, distributed across 23 facilities. At an allowance price of $31.91, that is a total of over $566 million in free allowances across the sector, an average of approximately $25 million per facility. Under that hypothetical scenario, reducing that by 25% (as would happen if they were correctly treated as a medium-leakage risk facility) could represent something on the order of nearly $7 million less in cap-and-trade compliance instruments going to the facility annually. The impact such a change could have could be significant or not, depending on the business, its profitability, and its ability to recoup costs by passing through costs to consumers.

1.3. Allocated to utilities to be consigned to auction

Today, the 37% of allowances that are allocated to electric and natural gas utilities CARB are required to be sold at auction and the proceeds used to benefit ratepayers. To date, about 79% of the auction proceeds have gone to residential ratepayers, with 7% going to industrial ratepayers, 6% to small business ratepayers, and 2% to clean energy & energy efficiency programs.[10]

The California Climate Credit, administered by the California Public Utilities Commission (CPUC) is by far the largest portion of the utilities' share and a direct way to defray costs to consumers For investor-owned utility (IOU) customers, the Credit is applied automatically (typically in April and October) to all customers' bills, regardless of demographics or energy usage. It has generally been in the $100-160 range per year for most IOU customers.[11] Anecdotally, many IOU customers either do not know about the Climate Credit, let alone its connection to cap-and-trade.

Another option within cap-and-trade for addressing high utility bills is to—rather than defraying high bills with credits or rebates—move some of the fixed costs that are currently borne by ratepayers to being paid by GGRF. This is explored more in section 4.5 of this document.

[10] Summary of 2013-2023 Electrical Distribution Utility Use of Allocated Allowance Value. CARB. https://ww2.arb.ca.gov/sites/default/files/cap-and-trade/allowanceallocation/EDU%202023%20Use%20of%20Allowance%20Value%20Report.pdf

[11] California Climate Credit. CPUC. https://www.cpuc.ca.gov/industries-and-topics/natural-gas/greenhouse-gas-cap-and-trade-program/california-climate-credit

1.3.1. What if the Legislature were more prescriptive in how the utilities' allowances were allocated and how the proceeds must be used?

Today, utility allowances go to electrical distribution utilities and natural gas suppliers. While the investor-owned utilities (IOUs) are regulated by the CPUC, the state plays no other role in directing how the utilities' share of allowances are distributed or used. The Legislature could decide to make changes to this share. Some ideas could include directing an even greater share to the California Climate Credit, shifting allowances between portions, or directing CPUC to make specific changes.

For example, the Legislature could consider only allocating allowances to EDUs by redirecting the share going to NGSs today. This would be expected to have little to no impact on affordability for most Californians who are both electrical and natural gas utility customers. Consider an example where a resident is currently receiving a $100 annual Climate Credit on their electric bill and a $50 annual Climate Credit on their gas bill; changing that to $150 on their electric bill and $0 on their gas bill does not ultimately change the amount they would spending on utilities between the two sources. However, doing so would have the upside of further subsidizing the use of electricity (which is aligned with state goals) and not subsidizing the use of natural gas (which is not). It would theoretically even provide some additional incentive for customers who are able to go all-electric in their homes.

Within the portion to EDUs, the Legislature currently delegates decision making on how to use the auction proceeds to the recipients themselves (or, in the case of IOUs, the CPUC). Even though the California Climate Credit is already where the majority goes (72% of 2013-2023 proceeds), if the Legislature wanted to maximize the Climate Credit it could stipulate that the other uses (industry rate assistance, small business credits, and clean energy & energy efficiency programs) are no longer authorized. There is no one best distribution of utility auction proceeds; the Legislature should weigh what might be most in line with members' values and priorities.

1.3.2. What if the Climate Credit were redesigned with geography and equity in mind?

A group of Stanford researchers recently proposed redesigning the Climate Credit to better ways to distribute it in line with where and when it would be the most needed.[12] The authors devised a method for reallocating the residential California Climate Credit to help low-income customers in the hottest parts of California reduce their electric bills in their highest-bill months.

The study concluded that, "Reallocating the current residential Climate Credit pool has important implications for electricity affordability and public health… By both lowering and stabilizing the monthly electric bills of low-income customers, we find that the highest monthly bills can be reduced by over fifty percent." This could be an approach worth considering to use the Climate Credit resources currently available to take a more targeted approach to mitigating some of the most significant cost impacts affecting some of the most vulnerable Californians. This concept is being explored currently as part of Senator Becker's SB 254, which is awaiting hearing in the Senate Appropriations Committee.

1.4. Purchased at quarterly auctions

1.4.1. What if auction prices were more prescriptively set in statute?

There are four price controls that apply to cap-and-trade allowances, all of which shape the market. As part of the 2017 cap-and-trade reauthorization, AB 398 directed CARB to establish a price ceiling on allowances, based on the need to avoid adverse impacts on resident households, businesses, and the state's economy, among other specified considerations. On the low end, the program has had a gradually-rising price floor since inception. There are also two "speed bumps" between the floor and the ceiling: the allowance price containment reserves (APCRs). These are pools of allowances offered at set prices which can be purchased under special circumstances to help address allowance prices, should they increase significantly.

[12] Smith, Mastrandrea, and Wara, December 13, 2024. Reallocating the Residential California Climate Credit to Low-Income Customers

The current price ceiling in 2025 is $94.92—significantly higher than the $29.27 settlement price at the latest auction. Notably, AB 398 also required that if that ceiling were to be reached (such as through a significant increase in demand or decrease in supply of allowances), then essentially additional allowances would be sold until all covered entities can achieve their compliance obligations. Any proceeds from allowances sold at the ceiling would effectively have to be used to buy offsets. Requiring any proceeds generated at the price ceiling to go to offsets is ostensibly an attempt to maintain the "cap" on emissions, but it is not the only option for what to do with those proceeds either.

The Legislature should determine whether the current system for establishing the price ceiling is suitable, and if not, adjust accordingly. What good is setting a highest possible price if that price is too high for comfort? Using an estimate of 9 cents of gas price impacts per $10 of allowance price, the program currently adds around 27 cents to a gallon of gas. Would 81 cents per gallon (as it would be expected to be at the ceiling) be acceptable?

2. How should emissions and projects outside of the program be addressed?

2.1. What if the Legislature tells CARB to fix the perceived issues with offsets?

In 2017, the California Legislature passed AB 398 to reauthorize the cap-and-trade program along with a number of provisions affecting offsets (such as lowering the limitations on how many offsets covered entities could use to comply). Even then, offsets (particularly those generated through forest management) were a fraught and complex topic, and so AB 398 included the establishment of the Compliance Offsets Protocol Task Force, a group of specified stakeholders intended to provide expert guidance to CARB on new offset protocols.

After a year of work, the 11-member Task Force released its final recommendations in March of 2021, but the report was saddled with controversy. Specifically, two members (the representatives of advocates for environmental and environmental justice issues) resigned in protest less than a

month before the report was finalized. The designated representative of environmental advocates, in tendering his resignation, wrote:

> "As we heard several times at the November Task Force meeting, it is precisely the intention of both the Task Force and the Air Resources Board to describe the recommendations as the product of diverse stakeholder input, including environmental and environmental justice advocates. However, the membership of the Task Force does not adequately represent either environmental or environmental justice interests. Nor does a perfunctory public comment process represent meaningful inclusion of environmental justice interests, or the free, prior, and informed consent that should be expected of such a product.
>
> "I understand that the composition and mandate of the Task Force is set by statute, which is beyond the control of either the Air Resources Board or the Task Force members. However, I do not feel that my participation adds value to a wish list from offset proponents and developers. In fact, I feel that my inclusion on the final product would serve only to obscure the true nature of the Task Force report and add to the misconception that the recommendations represent a broad array of interests."[13]

Ultimately, the final recommendations in the report were never presented to the CARB board. If the Legislature elects to defer to CARB or appointed experts to address issues in offset protocols again—as it did in 2017—great care should be taken to avoid the same unproductive outcomes that resulted from the last process. The Legislature may also wish to consider directing CARB to adopt more specific reforms to how offsets are administered, and could consider approaches taken in other carbon markets among other approaches.

2.2. What if California put offsets "under the cap"?

In their cap-and-invest program, Washington approached the issue of unreliable offset quality by reducing the annual allowance budget by an amount equivalent to offset use.[14] This puts "offsets under the cap," in the sense that capped emissions are necessarily reduced by the use of offsets.

[13] Nowicki, Brian. Compliance Offsets Protocol Task Force Resignation Letter, 2/8/21. https://ww2.arb.ca.gov/sites/default/files/2021-02/nowicki_brian_offsets_task_force_letter_020821.pdf

[14] Washington Department of Ecology, Cap-and-Invest Offsets. https://ecology.wa.gov/Air-Climate/Climate-Commitment-Act/Cap-and-invest/Offsets

This mechanism was also offered in previous IEMAC reports as a possible approach to addressing offset concerns in California. Under a hypothetical worst-case scenario where not a single offset corresponded to a real emission reduction, the program would still achieve its emission reduction goals.

Putting offsets under the cap would be expected to increase the cost of offsets (which are currently a significantly less expense method of compliance than purchasing allowances), which in turn would increase covered entities' cost of compliance. However, it would provide greater confidence in the emission reductions represented in their purchase.

2.3. What if California did away with offsets entirely and invested directly in projects?

Rather than attempting to make the outcomes of non-covered activities fungible with tons of covered emissions, simply investing in beneficial projects is also an option to be considered. An investment-centric alternative to offsets has been proposed for California.[15] The authors of that issue brief state that, "Procurement of nature-based climate solutions to supplement or substitute the existing offset program could additionally yield hundreds of millions of dollars in expanded investments and achieve a fuller range of environmental and community-based benefits."

Similarly, Oregon's Climate Protection Program is another cap-and-trade program currently in the early days of its first compliance period, but it notably does not contain offsets at all.[16] Rather, the program has a different alternative compliance mechanism: the Community Climate Investment (CCI). By providing payment to a third-party administrator (currently $129 per credit), covered entities in Oregon can comply with the cap-and-trade program without reducing their own emissions, like purchasing offsets works in California. Unlike offsets, however, CCI projects are robustly managed and directed to make specific investments in reducing GHG emissions in communities, prioritizing environmental justice.

[15] Burtraw, Dallas and Roy, Nicholas. Offset Reform Could Drive Investments in Nature-Based Climate Solutions, 1/23/2025. https://www.rff.org/publications/issue-briefs/offset-reform-could-drive-investments-in-nature-based-climate-solutions/

[16] Oregon Department of Environmental Quality. Climate Protection Program. https://www.oregon.gov/deq/ghgp/cpp/Pages/default.aspx

To the extent that this minimizes (or eliminates) the use of offsets, doing so may increase cap-and-trade compliance costs (modestly, since currently covered entities can only use offsets to meet 6% of their compliance obligations), raising concerns of affordability impacts. However, it would allow the state to take a much more active role in determining which (and where) projects are funded. By prioritizing projects that provide substantial, tangible benefits to Californians, greater targeted, visible benefits could be realized even if costs are modestly increased.

2.4. What if we required more Direct Environmental Benefits to the State?

Under the 2017 cap-and-trade reauthorization, a requirement was imposed on covered entities using offsets to comply that half of the offsets used for compliance must provide a "direct environmental benefit to the state" (DEBS). While simple in concept, in practice there have been a variety of ways projects can prove their DEBS, including entirely out-of-state projects being deemed DEBS-eligible by CARB[17] (such as carrying out a forest management plan in north-central Oregon that was found to "provide for the reduction or avoidance of emissions of air pollutants associated with wildfire smoke and potential impacts to the State of California").[18] In Washington's cap-and-invest program, all offsets must provide DEBS, which California could consider adopting as well. This could make offsets slightly more expensive (though likely not as much as putting offsets entirely "under the cap"), but would ostensibly provide more in-state benefits from the compliance instruments.

2.5. What if CDR/CCS were brought into the program?

As the regulation exists today, carbon capture and sequestration (CCS) is not counted towards cap-and-trade compliance. Regardless of any carbon dioxide emissions captured, covered entities can still only comply through direct emission reductions or the use of allowances or offsets. This has been a contentious issue among affected industries and interested academics for many years, such as a July 2020 letter to CARB requesting staff to,

[17] DEBS Determinations for Compliance Offset Program. CARB. https://ww2.arb.ca.gov/resources/documents/debs-determinations-compliance-offset-program

[18] Letter from CARB to the operators of the Opal Mountain Ranch project, December 23, 2024. https://ww2.arb.ca.gov/sites/default/files/2025-01/debs5554.pdf

"promptly analyze if and how inclusion of CCS could strengthen the Cap-and-Trade program by examining potential impacts and benefits and, subject to the conclusions of the analysis, enhance the Cap-and-Trade regulation and [mandatory reporting regulation] as needed to include CCS projects that comply with the already established CCS Protocol [of the LCFS]."[19]

During past cap-and-trade workshops, CARB staff noted that they are evaluating opportunities to align the treatment of CCS and carbon dioxide removal (CDR) within cap-and-trade in line with other state targets. This remains an active topic of debate and discussion. Any tying together of cap-and-trade compliance with CCS deployment must be approached carefully.

To the extent that CCS can operate as an effective and reliable way to mitigate emissions from a point source, this could be a meaningful and sensible issue to address. However, it would be essential at the very least for CARB to develop rigorous protocols that ensure any carbon captured from point sources is stored—securely, verifiably, and permanently—before these activities can reduce a compliance obligation. Moreover, it is unlikely CCS/CDR could feasibly help address affordability, since such technologies are generally among the most expensive per-ton options. However, to the extent that future carbon neutrality relies on deploying CCS and CDR technology and that these technologies pan out at scale, California's investments today could play a key leadership role in bringing it to market.

[19] California Decarbonization Partnership letter to CARB on Carbon Capture, July 20, 2020 https://www.c2es.org/press-release/california-decarbonization-partnership-letter-to-carb-on-carbon-capture/

3. How can the communities hit the hardest be helped the most?

Whether or not California's cap-and-trade program has disproportionately benefited disadvantaged communities to date is the subject of significant and ongoing academic debate.[20,21,22,23,24] In short, despite twelve years of experience running cap-and-trade in California, the confounding nature of complex air quality data and imperfect sources of data for comparison makes it impossible to draw ironclad conclusions either way about the environmental justice impacts of cap-and-trade at this time. Regardless of the complex and nuanced debate unfolding in this space, one simple fact remains: by design, California's cap-and-trade program does not direct where emissions reductions occur.

Nevertheless, these very same communities are affected several times over by the issues created by major sources of pollution. They are hit hardest by climate impacts, cost impacts are most regressive, and they live near the polluting sources. The complexity of addressing these issues is further compounded because the jobs and tax base the polluting sources provide are often the economic anchor of the community. How can reforms to cap-and-trade (or other, complementary policies) help these communities receive the types of targeted interventions needed to counteract decades of systematic neglect and disinvestment?

3.1. What if cap-and-trade included facility-level emission caps?

"No-Trade Zones" or "Facility-level emission caps" refer to a set of practices that would limit certain covered entities' ability to comply with cap-and-trade using allowances, based on their location and/or contributions to local air pollution. One example could be requiring covered entities who lag in reducing emissions and are located in disadvantaged communities to comply with cap-and-trade more by reducing emissions (as opposed to retiring allowances or offsets) than they might otherwise. There are several

[20] Hernandez-Cortes and Meng, 2020. "Do Environmental Markets Cause Environmental Injustice? Evidence from California's Carbon Market." NBER Working Paper 27205. UC Santa Barbara: National Bureau of Economic Research.
[21] Pastor, Ash, Cushing, Morello-Frosch, Muna, Sadd, 2022. Up in the Air: Revisiting Equity Dimensions of California's Cap-and-Trade System.
[22] Hernandez-Cortes & Meng, 2022. The Importance of Causality and Pollution Dispersal in Quantifying Pollution Disparity Consequences: Reply to Pastor et al. (2022)
[23] Hernandez-Cortes & Meng, 2023. Do Environmental Markets Cause Environmental Injustice? Evidence from California's Carbon Market. Journal of Public Economics
[24] Ash, Pastor, 2024. What a Difference a Datum Makes: Revisiting the Impacts of Cap-and-Trade on Emissions and Environmental Justice. Environmental Justice

similar policy approaches that could be used to tune this as well: affected facilities could be required to surrender more compliance instruments than they otherwise would, or they could receive fewer free allowances.

Imposing facility-level emission caps would be expected to raise the cost of compliance for affected facilities somewhat, since they may no longer be able to select the most cost-effective compliance strategy. However, some reports have predicted that the overall cost impacts could be minimal. [25] The upside is it would be expected to cause those facilities to directly reduce their emissions more rapidly than they have to date. This gets at the fundamental tension underpinning cap-and-trade, and there is no objectively correct answer. When does improving air quality around major pollution sources take precedence over minimizing compliance costs for those sources?

3.2. What if stationary sources more aggressively moved towards clean technology?

Ultimately, market-based compliance mechanisms may simply not be the right tool for the job when it comes to targeted emissions reductions in specific locations. Rather, it may be necessary to craft more targeted and prescriptive policies to get at such environmental justice issues.

This was addressed indirectly during the last cap-and-trade reauthorization through AB 398's companion bill, AB 617. That bill, in part, directed organizations within communities faced with significant sources of pollution to work with their local air districts to develop community-based monitoring and emission-reduction strategies. Although it created a time- and labor-intensive process which has not produced uniformly positive outcomes, AB 617 has meaningfully helped improve engagement, information, and (in some cases) outcomes in these communities. AB 617 also directed CARB to take a more active role in assessing what the best technologies were that could be used by stationary sources of air pollution to control their emissions.

[25] Burtraw, Dallas and Roy, Nicholas. How Would Facility-Specific Emissions Caps Affect the California Carbon Market? July 2023. https://www.rff.org/publications/reports/how-would-facility-specific-emissions-caps-affect-the-california-carbon-market/

Currently, SB 318 by Senator Becker attempts to build upon some of the provisions created by AB 617 to help improve how local air districts evaluate permit applications for new major sources of pollution. Although the bill is still undergoing the legislative process, it does provide one avenue by which prescriptive, targeted emissions reduction approaches could be taken. Although doing so would inherently be expected to be less cost-effective that market-based mechanisms, there is the potential to advance state leadership in developing and deploying state of the art technologies to reduce emissions. Care must be taken to do so without unduly disrupting existing air district permitting processes as well.

3.3. What if workers at emissions-intensive industries get transition support?

Despite the uncertainty around the path and the timing to get there, California's destination is clear: a decarbonized economy using—at most—minimal fossil fuels as compared to today. That means more than just that the nature of California's energy mix will change drastically; our economy and workforce will change significantly too. It is unclear exactly how many workers are employed in the oil & gas industry (with estimates ranging from as low as 45,900 according to a 2023 report from the Gender Equity Policy Institute (GEPI) based on 2021 data,[26] to as high as 148,150 direct employees according to a 2025 report from the Los Angeles County Economic Development Corporation (commissioned by the Western States Petroleum Association) based on 2022 data).[27]

Regardless of specific numbers, the point remains: decarbonizing California's economy will require a significant shift in livelihoods for many Californians working in the oil & gas industries today. This was seen tangibly in 2020, when the Marathon Martinez oil refinery in Contra Costa County announced they would indefinitely idle their facility, resulting in over 700 jobs losses with only 60 days' notice.[28] In response, a partnership of labor unions, environmental justice organizations, and supporting academics was formed to assess the situation and recommend policies to

[26] Impact analysis: California's Oil and Gas Workers. January 2023. https://thegepi.org/california-oil-gas-workers/
[27] Economic reports: Oil & Gas in California. March 2025. https://laedc.org/research/reports/oil-gas-in-california/
[28] California Contra Costa Refinery Transition Partnership Report and Policy Recommendations. January 14, 2025. https://www.bluegreenalliance.org/resources/report-and-recommendations-of-the-california-contra-costa-refinery-transition-partnership/

balance the many competing priorities that face the communities who are undergoing these transitions. These recommendations included (but were not limited to) providing advanced notification of closures and maintenance oversight, developing workforce transition plans, establishing oversight commissions, establishing financial supports for worker transition, exploring policy mechanisms for refinery industry funding of worker & community safety nets, establishing statewide severance standards & employee protections, securing enforceable financial assurances for environmental remediation, establishing local community recovery & transition funds with state/federal support, and aligning and embedding just transition standards in all state and federal investments.

Although it may not represent a dollar-per-ton GHG reduction, supporting a just transition of workers from carbon-intensive industries to decarbonized ones could be beneficial to workers, communities, and the environment alike. The Legislature may wish to consider if supporting these efforts is a priority to consider for cap-and-trade and GGRF in the coming years.

3.4. What if fossil fuel companies are no longer profitable to operate?

Whether through the intentional phase-down of fossil fuels in California, shifting global market dynamics, the reduction (see 1.2.4) or removal (see 1.2.1) of freely-allocated allowances, or any combination thereof, it is clearly becoming more and more difficult to profitably operate fossil fuel infrastructure in California.

California's economy today relies on an immense volume of fossil fuels (by some accounts as much as 84% of our total energy today)[29]. In turn, extracting, transporting, refining, distributing, and using those fossil fuels relies on an immense network of infrastructure owned by a number of private companies and operated by tens of thousands of skilled workers . Those private companies rely on certainty about the profitability of their investments. What happens when—not if—it is no longer profitable to operate fossil fuel infrastructure in California? What—if not profit—would compel private companies to continue maintaining and operating their infrastructure? How can California keep its economy afloat and its people

[29] California State Profile & Energy Estimates. U.S. Energy Information Administration. https://www.eia.gov/state/?sid=CA

thriving in the crucial period between when fossil fuels stop being profitable, and when they stop being needed?

Pursuant to SBX1-2, the California Energy Commission produced a Transportation Fuels Assessment, which has begun to wrestle with some of these questions. One of several possible solutions under consideration is state ownership of refineries, in which, "The State of California would purchase and own refineries in the State to manage the supply and price of gasoline." However, doing so would be extremely costly and represent a significant departure from how this industry has operated in California. The Legislature may wish to consider how cap-and-trade and the GGRF could play a role in these solutions.

There is no clear best way to transition the world's fourth largest economy off of fossil fuels. California is leading the way and charting a path to navigate this transition. This monumental task will have consequences, both expected and unforeseen. Nevertheless, the Legislature should evaluate the information and options available and take action before GHG emissions continue unabated, fossil fuel infrastructure falls into disrepair (with potentially catastrophic results), and communities surrounding this infrastructure continue to face air pollution and economic uncertainty alike.

4. How can GGRF revenues support this transition?

The GGRF is the depository for revenues generated from the sale of cap-and-trade allowances. In recent years, cap-and-trade auctions have raised between $2 billion and $5 billion per year, totaling $26.4 billion between 2013 and 2023. Multiple factors influence revenues—including interest in purchasing allowances from outside investors, confidence in the longevity of the program, and the balance of supply versus demand for allowances.

As a result of several bills over the years, roughly 65% of annual GGRF revenues is now dedicated to statutorily required continuous appropriations. Since 2014, High-Speed Rail (receiving 25% of GGRF revenues), Affordable Housing and Sustainable Communities (20%), Transit and Intercity Rail (10%), and Low Carbon Transit Operations (5%) have collectively accounted for 60% of all GGRF spending. More recently, Safe and Affordable Drinking Water ($130 million) and Healthy and Resilient Forests ($200 million) were added as

continuous appropriations in 2019 and 2022, respectively. Notably, pursuant to AB 680 (Burke, Chapter 746, Statutes of 2021), the vast majority of all projects supported by continuous GGRF appropriations will, by July 1, 2025, will be required to meet specified labor standards, including fair and responsible employer standards and inclusive procurement policies.

After accounting for these statutory spending commitments, the remainder of annual GGRF revenues are available for the state to spend on other activities, at its discretion (and pursuant to other statutory requirements). The Legislature typically appropriates GGRF funds as a part of the annual budget process, and spending priorities for these "discretionary" revenues can vary each year. Past expenditures have focused on low-carbon transportation programs, community-based air protection, and agriculture programs. The Legislative Analyst's Office has noted in several recent reports on GGRF expenditures that the existing statutory commitments were made under different policy environments than exists today. There is no shortage of meritorious projects and programs the Legislature could elect to invest GGRF revenues in, but the following are provided as some possibilities for consideration.

4.1. What if we don't change anything with GGRF?

As part of the informal workshops that preceded CARB's cap-and-trade rulemaking, modeling was commissioned to estimate future allowance prices under a range of scenarios.[30] That model predicted that under most scenarios allowance prices would climb quickly upon program reauthorization. **In other words, the cost impacts and inflows to GGRF are expected to climb sharply, even without any further policy changes beyond simply reauthorizing the program.** When envisioning a post-2030 cap-and-trade program, the Legislature should consider that there is effectively no status quo; we are entering uncharted territory with or without any specific reforms.

[30] Bushnell, James, Aaron Smith, Wuzheqian Xiao, and Julie Witcover. 2023. Allowance Supply and Demand in California's Cap-and-Trade Market: Initial Results. *Energy Institute at Haas* (blog). https://energyathaas.wordpress.com/2023/11/27/californias-cap-andtrade-market-enters-its-teen-age-years/

With the exception of the appropriations for safe and affordable drinking water (capped at $130 million per year) and to CAL FIRE (a set $200 million per year), the rest of the continuous appropriations will continue to increase in proportion with GGRF. While this would provide more resources to those projects that have secured a continuous appropriation, the Legislature would continue to only have discretion over a minority of the fund, despite compliance costs being expected to rise.

In terms of goals, leaving the GGRF appropriations as they are would likely do little to address affordability or demonstrate leadership in climate policy. To the extent that projects currently funded by continuous GGRF appropriations are investing in a climate-ready future, not changing them would continue those investments in likely-increasing amounts.

4.2. **What if we get rid of all the continuous appropriations altogether?**
The current continuous appropriations are all set in statute (Health and Safety Code 39719), and that section could be amended by legislation. The High Speed Rail Authority, other rail and transit, affordable housing, drinking water, and forest health projects that currently have been receiving consistent funding—some for as many as 12 years—would undoubtedly face major disruption as they seek alternative sources of funding, at best. The upside is that the Legislature would have the ability, given the state's goals and financial situation, to direct the greatest amount of money possible to priorities that are more current.

4.3. **What if we cap the current continuous appropriations?**
As one possible middle option between the previous two, the Legislature could consider replicating the approach currently used to fund safe and affordable drinking water: appropriating a percentage of GGRF revenues up to a fixed numerical cap. For a given value (say $4 billion, for example), GGRF would then function roughly as it does today up to that point, and beyond that could be unconstrained by the existing continuous appropriations. Depending on how high GGRF revenues go in response to reauthorization and other reforms, this could potentially generate a large sum of money to address more current priorities and goals, while still keeping the recipients of current continuous appropriations roughly funded at a level chosen by the Legislature.

4.4. What if we give money back to Californians?

Given the pressing urgency of tackling California's affordability crisis, some have proposed implementing progressive cash rebates.[31] This could allow California to mitigate some of the cost impacts of an increased allowance price. This idea has been implemented in other carbon markets, such as Canada's Canada Carbon Rebate[32] although this program has now concluded with the end of the federal fuel charge.

While the rebate could be structured in any way, it would be simpler to implement if it made use of an existing payment Californians make today, such as utility bills or state taxes. The execution and appropriate distribution of a cap-and-trade rebate would not be trivial, but it could provide significant discretion to the Legislature in who tangibly benefits from cap-and-trade by addressing affordability.

4.5. What if we moved programs funded out of electricity rates into GGRF?

Similarly to direct rebates (see 4.4), some have proposed using GGRF to subsidize electrical utility rates. Specifically by moving embedded costs (like funding wildfire prevention programs or solar subsidies) out of volumetric electric rates and into GGRF, electric rates could be reduced statewide. In contrast to the allowance allocation policies described in section 1.3, this would reduce bills, rather than compensate higher bills with higher rebates. This could address affordability concerns while promoting greater adoption of electric appliance and vehicles by reducing electric rates.

5. Conclusions & considerations for the hearing

Clearly, cap-and-trade is a complex and consequential policy that is deeply embedded in California's economy and transition away from fossil fuels. Pulling any one policy lever alone will not accomplish our goals, but taken together—and with the insight and input of the experts gathered today—the Legislature can chart a course for cap-and-trade that addresses affordability,

[31] Ansar, Jasmin and Vesser, Barry, 2025. Reforming California's Cap and Trade Program: Analysis and Recommendations https://theclimatecenter.org/climate-targets/reforming-californias-cap-and-trade-program-policy-brief/

[32] https://www.canada.ca/en/revenue-agency/services/child-family-benefits/canada-carbon-rebate.html

reaffirms California's climate leadership, and invests in California's climate-ready future. The panelists in today's hearing are experts in their fields and are prepared to answer questions and provide context for the gathered Senators. Some questions that may spark informative discussion include:

- How exactly could the Legislature go about ensuring GGRF revenues are prioritized in a reauthorized cap-and-trade program?

- What would the trade-offs be in imposing facility-level emission caps on some major pollution sources?

- What role do offsets play in affordability today, and how does that compare with possible outcomes under the approaches taken by Oregon and Washington?

- What would the impacts be of removing freely-allocated allowances to industries altogether? What about of allowing CARB to set appropriate industry assistance factors again?

- What role can cap-and-trade play in a just transition for workers and communities?

- How does cap-and-trade compare to the Low-Carbon Fuel Standard in terms of its costs, impacts, and Legislative oversight?

CALIFORNIA LEGISLATURE

STATE CAPITOL
SACRAMENTO, CALIFORNIA
95814

SENATE BUDGET AND FISCAL REVIEW SUBCOMMITTEE NO. 2 ON RESOURCES, ENVIRONMENTAL PROTECTION, AND ENERGY AND SENATE ENVIRONMENTAL QUALITY COMMITTEE

SENATORS ALLEN AND BLAKESPEAR
CHAIRS

9:30am or upon adjournment of Session Thursday, May 8, 2025
1021 O Street, Room 2200

JOINT OVERSIGHT HEARING

Cap-and-trade

AGENDA

I. Opening remarks

Senator Ben Allen, Chair, Senate Budget Subcommittee No. 2
Senator Catherine Blakespear, Chair, Senate Environmental Quality Committee

II. Update from CARB

Liane Randolph, Chair, California Air Resources Board (CARB)
Rajinder Sahota, Deputy Executive Officer, Climate Change & Research, CARB

III. What should the Legislature consider in reauthorizing Cap-and-Trade?

Helen Kerstein, Principal Fiscal and Policy Analyst, Legislative Analyst's Office
Danny Cullenward, Vice Chair and Senate Appointee, Independent Emissions Market Advisory Committee
Connie Cho, Senior Policy Advisor, Asian Pacific Environmental Network
Sam Uden, Managing Director, Net-Zero California

IV. Public comment

Senate Budget and Fiscal Review—Scott Wiener, Chair
SUBCOMMITTEE NO. 2 **Agenda**

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

Wednesday, May 21, 2025
8:00 a.m.
1021 O Street - Room 2200

Consultants: Eunice Roh and Joanne Roy

AGENDA

Overview of the May Revision (2025)

I. Presentations by:

Department of Finance
- Stephen Benson, Assistant Program Budget Manager
- Andrew March, Assistant Program Budget Manager
- Eamon Nalband, Assistant Program Budget Manager

Legislative Analyst's Office
- Rachel Ehlers, Deputy Legislative Analyst

II. Public Comment

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling (916) 651-1505. Requests should be made one week in advance whenever possible.

DISCUSSION

Governor's May Revision. Among the various May Revision proposals, the Governor proposes to do the following:

0540 CALIFORNIA NATURAL RESOURCES AGENCY (CNRA)
0650 LAND USE AND CLIMATE INNOVATION
0690 OFFICE OF EMERGENCY SERVICES
3125 CALIFORNIA TAHOE CONSERVANCY
3340 CALIFORNIA CONSERVATION CORPS
3360 CALIFORNIA ENERGY COMMISSION
3480 DEPARTMENT OF CONSERVATION (DOC)
3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CalFire)
3600 CALIFORNIA DEPARTMENT OF FISH AND WILDLIFE (CDFW)
3640 WILDLIFE CONSERVATION BOARD (WCB)
3760 STATE COASTAL CONSERVANCY (SCC)
3790 DEPARTMENT OF PARKS AND RECREATION (Parks)
3810 SANTA MONICA MOUNTAINS CONSERVANCY (SMMC)
3815 SALTON SEA CONSERVANCY
3825 SAN GABRIEL AND LOWER LOS ANGELES RIVER AND MOUNTAINS CONSERVANCY (RMC)
3845 SAN DIEGO RIVER CONSERVANCY
3855 SIERRA NEVADA CONSERVANCY (SNC)
3860 DEPARTMENT OF WATER RESOURCES (DWR)
3875 SACRAMENTO-SAN JOAQUIN DELTA CONSERVANCY
8570 CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE (CDFA)

Climate Bond (Proposition 4) Implementation. In January, The Administration proposed appropriation of $2.7 billion in Climate Bond funds in the 2025-26 Governor's Budget. The May Revision proposal includes requests for:

- Adjustments to the Governor's Budget Expenditure Plan, including technical changes to reflect wildfire and forest resilience funding appropriated in AB 100 (Gabriel), Chapter 2, Statutes of 2025;

- 79.5 permanent positions across 12 departments to implement the Climate Bond; and,

- $2 million in 2025-26 for statewide bond activities across various departments.

This proposal includes adjustments to the Governor's Budget Expenditure Plan to reflect immediate program needs in 2025-26; subsequent modifications to the roll-out may be requested in future budget proposals. This proposal allocates the 0.75 percent ($75 million) reserved for statewide bond costs to Parks, DWR, CNRA, and the Department of Finance's Office of State Audits and Evaluations (OSAE).

Adjustments to the Governor's Budget Multi-Year Expenditure Plan. The May Revision proposes several adjustments to the multi-year expenditure plan proposed in the 2025-26 Governor's Budget:

- *Land Use and Climate Innovation (LCI).* Acceleration of $500,000 in 2025-26 for technical assistance for the Transformative Climate Communities Program. This funding is intended to allow LCI to hire technical assistance providers for guideline development, application development and application technical assistance to prospective applicants.

- *Salton Sea Conservancy.* Appropriation of $1.6 million in 2025-26, $3.2 million in 2026- 27, $3.9 million in 2027-28, and $1.2 million in 2028-29 to establish the Salton Sea Conservancy.

- *California Conservation Corps.* Inclusion of budget bill language to specify that funds shall be available to certified community conservation corps.

- *Sacramento-San Joaquin Delta Conservancy.* Acceleration of $4 million in 2025-26 to fund projects that reduce the risks of climate change impacts on natural resources, including a time-sensitive land acquisition. Without this augmentation, some projects could be disrupted and may not continue if funding is unavailable in 2025-26.

- *Department of Parks and Recreation.* Inclusion of budget bill language for the Stewardship of State-Owned Lands Program to exempt Parks from competitive bidding for the procurement of or contracting with vendors for forest health, fire prevention, fuels reduction, vegetation management, or environmental review, consistent with prior practice. This language is intended to allow consistency with other funding that supports similar activities and minimize disruptions resulting from the transition of program funding from the General Fund to the Climate Bond.

- *Department of Water Resources: Stream Gages.* Acceleration of $7.9 million in 2025- 26 to continue existing efforts related to stream gages. Expediting the implementation of a grant program for the installation and maintenance of stream gages through June 2030 (a five-year initiative).

- *Department of Water Resources: Tribal Funding for Groundwater Storage/Banking/Recharge & Instream Flow.* Acceleration of $10 million in 2025-26 for groundwater programs to reflect the anticipated need for tribal groundwater programs in response to tribal consultations seeking additional tribal funding due to limited available federal funding.

- *Department of Community Services and Development.* Acceleration of $230,000 in state operations funding in 2025-26 and $9.2 million in local assistance funding in 2026- 27 for the Low-Income Weatherization Program Farmworker Housing Component. Updated projections from the Department of Community Services and Development show an increased rate of production related to current resources and demonstrate the need to accelerate the Program's procurement timeline to 2025-26 to limit gaps in service delivery for farmworker households.

- *California Energy Commission: Clean Energy Reliability Investment Plan Program.* Net-zero technical change compared to the Governor's Budget to provide $50 million in Climate Bond funding for the Distributed Electricity Backup Assets as part of the Clean Energy Reliability Investment Plan Program instead of the Demand Side Grid Support Program.

- *California Energy Commission: Offshore Wind Program.* Addition of technical budget bill language to facilitate the use of Climate Bond funding to support awards made through CEC's Offshore Wind Waterfront Facility Improvement Program.

- *Acceleration of Wildfire & Forest Resilience Funding.* Adjustment of $181.1 million to reflect the acceleration of various allocations appropriated in early action, AB 100 (Gabriel), Chapter 2, Statutes of 2025. AB 100 appropriated $171.1 million to the Sierra Nevada Conservancy, California Tahoe Conservancy, Santa Monica Mountains Conservancy, State Coastal Conservancy, San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy, and San Diego River Conservancy for watershed improvement and wildfire resilience activities consistent with Section 91520 of the Climate Bond. AB 100 also appropriated $10 million to CalFire to fund training center infrastructure for a fire resiliency center for the Karuk Tribe consistent with Section 91520(e) of the Climate Bond.

Climate Bond Implementation Positions. According to the Administration, as part of its evaluation of positions needed to effectively implement the Climate Bond, the Administration considered existing positions that departments will redirect or partially fund with Climate Bond funding over the lifetime of the bond. The Climate Bond will drive additional workload for programmatic and administrative support staff across departments, though much of this workload will be supported by existing positions. Although many of the allocations in the Climate Bond will fund existing programs, these programs have been funded on a onetime/limited-term basis in recent years, and departments have generally not received permanent positions for them. Similarly, while Climate Bond funding is temporary in nature, these programs are anticipated to be implemented over several years and require permanent position authority for effective implementation. The Administration will not request General Fund to support these positions once Climate Bond funding is exhausted; departments may transition permanent positions to other fund sources or abolish positions once bond activities have ceased. With these considerations in mind, the Administration requests 79.5 new, permanent positions across the following departments to implement the Climate Bond:

BU	Department	New Positions
0540	Natural Resources Agency	6
0650	Land Use & Climate Innovation	4
0690	Office of Emergency Services	4
3125	California Tahoe Conservancy	1
3340	California Conservation Corps	1
3360	California Energy Commission	11.5
3480	Department of Conservation	13
3600	Department of Fish and Wildlife	12
3640	Wildlife Conservation Board	5
3790	Department of Parks & Recreation	10
3860	Department of Water Resources	3
8570	Department of Food & Agriculture	9
	Total Positions	**79.5**

NATURAL RESOURCES

VARIOUS DEPARTMENTS

Natural Resources Agency Bond and Technical Proposals. The May Revision proposes various bond and technical adjustments such as reappropriations and extensions of liquidation.

0540 CALIFORNIA NATURAL RESOURCES AGENCY (CNRA)
3480 DEPARTMENT OF CONSERVATION (DOC)
3600 CALIFORNIA DEPARTMENT OF FISH AND WILDLIFE (CDFW)
3860 DEPARTMENT OF WATER RESOURCES (DWR)

Gregory Bateson Building Rent Increase. The May Revision proposes an increase of $3.28 million in 2025-26, $3.39 million in 2026-27, and $3.78 million annually beginning in 2027-28 across various fund sources to support increased rental costs at the newly renovated Gregory Bateson Building.

In 2021, CNRA and eleven of its entities consolidated space from multiple locations throughout the Sacramento area to two locations in conjunction with CNRA's downtown campus development. This includes the new Resources Building at 715 P Street, as well as a renovated Gregory Bateson Building at 1600 9th Street. In total, the move includes the relocation of approximately 600 staff.

0540 CALIFORNIA NATURAL RESOURCES AGENCY (CNRA)

California Indian Heritage Center Support Organization (TBL). The May Revision proposes TBL related to the creation of the California Indian Heritage Center in West Sacramento.

3125 CALIFORNIA TAHOE CONSERVANCY

Department of General Services (DGS) Updated Pro Rata Structure. The May Revision proposes to appropriate $400,000 California Environmental License Plate Fund (ELPF) one-time and add budget bill language (BBL) to specify this funding is for project management, construction management, inspection, and overhead costs associated with bond and grant funded project activities by DGS.

Lake Tahoe Blvd Demolition and Site Stabilization. The May Revision proposes a supplemental appropriation of $591,000 from the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Fund (Proposition 68) to cover increased costs reflected in an updated working drawings estimate of the Lake Tahoe Blvd Demolition and Site Stabilization Project. Total project costs are now estimated at $3.45 million. In 2024-25, the Conservancy received authorization to use $2.86 million ($2 million Proposition 68, $756,000 Tahoe Conservancy Fund, and $100,000 Habitat Conservation Fund) for the project.

Minor Capital Outlay. The May Revision proposes an appropriation of $479,000 Proposition 68 and $271,000 from the Water Security, Clean Drinking Water, Coastal and Beach Protection Fund (Proposition 50) for various minor capital outlay projects on Conservancy land. These projects involve demolishing existing structures, stabilizing and improving previously acquired property, installing public safety features, and completing upgrades on developed facilities.

Opportunity Acquisitions. The May Revision requests $5.6 million for the acquisition of lands in environmentally sensitive or significant resource areas. The requested funding is comprised of: (1) $1.3 million Proposition 68, (2) $4.3 million of reimbursement authority to the California Environmental License Plate Fund, and (3) Reversion of $1.3 million Proposition 68 local assistance from the 2019 Budget. This funding is intended to go towards the acquisition of environmentally sensitive or resource significant property to promote biodiversity, protect critical habitats, and promote climate resilience, and provide equitable access.

Upper Truckee Marsh South Project. The May Revision requests $500,000 Proposition 68 to study restoration and recreation needs and complete environmental review for the Upper Truckee Marsh South Project.

Van Sickle Bi-State Park Safety and Equitable Access Improvements. The May Revision requests $200,000 from the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Fund (Proposition 84) for the Van Sickle Bi-State Park Safety and Equitable Access Improvements Project (Project). The Project is a coordinated effort with the State of Nevada to ensure public safety and accessibility, improve visitor experience, enhance water quality, protect the environment, and allow for year-round operations. The Project includes a paved Americans with Disabilities Act (ADA) compliant multi-use trail connecting the Park entrance, California and Nevada day-use areas, and new state line monument and plaza. In addition, the Project includes stormwater and snow storage improvements at the California day-use area to allow year-round Van Sickle Bi-State Park operations and water quality protection. Funding will be used to complete the Preliminary Planning phase of the Project.

3340 CALIFORNIA CONSERVATION CORPS

Auberry, New Residential Center: Demolition. The May Revision proposes an appropriation of $4.08 million Collins-Dugan California Corps Reimbursement Account one-time for the preliminary plans, working drawings, and construction phase of the Auberry, New Residential Center: Demolition project. The demolition of these deteriorating and unusable buildings is necessary to allow for the construction of a new residential center at this site, and to reduce the risk of vandalism and unlawful entry of the existing buildings.

3480 DEPARTMENT OF CONSERVATION

Oil and Gas Environmental Remediation Account. The May Revision proposes an annual ongoing appropriation of $1 million Oil and Gas Environmental Remediation (OGER) Account, an increase of $950,000 to the existing $50,000 annual appropriation, to remediate wells that pose a danger to life, health, water quality, wildlife or natural resources. Additionally, DOC requests budget bill language (BBL) that would authorize the Department of Finance to augment the appropriation if it concurs with a finding by the DOC and CalGEM that expenditures above that amount are necessary to prevent or respond to a danger to life, health, water quality, wildlife, or natural resources. This language would also include notice to the Joint Legislative Budget Committee 10 days prior to authorization of any augmentations.

3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CalFire)

Baker Forest Fire Station: Replace Facility. The May Revision proposes a supplemental appropriation of $8.83 million Public Building Construction Fund for the construction phase of the Baker Forest Fire Station: Replace Facility project, located in Tehama County. This is a continuing project. The total estimated project costs are $19.76 million. Additional funding is requested as the original construction appropriation was approved in 2019 and has not been updated to reflect increasing costs.

Exclusive Use Aircraft Contract Increase. The May Revision proposes to amend the amount included within existing provisional language in Item 3540-006-0001, which waives specified state contracting requirements to enable CalFire to contract for Exclusive Use aircraft to quickly address emergency fire conditions and support fire suppression operations. CalFire requests that the current threshold of $27.5 million, which was originally approved in the 2021 Budget Act, be increased to $65 million in 2025-26 and 2026-27 based on a historical average methodology.

Hollister Air Attack Base/Bear Valley Helitack Base: Relocate Facilities. The May Revision proposes a supplemental appropriation of $3.56 million General Fund for the preliminary plans phase of the Hollister Air Attack Base/Bear Valley Helitack Base: Relocate Facilities project, located in San Benito County. Total estimated project cost is $204.45 million. This supplemental appropriation is for the relocation of the flame retardant pits and helipad as there is insufficient room to accommodate the larger modern aircraft as intended in the original proposal.

Shasta Trinity Unit Headquarters/Northern Operations: Relocate Facility. The May Revision proposes a supplemental appropriation of $2.23 million General Fund for the working drawings phase of the Shasta Trinity Unit Headquarters/Northern Operations: Relocate Facility project, located in Shasta County. This is a continuing project. This supplemental appropriation is intended to address an increase in the facility size by more than 50 percent from the previous estimate. The increase is due to a combination of acquiring a larger than anticipated site for the project and a near doubling of staffing at the Shasta Trinity Unit Headquarters/Northern Operations facility since the project was first proposed.

Statewide: Construct Communication Facilities, Phase III. The May Revision proposes requests a supplemental appropriation of $307,000 General Fund for the construction phase of the Statewide: Construct Communication Facilities, Phase III project, located in various counties. This is a continuing project. The total estimated project costs are $21.01 million. The supplemental appropriation is intended to pay the last outstanding invoices for the project and to complete architectural certification for the remaining towers.

Various Capital Outlay Reappropriations and Reversions. The May Revision proposes requests 35 reappropriations and 27 reversions to align existing appropriations with current capital outlay project schedules. The projects included in this proposal have experienced unanticipated delays and have been identified for reappropriation if the schedule indicates funding is needed in 2025-26 or reversion if the schedule indicates funding is not needed until 2026-27 or later. It is anticipated that any reversions included in this proposal will result in future proposals to re-establish funding when the project has reached the appropriate milestone.

The reversions included in this proposal total $120.33 million ($84.68 million General Fund and $35.66 million Public Buildings Construction Fund), including $31.52 million General Fund for acquisition of property for a new training center. CalFire is exploring more cost-effective alternatives that will meet the same training capacity goals as the additional training center project through a combination of expanding and upgrading existing training facilities and utilizing newly identified long-term lease opportunities to minimize delays in training output. These options will provide sufficient training capacity increases to meet the demands associated with increases in staffing in recent years, including the transition to a 66-hour work week.

Columbia Air Attack/Helitack Base: Replace Facility. The May Revision proposes to increase item 3540-301-0001 by $200,000 one-time in fiscal year 2025-26 in study phase of the Columbia Air Attack/Helitack Base project. The study phase of the project will address the major construction challenges, adequate clearances, and the airport's future taxiway expansion.

Kneeland Helitack Base: Relocate Facility. The May Revision proposes to increase Item 3540-401-0001 by $1.2 million one-time for the acquisition phase of the project. The Kneeland Helitack Base is expected to receive a repurposed Firehawk Helicopter in the Spring of this year, but the current Helitack base is not suitable to store and maintain the helicopter.

Rincon Fire Station: Replace Facility. The May Revision proposes to increase Item 3540-301-0660 be increased by $5.04 million one-time in the construction phase of the project. Additional project funding is requested to avoid implementing several deductive alternates including removing the vehicle wash building and eliminating all site fencing.

Penon Blanco & Deadwood Peak Lookout: Repair Facilities. The May Revision proposes to increase Item 3540-301-0001 by $587,000 one-time for the preliminary plans phase of the project. The scope of the project includes repairing structural elements of the towers to provide safe functioning operational platform for use in support of communications and early fire detection.

CalFire Operation Costs. The May Revision proposes to shift $1.54 billion ongoing from the General Fund to the Greenhouse Gas Reduction Fund for purposes supporting CalFire's fire prevention, fire control, and resource management activities. The proposal includes a General Fund backstop to protect CalFire operations if Cap-and-Trade auction proceeds fall below projected revenues. This proposal will be considered as part of the GGRF discussions.

3560 STATE LANDS COMMISSION

South Ellwood Project – Platform Holly Plug & Abandonment Reappropriation. The May Revision proposes that Item 3560-490 be added to extend the period to liquidate encumbrances of $1.06 million remaining in Item 3560-001-0001, Budget Act of 2022, until June 30, 2027, to develop an Environmental Impact Report (EIR) for the decommissioning of the Platform Holly oil platform, offshore of Santa Barbara County. Due to difficulties with plugging wells in an active natural seep field, full plug and abandonment took longer than expected and was completed in October 2024. Accordingly, work on the EIR started later than originally expected and current encumbered funds vital for that work will expire June 30, 2025. Development of the EIR is necessary for ExxonMobil to undertake its contractual obligation to decommission the oil platform.

3600 CALIFORNIA DEPARTMENT OF FISH AND WILDLIFE (CDFW)

Various Technical Adjustments. The May Revision requests an adjustment to a Fish and Game Preservation Fund (FGPF) dedicated account, Federal Trust Fund (FTF) authority, and Special Deposit Fund authority resulting in an increase of $15.2 million in fiscal year 2025-26 and $15.3 million in 2026-27 and ongoing. Additionally, CDFW requests an extension of the liquidation period to continue work on the Yuba River Watershed. This request is intended to establish adequate authority for CDFW to receive and expend mitigation agreement and federal grant funds vital to the department's operation. The reduction to the FGPF dedicated account will align the account's expenditure authority with revenues and help CDFW maintain stability, structural balance, and workload for the fund.

3720 CALIFORNIA COASTAL COMMISSION

Amendment to Budget Bill Item 3720-001-0890, Support, California Coastal Commission. The May Revision requests that Item 3720-001-0890 be increased by $470,000 one-time to reflect various federal grants awarded to the California Coastal Commission from the National Oceanic and Atmospheric Administration that will be implemented in fiscal year 2025-26.

LA 2028 Olympics Streamlining Trailer Bill Language. The Administration proposes three trailer bills to "streamline" projects related to the LA 2028 Olympics. It proposes to exempt activities associated with Olympics and Paraolympic Games from the California Environmental Quality Act (CEQA) as well as the Coastal Act.

3760 STATE COASTAL CONSERVANCY

Coastal Resource Enhancement and Public Access Projects. The May Revision proposes an appropriation of $10.73 million Violation Remediation Account, a subaccount of the State Coastal Conservancy Fund (Fund 0565), and $12 million in reimbursements from Fund 0565 to fund coastal resource enhancement and public access projects statewide. Funds are requested to be available for encumbrance or expenditure through June 30, 2027, given the multi-year nature of projects.

3780 NATIVE AMERICAN HERITAGE COMMISSION (NAHC)

Amendment to Budget Bill Item 3780-001-0001, Support, Native American Heritage Commission. The May Revision proposes to decrease Item 3780-001-0001 by $430,000 one-time to remove resources included in the Governor's Budget for Department of Justice litigation costs. The litigation driving costs for NAHC has concluded and the commission no longer requires additional resources in 2025-26.

3790 DEPARTMENT OF PARKS AND RECREATION (Parks)

Harbors and Watercraft Revolving Fund Sustainability. The May Revision proposes Division of Boating and Waterways (DBW), proposes various adjustments to the Harbors and Watercraft Revolving Fund (HWRF). Adjustments include aligning revenues and expenditures by temporarily decreasing Boating Safety and Enforcement Aid (BSEFA) Grants to baseline funding of $8.1 million set in 1996-97, removing $1.75 million annual baseline funding for the Abandoned Watercraft Abatement Fund (AWAF), reducing support allocations by a total of $1.5 million, reducing baseline funding for Quagga Zebra Mussel Infestation Prevention Grants by $1 million, and transfers of $3.9 million from the AWAF and $6.3 million from the Public Beach Restoration Fund (PBRF) back to the HWRF.

Mount Diablo State Park: Visitor Center. The May Revision proposes $1.92 million in reimbursement authority in 2025-26 to the State Parks and Recreation Fund (SPRF) for the construction phase of the Mount Diablo State Park (SP): Visitor Center. This continuing project includes replacing a small existing visitor center trailer with a larger visitor center, remodeling the existing restroom and site to meet accessibility standards, and constructing an outdoor interpretive structure. The Mount Diablo Interpretive Association (MDIA) will provide funding to Parks for design review, project management, and construction. In addition to the MDIA funds, the department has secured grant funding to cover the increased costs of construction.

Silver Strand State Beach (SB): Low-Cost Accommodations. The May Revision proposes requests $750,000 in reimbursement authority in 2025-26 to the State Parks and Recreation Fund (SPRF) for the preliminary plans phase of the Silver Strand SB: Low-Cost Accommodations project. This continuing project will allow for the planning and initial development of low-cost accommodations at Silver Strand SB. The funds for this request and all other phases of the project will come from a grant from the California CoastalConservancy.

Various Capital Outlay Reappropriations and Extension of Liquidation. The May Revision proposes reappropriation and extension of liquidation of existing capital outlay appropriations to allow completion of current projects without delay.

Parks Federal Background Checks (TBL). The May Revision proposes trailer bill language to authorize Parks to require employees, volunteers, and contractors to undergo a fingerprint-based state and national criminal history background check. The proposal requires Parks to submit to the Department of Justice fingerprint images and related information for these individuals who are subject to a state and national criminal history background check, as specified.

Leasing Authority (TBL). *The May Revision proposes trailer bill language that was not available for review at the time this agenda was written.*

3815 SALTON SEA CONSERVANCY

Chaptered Legislation: Salton Sea Conservancy (SB 583). The May Revision proposes a total of 15 permanent positions, $9.93 million Proposition 4 for the establishment and operation of the Salton Sea Conservancy. Specifically, this proposal includes $1.64 million and four permanent positions in 2025-26, $3.22 million and six permanent positions in 2026-27, $3.85 million and four permanent positions in 2027-28, and $1.21 million and one permanent position in 2028-29. Beginning in 2027-28 this funding will shift to the Salton Sea Lithium Fund. This proposal is intended to fund the initial start-up costs over the first four fiscal years of the new Conservancy to meet its legislative mandates starting in 2025-26. Once established, the Conservancy will need to complete updated workforce planning and budgeting to assess the need for additional organizational capacity and funding to meet future workload demands as the Salton Sea Management Plan.

3820 SAN FRANCISCO BAY CONSERVATION AND DEVELOPMENT COMMISSION (BCDC)

Regulatory Management System. The May Revision proposes an appropriation of $500,000 Bay Fill Clean-up and Abatement Fund in 2025-26 and $55,000 ongoing to procure and establish a modern, comprehensive digital regulatory management system to manage and track permits and permit applications, as well as receive permits and permit fees online. The database will allow BCDC's permitting, enforcement, and planning programs to be more effective and efficient. BCDC also requests statutory changes to the Bay Fill Clean-up and Abatement Fund to include technology services, programs, and personnel that directly support the existing authorized uses of the Fund.

Bay Fill Clean-Up and Abatement Fund (TBL). The May Revision proposes trailer bill language to clarify that moneys from the Bay Fill Cleanup and Abatement Fund may be expended on technology services, programs, and personnel that directly support the existing authorized uses of this fund.

3830 SAN JOAQUIN RIVER CONSERVANCY

San Joaquin River Conservancy Fund Increase for Operations and Maintenance Services. The May Revision proposes an additional $260,000 in 2025-26, and ongoing, from the San Joaquin River Conservancy Fund (SJRCF). The 2022 Budget Act allocated three permanent positions to the Conservancy as part of the San Joaquin River Conservancy Workload Support proposal to carry out the increased workload as the Conservancy is opening lands for recreational use. The Conservancy now owns 20 properties (nearly 3,000 acres). Staff dedicated to operations and maintenance are needed to fulfill legislative directives and the Administration's priorities of Access for All.

3855 SIERRA NEVADA CONSERVANCY (SNC)

SNC Fund Ongoing Local Assistance Reimbursement Authority. The May Revision proposes ongoing reimbursement authority of $1 million for local assistance under the SNC Fund (Fund 8120).

3860 DEPARTMENT OF WATER RESOURCES (DWR)

Cache Creek Channel and Levee Rehabilitation Project. The May Revision proposes to revert and utilize $4 million Proposition 68 for Acquisition and Working Drawing phases for the Cache Creek Channel and Levee Rehabilitation Project that was part of an appropriation in 2024. The 2024 Budget Act appropriated $15 million Proposition 68 Capital Outlay funds for Cache Creek Channel and Levee Rehabilitation Project, which was appropriated only for the construction phase of the project.

High Priority Project Funding for Salton Sea Restoration Projects. The May Revision proposes, for the DWR Salton Sea Restoration Office (SSRO), a total of $178 million of Federal Trust Fund Authority for 2025-2029 from the Department of Interior's funding in the Inflation Reduction Act, Public Law 117-169. Specifically, the request consists of $100 million in 2025-26, $60 million in 2026-27, $12 million in 2027-28, and $6 million in 2028-29. This money will support the construction and administration of up to 6,000 acres of aquatic and wetland habitat projects as required under the State Water Resources Control Board (SWRCB) Stipulated Order 2017-0134 (Water Board Order).

SSRO also requests a total of $11 million of State Reimbursement Authority for 2025-26. This includes $8 million for a Proposition 68 state reimbursable agreement with CNRA and $3 million for a Proposition 84 state reimbursable agreement with CDFW. Both reimbursable agreements fund the planning and construction of habitat and dust suppression projects and associated infrastructure needed to comply with the SWRCB Order.

Regional Flood Management Plan Program. The May Revision proposes the reversion and new appropriation of $209,000 in Local Assistance Proposition 68 funds to support the six regions that constitute the Regional Flood Management Program.

Urban Flood Risk Reduction. The May Revision proposes proposes $12.5 million General Fund for state operations to support and manage United States Army Corps of Engineers (USACE) and Urban Flood Risk Reduction projects during 2025-26.

Yolo Bypass Comprehensive Study Cost Share. The May Revision proposes $4 million ($2 million/year in 2025-26 and 2026-27) General Fund for the state contribution to the USACE Yolo Bypass Comprehensive Study to help secure hundreds of millions in federal funding for public safety and environmental restoration within the Yolo Bypass and greater Sacramento region.

Water Resources Revolving Fund Language. The May Revision proposes to add provisional language to Items 3860-001-6093, 3860-002-6093, 3860-003-6093, 3860-004-6093, 3860-005-6093, and 3860-102-6093 allowing for transfers into the Water Resources Revolving Fund for direct expenditure for operational needs. This is a technical provision which allows for the use of a revolving fund for state operations expenditures.

General Fund Solution: Reduce Groundwater Bulletin Frequency (Finance Letter and TBL). The May Revision proposes that Item 3860-001-0001 be decreased by $750,000 in 2025-26, and ongoing, to reduce funding for the issuance of California Groundwater (Bulletin 118). It is also requested that statutory changes be included to reduce the frequency of the issuance of Bulletin 118.

DEPARTMENT OF WATER RESOURCES (DWR)
STATE WATER RESOURCES CONTROL BOARD (SWRCB)

Delta Conveyance Project (DCP) (TBL). The May Revision proposes trailer bill language that, among other things, is intended to do the following: streamline permitting for DCP by eliminating certain deadlines from existing State Water Project (SWP) water right permits; specify that DWR has authority to issue bonds for the cost of DCP, which are to be repaid by participating water agencies; streamline judicial review of litigation; and, streamline authorization to acquire land that supports construction of DCP. The intended purposes of these statutory changes are to prevent delays and reduce costs.

Staff Comments. On May 15, 2025, the Legislative Delta Caucus submitted a letter officially opposing this DCP trailer bill language proposal. The Caucus states that it "continues to be deeply concerned about proposals that expedite the controversial and divisive Delta Tunnel project." The Caucus further states, "The trailer bill proposal in the May Revise, unrelated to state budgeting policy and inappropriately suggested for inclusion in a state spending plan, would actually change several separate parts of state law to benefit only a portion of California, to the detriment of Californians north of the Delta."

Among other concerns, the proposed trailer bill language raises the following issues:

Déjà Vu Expedited Judicial Review. In May 2023, as part of the Governor's infrastructure package, the Administration unveiled a proposal that would have expanded the Environmental Leadership Development Project (ELDP) program's 270 judicial streamlining process to include the DCP. The Legislature was adamant in its rejection of that part of the infrastructure package. The current, proposed TBL includes a similar expedited judicial review process, but is more expansive by applying to *all* DCP litigation, not just DCP CEQA actions. Additionally, the TBL's injunction language does not contain language that would allow a court to stay or enjoin a project to protect native American artifacts or historical resources.

Exempts DCP from certain eminent domain "guidance" related to determining just compensation. Government Code Section 7267.1(b) requires real property to appraised before initiation of negotiations and that the owner be given the opportunity to be present during the appraisal. Government Code 7267.2 requires public entities, before adopting a specific resolution and initiating negotiations, to establish an amount that it believes to be just compensation and to make an offer to the property owners and when making the offer to provide the property owner with certain information relating to how the amount was established. The homeowner is allowed to review a copy of the appraisal. The Administration's proposal would exempt DCP from these "guidance" requirements. While the more general Eminent Domain Law provisions (Title 7 (commencing with Section 1230.010) of the Code of Civil Procedure) would apply if the DCP is exempt from these "guidance" requirements, it is unclear what, if any, requirements would be imposed, and protections available, for landowners in in place of these specific provisions and what opportunities landowners are not given if these exemptions are applied.

Exempts Real Property acquired by DWR from Approval by DGS. If the proposal is supposed to be about DCP, this exemption casts a much wider net and would apply to any real property located anywhere in the state acquired by DWR for the State Water Project.

Alters SWRCB's Permitting Process, Impacting a Person's Ability to "Protest" an Application to Appropriate Water. Existing law allows any interested person to file a written protest against the approval of an application to appropriate water (Water Code Section 1330). The SWRCB ***may*** cancel the protest if certain information is not provided. This TBL (proposed amendment to Water Code Section 1335) would ***require*** the SWRCB to cancel the protest if the protest does not meet certain requirements (i.e., name and address of protestant, signed by protestant, objections to application approval and bases for objections, other appropriate information provided in the rules and regulations of the board, protest be served on the applicant). Automatic cancellation of a protest seems like an extreme response for a protestant's failure to meet what can be minor matters. Why prohibit a protestant an opportunity to cure?

The Administration proposes a similarly draconian measure amending Water Code Section 1703.6, which would require, rather than authorize, SWRCB to cancel a protest that applies to a change to an application, permit, or license. An extreme response to a matter that seems minor.

Legislative Policy Process? Normally, a proposal with such extensive, controversial, and important statutory changes is deliberated through a legislative policy bill. DCP planning and conceptual design is funded by 18 of the 29 local public water agencies (PWAs) that fund the State Water Project; and participating PWAs would be responsible for paying construction costs. DWR notes that the state's General Fund is not responsible for any of these DCP costs. A question arises as to whether this policy proposal — with no state budget implications — for such a divisive project deserves more thoughtful and transparent deliberation that the legislative policy process can provide.

ENVIRONMENTAL PROTECTION

0555 CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY
3900 CALIFORNIA AIR RESOURCES BOARD
3940 STATE WATER RESOURCES CONTROL BOARD

Legal Resources to Respond to Federal Actions. The May Revision proposes a total of $2.99 million from various special funds and12 permanent positions in 2025-26 and ongoing to defend California's environmental laws and programs that advance the state's climate, water, public health and overall environmental priorities in response to increased federal legal challenges.

VARIOUS DEPARTMENTS

California Environmental Protection Agency Bond and Technical Proposals: The May Revision includes various bond and technical adjustments such as reappropriations and extensions of liquidation.

3940 STATE WATER RESOURCES CONTROL BOARD (SWRCB)

Replacing, Removing, or Upgrading Underground Storage Tanks (RUST) Program Augmentation (BCP and TBL). The May Revision proposes to appropriate $23 million one-time from the Petroleum Underground Storage Tank Financing Account to provide sufficient expenditure authority to meet current funding demand for the removal or replacement of petroleum underground storage tanks.

SWRCB requests TBL to allow tank owners to begin projects while waiting for a final funding agreement to be executed for purposes of administrative efficiencies.

Monterey County Primacy Delegation Agreement Termination. The May Revision proposes $2.72 million ongoing and 12 permanent positions from the Safe Drinking Water Account to carry out the public small water system (SWS) regulatory program for Monterey County (County). The County's local primacy agency delegation will be terminated and regulation of SWSs will be returned to the state in September 2025. Oversight of 284 water systems is anticipated to be transferred from the County to the Water Board in August 2025, and the state is legally mandated to administer this regulatory program.

Replacing, Removing or Upgrading Underground Storage Tanks (RUST) Program Augmentation (BCP and TBL). The May Revision proposes $23 million one-time from the Petroleum Underground Storage Tank Financing Account (PUSTFA) to provide sufficient expenditure authority to meet current funding demand for the removal or replacement of petroleum underground storage tanks.

SWRCB also requests statutory changes to enable administrative efficiencies that allow tank owners to begin projects while waiting for a final funding agreement to be executed.

Bay-Delta Plan CEQA Recirculation (TBL). The May Revision proposes TBL to exempt an action of SWRCB or a Regional Water Quality Control Board relating to regional water quality control plans (RWQCPs) from California Environmental Quality Act (CEQA) provided that the action does not involve relaxation of existing water quality objectives.

Staff Comments. *CEQA Statutory or Categorical Exemption.* This proposal essentially provides a straight statutory exemption from CEQA in the guise of a categorical exemption. Categorical exemptions apply to specific classes of projects. For categorical exemptions, there are exceptions to when they may apply. If an exception is applicable to a project, such as the project may result in cumulative impacts or have significant impacts due to unusual circumstances, then the categorical exemption is void — Exceptions bounce the project back into the environmental review process. The proposal includes "notwithstanding" language that would eliminate those standard exceptions for RWQCPs. Without these exceptions, the proposal pragmatically is a statutory exemption.

Water Quality Control Plan. SWRCB is responsible for regulating water quality in the Bay-Delta through the Bay-Delta Water Quality Control Plan (Bay-Delta Plan). A water quality control plan is a management document that contains three main sections:

- Beneficial Uses: Defines and establishes beneficial uses — or the resources, services, and qualities — of the aquatic system that are to be protected by the Plan. Typical beneficial uses are municipal and domestic water supply, agricultural supply, and fish and wildlife habitat.
- Water Quality Objectives: Lists numeric or narrative water quality standards that, when met, will ensure reasonable protection of defined beneficial uses and prevent nuisance.
- Program of Implementation: Describes the nature of the actions that are necessary to achieve the objectives, including recommendations for action by SWRCB and any other relevant entities, a time schedule for the actions and a description of the monitoring needed to determine compliance with objectives.

Bay-Delta Plan. On the Department of Finance website, the pdf for this proposal is titled, "TrailerBill_Bay_Delta Plan CEQA Recirculation," which is narrower in scope —just one specific plan — than the language provided.

The Bay-Delta Plan governs water management in the Sacramento-San Joaquin Delta and is an important document for protecting fish and wildlife while ensuring adequate water supplies to agriculture, municipalities, and industries. The Bay-Delta estuary is the largest on the West Coast of North America, providing habitat to more than 750 animal and plant species, including more than 40 aquatic species. The Bay-Delta contains more than 700 miles of sloughs, channels, and rivers that, coupled with a large statewide water infrastructure system, funnel water from Northern California to the San Joaquin Valley, the San Francisco Bay Area, Southern California, and parts of the Central Coast.

According to SWRCB, the Bay-Delta Plan is being updated and implemented through separate processes. In December 2018, SWRCB adopted Bay-Delta amendments focused on flows in the Lower San Joaquin River and its three major tributaries (the Stanislaus, Tuolumne, and Merced Rivers) for the protection of fish and wildlife. In addition, the 2018 Bay-Delta amendments included a new salinity objective for the reasonable protection of agricultural uses in the southern Delta.

Separately, SWRCB is considering possible updates for the Bay-Delta Plan that would be needed for a proposed voluntary agreement for the Tuolumne River.

SWRCB is also considering updates to the Bay-Delta Plan focused on the Sacramento River and its tributaries, Delta Eastside tributaries (including the Calaveras, Cosumnes, and Mokelumne Rivers), interior Delta flows, and Delta outflows, including consideration of proposed voluntary agreements.

In the context of the Bay-Delta Plan, local communities are highly dependent on the ecological environment and its sustainability — With this proposed CEQA exemption TBL, how will we know what the ecological impacts of the water quality control plan are and how it will affect the environment and neighboring communities?

Changes to the Bay-Delta Plan must be approved by the SWRCB and the Office of Administrative Law before becoming effective.

3960 DEPARTMENT OF TOXIC SUBSTANCES CONTROL (DTSC)

Exide: Repurpose Facility Closure and Cleanup Funding. The May Revision proposes to revert $75 million remaining of the $132 million General Fund appropriated in the 2021 Budget Act for cleanup activities at the Exide Facility and appropriate $35 million Lead-Acid Battery Cleanup Fund and $40 million General Fund to loan to the Toxic Substances Control Account (TSCA) to fund continued cleanup activities. This proposal also includes provisional language to allow flexibility to spend those funds on residential cleanup or facility remediation related to the Exide Facility cleanup. Additionally, DTSC requests to reappropriate $1.2 million General Fund and $1 million Lead-Acid Battery Cleanup Fund to pay for ongoing storage of physical evidence related to the ongoing Exide cost recovery litigation.

Santa Susana Field Laboratory (SSFL) Litigation Contracts Costs. The May Revision requests expenditure authority of $2 million Hazardous Waste Control Account (HWCA) in 2025-26 with a two-year encumbrance period in order to fund legal services contracts for SSFL litigation. The legal services costs will be billed through cost recovery from the three responsible parties for SSFL-the United States Department of Energy, the National Aeronautics and Space Administration, and the Boeing Company.

Implementation of Generation and Handling Fee Regulations. The May Revision requests $837,000 HWCA in 2025-26 and ongoing, and $1.72 million TSCA in 2025-26, and $1,619,000 in 2026-27 and annually thereafter and nine permanent positions to support implementation of the exemption review and reporting penalty assessment processes required by newly adopted regulations, as authorized by SB 156 (Committee on Budget and Fiscal Review), Chapter 73, Statutes of 2024.

Imperial County Certified Unified Program Agency Costs. The May Revision proposes an increase of $475,000 in expenditure authority for the State Certified Program Agency (SCUPA) Account beginning in 2025-26 and ongoing. DTSC also requests to eliminate $150,000 in reimbursement authority as it is not utilized. The SCUPA Account has a fund balance of approximately $2.3 million to cover these costs for the next couple of years without requiring a fee increase (which last occurred in 2019).

3970 DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY (CalRecycle)

CalRecycle Integrated Information System. The May Revision proposes to appropriate $45 million from various funds one-time to implement the CalRecycle Integrated Information System (CRIIS) project. CRIIS is a comprehensive initiative to modernize and migrate 30 program applications across multiple business processes into a single enterprise-wide system.

Responsible Textile Recovery Act of 2024 – Implementation of SB 707. The May Revision proposes that Item 3970-001-0133 be decreased by $1.63 million and 18 positions ongoing, Item 3970-001-3065 be decreased by $1.63 million ongoing, and Item 3970-001-3450 be added in the amount of $3,26 million and 18 positions ongoing, as a technical correction to the Governor's Budget proposal to reflect expenditures from the newly created Textile Stewardship Recovery Fund. It is further requested that Items 3970-012-0133 and 3970-014-3065 be added to authorize loans from the California Beverage Container Recycling Fund and the Electronic Waste Recovery and Recycling Account, Integrated Waste Management Fund, to the Textile Stewardship Recovery Fund for implementation costs until reimbursement is received.

ENERGY, AIR QUALITY & UTILITIES

VARIOUS DEPARTMENTS

"Cap-and-Invest". The May Revision proposes to extend the Cap-and-Trade program and rename the program to the "Cap-and-Invest" program. Specifically, it includes the following components:

- **Trailer Bill Language.** The proposed language does the following:
    - Reauthorizes the nearly identical program until 2045. This notably maintains the following as-is (per section 4) until 2045:
        - CARB's existing price ceiling authority ((c)(2)(A)),
        - Offset credit limit of 6%, half with direct environmental benefits to the state (DEBS) ((c)(2)(E)),
        - The 100% industry assistance factors for free allowances ((c)(2)(G)),
        - The requirement that the revenues from all additional tons sold at the price ceiling are used by California Air Resources Board (CARB) to achieve emissions reductions via offset-like projects ((c)(2)(A)(ii)(II)), and
        - Requirements for all emission reductions to demonstrate additionality ((d)(2)).
    - Contains (as does existing law from 2031 onwards) a pared-down version continuing from 2046 into the future that lacks most of the specifics described above.
        - Under current law emission reductions would still be required to be additional after 2030; under the trailer bill language, emission reductions would not need to be additional after 2045.
        - This allows the program to continue crediting emission reductions into a time where the state is required by law (AB 1279) to be carbon neutral or –negative.
    - Cleans up language to reflect the fact that where we once had a single emissions cap (AB 32) we now have multiple (SB 32 & AB 1279 as well).
- **California Climate Credit.** The May Revision proposal continues the California Climate Credit as is, with no reforms to the program.
- **High-Speed Rail.** The Administration requests at least $1 billion annually for the High-Speed Rail Project. However, this is not reflected in the proposed trailer bill language nor is it included in the proposed budget bill language.

- **Department of Forestry and Fire Protection (CalFire) Operations Costs.** The May Revision includes a shift of $1.5 billion from the General Fund to the Greenhouse Gas Reduction Fund to support CalFire's fire prevention, fire control, and resource management activities on an ongoing basis. This proposal also includes a General Fund backstop to protect CalFire's operations in the event "Cap-and-Invest" auction proceeds fall below projected revenues.

- **Motor Vehicle Account (MVA) Transfer.** The May Revision maintains the $81 million transfer from the Greenhouse Gas Reduction Fund to the MVA, previously proposed in the Governor's Budget.

- **Discretionary Expenditures.** The May Revision cuts the following discretionary expenditures from the Greenhouse Gas Reduction Fund in the budget year:

    - $188 million for the Formula Transit and Intercity Rail Capital Program at California State Transportation Agency (CalSTA)

    - $180 million for the Competitive Transit and Intercity Rail Capital Program at CalSTA

    - $9.4 million for the California Climate Corps at the Governor's Office of Service and Community Engagement

    - $25 million for the Highways to Boulevards program at the California Department of Transportation

    - $200 million for the Distributed Electricity Backup Assets Program at the California Energy Commission (CEC)

    - $98 million for the Demand Side Grid Support Program at CEC

    - $140 million for Fueling Infrastructure Grants at CEC

    - $60 million for Equitable At-Home Charging at CEC

    - $50 million for Drayage Trucks & Infrastructure at CEC

    - $89 million for Clean Trucks, Buses and Off-Road Equipment at CEC

    - $46 million for Emerging Opportunities at CEC

    - $26 million for the Long Duration Energy Storage program at CEC

    - $34 million for Hydrogen Grants at the CEC

    - $10 million for the Tribal Wildfire and Forest Resilience program at the Department of Forestry and Fire Protection (CalFire)

    - $15 million for the Watershed Climate Resilience program at the Wildlife Conservation Board

- $3 million for Salton Sea at the Department of Fish and Wildlife and the Department of Water Resources (DWR)
- $30 million for the Oroville Pump Storage project at DWR
- $20 million for Charter Boats Compliance at the California Air Resources Board (CARB)
- $48 million for Drayage Trucks & Infrastructure at CARB
- $100 million for Community-Based Plans, Projects and Support / Sustainable Community Strategies at CARB
- $47 million for Emerging Opportunities at CARB
- $195 million for AB 617 – Community Air Protection program at CARB
- $50 million for AB 617 – Local Air District Implementation at CARB
- $5 million for AB 617 – Technical Assistance Grants at CARB
- $30 million for Drinking Water/Wastewater at the State Water Resources Control Board (SWRCB)
- $15 million for Water Recycling/Groundwater Clean Up at SWRCB
- $7 million for the Livestock Methane Reduction program at California Department of Food and Agriculture (CDFA)
- $25 million for Community Renewable Energy (Community Solar) at the California Public Utilities Commission (CPUC)
- $10 million for Diablo Canyon Land Conservation and Economic Development (SB 846)

In addition, all discretionary spending previously committed to in prior year budgets are eliminated. This includes all outyear funding. All of the following items are proposed to be cut in the May Revision (except the MVA Offset):

Discretionary Cap and Trade Funding at 2025-26 Governor's Budget
(Dollars in Millions)

Department	Program	2025-26	2026-27	2027-28	2028-29
Air Resources Board	AB 617 - Community Air Protection	$195	$195	$195	$195
	AB 617 - Local Air District Implementation	$50	$50	$50	$50
	AB 617 - Technical Assistance Grants	$5	$5	$5	$5
	ZEV Programs (preexisting agreement)	$215	$301	$213	
Secretary of Transportation	Zero Emission Transit Capital Program		$230	$460	
	Transit Inter-City Rail Capital Program and Other Transportation (Formula and Competitive (Fund Shift)	$368	$20		
Department of Transportation	Highways to Boulevards (Fund Shift)	$25	$50		
Energy Resources Conservation and Development Commission	ZEV Programs (preexisting agreement)	$385	$299	$387	
	ZEV Fueling Infrastructure Grants (Fund Shift)			$99	
	Equitable Building Decarbonization (Fund Shift)			$93	
	Distributed Electricity Backup Assets (Fund Shift)	$200	$180		
	Hydrogen Grants (Fund Shift)	$34			
	Demand Side Grid Support (Fund Shift)	$75			
	Long Duration Energy Storage	$26			
	Clean Energy Reliable Investment Plan (Fund Shift)	$18	$150	$50	$650
Public Utilities Commission	Community Renewable Energy (Community Solar)	$25			$25
Department of Forestry and Fire Protection	Fire Prevention Grants (Fund Shift)			$42	
	Unit Fire Prevention Projects (Fund Shift)			$26	
	Tribal Wildfire and Forest Resilience (Fund Shift)	$10			
Department of Food and Agriculture	Livestock Methane Reduction (Fund Shift)	$7			
	State Water Efficiency and Enhancement Program (Fund Shift)		$21		
California Natural Resources Agency	Ocean Protection/SB 1 Implementation (Fund Shift)		$37		
Department of Conservation	Regional Forest & Fire Capacity (Fund Shift)			$20	
	Oil Well Plug and Abandonment (Fund Shift)		$50		
Department of Water Resources	Oroville Pump Storage (Fund Shift)	$30	$100	$100	
Wildlife Conservation Board	Watershed Climate Resilience	$15			
Cal EPA	Environmental Justice Action Grants (Fund Shift)		$5		
Department of Toxic Substances Control	Vulnerable Community Toxic Clean-Up (Fund Shift)		$43		
State Water Resources Control Board	Drinking Water/Wastewater (Fund Shift)	$30			
	Water Recycling/Groundwater Clean Up	$15			
Office of Planning and Research	California Climate Action Corps (Fund Shift)	$9	$9	$9	$0
Various	Salton Sea (Fund Shift)	$3			
Various	Diablo Canyon Land Conservation and Economic Development (SB 846) (Fund Shift)	$10	$50	$50	
Air Resources Board	Motor Vehicle Account Offset	$81			
	Total	$1,831.7	$1,794.3	$1,799.4	$925.0

- **Control Section 15.14 Amendments.** The May Revision proposes to eliminate the reporting requirements focused on climate change adaptation and resiliency, environmental quality, and public health for various appropriations, as these appropriations are eliminated under the May Revision.

3360 CALIFORNIA ENERGY COMMISSION

Offshore Wind. The May Revision cuts $42.8 million General Fund in 2025-26 for the development of offshore wind at the CEC. The administration requests to backfill the like amount from Proposition 4 Climate Bond funds. This was originally a part of a $45 million appropriation for offshore wind infrastructure investments in the 2022 Budget.

Clean Transportation Program Block Grant Trailer Bill Language. The May Revision includes trailer bill language that revises eligibility requirements for the Clean Transportation Program by eliminating the restriction that block grants or incentive programs be administered by public entities or not-for-profit technology entities and by expanding the category to authorize this funding for block grants or incentive programs for zero-emission vehicle infrastructure.

Emergency Reliability, Load Flexibility and Demand Reduction Trailer Bill Language. The May Revision includes trailer bill language that requires any funds allocated to the School Energy Efficiency Stimulus Program (CalSHAPE) that are unencumbered as of July 1, 2025, be reverted and returned to the electrical corporation or gas corporation and used to reduce ratepayer charges that support the Emergency Load Reduction Program, or any other existing utility emergency grid reliability, load flexibility, or demand reduction program.

Alternative Fee Structure for the Power Plant Licensing and Compliance Programs Trailer Bill Language. The May Revision includes trailer bill language that would change the existing certification process for power plants, energy storage systems, and related facilities at the CEC. Specifically, it requires a person submitting an application for certification to submit with the application a nonrefundable deposit of $750,000 and would require the applicant to pay all costs incurred by the Energy Commission in processing the application; require the Energy Commission to provide invoices for additional fees, at least annually, for the actual costs incurred by the Energy Commission in excess of the deposit; increase the annual fee to $70,000 for each year the facility retains its certification; and specify that the petition fee is nonrefundable.

Electric Program Investment Charge (EPIC) Program Follow-on Funding Extension Trailer Bill Language. The May Revision includes trailer bill language extends the CEC's follow-on funding authority for the EPIC program January 1, 2031. The EPIC program is a ratepayer-funded program, intended to fund scientific and technological research to accelerate innovation in the electricity sector to meet the state's energy and climate goals.

Expediting Clean Energy Development. The May Revision includes $1.9 million Energy Facility Licensing and Compliance Fund and 9 positions through 2028-29 to support the California Energy Commission's Opt-in clean energy and advanced manufacturing permitting program. Additionally, the May Revision includes statutory changes to the program's project application fee structure to align it with current program needs.

3900 CALIFORNIA AIR RESOURCES BOARD

California Climate Investments Administration. The May Revision includes $666,000 from the Greenhouse Gas Reduction Fund ongoing to convert three limited-term positions to permanent to provide technical assistance to agencies administering the California Climate Investments programs for quantification, reporting, and policy guidance to maximize greenhouse gas (GHG) reductions and ensure benefits to disadvantaged communities and low-income communities and households.

Legal Resources to Respond to Federal Actions. The May Revision includes $1.9 million from the Air Pollution Control Fund for eight positions for its Legal Office to support the significant workload attributable to the current federal administration in the form of affirmative and defensive litigation, as well as associated e-discovery, records management, and administrative support.

Revised Regulatory Fee Authority Trailer Bill Language. The May Revision includes a revised version of the Regulatory Fee Authority trailer bill language that was originally a part of the Governor's Budget. This proposal narrows the regulatory fee authority to the Transport Refrigeration Unit and Commercial Harbor Craft regulations.

8660 CALIFORNIA PUBLIC UTILITIES COMMISSION

Community Renewable Energy and Storage. The May Revision cuts $33 million General Fund for programs funding community renewable energy projects at the CPUC. This is a part of the Clean Energy Reliability Investment Plan (CERIP), a $1 billion commitment to clean energy programs as part of the Diablo Canyon Power Plant extension agreement.

California Lifeline – State Operations and Local Assistance. The May Revision includes $528 million in 2025-26 from the Universal LifeLine Telephone Service Trust Administrative Committee Fund (0471) for the Universal LifeLine Telephone Service Program to provide low-income California households with basic, high-quality wireless and wireline services at affordable rates in accordance with the Public Utilities Code section 871 et seq.

Safe Battery Energy Storage Systems. The May Revision includes $3.7 million Public Utilities Commission Utilities Reimbursement Account (PUCURA) in 2025-26 and 2026-27, and $2.9 million ongoing PUCURA and 12 positions in 2027-28 to support compliance and enforcement of safety standards for large-scale, electric grid connected battery energy storage systems at the CPUC.

Staff Recommendation: Hold open all items in this agenda.

Senate Budget and Fiscal Review—Scott Wiener, Chair
SUBCOMMITTEE NO. 2 **Agenda**

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

Tuesday, June 10, 2025
1:30 p.m.
1021 O Street - Room 2200

Consultant: Joanne Roy

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PUBLIC COMMENT ONLY

VARIOUS DEPARTMENTS

VARIOUS DEPARTMENTS

Issue 1: Departments' Operational Efficiencies and Vacancies Sweep

Governor's Proposal. The 2024-25 budget package included two control sections — Control Section 4.05 and Control Section 4.12 — that aimed to identify and implement efficiencies by 8 percent across all state entities to produce ongoing budgetary savings without adverse effects on state services.

Date Originally Heard. This issue was heard in Subcommittee 2 on March 6, 2025, and discussed again at the hearing on May 21, 2025.

Staff Comments. The Administration provided a summary of this proposal in February 2025. At the March 6th hearing, the Administration stated that it did not have details available and would provide them sometime in April 2025. The Administration provided details to this Subcommittee on May 14th.

Why Cut Special Funds? This exercise originally seemed premised on the need to find General Fund savings due to the deficit. However, the Administration's efficiencies proposal goes well beyond that and includes non-General Fund funded programs and positions. Two special funds, the Environmental License Plate Fund and the Harbors and Watercraft Revolving Fund, are off kilter and need rightsizing — In these two cases, it may be fiscally prudent to make cuts. However, cuts to special funds overall have no impact on the General Fund. Much of the Natural Resources and Environmental Protection programs rely heavily on special funds, which are restricted for specific purposes. A significant portion of special fund revenues are charges such as license or permitting fees.

Less Is More? Sometimes Less Means Less…And Not in a Good Way. Two departments that raise serious concerns about the Administration's proposed cuts in the natural resources area are those to the California Department of Fish and Wildlife (CDFW) and the Department of Parks and Recreation (Parks).

CDFW. CDFW jurisdiction covers 159,000 square miles of land, 30,000 miles of rivers, 1,100 of coastline, seven major ports of entry, and 200 miles out to sea. The state has 147 Marine Protected Areas that have been designated as sensitive areas.

The Administration proposes to cut 13 percent of CDFW's baseline budget — much higher than the 8 percent goal across all departments. Cuts to CDFW include 190 positions and practically double the amount of special funds (-$49 million) compared to General Fund (-$25 million) reductions. CDFW's Service Based Budget review (2023) showed that the department is severely understaffed in key areas of accomplishing the department's mission in multiple areas (e.g. law enforcement (33 percent of mission fulfilled), permitting and environmental protection (29 percent mission fulfilled), and species and habitat conservation (26 percent mission fulfilled)).

CDFW: Wildlife Officers. Among the 190 positions proposed for elimination, 55 of them are for

enforcement — e.g. Wildlife Officers (WOs) (also known as wardens). Currently, CDFW currently has 417 WOs employed and in place. Of these officers, 375 are field level staff, Warden, Lieutenant Specialist, and Lieutenant Supervisors, who are expected to be patrolling. The remainder are managerial staff. Of these 375 field staff, 26 are dedicated to Marine Enforcement. For land-based operations, there are about 455 square land miles per officer; and 26 officers to patrol the ocean 200 miles out to sea. Among other things, WOs provide essential services, such as the following:

- Human-Wildlife Conflict. This continues to be an increasing problem, and CDFW WOs respond to and investigate wildlife encounters where a report is made. Officers are also integral in educating the public and responding to incidents where the public is concerned about negative wildlife interactions.

    - Related to this issue, CDFW has human-wildlife conflict specialists — Last year, this growing issue prompted the County of Los Angeles Board of Supervisors to send a letter to CDFW Director Bonham noting that "there are only a few CDFW wildlife specialists who must cover hundreds of miles of territory" and citing the need for the state "to provide and augment the expertise provided by CDFW staff to protect…communities in Los Angeles County." (Letter to Director Bonham, dated June 5, 2025)

- Marine Protected Area Protection. WOs are the sole enforcers of the Marine Protect Area protections, as well as enforcing commercial fishing laws/regulations.

- Illegal Trafficking of Wildlife. WOs enforce the illegal trafficking of wildlife, and in turn, are protecting the state's biodiversity. With wildlife trafficking comes substantial risk of introduction of zoonotic diseases and invasive species, which could have devastating economic impacts to the general public and the agriculture industry.

- Protection of Habitat, Natural Resources & Wildlife. WOs protect the state's wildlife habitat by enforcing pollution and habitat destruction laws. The federal agencies with similar missions (e.g. National Oceanic and Atmospheric Administration and US Fish and Wildlife) are experiencing uncertainties and staffing changes, which will shift more responsibility to CDFW's WOs.

- Emergency Response and First Responders. WOs respond to numerous CalOES, mutual aid requests for emergencies, such as wildfires, and various emergencies.

WOs are just one type of position, among several, that are proposed for elimination at CDFW. CDFW has a broad portfolio such as licensing, permitting, fisheries, habitat and land managment, and oil spill clean ups, all of which are important to protect and conserve the state's natural resources and wildlife and ensure their healthy populations. Considering the missions of CDFW and the Service Based Budget Review showing the department is already operating at a grave deficit — only a third of what is needed to fulfill its mission — why is the Administration insisting on such severe reductions to this department? Especially ones that are special funded and do not impact the General Fund?

Parks. State Parks includes 280 park units, over 340 miles of coastline, 970 miles of lake and river frontage, 15,000 campsites, 5,200 miles of trails, 3,195 historic buildings, and more than 11,000 known prehistoric and historic archaeological sites. The department contains the largest and most diverse recreational, natural and cultural heritage holdings of any state agency in the nation.

The Administration proposes a net reduction to the department's baseline budget by 4.6 percent (-$17.7 million General Fund and -$13.2 million Special Funds) and elimination of 172 positions (e.g. Rangers

and Maintenance Workers). Parks has had over $1 billion backlog of deferred maintenance for many years now. How does reducing the number of positions and special funds for Parks help the General Fund deficit, improve services at state parks, or reduce the ever-present backlog of deferred maintenance?

Vacant Does Not Necessarily Mean Dispensable. A vacant position does not necessarily mean that it is superfluous or deserves elimination. Positions become vacant for a variety of reasons, such as retirement, promotion, or waiting to find a qualified candidate.

For example, the Administration's "efficiency" cuts eliminate 55 positions for WOs at CDFW. As Senator Blakespear mentioned in at the May 21st subcommittee hearing, some of those positions may be open because CDFW is waiting for cadets to graduate and fill them. There are not enough wardens to adequately cover the entire state now; and the department is only meeting its enforcement mission at 33 percent — What is the benefit of cutting 55 warden positions knowing that the department is only achieving one-third of its enforcement mission?

The Administration has conveyed that almost all departments (e.g. CalFire is not subject to these cuts) have to chip in and share in the pain for this exercise, but it seems counterintuitive to further impair departments that are already severely struggling to meet their missions.

Are Fee Payers Getting Short-Changed? Many of these efficiency cuts may negatively impact fee payers with degradation of services for which they pay fees if those related special funds and positions are reduced because of the Administration's proposed efficiency cuts. For example, applicants paying fees for permits, licenses or environmental reviews — If there are fewer people to do the work, then those permits, licenses, or environmental reviews may take longer to process and/or diminish in quality. Stakeholders representing water-related local agencis, state, "We are not in favor of a lower level of service from the state's regulatory agencies" and "are opposed strongly to vacant positions getting swept up in fee-based programs, even if it would result in fee reductions." It is a rare occasion for fee payers to say outright that they would not want a reduction in charges.

In addition, a broad coalition of stakeholders (including the regulated community) have raised concerns about the proposed efficiency reductions to the Department of Pesticide Regulation (DPR), stating that they negotiated last year's AB 2113 (Garcia, 2024), "which secured $33.3 million annually and support 117 new positions over three years, paid for by pesticide manufacturers, farmers and professional applicators…The Governor's proposed budget efficiency reductions would prevent DPR from spending $3 million annually and eliminate 19 vacant positions, **all of which are paid through industry fees and taxes, not the General Fund.** Even more troubling is that nearly $1 million of this total comes from the registration branch. **We urge the legislature to stand behind the agreement made in AB 2113 last year and insist that the Department of Finance fully restore DPR's funding in the 2025-26 budget."**

This proposal is much too sweeping and, in many cases, will likely result in more department deficiencies than efficiencies.

Staff Recommendation. Conform to action taken by Subcommittee 5 on Corrections, Public Safety, Judiciary, Labor, and Transportation.

NATURAL RESOURCES

0540 CALIFORNIA NATURAL RESOURCES AGENCY (CNRA)
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0690 GOVERNOR'S OFFICE OF EMERGENCY SERVICES (CAL OES)
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3825 SAN GABRIEL AND LOWER LOS ANGELES RIVERS AND MOUNTAINS CONSERVANCY (RMC)
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3940 STATE WATER RESOURCES CONTROL BOARD (SWRCB)
4700 DEPARTMENT OF COMMUNITY SERVICES AND DEVELOPMENT (CSD)
8570 CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE (CDFA)

Issue 2: 2024 Climate Bond (Proposition 4) Expenditure Plan and Administrative Procedure Act (APA) Exemption trailer bill language (TBL) (Governor's Budget (GB) and May Revision (MR))

Governor's Proposal. ***Proposes Multiyear Spending Plan, With About One-Quarter of Funds to Be Provided in 2025-26.*** According to the Legislative Analyst's Office (LAO), 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. The Governor's January proposal was as follows:

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	376	214	496	89
Coastal Resilience	1,200	173	129	190	708	—
Biodiversity and Nature-Based Climate Solutions	1,200	286	136	165	512	101
Clean Energy	850	275	229	3	21	323
Park Creation and Outdoor Access	700	286	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

Administrative Procedures Act (APA) Exemption TBL. The Governor's Budget proposes trailer bill language to exempt all Proposition 4 actions/programs from the APA.

Climate Bond (Proposition 4) Implementation (MR). In January, The Administration proposed appropriation of $2.7 billion in Climate Bond funds in the 2025-26 Governor's Budget. The May Revision proposal includes requests for:

- Adjustments to the Governor's Budget Expenditure Plan, including technical changes to reflect wildfire and forest resilience funding appropriated in AB 100 (Gabriel), Chapter 2, Statutes of 2025;

- 79.5 permanent positions across 12 departments to implement the Climate Bond; and,

- $2 million in 2025-26 for statewide bond activities across various departments.

This proposal includes adjustments to the Governor's Budget Expenditure Plan to reflect immediate program needs in 2025-26; subsequent modifications to the roll-out may be requested in future budget proposals. This proposal allocates the 0.75 percent ($75 million) reserved for statewide bond costs to Parks, DWR, CNRA, and the Department of Finance's Office of State Audits and Evaluations (OSAE).

General Fund Solutions: Proposition 4 "Backfill." The Governor's Budget and the May Revision include several cuts to previously approved General Fund spending in Climate-Energy Packages from recent years. The Administration proposes to "backfill" $315.8 million in General Fund cuts using Proposition 4 funding, as shown in the chart below:

Purpose	Governor's Proposed Backfill (Dollars in millions)
Stewardship of State-Owned Lands (Parks)	**68**
Water Recycling (DWR)	**51**
Dam Safety (DWR)	**47**
Watershed Climate Resilience (WCB)	**32**
Deferred Maintenance (Parks)	**14**
Home Hardening (CalOES)	**13**
Demand-Side Grid Support Program (CEC)	**18**
Systemwide Flood Risk Reduction (DWR)	**15**
Community Resilience and Heat Program (LCI)	**15**
Offshore Wind Energy (CEC)	**42.8**
TOTAL	**315.8**

Dates Originally Heard. The Governor's Budget proposal was heard in Subcommittee 2 on February 27, 2025, and the May Revision was heard on May 21, 2025.

Staff Comments. As we are well aware, the General Fund is in dire straits. Regardless of whether Proposition 4 is being used as a backfill, cuts across the board to General Fund spending are still necessary in order to balance the state budget. Because the Legislature is deferring details to a Proposition 4 Expenditure Plan, so too, will decisions about Proposition 4 backfill be deferred.

Staff Recommendation. Reject the Administration's Proposition 4 Expenditure Plan and related trailer bill language. Add a control section to the budget bill allocating $140 million General Fund for climate-related activities, which the Governor proposed as Proposition 4 backfill to General Fund reversions. Approve $315.8 million General Fund reversion as proposed by the Administration. Adopt placeholder trailer bill language.

0540 CALIFORNIA NATURAL RESOURCES AGENCY (CNRA)
3480 DEPARTMENT OF CONSERVATION (DOC)
3600 CALIFORNIA DEPARTMENT OF FISH AND WILDLIFE (CDFW)
3860 DEPARTMENT OF WATER RESOURCES (DWR)

Issue 3: Gregory Bateson Building Rent Increase (MR)

Governor's Proposal. The May Revision proposes an increase of $3.28 million in 2025-26, $3.39 million in 2026-27, and $3.78 million annually beginning in 2027-28 across various fund sources to support increased rental costs at the newly renovated Gregory Bateson Building. In 2021, CNRA and eleven of its entities consolidated space from multiple locations throughout the Sacramento area to two locations in conjunction with CNRA's downtown campus development. This includes the new Resources Building at 715 P Street, as well as a renovated Gregory Bateson Building at 1600 9th Street. In total, the move includes the relocation of approximately 600 staff.

Date Originally Heard. This issue was heard in Subcommittee 2 on May 21, 2025.

Staff Recommendation. Approve as budgeted.

CNRA VARIOUS DEPARTMENTS

Issue 4: Natural Resources Agency Bond and Technical Adjustments including Reappropriation of funding for Water Resilience/Habitat Restoration Projects related to Voluntary Agreements (MR)

Governor's Proposal. The May Revision proposes various bond and technical adjustments such as reappropriations and extensions of liquidation.

Among the various bond and technical adjustments, the Governor proposes to reappropriate $165 million General Fund to the Department of Water Resources (DWR) in Item #3860-101-0001, which would support items in the 2022 Water Resilience Package (which is part of the Climate-Energy Package) for the Sacramento-San Joaquin Climate Habitat Restoration ($125 million), and Sustainable Groundwater Management projects ($40 million). The Sacramento-San Joaquin habitat restoration funding is connected to the Voluntary Agreements (VAs). The proposal extends the end of liquidation date to June 30, 2029.

Date Originally Heard. This issue was heard in Subcommittee 2 on May 21, 2025.

Staff Comments. The Legislature proposes to reappropriate the funding for habitat restoration related to VAs only. (*Please see Issue #69 for more details*.)

Staff Recommendation. Approve as budgeted; except reject proposed reappropriation of $125 in 3860-101-0001 and revert up to $125 million (unencumbered or unexpended) back to the General Fund.

0540 CALIFORNIA NATURAL RESOURCES AGENCY (CNRA)

Issue 5: Museum of Tolerance (GB)

Governor's Proposal. The Governor's budget includes $10 million General Fund in 2025-26 through CNRA to support a variety of improvements at the Museum of Tolerance. Of this amount, $6.3 million would be used to extend the themes from the new antisemitism exhibit to the rest of the museum, including installing interactive and immersive learning features. The project is expected to be completed in June 2027. The proposal also includes $2 million to make improvements to the museum's entryway, lobby, and memorial plaza. Those improvements are expected to be completed in January 2026. Both components would be funded solely by this proposal. The remaining funds from this proposal would cover project overhead ($1.2 million) and CNRA administrative costs ($500,000).

Date Originally Heard. This issue was heard in Subcommittee 2 on March 6, 2025.

Staff Recommendation. Approve as budgeted.

Issue 6: California Indian Heritage Center Support Organization (TBL) (MR)

Governor's Proposal. The May Revision proposes TBL related to the creation of the California Indian Heritage Center in West Sacramento.

Date Originally Heard. This issue was heard in Subcommittee 2 on May 21, 2025.

Staff Recommendation. Defer to legislative policy process.

Issue 7: California Natural Resources Agency Proposition 68 Statewide Bond Costs (MR)

Governor's Proposal. The May Revision proposes $346,000 Proposition 68 general obligation bond and two positions, in addition to funding for consulting services to make system improvements needed to track statewide bond requirements and deliver the necessary outcomes and mapping reporting related to bond expenditures per bond accountability requirements.

Date Originally Heard. This issue was heard in Subcommittee 2 on May 21, 2025.

Staff Recommendation. Approve as budgeted.

3110 SPECIAL RESOURCES PROGRAMS – TAHOE REGIONAL PLANNING AGENCY (TRPA)

Issue 8: Tahoe Regional Planning Agency Salary Adjustments (GB)

Governor's Proposal. The Governor's budget requests $230,000 Environmental License Plate Fund (ELPF) in 2025-26 and $130,000 ELPF ongoing to support the state's share of TRPA staff salary

adjustments to be aligned with California state employee pay.

Date Originally Heard. This issue was heard in Subcommittee 2 on March 6, 2025.

Staff Recommendation. Approve as budgeted.

3125 CALIFORNIA TAHOE CONSERVANCY

Issue 9: Conceptual Feasibility Planning (GB)

Governor's Proposal. The Governor's budget requests $300,000 Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006 (Proposition 84) for initial conceptual feasibility planning for development of potential capital outlay projects over its ownership of approximately 4,700 parcels. Conceptual feasibility planning is intended to focus on Conservancy ownerships in key watersheds, several potential lakefront access points, and other sites requiring restoration and improvements for future watershed habitat and recreation. The Conservancy intends to use the funding to hire outside contractors and for existing Conservancy staff to carry out the planning work. The current schedule estimates study activities will be carried out between July 1, 2025, and June 30, 2026.

Date Originally Heard. This issue was heard in Subcommittee 2 on March 6, 2025.

Staff Recommendation. Approve as budgeted.

Issue 10: Opportunity Acquisitions (GB)

Governor's Proposal. The Governor's budget requests $5.98 million from various funds for the acquisition of lands in environmentally sensitive or significant resource areas. The requested funding is comprised of:

- $378,000 of Lake Tahoe Acquisition Fund;
- $1.3 million of California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access For All Fund (Proposition 68); and,
- $4.3 million of reimbursement authority.

In addition, the request includes reversion of $1.3 million Proposition 68 local assistance funding from the 2019 Budget. Conservancy staff and partner agencies have identified up to 13 properties (commercial development, and residential lots on environmentally sensitive land) for acquisition in the City of South Lake Tahoe, El Dorado County, and Placer County.

Date Originally Heard. This issue was heard in Subcommittee 2 on March 6, 2025.

Staff Recommendation. Approve as budgeted.

Issue 11: Upper Truckee River Sunset Stables Reach 6 Restoration Project (GB)

Governor's Proposal. The Governor's budget requests $250,000 in authority ($150,000 in Federal Trust Fund authority and $100,000 in Habitat Conservation Fund (HCF)) to develop preliminary plans for the multiple-benefit Upper Truckee River Sunset Stables Reach 6 Restoration Project (Project). The Conservancy estimates total project costs at $2.9 million.

Date Originally Heard. This issue was heard in Subcommittee 2 on March 6, 2025.

Staff Recommendation. Approve as budgeted.

Issue 12: Department of General Services (DGS) Updated Pro Rata Structure (MR)

Governor's Proposal. The May Revision proposes to appropriate $400,000 California Environmental License Plate Fund (ELPF) one-time and add budget bill language (BBL) to specify this funding is for project management, construction management, inspection, and overhead costs associated with bond and grant funded project activities by DGS.

Date Originally Heard. This issue was heard in Subcommittee 2 on May 21, 2025.

Staff Recommendation. Approve as budgeted.

Issue 13: Lake Tahoe Blvd Demolition and Site Stabilization (MR)

Governor's Propoal. The May Revision proposes a supplemental appropriation of $591,000 from the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Fund (Proposition 68) to cover increased costs reflected in an updated working drawings estimate of the Lake Tahoe Blvd Demolition and Site Stabilization Project. Total project costs are now estimated at $3.45 million. In 2024-25, the Conservancy received authorization to use $2.86 million ($2 million Proposition 68, $756,000 Tahoe Conservancy Fund, and $100,000 Habitat Conservation Fund) for the project.

Date Originally Heard. This issue was heard in Subcommittee 2 on May 21, 2025.

Staff Recommendation. Approve as budgeted.

Issue 14: Minor Capital Outlay (MR)

Governor's Proposal. The May Revision proposes an appropriation of $479,000 Proposition 68 and $271,000 from the Water Security, Clean Drinking Water, Coastal and Beach Protection Fund (Proposition 50) for various minor capital outlay projects on Conservancy land. These projects involve demolishing existing structures, stabilizing and improving previously acquired property, installing public safety features, and completing upgrades on developed facilities.

Date Originally Heard. This issue was heard in Subcommittee 2 on May 21, 2025.

Staff Recommendation. Approve as budgeted.

Issue 15: Opportunity Acquisitions (MR)

Governor's Proposal. The May Revision requests $5.6 million for the acquisition of lands in environmentally sensitive or significant resource areas. The requested funding is comprised of: (1) $1.3 million Proposition 68, (2) $4.3 million of reimbursement authority to the California Environmental License Plate Fund, and (3) Reversion of $1.3 million Proposition 68 local assistance from the 2019 Budget. This funding is intended to go towards the acquisition of environmentally sensitive or resource significant property to promote biodiversity, protect critical habitats, and promote climate resilience, and provide equitable access.

Date Originally Heard. This issue was heard in Subcommittee 2 on May 21, 2025.

Staff Recommendation. Approve as budgeted.

Issue 16: Upper Truckee Marsh South Project (MR)

Governor's Proposal. The May Revision requests $500,000 Proposition 68 to study restoration and recreation needs and complete environmental review for the Upper Truckee Marsh South Project.

Date Originally Heard. This issue was heard in Subcommittee 2 on May 21, 2025.

Staff Recommendation. Approve as budgeted.

Issue 17: Van Sickle Bi-State Park Safety and Equitable Access Improvements (MR)

Governor's Proposal. The May Revision requests $200,000 from the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Fund (Proposition 84) for the Van Sickle Bi-State Park Safety and Equitable Access Improvements Project (Project). The Project is a coordinated effort with the State of Nevada to ensure public safety and accessibility, improve visitor experience, enhance water quality, protect the environment, and allow for year-round operations. The Project includes a paved Americans with Disabilities Act (ADA) compliant multi-use trail connecting the Park entrance, California and Nevada day-use areas, and new state line monument and plaza. In addition, the Project includes stormwater and snow storage improvements at the California day-use area to allow year-round Van Sickle Bi-State Park operations and water quality protection. Funding will be used to complete the Preliminary Planning phase of the Project.

Date Originally Heard. This issue was heard in Subcommittee 2 on May 21, 2025.

Staff Recommendation. Approve as budgeted.

3340 CALIFORNIA CONSERVATION CORPS (CCC)

Issue 18: Greenwood Residential Center (Construction) – Reappropriation (GB)

Governor's Proposal. The Governor's budget requests reappropriation of the construction phase of the

Greenwood: New Residential Center project. Although the construction contract of $60.21 million has been awarded and funds were transferred to the Architectural Revolving Fund in 2023-24, the balance of $6.4 million is currently available until June 30, 2025. Given construction schedule estimates completion in Spring 2026, this request is intended to provide sufficient time for project completion. Total project costs are estimated at $73.52 million.

Date Originally Heard. This issue was heard in Subcommittee 2 on March 6, 2025.

Staff Recommendation. Approve as budgeted.

Issue 19: Auberry, New Residential Center: Demolition (MR)

Governor's Proposal. The May Revision proposes an appropriation of $4.08 million Collins-Dugan California Corps Reimbursement Account one-time for the preliminary plans, working drawings, and construction phase of the Auberry, New Residential Center: Demolition project. The demolition of these deteriorating and unusable buildings is necessary to allow for the construction of a new residential center at this site, and to reduce the risk of vandalism and unlawful entry of the existing buildings.

Date Originally Heard. This issue was heard in Subcommittee 2 on May 21, 2025.

Staff Recommendation. Approve as budgeted.

Issue 19.5: Los Piños Airport Fire Facility Repairs (MR)

Governor's Proposal. The May Revision proposes an appropriation of $3.5 million Collins-Dugan California Corps Reimbursement Account one-time to repair dormitory 7 that was damaged by the Airport Fire at the existing Los Piños Center located in Orange County. Funds will be made available for encumbrance or expenditure until June 30, 2028.

Date Originally Heard. This issue was heard in Subcommittee 2 on May 21, 2025.

Staff Recommendation. Approve as budgeted.

3480 DEPARTMENT OF CONSERVATION

Issue 20: Division of Mine Reclamation SMARA-4 (GB)

Governor's Proposal. The Governor's budget requests one permanent position and an appropriation increase of $866,000 Surface Mining and Reclamation Account (SMARA) to contract a Software-as-a-Service (SaaS) solution vendor to implement and configure an integrated case management system with external facing portals for stakeholder document submission and communications to replace four aging and unsupportable software systems.

Date Originally Heard. This issue was heard in Subcommittee 2 on March 6, 2025.

Staff Recommendation. Approve as budgeted.

Issue 21: Oil and Gas Environmental Remediation Account (MR)

Governor's Proposal. The May Revision proposes an annual ongoing appropriation of $1 million Oil and Gas Environmental Remediation (OGER) Account, an increase of $950,000 to the existing $50,000 annual appropriation, to remediate wells that pose a danger to life, health, water quality, wildlife or natural resources. Additionally, DOC requests budget bill language (BBL) that would authorize the Department of Finance to augment the appropriation if it concurs with a finding by the DOC and CalGEM that expenditures above that amount are necessary to prevent or respond to a danger to life, health, water quality, wildlife, or natural resources. This language would also include notice to the Joint Legislative Budget Committee 10 days prior to authorization of any augmentations.

Date Originally Heard. This issue was heard in Subcommittee 2 on May 21, 2025.

Staff Recommendation. Approve as budgeted.

3480 DEPARTMENT OF CONSERVATION (DOC)
3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CALFIRE)
3600 CALIFORNIA DEPARTMENT OF FISH AND WILDLIFE (CDFW)
3720 CALIFORNIA COASTAL COMMISSION
3790 DEPARTMENT OF PARKS AND RECREATION (PARKS)

Issue 22: Natural Resources Chaptered Legislation Proposals (GB)

Governor's Proposals. The Governor's budget requests for funding from the General Fund and various special funds as well as positions to implement statutory requirements associated with legislation chaptered in 2024. Please see the figure below for requested resources by department.

2025-26 Governor's Budget
Natural Resources Agency Chaptered Legislation Proposals
Dollars in Thousands

BU	Department	Issue Title (Chapter/Bill)	Fund Source	2025-26	2026-27	2027-28	2028-29	Total Ongoing Positions
3480	Department of Conservation	Idle Oil and Gas Wells (Chapter 548, AB 1866)	3046	$4,766	$4,491	$4,491	$4,491	20.0
3480	Department of Conservation	Low-production Oil and Gas Wells (Chapter 549, AB 2716)	3046	$2,018	$1,896	$1,896	$1,896	9.0
3540	Department of Forestry and Fire Protection	Fire Prevention: Prescribed Fire: State Contracts: Maps (Chapter 778, SB 1101)	3228	$511	$566	$549	$549	2.0
3540	Department of Forestry and Fire Protection	State Fire Marshal: Fire Safety: Regulations: Lithium-based Battery Systems: Telecommunications Infrastructure (Chapter 781, SB 1152)	3144	$148	$288	$0	$0	2.0
3540	Department of Forestry and Fire Protection	Emergency Management Assistance Compact: California Wildfire Mitigation Financial Assistance Program (Chapter 402, AB 2469)	0001	$529	$809	$809	$809	0.0
3600	Department of Fish and Wildlife	Cannabis Cultivation: Environmental Remediation (Chapter 839, AB 2643)	3351	$0	$0	$0	$0	7.0
3720	California Coastal Commission	Local Coastal Program Guidance for Accessory Dwelling Units (Chapter 454, SB 1077)	0001	$106	$0	$0	$0	0
3720	California Coastal Commission	Local Coastal Program Updates for Housing (Chapter 282, AB 3093)	0001	$565	$1,202	$1,838	$1,838	8.0
3790	Department of Parks and Recreation	Firearms: Destruction (Chapter 547, SB 1019)	0001	$420	$398	$398	$398	2.0

Source: Department of Finance

The funding requested by the departments to implement the bills included in this proposal were cited during the 2024 legislative process, including in the Senate and Assembly Appropriations Committees prior to their enrollment. The Department of Finance has evaluated these requests and concurs with the level of resources requested to implement new statutory requirements.

For summaries of the chaptered legislation referenced in this BCP, please refer to the Subcommittee 2 agenda for March 6, 2025.

Staff Recommendation. Approve as budgeted.

3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CALFIRE)

Issue 23: Capital Outlay Projects (GB & MR)

Governor's Proposal. The Governor's budget requests funding for multiple capital outlay projects, as follows:

(a)Alma Helitack Base (HB): Relocate Facility. The Governor's budget requests $2.69 million General Fund for the preliminary plans phase of the Alma HB: Relocate Facility project, located in Santa Clara County. This is a continuing project. Total estimated project costs are $67.98 million.

(b) Boggs Mountain Helitack Base (HB): Relocate Facility. The Governor's budget requests $1.61 million General Fund for the preliminary plans phase of the Boggs Mountain Boggs HB: Relocate Facility project in Lake County. The project includes site acquisition, design, and construction of a new Boggs HB including a helicopter hangar, support vehicle garage, barracks building, generator/pump/storage building, wash rack canopy, hazmat/retardant storage, an operation building, and helicopter-training tower. Additionally, the scope of work will include site work and utilities as needed. This is a continuing project. Total project costs are estimated at $79.77 million and is expected to be completed in April 2029.

(c) Butte Fire Center: Replace Facility.The Governor's budget requests $95.33 million public buildings construction fund for the construction phase of the Butte Fire Center: Replace Facility project, located in Butte County. This is a continuing project. Total estimated project costs are $100.73 million and is expected to be completed in February 2028.

(d) Higgins Corner Fire Station (FS): Replace Facility. The Governor's budget requests $9.55 million General Fund for the construction phase of the Higgins Corner FS: Replace Facility project, located in Colusa County. This is a continuing project. The total estimated project costs are $12 million and estimated to be completed in February 2028.

(e) Kneeland Helitack Base (HB): Replace Facility. The Governor's budget requests a supplemental appropriation of $485,000 for the preliminary plans phase of Kneeland HB: Replace Facility project, located in Humboldt County. The project includes acquisition of a new parcel and construction of a helicopter landing pads, helicopter hangar, support vehicle garage, barracks building, generator/pump/storage building, wash rack canopy, hazmat/retardant storage, and helicopter training tower. The project site requires significant amount of off-site work that was not included in the original estimate. This is a continuing project. Total estimated project costs are $35.4 million and expected to be completed in September 2029.

(f) Macdoel Fire Station (FS): Relocate Facility. The Governor's budget requests $10.79 million General Fund for the construction phase of the Macdoel Fire Station: Relocate Facility project, located in Siskiyou County. The project includes the constructions of a single- building, fire station, a generator/pump/storage building with generator, a storage building, an administration building, a field office for the California Highway Patrol, and all site improvements and appurtenances required for the project. This is a continuing project. Total estimated project costs are $12.467 million and is expected to be completed in April 2027.

(g) Prado Helitack Base (HB): Replace Facility. The Governor's budget requests a supplemental appropriation of $17.42 million Public Buildings Construction Fund for the construction phase of the

Prado Helitack Base: Replace Facility project located in San Bernardino County. This is a continuing project. The project includes a helicopter hangar, a warehouse/shop building, a support vehicle garage, a barracks building, a generator/pump/storage building, a wash rack canopy, hazmat/retardant storage, and a helicopter training tower. The scope of work includes necessary grading and drainage, above-ground fuel storage and dispensing facilities, a water tank and fire suppression pump system, asphalt paving, sidewalks, curbs, a wash rack, landscaping, lighting, solar power, fencing, water, electrical power (including a generator), liquefied petroleum gas/natural gas, telephone cabling/installation, radio cabling/installation, and associated appurtenances. This is a continuing project. Total estimated project costs are $43.55 million and is expected to be completed in February 2027.

(h) Baker Forest Fire Station: Replace Facility. The May Revision proposes a supplemental appropriation of $8.83 million Public Building Construction Fund for the construction phase of the Baker Forest Fire Station: Replace Facility project, located in Tehama County. This is a continuing project. The total estimated project costs are $19.76 million. Additional funding is requested as the original construction appropriation was approved in 2019 and has not been updated to reflect increasing costs.

(i) Hollister Air Attack Base/Bear Valley Helitack Base: Relocate Facilities. The May Revision proposes a supplemental appropriation of $3.56 million General Fund for the preliminary plans phase of the Hollister Air Attack Base/Bear Valley Helitack Base: Relocate Facilities project, located in San Benito County. Total estimated project cost is $204.45 million. This supplemental appropriation is for the relocation of the flame retardant pits and helipad as there is insufficient room to accommodate the larger modern aircraft as intended in the original proposal.

(j) Shasta Trinity Unit Headquarters/Northern Operations: Relocate Facility. The May Revision proposes a supplemental appropriation of $2.23 million General Fund for the working drawings phase of the Shasta Trinity Unit Headquarters/Northern Operations: Relocate Facility project, located in Shasta County. This is a continuing project. This supplemental appropriation is intended to address an increase in the facility size by more than 50 percent from the previous estimate. The increase is due to a combination of acquiring a larger than anticipated site for the project and a near doubling of staffing at the Shasta Trinity Unit Headquarters/Northern Operations facility since the project was first proposed.

(k) Statewide: Construct Communication Facilities, Phase III. The May Revision proposes requests a supplemental appropriation of $307,000 General Fund for the construction phase of the Statewide: Construct Communication Facilities, Phase III project, located in various counties. This is a continuing project. The total estimated project costs are $21.01 million. The supplemental appropriation is intended to pay the last outstanding invoices for the project and to complete architectural certification for the remaining towers.

(l) Columbia Air Attack/Helitack Base: Replace Facility. The May Revision proposes to increase item 3540-301-0001 by $200,000 one-time in fiscal year 2025-26 in study phase of the Columbia Air Attack/Helitack Base project. The study phase of the project will address the major construction challenges, adequate clearances, and the airport's future taxiway expansion.

(m) Kneeland Helitack Base: Relocate Facility. The May Revision proposes to increase Item 3540-401-0001 by $1.2 million one-time for the acquisition phase of the project. The Kneeland Helitack Base is expected to receive a repurposed Firehawk Helicopter in the Spring of this year, but the current Helitack base is not suitable to store and maintain the helicopter.

(n) Rincon Fire Station: Replace Facility. The May Revision proposes to increase Item 3540-301-0660 be increased by $5.04 million one-time in the construction phase of the project. Additional project

funding is requested to avoid implementing several deductive alternates including removing the vehicle wash building and eliminating all site fencing.

(o) Penon Blanco & Deadwood Peak Lookout: Repair Facilities. The May Revision proposes to increase Item 3540-301-0001 by $587,000 one-time for the preliminary plans phase of the project. The scope of the project includes repairing structural elements of the towers to provide safe functioning operational platform for use in support of communications and early fire detection.

Date Originally Heard. The Governor's Budget proposals were heard in Subcommittee 2 on March 6, 2025, and the May Revision proposals were heard on May 21, 2025.

Staff Recommendation. Approve as budgeted.

Issue 24: Various Capital Outlay Reappropriations and Reversions (MR)

Governor's Proposal. The May Revision proposes requests 35 reappropriations and 27 reversions to align existing appropriations with current capital outlay project schedules. The projects included in this proposal have experienced unanticipated delays and have been identified for reappropriation if the schedule indicates funding is needed in 2025-26 or reversion if the schedule indicates funding is not needed until 2026-27 or later. It is anticipated that any reversions included in this proposal will result in future proposals to re-establish funding when the project has reached the appropriate milestone.

The reversions included in this proposal total $120.33 million ($84.68 million General Fund and $35.66 million Public Buildings Construction Fund), including $31.52 million General Fund for acquisition of property for a new training center. CalFire is exploring more cost-effective alternatives that will meet the same training capacity goals as the additional training center project through a combination of expanding and upgrading existing training facilities and utilizing newly identified long-term lease opportunities to minimize delays in training output. These options will provide sufficient training capacity increases to meet the demands associated with increases in staffing in recent years, including the transition to a 66-hour work week.

Date Originally Heard. This issue was heard in Subcommittee 2 on May 21, 2025.

Staff Recommendation. Approve as budgeted.

Issue 25: Forester Registration Program Fee Increase (TBL) (GB)

Governor's Proposal. The Governor's budget requests the inclusion of TBL to increase the statutory limits of the Office of Professional Foresters Registration's (Office) fee schedule, as follows:

- From $200 to $600 for application fees for registration
- From $250 to $750 for certificate of specialization fees and registration renewal fees
- From $25 to $75 for duplicate displays of registration and certificates of specialization
- From $25 to $75 for penalty of failing to renew registration
- From $50 to $150 for reinstatement of registration or certification

These fees have not been revised for over 30 years. CalFire intends for the proposed TBL to provide a long-term solution for the Professional Forester Registration Fund while the Board of Forestry and Fire Protection and the Administration continue to address, through license outreach and fee increases, the decline in revenue, which has led to the structural imbalance of the Professional Forester Registration Fund.The request to increase the fee range in statute comes in preparation for a wave of retirements among current registered professional foresters. According to self-reported data to the Office, 40 percent of all Registered Professional Foresters in the state have been licensed for 30 years or more; 27 percent of all Registered Professional Foresters identify themselves as being retired, yet continue to pay dues to support the program.

Date Originally Heard. This issue was heard in Subcommittee 2 on March 6, 2025.

Staff Recommendation. Adopt trailer bill language.

Issue 26: Exclusive Use Aircraft Contract Increase (GB and MR)

Governor's Proposal. The Governor's budget requests to amend the amount included within existing provisional language in Item 3540-006-0001, which waives specified state contracting requirements to enable CalFire to contract for Exclusive Use aircraft to quickly address emergency fire conditions and support fire suppression operations. CalFire requests that the current threshold of $27.5 million, which was originally approved in the 2021 Budget Act, be increased to $65 million based on a historical average methodology. The May Revision clarifies that this will be fore 2025-26 and 2026-27 only.

Date Originally Heard. The Governor's Budget proposal was heard in Subcommittee 2 on March 6, 2025, and the May Revision proposal was heard on May 21, 2025.

Staff Recommendation. Approve as budgeted.

Issue 27: Home Hardening (LP)

Legislature's Proposal. The Legislature proposes to appropriate a total of $12.5 million General Fund for purposes of home hardening, as follows:

Program	Cost
Home Hardening Certification Program	$3 million
Wildfire County Coordinator Program	$9.5 million
Total	$12.5 million

***Statewide Certification Program*.** This proposal would require the State Fire Marshal, using the existing Wildfire Mitigation Advisory Committee, to develop a home hardening certification program that identifies home hardening measures, including defensible space, that can be implemented during property improvement projects to substantially reduce the risk of loss during a fire and bring existing housing stock into alignment with state building standards.

Home hardening includes vegetation management compliance and building materials used to resist the intrusion of flames or embers projected by a wildland fire. Such measures may be applied to new construction or when retrofitting an older home. California Building Standards Code Chapter 7A,

developed with the State Fire Marshal, provides for ignition resistant construction standards, such as fire-resistant siding, tempered glass, and ignition-resistant roofs, in the wildland urban interface.

Wildfire County Coordinator Program. This proposal would build out local capacity for scaling up home hardening, defensible space, education, and community mitigation actions alongside local Fire Safe Councils, the Office of the State Fire Marshal, and the California Wildfire and Forest Resilience Task Force by funding a wildfire county coordinator to increase fire resilience in the built environment.

Like the California Earthquake Authority, the Wildfire County Coordinator program would establish a streamlined program that can coordinate the implementation of the statewide plans, programs and incentives needed to significantly increase the number of homes that are fire hardened in California, particularly in high fire risk areas.

The program would be administered by the State's Fire Marshal working in coordination with County Fire Departments and local Fire Safe Councils. The program would also support outreach and engagement, working with CalFire to train defensible space/home hardening inspectors. In addition it will streamline and expedite the administrative delivery of the program to harden homes on a neighborhood scale.

Staff Recommendation. Approve as proposed and adopt placeholder trailer bill language.

Issue 28: Fireline Pay for Incarcerated Firefighters

Legislature's Proposal. The Legislature proposes to increase pay, appropriating $10 million General Fund, for incarcerated individuals who serve in the Conservation (Fire) Camp Program. This program provides workforce suppression and other conservation work.

Staff Recommendation. Approve as proposed.

Issue 29: Transition 3,000 Firefighter Positions from Seasonal to Permanent

Legislature's Proposal. The Legislature proposes to transition 3,000 seasonal firefighter positions to permanent (year-round) positions, phased in over three years, as follows: $221.6 million General Fund in 2025-26, $174.7 million General Fund in 2026-27 and ongoing.

Staff Comment. The wildfire season is evolving into year-round. There is a significant need to increase wildfire prevention efforts (e.g. prescribed fires) on lands in State Responsibility Areas as well as having an adequate number of "boots on the ground" ready to suppress wildfires in months that in the past were more dormant. For example, the Palisades and Eaton wildfires in January 2025 were the second and third most destructive fires in state history.

Staff Recommendation. Approve as proposed.

3560 STATE LANDS COMMISSION (SLC)

Issue 30: Bolsa Chica Lowlands Restoration Project (GB)

Governor's Proposal. The Governor's budget requests $4.08 million in 2025-26, $4.05 million in 2026-27 and $4.35 million in 2027-28 from the General Fund for continued operations and management responsibilities for the Bolsa Chica Lowlands Restoration Project (BCLRP) in Orange County.

This request also includes $330,000 in 2025-26 to hire a consultant to initiate a feasibility study for the implementation of Sea Level Rise (SLR) adaptations to protect the habitat, wildlife, oil operations and surrounding neighborhood from flooding, and associated liability to the state. Bolsa Chica sits below mean sea level due to oil drilling subsidence and will be impacted by SLR earlier than other coastal areas.

This request includes maintenance and operations, such as annual dredging, support contracts, and deferred repairs. The cost of annual dredging required to sustain the wetland habitat has increased significantly in the last three years, contributing to the overall increase in maintenance and operational costs.

The BCLRP does not have a stable funding source, and the original endowment funding is nearly depleted. The restoration effort is at risk of collapsing if additional funding is not provided for ongoing operations and maintenance and SLR adaptive planning. If that happens, the state's liability may be extensive. An inability to maintain the system would likely result in the eventual failure and loss of critical habitat and a valuable public resource, a significant loss to the state's goal of preserving our coastal wetlands, as well as an investment of over $165 million. It could also have significant impacts to the state in the form of financial liabilities caused by the failure of the project.

Date Originally Heard. This issue was heard in Subcommittee 2 on April 3, 2025.

Staff Recommendation. Approve as budgeted.

Issue 31: Rincon Decommissioning Project Implementation (GB)

Governor's Proposal. The Governor's budget requests $12.5 million General Fund in 2025-26, with an extended encumbrance period through June 30, 2028, to implement the Rincon Decommissioning Project (Project). The Project addresses the decommissioning of Rincon Island, the associated Onshore Facility and the related onshore pipeline connections, all of which supported oil and gas production from state leases offshore. The work proposed includes remediation of soil and groundwater contamination at the Onshore Facility, and soil and interstitial water contamination at the Island. Additionally, these funds are needed to address the state's liability for remediation of the adjacent Coast Ranch Parcel, recently donated to the state through a settlement, and to cover project cost contingencies and staff costs for project implementation.

An appropriation of $12.5 million is intended to resolve the funding gap between total estimated project costs of $22.5 million, and the remaining available balance in SLC's Special Deposit Fund (estimated to be $10 million at the time Phase 3 will commence).

Completion of Phase 3 decommissioning activities is intended to protect public health and safety by

remediating contaminated state lands and removing hazards from state lands. The decommissioning activities proposed will also make these sites available for future leasing opportunities, including habitat preservation and conservation, consistent with the state's 30x30 Initiative.

Caretaker costs are estimated at $476,000 per year but have been under budget each year to date. Caretaker costs will continue to be expended until decommissioning is complete.

Approximately $10 million will be available in the Special Deposit Fund for decommissioning work after accounting for anticipated caretaker costs. No other funding is currently available to support clean-up and decommissioning costs.

Date Originally Heard. This issue was heard in Subcommittee 2 on April 3, 2025.

Staff Recommendation. Approve as budgeted.

Issue 32: Selby Slag Remediation Reappropriation (GB)

Governor's Proposal. The Governor's budget requests a reappropriation of $1.63 million General Fund and $2.65 million in reimbursement authority, with an extended encumbrance period through June 30, 2027, to accept cost-sharing contributions for the preliminary plans phase of the Remedial Action Plan (RAP) at Selby Slag. This funding was originally authorized for 2022-23 and was reappropriated in 2023-24.

This project represents the implementation of the RAP. The Department of General Services (DGS) will act as the Project and Construction Manager on SLC's behalf, pursuant to the DGS Project Management Plan. Total project costs are currently estimated at $144.48 million. The current project schedule estimates the certification of the environmental impact report by DTSC by the end of 2025, with the Preliminary Plans beginning by March 2026, and being completed by August 2027.

Date Originally Heard. This issue was heard in Subcommittee 2 on April 3, 2025.

Staff Recommendation. Approve as budgeted.

Issue 33: South Ellwood Project — Platform Holly Plug & Abatement Reappropriation (MR)

Governor's Proposal. The May Revision proposes that Item 3560-490 be added to extend the period to liquidate encumbrances of $1.06 million remaining in Item 3560-001-0001, Budget Act of 2022, until June 30, 2027, to develop an Environmental Impact Report (EIR) for the decommissioning of the Platform Holly oil platform, offshore of Santa Barbara County. Due to difficulties with plugging wells in an active natural seep field, full plug and abandonment took longer than expected and was completed in October 2024. Accordingly, work on the EIR started later than originally expected and current encumbered funds vital for that work will expire June 30, 2025. Development of the EIR is necessary for ExxonMobil to undertake its contractual obligation to decommission the oil platform.

Date Originally Heard. This issue was heard in Subcommittee 2 on May 21, 2025.

Staff Recommendation. Approve as budgeted.

3600 CALIFORNIA DEPARTMENT OF FISH AND WILDLIFE (CDFW)

Issue 34: Various Technical Adjustments (MR)

Governor's Proposal. The May Revision requests an adjustment to a Fish and Game Preservation Fund (FGPF) dedicated account, Federal Trust Fund (FTF) authority, and Special Deposit Fund authority resulting in an increase of $15.2 million in fiscal year 2025-26 and $15.3 million in 2026- 27 and ongoing. Additionally, CDFW requests an extension of the liquidation period to continue work on the Yuba River Watershed. This request is intended to establish adequate authority for CDFW to receive and expend mitigation agreement and federal grant funds vital to the department's operation. The reduction to the FGPF dedicated account will align the account's expenditure authority with revenues and help CDFW maintain stability, structural balance, and workload for the fund.

Date Originally Heard. This issue was heard in Subcommittee 2 on May 21, 2025.

Staff Recommendation. Approve as budgeted.

3720 CALIFORNIA COASTAL COMMISSION

Issue 35: Amendment to Budget Bill Item 3720-001-0890, Support (MR)

Governor's Proposal. The May Revision requests that Item 3720-001-0890 be increased by $470,000 one-time to reflect various federal grants awarded to the California Coastal Commission from the National Oceanic and Atmospheric Administration that will be implemented in fiscal year 2025-26.

Date Originally Heard. This issue was heard in Subcommittee 2 on May 21, 2025.

Staff Recommendation. Approve as budgeted.

3720 CALIFORNIA COASTAL COMMISSION
0650 GOVERNOR'S OFFICE OF LAND USE AND CLIMATE INNOVATION

Issue 36: Los Angeles 2028 Olympics Streamlining – California Coastal Act and CEQA (TBL)(MR)

LA 2028 Olympics Streamlining Trailer Bill Language. The Administration proposes three trailer bill language proposals to "streamline" projects related to the LA 2028 Olympics, two of which propose exemptions for activities associated with Olympics and Paraolympic Games from the California Environmental Quality Act (CEQA) as well as the California Coastal Act.

Staff Comments. The Coastal Act and CEQA statutory proposals make policy changes that warrant more thoughtful deliberation.

Date Originally Heard. This issue was heard in Subcommittee 2 on May 21, 2025.

Staff Recommendation. Defer without prejudice.

3760 STATE COASTAL CONSERVANCY

Issue 37: Coastal Resource Enhancement and Public Access Projects (MR)

Coastal Resource Enhancement and Public Access Projects. The May Revision proposes an appropriation of $10.73 million Violation Remediation Account, a subaccount of the State Coastal Conservancy Fund (Fund 0565), and $12 million in reimbursements from Fund 0565 to fund coastal resource enhancement and public access projects statewide. Funds are requested to be available for encumbrance or expenditure through June 30, 2027, given the multi-year nature of projects.

Date Originally Heard. This issue was heard in Subcommittee 2 on May 21, 2025.

Staff Recommendation. Approve as budgeted.

3780 NATIVE AMERICAN HERITAGE COMMISSION (NAHC)

Issue 38: Department of Justice Litigation Costs (GB)

Governor's Proposal. The Governor's budget requests one-time $430,000 General Fund in 2025-26 to cover Department of Justice (DOJ) litigation costs.The NAHC is currently involved in litigation initiated by the City of Corona regarding the NAHC's designation of a Native American cemetery on the site of construction of a wastewater reclamation facility after the discovery of Native American human remains. The NAHC anticipates a substantial increase in DOJ legal fees—estimated to be $430,000 as a result of this litigation—which cannot be absorbed within the NAHC's baseline budget.

Date Originally Heard. This issue was heard in Subcommittee 2 on April 3, 2025.

Staff Recommendation. Approve as budgeted.

Issue 39: Amendment to Budget Bill Item 3780-001-0001, Support (MR)

Governor's Proposal. The May Revision proposes to decrease Item 3780-001-0001 by $430,000 one-time to remove resources included in the Governor's Budget for Department of Justice litigation costs. The litigation driving costs for NAHC has concluded and the commission no longer requires additional resources in 2025-26.

Date Originally Heard. This issue was heard in Subcommittee 2 on May 21, 2025.

Staff Recommendation. Approve as budgeted.

3790 DEPARTMENT OF PARKS AND RECREATION (PARKS)

Issue 40: Border Field State Park (SP): Monument Mesa Day Use and Interpretive Area (GB)

Governor's Proposal. The Governor's budget requests $1 million in spending authority in 2025-26 for the working drawings phase of the Border Field SP: Monument Mesa Day Use and Interpretive Area project. This project will update the outdoor educational plaza at Monument Mesa with areas for mixed-use group events as well as provide interpretive elements and exhibits. This project will also improve walkways and landscaping. This project is intended to enhance the visitor experience by providing landscape and hardscape upgrades to Monument Mesa area and installing integrated interpretive elements and exhibits that will discuss and highlight the border story, as well as commemorate the importance of Friendship Park. Total project costs are estimated at $5 million and the project is expected to be competed in December 2028.

Date Originally Heard. This issue was heard in Subcommittee 2 on April 3, 2025.

Staff Recommendation. Approve as budgeted.

Issue 41: California Indian Heritage Center (CIHC): Design and Construction (BCP & TBL) (GB)

Governor's Proposal. The Governor's budget requests $9 million in 2025-26 for the CIHC project in Yolo County. The request includes $3 million General Fund for initial designs in the working drawing phase, $3 million in reimbursement authority to the State Parks and Recreation Fund (SPRF) for subsequent drawings, and $3 million General Fund for the construction of immediate public use improvements to advance the first phase of the park buildout. This proposal includes budget bill language to make the working drawings funds available for encumbrance for two years rather than one.

Date Originally Heard. This issue was heard in Subcommittee 2 on April 3, 2025.

Staff Recommendation. Approve funding as budgeted. Defer TBL to the legislative policy process.

Issue 42: California State Parks Library Pass Program (GB)

Governor's Proposal. The Governor's budget requests a one-time transfer of $6.75 million General Fund to the SPRF for the Library Pass program in 2025-26. This proposal is intended to provide 33,000 State Library Parks Passes to more than 1,100 library branch locations throughout the state.

Date Originally Heard. This issue was heard in Subcommittee 2 on April 3, 2025.

Staff Comment. As noted by the Legislative Analyst's Office, the state has multiple free state park pass programs, including: (1) the Golden Bear Pass for individuals over the age of 62 who meet certain income requirements as well as recipients of the California Work Opportunity and Responsibility to Kids Program, Supplemental Security Income, ad Tribal Temporary Assistance for Needy Families; (2) the California State Park Adventures Pass for fourth-graders and their families; and (3) the Distinguished Veteran Pass for veterans who meet certain criteria.

Given the constrained General Fund condition and the multiple free state park pass programs currently available, it may be more prudent to not provide the funding requested.

Staff Recommendation. Reject.

Issue 43: Candlestick Point SRA: Phase 01 Initial Build-Out of Park (GB)

Governor's Proposal. The Governor's budget requests $2 million from the California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access for All Fund (Proposition 68) in 2025-26 for the working drawings phase of the Candlestick Point State Recreation Area (CPSRA): Initial Build-Out of Park project in San Francisco County. This continuing project is intended to allow for the design and construction of the initial build-out of the park unit to provide core improvements, public access, and recreation enhancements.

Provisional language is requested making these program funds available for encumbrance for two years, rather than one year. This project location is a place of natural resource sensitivity. This results in longer than average time requirements for design, permitting, environmental compliance, and construction.

As a portion of the funding needed to complete this project is tied to future land transfers associated with the ongoing redevelopment of the adjacent communities, working drawings and construction have been split into two phases. This request will fund Phase 01 working drawings. Parks will not request funding for Phase 02 working drawings until sufficient funding has been received to complete the project.

Total project costs, including Phase 01 ($20 million) and Phase 02 ($30 million), are $50 million ($10 million Proposition 68, $10 million Natural Resources and Parks Preservation Fund, and $30 million from future land transfers to the State Park Contingent Fund) for the initial build-out of core improvements at this park.

Date Originally Heard. This issue was heard in Subcommittee 2 on April 3, 2025.

Staff Recommendation. Approve as budgeted.

Issue 44: Hollister Hills State Vehicle Recreation Area (SVRA): Entrance Kiosk (GB)

Governor's Proposal. The Governor's budget requests $182,000 Off-Highway Vehicle Trust Fund (OHVTF) in 2025-26 for the preliminary plans phase of the Hollister Hills State Vehicular Recreation Area (SVRA) Entrance Kiosk project in San Benito County. This new project includes an entrance kiosk, site work, utilities, and accessible parking. Total project costs are estimated at $1.65 million and estimated to be completed in October 2028.

Parks requests provisional language to make these program funds available for encumbrance for two years, rather than one year — This project is in a park with culturally and naturally sensitive areas, which results in longer than average time requirements for design, permitting, environmental compliance and construction.

The existing entrance kiosk is located too close to the main road and does not allow adequate space for vehicles to line up to pay the entrance fee. In peak season, vehicle lines extend into the main road, causing unsafe conditions for themselves and other motorists. The existing kiosk is not accessible and does not

provide adequate space for operations.

The new Entrance Kiosk would be relocated in the park to provide adequate space for vehicles to line up to pay without causing vehicles to back up into the main road. The Entrance Kiosk would be accessible to the public and designed to accommodate operational needs.

Date Originally Heard. This issue was heard in Subcommittee 2 on April 3, 2025.

Staff Recommendation. Approve as budgeted.

Issue 45: Off-Highway Vehicle Trust Fund (OHVTF) Local Assistance Grants (GB)

Governor's Proposal. The Governor's budget requests $29 million OHVTF in 2025-26 for local assistance grants. The OHVTF provides state funds to local and state agencies and other organizations for grants that support various off-highway motorized vehicle projects and programs.

Date Originally Heard. This issue was heard in Subcommittee 2 on April 3, 2025.

Staff Recommendation. Approve as budgeted.

Issue 46: R.H. Meyer Memorial State Beach (SB): Parking Lot Expansion, Facility and Site Modifications (GB)

Governor's Proposal. The Governor's budget requests $4.8 million Natural Resources and Parks Preservation Fund in 2025-26 for the construction phase of the continuing project, R.H. Meyer Memorial SB: Parking Expansion, Facility and Site Modifications project in Los Angeles County. This project includes increasing available parking to help reduce pedestrian and vehicle accidents, installing permanent vault toilets, repairing the beach trail, and reducing beach trail erosion through grading and the use of more durable yet permeable surfaces. Total project cost is $5.49 million and construction is estimated to be completed in December 2026.

Date Originally Heard. This issue was heard in Subcommittee 2 on April 3, 2025.

Staff Recommendation. Approve as budgeted.

Issue 47: State Parks Roads and Bridges (BCP and TBL) (GB)

Governor's Proposal. The Governor's budget requests $8.6 million SPRF ongoing and an increase of $8.6 million in ongoing annual transfers from the Highway Users Tax Account, Transportation Tax Fund (HUTA) to SPRF beginning in 2025-26. The increased transfer will increase the department's proportional share of current HUTA revenues, which have not been updated since 1993.

The proposed TBL requires the Governor's annual Budget Bill to increases the amount not to exceed from $3.4 million to $12 million to be appropriated by the Legislature from the HUTA to SPRF for state park highway purposes.

Escalating construction costs and unchanged resource levels over the last 30 years have contributed to roads and bridges within the state park system to increasingly fall into disrepair.

This proposal is intended to right-size the department's share of highway maintenance funding. This funding will be used for continued improvement and maintenance of roads and bridges within the state park system. Additional HUTA funding will also allow Parks to work more cooperatively with the California Department of Transportation and local counties to address road and bridge concerns by leveraging state funds to pursue additional federal highway funding.

Date Originally Heard. This issue was heard in Subcommittee 2 on April 3, 2025.

Staff Recommendation. Approve as budgeted and adopt trailer bill language.

Issue 48: Harbors and Watercraft Revolving Fund Sustainability (MR)

Harbors and Watercraft Revolving Fund Sustainability. The May Revision proposes Division of Boating and Waterways (DBW), proposes various adjustments to the Harbors and Watercraft Revolving Fund (HWRF). Adjustments include aligning revenues and expenditures by temporarily decreasing Boating Safety and Enforcement Aid (BSEFA) Grants to baseline funding of $8.1 million set in 1996-97, removing $1.75 million annual baseline funding for the Abandoned Watercraft Abatement Fund (AWAF), reducing support allocations by a total of $1.5 million, reducing baseline funding for Quagga Zebra Mussel Infestation Prevention Grants by $1 million, and transfers of $3.9 million from the AWAF and $6.3 million from the Public Beach Restoration Fund (PBRF) back to the HWRF.

LAO Comments. The proposed reductions and transfers are needed to address a long-standing structural imbalance in this fund. The Legislature has addressed the shortfall in recent years through one-time General Fund transfers but given the budget given the budget condition that approach is not a good option this year. The Governor's proposal is only intended to be temporary (two years) so an ongoing solution still will be needed in the future.

LAO Recommendation. The LAO recommends the Legislature also add provisional budget language similar to what was included in the 2021 Budget Act to require that the Administration submit a proposal for a long-term solution including new fee revenue as part of the January 2026 budget to allow the Legislature sufficient time to review and deliberate before further action is needed.

Date Originally Heard. This issue was heard in Subcommittee 2 on May 21, 2025.

Staff Comment. The HWRF has been on shaky ground for a number of years now. Multiple attempts to balance the fund have failed. Revenue has not kept pace with increase in costs; and new, serious problems caused by boating (e.g. golden mussel infestation) cannot be addressed because of insufficient funds in HWRF. The Legislature and Administration should try again to resolve this perennial problem in the coming budget. In the addition to the cuts proposed in this BCP, it would be prudent to add budget bill language as follows:

> The Department of Parks and Recreation shall, in consultation with stakeholders and staff of the relevant fiscal and policy committees of the Legislature, develop a proposal that includes a combination of fee increases, expenditure reductions, and other actions designed to keep the Harbors and Watercraft Revolving Fund in structural balance on an ongoing basis. The department shall present this proposal to the Legislature for consideration no later than January 10, 2026.

Staff Recommendation. Approve as budgeted and add budget bill language, as noted above, requiring the Administration to submit a proposal for a long-term solution including a new fee revenue as part of the January 2026 budget.

Issue 49: Mount Diablo State Park: Visitor Center (MR)

Governor's Proposal. The May Revision proposes $1.92 million in reimbursement authority in 2025-26 to the State Parks and Recreation Fund (SPRF) for the construction phase of the Mount Diablo State Park (SP): Visitor Center. This continuing project includes replacing a small existing visitor center trailer with a larger visitor center, remodeling the existing restroom and site to meet accessibility standards, and constructing an outdoor interpretive structure. The Mount Diablo Interpretive Association (MDIA) will provide funding to Parks for design review, project management, and construction. In addition to the MDIA funds, the department has secured grant funding to cover the increased costs of construction.

Date Originally Heard. This issue was heard in Subcommittee 2 on May 21, 2025.

Staff Recommendation. Approve as budgeted.

Issue 50: Silver Strand State Beach (SB): Low-Cost Accommodations (MR)

Governor's Proposal. The May Revision proposes requests $750,000 in reimbursement authority in 2025-26 to the State Parks and Recreation Fund (SPRF) for the preliminary plans phase of the Silver Strand SB: Low-Cost Accommodations project. This continuing project will allow for the planning and initial development of low-cost accommodations at Silver Strand SB. The funds for this request and all other phases of the project will come from a grant from the California CoastalConservancy.

Date Originally Heard. This issue was heard in Subcommittee 2 on May 21, 2025.

Staff Recommendation. Approve as budgeted.

Issue 51: Various Capital Outlay Reappropriations and Extension of Liquidation (MR)

Governor's Proposal. The May Revision proposes reappropriation and extension of liquidation of existing capital outlay appropriations to allow completion of current projects without delay.

Date Originally Heard. This issue was heard in Subcommittee 2 on May 21, 2025.

Staff Recommendation. Approve as budgeted.

Issue 52: Parks Federal Background Checks (TBL) (MR)

Governor's Proposal. The May Revision proposes trailer bill language to authorize Parks to require employees, volunteers, and contractors to undergo a fingerprint-based state and national criminal history background check. The proposal requires Parks to submit to the Department of Justice fingerprint images

and related information for these individuals who are subject to a state and national criminal history background check, as specified.

Date Originally Heard. This issue was heard in Subcommittee 2 on May 21, 2025.

Staff Recommendation. Conform to action taken in Subcommittee 4 on State Administration and General Government.

Issue 53: Leasing Authority (TBL) (MR)

Governor's Proposal. The May Revision proposes trailer bill language

Staff Comments. This TBL significantly overlaps with AB 679 (Pellerin), which addresses the issue of the department's acquisition of real property and is making its way through the legislative policy process. Similarly, AB 2103 (Pellerin) would have authorized Parks to acquire specified land or real property and would have parodied additional requirements when doing so. AB 2103 was vetoed by the Governor.

Date Originally Heard. This issue was heard in Subcommittee 2 on May 21, 2025.

Staff Recommendation. Defer to the legislative policy process.

3815 SALTON SEA CONSERVANCY

Issue 54: Chaptered Legislation: Salton Sea Conservancy (SB 583) (MR)

Governor's Proposal. The May Revision proposes a total of 15 permanent positions, $9.93 million Proposition 4 for the establishment and operation of the Salton Sea Conservancy. Specifically, this proposal includes $1.64 million and four permanent positions in 2025-26, $3.22 million and six permanent positions in 2026-27, $3.85 million and four permanent positions in 2027-28, and $1.21 million and one permanent position in 2028-29. Beginning in 2027-28 this funding will shift to the Salton Sea Lithium Fund. This proposal is intended to fund the initial start-up costs over the first four fiscal years of the new Conservancy to meet its legislative mandates starting in 2025-26. Once established, the Conservancy will need to complete updated workforce planning and budgeting to assess the need for additional organizational capacity and funding to meet future workload demands as the Salton Sea Management Plan.

Date Originally Heard. This issue was heard in Subcommittee 2 on May 21, 2025.

Staff Recommendation. Defer as part of Proposition 4 Spending Plan to be determined in a future budget bill.

3820 SAN FRANCISCO BAY CONSERVATION AND DEVELOPMENT COMMISSION (BCDC)

Issue 55: Regulatory Management System (MR)

Governor's Proposal. The May Revision proposes an appropriation of $500,000 Bay Fill Clean-up and Abatement Fund in 2025-26 and $55,000 ongoing to procure and establish a modern, comprehensive digital regulatory management system to manage and track permits and permit applications, as well as receive permits and permit fees online. The database will allow BCDC's permitting, enforcement, and planning programs to be more effective and efficient. BCDC also requests statutory changes to the Bay Fill Clean-up and Abatement Fund to include technology services, programs, and personnel that directly support the existing authorized uses of the Fund.

Date Originally Heard. This issue was heard in Subcommittee 2 on May 21, 2025.

Staff Recommendation. Approve as budgeted.

Issue 56: Bay Fill Clean-Up and Abatement Fund (TBL) (MR)

Governor's Proposal. The May Revision proposes trailer bill language to clarify that moneys from the Bay Fill Cleanup and Abatement Fund may be expended on technology services, programs, and personnel that directly support the existing authorized uses of this fund.

Date Originally Heard. This issue was heard in Subcommittee 2 on May 21, 2025.

Staff Recommendation. Adopt trailer bill language.

3830 SAN JOAQUIN RIVER CONSERVANCY

Issue 57: San Joaquin River Conservancy Fund Increase for Operations and Maintenance Services (MR)

Governor's Proposal. The May Revision proposes an additional $260,000 in 2025-26, and ongoing, from the San Joaquin River Conservancy Fund (SJRCF). The 2022 Budget Act allocated three permanent positions to the Conservancy as part of the San Joaquin River Conservancy Workload Support proposal to carry out the increased workload as the Conservancy is opening lands for recreational use. The Conservancy now owns 20 properties (nearly 3,000 acres). Staff dedicated to operations and maintenance are needed to fulfill legislative directives and the Administration's priorities of Access for All.

Date Originally Heard. This issue was heard in Subcommittee 2 on May 21, 2025.

Staff Recommendation. Approve as budgeted.

3855 SIERRA NEVADA CONSERVANCY (SNC)

Issue 58: Sierra Nevada Conservancy Fund Ongoing Local Assistance Reimbursement Authority (MR)

Governor's Proposal. The May Revision proposes ongoing reimbursement authority of $1 million for local assistance under the SNC Fund (Fund 8120).

Date Originally Heard. This issue was heard in Subcommittee 2 on May 21, 2025.

Staff Recommendation. Approve as budgeted.

3860 DEPARTMENT OF WATER RESOURCES (DWR)

Issue 59: Central Valley Flood Protection Board (CVFPB): Yolo Bypass Cache Slough Partnership and Federal Comprehensive Studies (GB)

Governor's Proposal. The Governor's budget requests $324,000 Proposition 68 in 2025-26 to provide planning and communication support for currently authorized positions to support CVFPB's role in supporting the Yolo Bypass Comprehensive Study (YBCS), Yolo Bypass Master Plan and associated environmental compliance (CEQA), and the Yolo Bypass Cache Slough Partnership communication and engagement. This proposal also requests the reversion of approximately $31,000 Proposition 68 bond previously appropriated to the CVFPB in the Budget Act of 2021. The requested funding is needed to support CVFPB staff to continue support for the YBCS Partnership, Yolo Bypass Master Plan, and the newly defined Yolo Bypass Comprehensive Study in 2024-2025. CVFPB staff participates in document development, provides support, and helps to coordinate planning initiatives essential to the flood system, the long-term stability of flood risk reduction, and multi-benefit projects.

Date Originally Heard. This issue was heard in Subcommittee 2 on April 3, 2025.

Staff Recommendation. Approve as budgeted.

Issue 60: CVFPB: Extension of Reimbursable Authority from Sacramento Area Flood Control Agency (SAFCA) (GB)

Governor's Proposal. The Governor's budget requests to extend the reimbursable authority by the Sacramento Area Flood Control Agency (SAFCA) of $1 million annually for two years (2025-26 and 2026-27) to support the existing permanent positions and work being completed in the 2019 Budget Act.

These positions oversee project coordination with partnering agencies including DWR, SAFCA, USACE, and local Levee Maintaining Agencies (LMA). Activities also include development and reporting of activities monthly and annually to CVFPB as required.

It is the responsibility of CVFPB to manage the State Plan of Flood Control (SPFC) as well as its regulatory authority to take enforcement action against noncompliant encroachments. Staff will continue to work on flood risk reduction projects, provide project coordination, and perform CVFPB's legislatively mandated responsibilities of permitting, enforcement, and inspection. This proposal is

intended to help leverage federal funding to implement much needed flood risk reduction projects to the greater Sacramento region, thus reducing the state's potential liability from future flood related disasters.

Date Originally Heard. This issue was heard in Subcommittee 2 on April 3, 2025.

Staff Recommendation. Approve as budgeted.

Issue 61: Delta Levees Special Flood Control Projects and Delta Levees Maintenance Subventions (GB)

Governor's Proposal. The Governor's budget requests a reversion of $8.7 million Proposition 1 Local Assistance (LA) funding appropriated in 2021-22, and a new corresponding new appropriation of $8.7 million for State Operations (SO).

An $8.7 million shortfall is anticipated in 2025-26 of SO funds to administer both the Delta Levees Special Flood Control Projects and Delta Levee Maintenance Subventions Programs.

The requested funds are intended to allow continuation of the Delta Levees Special Flood Control Projects and Delta Levee Maintenance Subventions Programs in the Sacramento-San Joaquin Delta to implement and manage/administer projects for levee repairs, improvement and maintenance, and habitat mitigation and enhancement.

Date Originally Heard. This issue was heard in Subcommittee 2 on April 3, 2025.

Staff Recommendation. Approve as budgeted.

Issue 62: Water Desalination Grant Program — Planning, Monitoring, and Administration (GB)

Governor's Proposal. The Governor's budget requests a new appropriation of $1.62 million Proposition 1 for the Water Desalination Program funding consisting of approximately $540,000 annually over three years for administration of desalination grants.

This funding request is for DWR staff to continue monitoring and administration activities that include preparing grant agreement amendments, managing budget, and processing invoices to ensure claimed expenses are eligible; reviewing and approving project deliverables; conducting site visits to verify the work is being conducted as contracted and billed; reviewing and analyzing the invoices and progress reports, resolving disputes, tracking expenditure; preparing project completion reports; responding to program audits, maintaining project information in a tracking database, meeting bond reporting requirements, conducting program performance evaluation and responding to legislative and executive inquiries, conducting post-project performance monitoring; tracking and quantifying statewide desalination production to assess contribution of Proposition 1 funding to statewide supplies; and monitoring advances in desalination technologies to support implementation of funded projects.

There are more than a dozen projects funded by the Proposition 1 grants that are in various phases (planning, permitting, construction, close-out). Because of the size, complexity, and environmental sensitivity of desalination projects, planning, monitoring, and administration of these projects will last several years.

Date Originally Heard. This issue was heard in Subcommittee 2 on April 3, 2025.

Staff Recommendation. Approve as budgeted.

Issue 63: Rehabilitation of High Hazard Potential Dams Grant Federal Trust Fund Authority (GB)

Governor's Proposal. The Governor's budget requests a total of $30 million ($10 million per year for three years) of additional federal trust fund authority to DWR, Division of Flood Management (DFM) for the Federal Emergency Management Agency's (FEMA) Federal Rehabilitation of High Hazard Potential Dams (HHPD) Grant Program. DWR currently receives $10 million in federal trust fund authority. The increase will give DWR authority to receive and pass-through FEMA's Rehabilitation of HHPD Grant assistance through 2027-28. The purpose of FEMA's HHPD program is to provide eligible dam owners with technical, planning, design, and construction assistance for eligible rehabilitation activities that reduce dam risk and increase community preparedness.

Date Originally Heard. This issue was heard in Subcommittee 2 on April 3, 2025.

Staff Recommendation. Approve as budgeted.

Issue 64: Habitat Restoration Contracting (TBL) (GB)

Governor's Proposal. The Governor's budget requests trailer bill language to provide DWR authority to contract for the delivery of multi-benefit habitat and environmental outcomes. This authority is intended to enable the department to continue contracting for full delivery of multi-benefit and habitat restoration projects through Public-Private-Partnerships based on available funding.

Date Originally Heard. This issue was heard in Subcommittee 2 on April 3, 2025.

Staff Recommendation. Adopt trailer bill language.

Issue 65: FEMA Hazard Mitigation Grant Reimbursement Authority (GB)

Governor's Proposal. The Governor's budget requests a total of $8.7 million in reimbursement authority ($4 million in 2025-26, $3.35 million in 2026-27, and $1.35 million in 2027-28) for FEMA Hazard Mitigation Grant Program (HMGP) grants related to alluvial fan hazard mitigation efforts. This request also is intended to support three Division of Flood Operations existing staff. DWR needs a continuation of reimbursement authority to leverage federal funds for major disaster preparedness mitigation activities. The primary goal of DWR's project is to develop a statewide alluvial fan risk early warning/emergency management system that conveys the general extent of risk areas and provides the framework for risk management, response and recovery work including post fire evacuation warnings.

Date Originally Heard. This issue was heard in Subcommittee 2 on April 3, 2025.

Staff Recommendation. Approve as budgeted.

Issue 66: Urban Community Drought Relief Grant Program (Legislature's Proposal)

Legislature's Proposal. The Legislature proposes to reappropriate up to $4.27 million California Emergency Relief Fund for Item 3860-101-3398 from the 2021 Budget Act for the Urban Community Relief Grant Program, and to be available for encumbrance or expenditure until June 30, 2028. This funding is intended to assist a water consolidation project in Monterey County.

Staff Recommendation. Approve as proposed.

3860 DEPARTMENT OF WATER RESOURCES (DWR)
3940 STATE WATER RESOURCES CONTROL BOARD (SWRCB)

Issue 67: Delta Conveyance Project (DCP) (TBL) (MR)

Governor's Proposal. The May Revision proposes trailer bill language that, among other things, is intended to do the following: streamline permitting for DCP by eliminating certain deadlines from existing State Water Project (SWP) water right permits; specify that DWR has authority to issue bonds for the cost of DCP, which are to be repaid by participating water agencies; streamline judicial review of litigation; and, streamline authorization to acquire land that supports construction of DCP. The intended purposes of these statutory changes are to prevent delays and reduce costs.

Date Originally Heard. This issue was heard in Subcommittee 2 on May 21, 2025.

Staff Recommendation. Reject and defer to the legislative policy process.

Issue 68: Water Quality Control Plans — CEQA Exemption; formerly titled, "Bay-Delta Plan CEQA Recirculation" (TBL) (MR)

Governor's Proposal. The May Revision proposes TBL to exempt an action of SWRCB or a Regional Water Quality Control Board relating to regional water quality control plans (RWQCPs) from California Environmental Quality Act (CEQA) provided that the action does not involve relaxation of existing water quality objectives. More specifically, the title of the pdf for this proposal, "Bay-Delta Plan CEQA Recirculation," on the Department of Finance website at the time this proposal was heard in this Subcommittee, showed that it was directed at the Bay-Delta Plan.

Date Originally Heard. This issue was heard in Subcommittee 2 on May 21, 2025.

Staff Recommendation. Reject and defer to the legislative policy process.

Issue 69: Legislature's General Fund Solutions: Revert Funding Related to Water Resilience/Habitat Restoration Projects related to Voluntary Agreements (VAs) (LP)

Legislature's Proposal. The Legislature proposes to revert unencumbered and unexpended balances from a total of $226.7 million General Fund appropriated for Water Resilience/Habitat Restoration

Projects related to VAs in 2022-23 ($55.7 million) and 2023-24 ($171 million).

Please note: Legislature's proposal in Issue #69 is in addition to the rejection and reversion of a Governor's proposed reappropriation of $125 million in Issue #4.

Total amount of General Fund Solutions from both proposals (Issues #4 and #69) is up to $351.7 million General Fund.

Staff Comments. ***Voluntary Agreements-Related Funding.*** In general, VAs are agreements with water users to achieve regulatory goals in some watersheds. VAs are intended to combine protectiveness of regulation with flexibility of negotiation, possibly achieving better outcomes faster and with less conflict. Parties to VAs can be water users (e.g. water districts) and state and federal agencies.

The VAs at issue update the Sacramento River and Delta components of the Water Quality Plan for the San Francisco Bay/Sacramento-San Joaquin Delta Estuary (Bay-Delta Plan). Many stakeholders have concerns that these VAs do not seem to lessen the conflict amongst Bay-Delta stakeholders and may actually result in more damage to the health of ecosystems in the Bay-Delta region.

The VAs-related General Fund appropriations were premature in 2022 and 2023 when they were originally approved. The VAs continue to be lagging, which may relate to the Administration's proposed extended liquidation date of June 30, 2029 for the $165 million in Item #4.

The signatories to the VAs still have not submitted a complete set of documents to the State Water Resources Control Board (SWRCB), after nearly a decade of promising to do so. Most promised actions under the VAs would only occur after SWRCB completes the update of the Bay-Delta Plan, which it is years from doing.

Most recently, the Trump Bureau of Reclamation has declined to implement the "early" VAs flows as part of the newly finalized Long-Term Operations of the Central Valley and State Water Projects. There is no guarantee that they will remain a partner to the Healthy Rivers and Landscapes (HRL)/VA program moving forward. HRL/VA are a collaborative effort between state, federal, and local entities in California to improve water quality and restore habitats in the Sacramento-San Joaquin River and Bay-Delta watershed.

Due to the current condition of the General Fund and the fact that significant VAs-related funding remains unspent, it would seem prudent to revert this funding back to the General Fund as part of the overall General Fund Solutions.

Staff Recommendation. Approve Legislature's proposal to revert unencumbered and unexpended $226.7 million General Fund.

ENVIRONMENTAL PROTECTION

0555 CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY (CALEPA)

Issue 70: California Environmental Reporting System Project (GB)

Governor's Proposal. The Governor's budget requests $6.6 million in spending authority from the Unified Program Account in 2025-26 to implement a technology refresh project on the California Environmental Reporting System (CERS) known as CERS NextGen. CERS Nextgen is an ongoing information technology project. This request includes continued funding for five permanent positions approved in the 2022 Budget Act. The project is intended to update the technical platform, improve data quality and the processes supporting data quality, and modernize a critical public-facing system that enables more than 160,000 businesses and 104 local regulators to meet their legal reporting obligations.

Date Originally Heard. This issue was heard in Subcommittee 2 on March 20, 2025.

Staff Recommendation. Approve as budgeted.

Issue 71: ServiceNow Governance and Stabilization (GB)

Governor's Proposal. The Governor's budget requests $662,000 in 2025-26 and ongoing from various special fund sources, and three permanent full-time positions to stabilize the Agency-wide implementation of ServiceNow and to oversee continuous governance and maintenance of the system. These positions are intended to ensure that the system maintenance and updates are applied in a timely fashion, security features are properly applied, system enhancements and modifications adhere to CalEPA's standards, and that system changes are coordinated and communicated Agency-wide to ensure business essential functions are not impacted.

Date Originally Heard. This issue was heard in Subcommittee 2 on March 20, 2025.

Staff Recommendation. Approve as budgeted.

0555 CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY (CALEPA)
3900 CALIFORNIA AIR RESOURCES BOARD (CARB)
3940 STATE WATER RESOURCES CONTROL BOARD (SWRCB)

Issue 72: Legal Resources to Respond to Federal Actions (MR)

Governor's Proposal. The May Revision proposes a total of $2.99 million from various special funds and12 permanent positions in 2025-26 and ongoing to defend California's environmental laws and programs that advance the state's climate, water, public health and overall environmental priorities in response to increased federal legal challenges.

Date Originally Heard. This issue was heard in Subcommittee 2 on May 21, 2025.

Staff Recommendation. Approve as budgeted.

VARIOUS DEPARTMENTS

Issue 73: CalEPA Bond and Technical Proposals (GB and MR)

Governor's Proposal. The May Revision includes various bond and technical adjustments such as reappropriations, reversions, and extensions of liquidation.

Date Originally Heard. This issue was heard in Subcommittee 2 on March 20, 2025, and May 21, 2025.

Staff Recommendation. Approve as budgeted.

3900 CALIFORNIA AIR RESOURCES BOARD (CARB)
3930 DEPARTMENT OF PESTICIDE REGULATION (DPR)
3940 STATE WATER RESOURCES CONTROL BOARD (SWRCB)
3970 CALIFORNIA RESOURCES RECYCLING AND RECOVERY (CALRECYCLE)
3980 OFFICE OF ENVIRONMENTAL HEALTH HAZARD ASSESSMENT

Issue 74: CalEPA Chaptered Legislation Proposals (GB)

Governor's Proposal. The Governor's budget includes various requests for resources from the General Fund and special funds to implement statutory requirements associated with legislation chaptered in 2024. The resources requested by the departments to implement the bills included in this proposal were cited during the 2024 legislative process, including in the Senate and Assembly Appropriations Committees prior to their enrollment. The Department of Finance has evaluated these requests and concurs with the level of resources requested to implement new statutory requirements.

The following figure provides a breakdown of enacted bills and proposed funding and positions.

BU	Department	Issue Title, Chapter (Bill)	Fund Source(s)	2025-26	2026-27	2027-28	2028-29	2029-2030	Total Ongoing Positions
3900	State Air Resources Board	Analysis of Industrial Sources of Emissions - Chapter 595 (SB 941)	3237 Cost of Implementation Account	$120	$0	$0	$0	$0	0.0
3930	Department of Pesticide Regulation	Pesticides - Anticoagulant Rodenticides - Chapter 571 (AB 2552)	0106 Department of Pesticide Regulation Fund	$258	$193	$193	$193	$193	1.0
3930	Department of Pesticide Regulation	Pesticide Use Near Schoolsites - Chapter 552 (AB 1864)	0001 General Fund 0106 Department of Pesticide Regulation Fund	$690	$200	$200	$200	$200	1.0
3940	State Water Resources Control Board	Technical, Managerial, and Financial Standards - Chapter 507 (SB 1188)	0306 Safe Drinking Water Account 3324 Safe and Affordable Drinking Water Fund	$925	$675	$675	$900	$900	4.0
3940	State Water Resources Control Board	Drinking Water Outreach for Domestic Well Owners and Tenants - Chapter 506 (AB 2454)	0001 General Fund	$225	$225	$225	$225	$225	1.0
3970	Department of Resources Recycling and Recovery	Solid Waste Reduction and Recycling - Chapter 421 (AB 2902)	3228 Greenhouse Gas Reduction Fund	$345	$345	$345	$345	$345	2.0
3970	Department of Resources Recycling and Recovery	Organic Waste Reduction - Chapter 452 (SB 1046)	3228 Greenhouse Gas Reduction Fund	$500	$0	$0	$0	$0	0.0
3970	Department of Resources Recycling and Recovery	Propane Cylinder Waste Management - Chapter 466 (SB 1280)	0387 Integrated Waste Management Account	$474	$174	$174	$174	$174	1.0
3970	Department of Resources Recycling and Recovery	Organic Waste Reduction Regulations - Chapter 712 (AB 2346)	3228 Greenhouse Gas Reduction Fund	$315	$315	$315	$315	$315	2.0
3970	Department of Resources Recycling and Recovery	Beverage Container Recycling - Chapter 983 (SB 551)	0133 Beverage Container Recycling Fund	$141	$141	$141	$141	$141	1.0
3980	Office of Environmental Health Hazard Assessment	Studying the health effects of microplastics in drinking and bottled water - Chapter 881 (SB 1147)	0001 General Fund	$453	$253	$253	$253	$253	1.0

Source: Department of Finance

For summaries of the enacted legislation related to this budget change proposal, please refer to the Subcommittee 2 hearing agenda for March 20, 2025.

Date Originally Heard. This issue was heard in Subcommittee 2 on March 20, 2025.

Staff Recommendation. Approve as budgeted.

3940 STATE WATER RESOURCES CONTROL BOARD (SWRCB)

Issue 75: US Environmental Protection Agency (USEPA) Lead and Copper Rule Revisions (GB)

Governor's Proposal. The Governor's budget requests eight permanent positions from the Public Water System, Safe Drinking Water State Revolving Fund, which is continuously appropriated. Federal grant awards supporting position and contract funding will be expended from the same fund with no additional appropriation authority required, to implement a system (WaterTAP) for intake, management, analytics support, and federal reporting of lead and copper data in compliance with the revised Lead and Copper Rule Revisions (LCRR).

This proposal creates a Division of Drinking Water (DDW) unit to manage data collection, maintenance, analytics and publishing for information provided by public water systems. The eight positions are intended to assist with the implementation of the new database, as well as with ongoing maintenance and reporting needs.This unit will also support the 14 staff from the 2023-24 Lead and Copper Rule Revision Regulation Implementation and Database BCP in both the implementation and adoption of regulations by collecting and making available related data and analytics.

Date Originally Heard. This issue was heard in Subcommittee 2 on April 3, 2025.

Staff Recommendation. Approve as budgeted.

Issue 76: Implementation of the Sustainable Groundwater Management Act (SGMA) (GB)

Governor's Proposal. The Governor's budget requests a loan of $16.4 million from the Underground Storage Tank Cleanup Fund to the Water Rights Fund to support 22 existing positions and continue critical implementation tasks in SWRCB's SGMA program. The funding is intended to mitigate fee uncertainty until sufficient fee revenue is collected. The proposed loan of $16.42 million would be enough to cover the cost of the 22 positions for up to three years.

The loan shall be repaid with future SGMA fee revenues, if feasible; alternatively, if fee funding is not legally able to be collected as anticipated, this loan shall be repaid from the General Fund.

Date Originally Heard. This issue was heard in Subcommittee 2 on April 3, 2025.

Staff Recommendation. Approve as budgeted.

Issue 77: Replacing, Removing, or Upgrading Underground Storage Tanks (RUST) Program Augmentation (BCP and TBL) (MR)

Governor's Proposal. The May Revision proposes to appropriate $23 million one-time from the Petroleum Underground Storage Tank Financing Account to provide sufficient expenditure authority to meet current funding demand for the removal or replacement of petroleum underground storage tanks.

SWRCB requests TBL to allow tank owners to begin projects while waiting for a final funding agreement to be executed for purposes of administrative efficiencies.

Date Originally Heard. This issue was heard in Subcommittee 2 on May 21, 2025.

Staff Recommendation. Approve as budgeted and adopt trailer bill language.

Issue 78: Monterey County Primacy Delegation Agreement Termination (MR)

Governor's Proposal. The May Revision proposes $2.72 million ongoing and 12 permanent positions from the Safe Drinking Water Account to carry out the public small water system (SWS) regulatory program for Monterey County (County). The County's local primacy agency delegation will be terminated and regulation of SWSs will be returned to the state in September 2025. Oversight of 284 water systems is anticipated to be transferred from the County to the Water Board in August 2025, and the state is legally mandated to administer this regulatory program.

Date Originally Heard. This issue was heard in Subcommittee 2 on May 21, 2025.

Staff Recommendation. Approve as budgeted.

3960 DEPARTMENT OF TOXIC SUBSTANCES CONTROL (DTSC)
4265 CALIFORNIA DEPARTMENT OF PUBLIC HEALTH (CDPH)

Issue 79: Biomonitoring California Funding Realignment (GB)

Governor's Proposal. The Governor's budget requests to shift $425,000 General Fund from CDPH to DTSC in 2025-26 and ongoing. This fund shift is in lieu of continuing an Interagency Agreement (IAA) that supports laboratory services provided by DTSC per the legislative mandate of SB 1379 (Perata), Chapter 599, Statutes of 2006. The General Fund transfer to the Toxic Substances Control Account (TSCA) will fund two permanent positions in 2025-26 and ongoing to support DTSC's statutory obligations for implementation of the California Biomonitoring program. This request has no net cost to the General Fund or any other fund.

Date Originally Heard. This issue was heard in Subcommittee 2 on March 20, 2025.

Staff Recommendation. Approve as budgeted.

3960 DEPARTMENT OF TOXIC SUBSTANCES CONTROL (DTSC)

Issue 80: National Priorities List (NPL) and State Orphan Sites (GB)

Governor's Proposal. The Governor's budget requests a transfer of $36.6 million from TSCA to the Site Remediation Account (SRA) and $36.6 million expenditure authority from SRA in 2025-26 to fund the state's NPL obligations and state orphan sites with Priorities 1A, 1B, 2, and 3, and statewide service contracts. The following provides high-level definitions of each priority:

- ***Priority 1A.*** Immediate and acute conditions requiring a "time critical" response.

- ***Priority 1B.*** Ongoing operations and maintenance (O&M) of a state or federally funded site remediation treatment system necessary to prevent exposure to human or environmental receptors. Priority 1B includes state-match NPL.
- ***Priority 2.*** Actual human exposure or natural resource impacts under current conditions.
- ***Priority 3.*** Potential exposure under current conditions; and could allow the contamination to spread, impacting additional people and resources and increasing future costs.

DTSC assigns the highest priority to those sites with federally mandated costs, those that have immediate acute health threats, and those that have existing systems that require ongoing contracted costs to operate and maintain the remedy.

Date Originally Heard. This issue was heard in Subcommittee 2 on March 20, 2025.

Staff Recommendation. Approve as budgeted.

Issue 81: Exide: Repurpose Facility Closure and Cleanup Funding (MR)

Governor's Proposal. The May Revision proposes to revert $75 million remaining of the $132 million General Fund appropriated in the 2021 Budget Act for cleanup activities at the Exide Facility and appropriate $35 million Lead-Acid Battery Cleanup Fund and $40 million General Fund to loan to the Toxic Substances Control Account (TSCA) to fund continued cleanup activities. This proposal also includes provisional language to allow flexibility to spend those funds on residential cleanup or facility remediation related to the Exide Facility cleanup. Additionally, DTSC requests to reappropriate $1.2 million General Fund and $1 million Lead-Acid Battery Cleanup Fund to pay for ongoing storage of physical evidence related to the ongoing Exide cost recovery litigation.

Date Originally Heard. This issue was heard in Subcommittee 2 on May 21, 2025.

Staff Recommendation. Approve as budgeted.

Issue 82: Santa Susana Field Laboratory (SSFL) Litigation Contracts Costs (MR)

Governor's Proposal. The May Revision requests expenditure authority of $2 million Hazardous Waste Control Account (HWCA) in 2025-26 with a two-year encumbrance period in order to fund legal services contracts for SSFL litigation. The legal services costs will be billed through cost recovery from the three responsible parties for SSFL-the United States Department of Energy, the National Aeronautics and Space Administration, and the Boeing Company.

Date Originally Heard. This issue was heard in Subcommittee 2 on May 21, 2025.

Staff Recommendation. Approve as budgeted.

Issue 83: Implementation of Generation and Handling Fee Regulations (MR)

Governor's Proposal. The May Revision requests $837,000 HWCA in 2025-26 and ongoing, and $1.72 million TSCA in 2025-26, and $1.62 million in 2026-27 and annually thereafter and nine permanent

positions to support implementation of the exemption review and reporting penalty assessment processes required by newly adopted regulations, as authorized by SB 156 (Committee on Budget and Fiscal Review), Chapter 73, Statutes of 2024.

Date Originally Heard. This issue was heard in Subcommittee 2 on May 21, 2025.

Staff Recommendation. Approve as budgeted.

Issue 84: Imperial County Certified Unified Program Agency Costs (MR)

Governor's Proposal. The May Revision proposes an increase of $475,000 in expenditure authority for the State Certified Program Agency (SCUPA) Account beginning in 2025-26 and ongoing. DTSC also requests to eliminate $150,000 in reimbursement authority as it is not utilized. The SCUPA Account has a fund balance of approximately $2.3 million to cover these costs for the next couple of years without requiring a fee increase (which last occurred in 2019).

Date Originally Heard. This issue was heard in Subcommittee 2 on May 21, 2025.

Staff Recommendation. Approve as budgeted.

3970 CALIFORNIA RESOURCES RECYCLING AND RECOVERY (CALRECYCLE)

Issue 85: Reusable Grocery Bag Program (SB 270) Fund Shift (GB)

Governor's Proposal. The Governor's budget requests a fund shift of $256,000 in 2025-26 and ongoing from the Integrated Waste Management Account (IWMA) to the Reusable Grocery Bag Fund (RGBF) to fund an existing Environmental Scientist and Accounting Office to implement SB 270 (Padilla), Chapter 850, Statutes of 2014. Additionally, CalRecycle requests authority to use RGBF funds collected in the amount of $256,000 collected to date to cover its staffing costs with the SB 270 program requirements. This shift in funding and authority is meant to ensure that fees collected from reusable grocery bag producers are used as intended to fund the implementation of the Reusable Grocery Bag Program, thereby reducing the expenditures currently incurred by the IWMA. The fund shift and requested appropriation will be a net zero cost.

Date Originally Heard. This issue was heard in Subcommittee 2 on March 20, 2025.

Staff Recommendation. Approve as budgeted.

Issue 86: Responsible Textile Recovery Act of 2024 – Implementation of SB 707 (GB)

Governor's Proposal. The Governor's budget requests 27 permanent ongoing positions to be phased in over two fiscal years (18 positions in 2025-26 and nine positions in 2027-28) with a total ongoing cost of $4.55 million to implement the Responsible Textile Recovery Act of 2024 (Textiles Act) (SB 707 (Newman), Chapter 864, Statutes of 2024). CalRecycle needs to hire a new team of staff and supervisors to meet its statutory obligations, complete rulemaking, and conduct tasks necessary to implement and enforce the Textiles Act. These positions will also support CalRecycle's outreach to interested parties to enable public comment and participation in rulemaking workshops and regulation development.

In addition, CalRecycle requests budget bill language to authorize a loan (equally split between the Beverage Container Recycling Fund (BCRF) and Electronic Waste Recovery and Recycling Account (EWWRA) to cover implementation costs until CalRecycle gets reimbursed by the Producer Responsibility Organization (PRO).

Date Originally Heard. This issue was heard in Subcommittee 2 on March 20, 2025.

Staff Recommendation. Approve as budgeted.

Issue 87: CalRecycle Integrated Information System (MR)

Governor's Proposal. The May Revision proposes to appropriate $45 million from various funds one-time to implement the CalRecycle Integrated Information System (CRIIS) project. CRIIS is a comprehensive initiative to modernize and migrate 30 program applications across multiple business processes into a single enterprise-wide system.

Date Originally Heard. This issue was heard in Subcommittee 2 on May 21, 2025.

Staff Recommendation. Approve as budgeted.

Issue 88: Responsible Textile Recovery Act of 2024 — Implementation of SB 707 (MR)

Governor's Proposal. The May Revision proposes that Item 3970-001-0133 be decreased by $1.63 million and 18 positions ongoing, Item 3970-001-3065 be decreased by $1.63 million ongoing, and Item 3970-001-3450 be added in the amount of $3,26 million and 18 positions ongoing, as a technical correction to the Governor's Budget proposal to reflect expenditures from the newly created Textile Stewardship Recovery Fund. It is further requested that Items 3970-012-0133 and 3970-014-3065 be added to authorize loans from the California Beverage Container Recycling Fund and the Electronic Waste Recovery and Recycling Account, Integrated Waste Management Fund, to the Textile Stewardship Recovery Fund for implementation costs until reimbursement is received.

Date Originally Heard. This issue was heard in Subcommittee 2 on May 21, 2025.

Staff Recommendation. Approve as budgeted.

Senate Budget and Fiscal Review—Scott Wiener, Chair
SUBCOMMITTEE NO. 2 **Agenda**

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

Tuesday, June 10, 2025
1:30 p.m.
1021 O Street - Room 2200
Vote-Only Calendar
PART B

Consultant: Eunice Roh

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Vote-Only Calendar

3355 OFFICE OF ENERGY INFRASTRUCTURE SAFETY

Issue 1: Enforcement of the Dig Safe Law

Issue #	Origin	Subject	Staff Recommendation
1.	January Governor's Budget	**Enforcement of the Dig Safe Law.** The Governor's Budget includes $1.3 million ongoing from the Safe Energy Infrastructure and Excavation Fund (SEIEF) for seven positions to address Energy Safety's Underground Safety Board's ongoing and unmet needs associated with the operational alignment of Chapter 809, Statutes of 2016 (SB 661); Chapter 307, Statues of 2020 (SB 865); associated legislation; its partnership in pipeline safety regulatory responsibilities with the Pipeline and Hazardous Materials Safety Administration (PHMSA); excavation safety outreach; and education, as mandated.	Approve as budgeted.

3360 ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION

Issue 2-12: Various Proposals

Issue #	Origin	Subject	Staff Recommendation
2.	January Governor's Budget	**Reappropriation and Technical Adjustment Proposal.** The Governor's Budget includes various reappropriations to continue implementation of existing authorized programs.	Approve as budgeted.
3.	January Governor's Budget	**Grid Resilience and Innovation Partnership 2 (GRIP 2) Federal Authority.** The budget includes $600.6 million in budget authority from the Federal Trust Fund to receive federal funds awarded through the Grid Resilience and Innovation Partnership (GRIP) program authorized by the Infrastructure Investment and Jobs Act (IIJA).	Approve as budgeted.
4.	January Governor's Budget	**California Energy Commission Chairperson Salary Increase Trailer Bill Language.** The Administration proposes trailer bill language to increase the salary of the chairperson of the California Energy Commission by 5 percent for the 2025-26, 2026-27, and 2027-28 years. In 2023, the budget included trailer bill that provided increases in CEC commissioner salaries of five percent per year for the next three fiscal years. This proposal is to reflect a similar increase for the chairperson of the Commission, because the prior language did not apply to the chair.	Approve placeholder trailer bill language.

5.	January Governor's Budget	**Demand Side Grid Support Trailer Bill Language.** The Administration proposes trailer bill language to amend the Demand Side Grid Support program by exempting the program from the Administrative Procedure Act, allowing the use of third party block grant or contract with incentive program implementers, allowing CEC to provide an advance up to 25 percent of awarded funds at a time, and exempting contracts, grants, or loans as part of the program from any review, consent, or approval from the Department of General Services or other state department or agency.	Approve placeholder trailer bill language.
6.	Legislative Proposal	**Distributed Electricity Backup Assets (DEBA) Program Budget Bill Language.** The Legislature proposes budget bill language that specifies that the DEBA be used for microgrids and distributed clean energy and storage projects, as well as be prioritized for projects receiving federal funding.	Approve placeholder budget bill language.
7.	May Revision	**Offshore Wind.** The May Revision cuts $42.8 million General Fund in 2025-26 for the development of offshore wind at the CEC. The administration requests to backfill the like amount from Proposition 4 Climate Bond funds. This was originally a part of a $45 million appropriation for offshore wind infrastructure investments in the 2022 Budget.	Approve as budgeted.
8.	May Revision	**Clean Transportation Program Block Grant Trailer Bill Language.** The May Revision includes trailer bill language that revises eligibility requirements for the Clean Transportation Program by eliminating the restriction that block grants or incentive programs be administered by public entities or not-for-profit technology entities and by expanding the category to authorize this funding for block grants or incentive programs for zero-emission vehicle infrastructure.	Approve placeholder trailer bill language.

9.	May Revision	**Emergency Reliability, Load Flexibility and Demand Reduction Trailer Bill Language.** The May Revision includes trailer bill language that requires any funds allocated to the School Energy Efficiency Stimulus Program (CalSHAPE) that are unencumbered as of July 1, 2025, be reverted and returned to the electrical corporation or gas corporation and used to reduce ratepayer charges that support the Emergency Load Reduction Program, or any other existing utility emergency grid reliability, load flexibility, or demand reduction program.	Approve placeholder trailer bill language.
10.	May Revision	**Alternative Fee Structure for the Power Plant Licensing and Compliance Programs Trailer Bill Language.** The May Revision includes trailer bill language that would change the existing certification process for power plants, energy storage systems, and related facilities at the CEC. Specifically, it requires a person submitting an application for certification to submit with the application a nonrefundable deposit of $750,000 and would require the applicant to pay all costs incurred by the Energy Commission in processing the application; require the Energy Commission to provide invoices for additional fees, at least annually, for the actual costs incurred by the Energy Commission in excess of the deposit; increase the annual fee to $70,000 for each year the facility retains its certification; and specify that the petition fee is nonrefundable. In addition, the May Revision includes $1.9 million limited-term funding per year for three years (through fiscal year 2027-28) for nine temporary positions from the Energy Facility Licensing and Compliance Fund (EFLCF, Fund 3062) for the CEC's Siting, Environmental, Engineering, and Safety and Reliability Program to process anticipated applications for certification, to ensure compliance of a facility's license, and to successfully implement the new Chapter 61, Statutes of 2022 (Assembly Bill (AB) 205) Opt-in expedited licensing program.	Approve as budgeted and approve placeholder trailer bill language.
11.	May Revision	**Electric Program Investment Charge (EPIC) Program Follow-on Funding Extension Trailer Bill Language.** The May Revision includes trailer bill language extends the CEC's follow-on funding authority for the EPIC program January 1, 2031. The EPIC program is a ratepayer-funded program, intended to fund scientific and technological research to accelerate innovation in the electricity sector to meet the state's energy and climate goals.	Approve placeholder trailer bill language.

12.	May Revision	**Federal Funding Expenditure Authority.** The May Revision includes $71,010,000 in Federal Trust Fund expenditure authority to administer three federal awards authorized as part of the federal Infrastructure Investment and Jobs Act (IIJA) of 2021and $12,000,000 reimbursement authority to supplement an existing federal program. The CEC received awards for the Community Energy Reliability and Resilience Investment (CERRI), Resilient and Efficient Codes Implementation (RECI), the Grid Resilience and Innovation Partnerships (GRIP) programs, and pledges from three entities to supplement the Charging and Fueling Infrastructure federal program funded via the California Department of Transportation that will be funded in fiscal year 2025-26.	Approve as budgeted.

3360 ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION
8660 PUBLIC UTILITIES COMMISSION

Issues 13-14: Various Proposals

Issue #	Origin	Subject	Staff Recommendation
13.	January Governor's Budget	**Electric Transmission Grid Study (AB 3264).** The California Public Utilities Commission (CPUC) requests ongoing budget authority of $829,000 for three permanent positions and $500,000 per year for four years for consulting services from the Public Utilities Commission Utilities Reimbursement Account (PUCURA); and the CEC requests $204,000 from the Energy Resources Program's Account annually and one permanent position to implement requirements from AB 3264 (Petrie-Norris and Rivas), Chapter 762, Statutes of 2024 to enhance clean energy initiatives by developing and reporting on a new and complex framework for assessing, tracking, and analyzing total annual energy costs paid by residential households in California.	Approve as budgeted.
14.	January Governor's Budget	**Implementation Support for SB 846 of 2022.** The Governor's budget includes $1.1 million ongoing for five positions from PUCURA for the CPUC and $319,000 ongoing for two positions from the Cost of Implementation Account, Air Pollution Control Fund (COIA) for the CEC for the ongoing workload related to SB 846 (Dodd), Chapter 239, Statues of 2022.	Approve as budgeted.

3860 DEPARTMENT OF WATER RESOURCES

Issue 15: Electricity Supply Strategic Reliability Reserve Facility Divestiture Trailer Bill Language

Issue #	Origin	Subject	Staff Recommendation
15.	January Governor's Budget	**Electricity Supply Strategic Reliability Reserve Facility Divestiture Trailer Bill Language.** The Administration proposes trailer bill language to specify restrictions on operations be applied to facilities constructed and owned by the department, not just facilities constructed by the department as currently stated in existing statute.	Approve placeholder trailer bill language.

3900 STATE AIR RESOURCES BOARD

Issue 16-28: Various Proposals

Issue #	Origin	Subject	Staff Recommendation
16.	January Governor's Budget	**Cap and Trade Administrative Services (WCI, Inc.).** The Governor's budget includes $1 million in 2025-26 and $2 million ongoing beginning in 2026-27 from the Cost of Implementation Account for the California Air Resources Board (CARB)'s increased contract services costs. Specifically, CARB is facing a cost increase for contract services from the Western Climate Initiative (WCI, Inc.) to help support the Cap-and-Trade program.	Approve as budgeted.
17.	January Governor's Budget	**Conversion of Limited-Term to Permanent Positions for Advanced Clean Fleets and Zero-Emission Airport Shuttle Regulations.** The Governor's Budget includes permanent position authority for 32.5 limited-term (LT) positions beginning 2025-26 and $5.8 million in ongoing funding authority starting in 2026-27 from the Air Pollution Control Fund (APCF) to implement the approved Advanced Clean Fleets (ACF) and Zero-Emission Airport Shuttle (ZEAS) regulations. These LT positions were approved in the 2023-24 Zero-Emission Vehicle (ZEV) Portfolio proposal and appropriated in the Budget Act of 2023 (Chapter 12, Statutes of 2023).	Approve positions and funding for the Zero-Emission Airport Shuttle Regulations and reject without prejudice positions and funding for the Advanced Clean Fleets regulation.
18.	January Governor's Budget	**Conversion of Limited-Term to Permanent Positions for Incentives Portfolio.** The budget includes position authority for CARB to convert 25 positions from limited-term to permanent. These positions are intended to support the department's incentives programs. This request is specifically for position authority, as these positions will be funded out of the 5 percent administrative set asides from funding for incentive programs.	Approve as budgeted.
19.	January Governor's Budget	**E15 Fuel Specification.** The Governor's budget includes $2.3 million ongoing from the Air Pollution Control Fund for ten permanent positions to complete the regulatory process to authorize the use of motor vehicle fuels with up to 15 percent ethanol blending (E15) and conduct ongoing program implementation enabling the use of E15 fuels in California.	Approve on a two-year, limited-term basis.

20.	January Governor's Budget	**Expanded Resources for Carbon Capture, Removal, Utilization and Storage Program (SB 905).** The Governor's Budget includes $2.2 million in 2025-26 and $4.3 million ongoing beginning in 2026-27 from the Cost of Implementation Account (COIA) for 18 positions to implement SB 905 (Caballero and Skinner), Chapter 359, Statutes of 2022. SB 905 requires that CARB establish a Carbon Capture, Removal, Utilization, and Storage Program (Program) to evaluate carbon capture, utilization, or storage (CCUS) technologies and carbon dioxide removal (CDR) technologies and facilitate the capture and sequestration of carbon dioxide from those technologies.	Approve as budgeted.
21.	January Governor's Budget	**Implementation and Enforcement of Zero-Emission Forklift Regulation.** The Governor's Budget includes $3.5 million from the Air Pollution Control Fund (APCF) for 17.0 permanent staff positions to support policy implementation and enforcement to meet the statutory requirements outlined in the newly adopted Zero-Emission Forklift Regulation (Cal. Code Regs, title 13, § 3000-3011 et seq.). The requested staff would assist an expected large number of regulated entities new to CARB fleet regulations, conduct enforcement investigations, provide information technology support for an updated reporting system, and furnish legal counsel for the newly adopted regulation.	Reject without prejudice.
22.	January Governor's Budget	**Mobile Source Laboratory Equipment Support and Maintenance.** The budget includes $8 million ongoing from the Certification and Compliance Fund for CARB to support and maintain its mobile source laboratory, which is key to investigating manufacturers violating emissions standards. Of this amount, $6.5 million will support cost increases in maintenance, service, and training contracts, equipment procurements, and laboratory supplies. The remaining $1.5 million will fund the replacement of laboratory equipment beyond its useful life. In addition, the Administration proposes trailer bill language to specify deficiency fines and fees are a part of the certification, audit, and compliance programs regulating motor vehicle manufacturers.	Approve as budgeted and approve placeholder trailer bill language.
23.	January Governor's Budget	**Right Sizing of IT Procurement, Contracting, and Business Technology Management.** The budget includes $439,000 in 2025-26 and $840,000 ongoing beginning in 2026-27 from various funds for information technology (IT) procurement, contracting, business technology management, and contact management units.	Approve as budgeted.

24.	January Governor's Budget, May Revision	**Regulatory Fee Authority Trailer Bill Language.** The Governor proposes trailer bill language that would provide CARB the authority to impose fees on entities regulated by the board, for the purpose of recovering reasonable costs incurred in regulating that entity. Under this proposal, CARB would be able to collect fees for a range of their responsibilities, including, but not limited to, developing new and amending existing airborne toxic control measures as well as emission reduction measures for on-road and non-road sources; implementing and enforcing airborne toxic control measure; and identifying, quantifying, inventorying, monitoring, evaluating, and reducing emissions of toxic pollutants in communities across the state, among other activities. The May Revision includes a revised version of the Regulatory Fee Authority trailer bill language that was originally a part of the Governor's Budget. This proposal narrows the regulatory fee authority to the Transport Refrigeration Unit and Commercial Harbor Craft regulations.	Approve placeholder trailer bill language.
25.	May Revision	**California Climate Investments Administration.** The May Revision includes $666,000 from the Greenhouse Gas Reduction Fund ongoing to convert three limited-term positions to permanent to provide technical assistance to agencies administering the California Climate Investments programs for quantification, reporting, and policy guidance to maximize greenhouse gas (GHG) reductions and ensure benefits to disadvantaged communities and low-income communities and households.	Reject without prejudice, deferring until the Greenhouse Gas Reduction Fund spending plan is finalized.
26.	May Revision	**Legal Resources to Respond to Federal Actions.** The May Revision includes $1.9 million from the Air Pollution Control Fund for eight positions for its Legal Office to support the significant workload attributable to the current federal administration in the form of affirmative and defensive litigation, as well as associated e-discovery, records management, and administrative support.	Approve as budgeted.

27.	Legislative Proposal	**California Environmental Quality Act (CEQA) Exemption for SB 253/261 Regulations.** The Senate proposes trailer bill language that exempts the SB 253/261 regulations from the standardized regulatory impact analysis requirement as well as CEQA.	Approve placeholder trailer bill language.
28.	Legislative Proposal	**Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project (HVIP).** The Legislature proposes to appropriate $132.2 million from the Air Pollution Control Fund for HVIP. Specifically, the appropriation shall be from a recent legal settlement with Hino Motors.	Approve legislative proposal.

8660 PUBLIC UTILITIES COMMISSION

Issue 29-46: Various Proposals

Issue #	Origin	Subject	Staff Recommendation
29.	January Governor's Budget	**California Public Utilities Commission Energy Reports (AB 2462).** The Governor's Budget includes $400,000 for one-time consulting services and $50,000 per year ongoing for subscription fees from PUCURA to annually report on recommendations for actions that could be undertaken during the succeeding 12 months to limit utility cost and rate increases, consistent with the state's energy and environmental goals, culminating in the creation of the SB 695 Report.	Approve as budgeted.
30.	January Governor's Budget	**Implementation Support for AB 14 of 2021.** The Governor's Budget includes $602,000 ongoing from PUCURA to convert three limited-term positions to permanent positions to continue to administer and maintain surcharge and user fee revenues.	Approve as budgeted.
31.	January Governor's Budget	**Implementation Support for SB 28 of 2021.** The Governor's Budget includes $1,139,000 annually from PUCURA to convert four limited-term positions to permanent positions, and the addition of one new permanent position to implement new complaint and enforcement procedures related to video services.	Approve as budgeted.
32.	January Governor's Budget	**Implementation Support for SB 4 of 2021.** The Governor's Budget includes $1,085,000 ongoing from PUCURA to convert five limited-term positions to permanent positions; and $2.55 million one-time for consultant services with an extended encumbrance and liquidation period from the California Advanced Services Fund (CASF) to address the increased demand for broadband funding, larger collection authority, and overall expansion of the CASF program.	Approve as budgeted.
33.	January Governor's Budget	**Industrial Process Heat Recovery (AB 2109).** The Governor's Budget includes $222,000 ongoing for one position from PUCURA to establish rules regarding the exemption of nonbypassable or departing load surcharges from applying to a reduction in kilowatt-hours of electricity consumption due to industrial heat process technology that meets prescribed requirements.	Approve as budgeted.

34.	January Governor's Budget	**Neighborhood Decarbonization Zones (SB 1221).** The Governor's Budget includes $1,652,000 ongoing for seven positions and $49,000 one-time, $240,000 over four years, and $7,000 for training, travel, workshop support, and software licensing from PUCURA to implement a new neighborhood decarbonization program to transition customers from natural gas usage to cleaner forms of energy usage.	Approve as budgeted.
35.	January Governor's Budget	**Public Utilities Rate of Return (AB 2666).** The Governor's Budget includes $2,720,000 ongoing for twelve positions; $35,000 for one-time equipment and training; $40,000 per year for two-years for workshop travel; and $20,000 ongoing for software subscriptions from PUCURA to establish guidelines, evaluate rate of return variances, and adjust revenue requirements as appropriate while ensuring sufficient funds for safe and reliable services, in addition to clearly communicating to consumers about the CPUC and utility work in support of implementing this statute and outcomes.	Approve as budgeted.
36.	January Governor's Budget	**SB 1130 Electricity: Family Electric Rate Assistance Program.** The Governor's Budget includes $222,000 ongoing from PUCURA for one senior analyst position to implement the changes to the Family Electric Rate Assistance (FERA) program, pursuant to SB 1130.	Approve as budgeted.
37.	January Governor's Budget	**System Reliability and Outages (AB 2368).** The Governor's Budget includes $845,000 ongoing for four positions from PUCURA to implement the reliability and modeling requirements in the integrated resource planning and resource adequacy programs pursuant to AB 2369.	Approve as budgeted.
38.	January Governor's Budget	**Public Advocates Office Administrative Support (AB 2109, AB 2368, and SB 1221).** The budget includes $925,000 from the Public Utilities Commission Public Advocates Office Account (PUC) for four positions to meet the Public Advocates Office's statutory obligations resulting from AB 2109, AB 2368, and SB 1221.	Approve as budgeted.
39.	January Governor's Budget	**Support for Administrative Law Judge Division.** The Governor's Budget includes $340,000 ongoing for three new support staff positions and position authority for two existing Senior Legal Typist positions to support the Administrative Law Judge (ALJ) Division's timely management and issuance of documents in proceedings and to enhance agenda support functions, records filling and maintenance, as well as support the Intervenor Compensation unit.	Approve as budgeted.

40.	January Governor's Budget	**Support for CPUC Administrative Functions.** The Governor's Budget includes $575,000 ongoing for four positions, 0.5 position authority to enhance and strengthen the core administrative functions and provide customer service supporting the entire CPUC, and $150,000 ongoing for licensing/data storage from various special funds.	Approve as budgeted.
41.	January Governor's Budget	**Deaf and Disabled Telecommunications Program Trailer Bill Language.** The Governor's Budget includes trailer bill language that would extend the surcharge for the Deaf and Disabled Telecommunications Program (DDTP) until December 31, 2034 and authorize the CPUC to make recommendations to the Legislature regarding the appropriations for the DDTP.	Defer to legislative policy process.
42.	January Governor's Budget	**Data Sharing with the Western Energy Coordinating Council and Others Trailer Bill Language.** The Governor's Budget includes trailer bill language that would allow CPUC to share information, pursuant to an agreement to treat the shared information as confidential, with the Western Energy Coordinating Council (WECC), the North American Electric Reliability Corporation (NERC), and the Northwest Power and Conservation Council (NPCC). In addition, the bill would allow for a disclosure made through the sharing of information between the Independent System Operator, WECC, NERC, NPCC, and a state agency does not constitute a waiver of an exemption.	Reject without prejudice.
43.	January Governor's Budget, May Revision	**California Lifeline – State Operations and Local Assistance.** The May Revision includes $528 million in 2025-26 from the Universal LifeLine Telephone Service Trust Administrative Committee Fund (0471) for the Universal LifeLine Telephone Service Program to provide low-income California households with basic, high-quality wireless and wireline services at affordable rates in accordance with the Public Utilities Code section 871 et seq.	Approve as budgeted.
44.	May Revision	**Community Renewable Energy and Storage.** The May Revision cuts $33 million General Fund for programs funding community renewable energy projects at the CPUC. This is a part of the Clean Energy Reliability Investment Plan (CERIP), a $1 billion commitment to clean energy programs as part of the Diablo Canyon Power Plant extension agreement.	Approve as budgeted.
45.	May Revision	**Safe Battery Energy Storage Systems.** The May Revision includes $3.7 million Public Utilities Commission Utilities Reimbursement Account (PUCURA) in 2025-26 and 2026-27, and $2.9 million ongoing PUCURA and 12 positions in 2027-28 to support compliance and enforcement of safety standards for large-scale, electric grid connected battery energy storage systems at the CPUC.	Approve as budgeted.

46.	Legislative Proposal	**Self-Generation Incentive Program (SGIP) Trailer Bill Language.** The Legislature proposes trailer bill language to clarify that customers receiving service from community choice aggregators are eligible for SGIP funds as well as that specified demand response or peak load reduction programs are eligible to meet the requirement for the program.	Approve placeholder trailer bill language.

VARIOUS DEPARTMENTS

Issue 47-49: Various Proposals

Issue #	Origin	Subject	Staff Recommendation
47.	January Governor's Budget, May Revision	**GGRF Spending Plan**. The Governor's Budget includes $1.8 billion in discretionary Greenhouse Gas Reduction Fund (GGRF) expenditures, in addition to $2.4 billion continuous appropriations and $430 million in statutory obligations. The proposed spending plan generally aligns with the multi-year commitments made in prior years, with the exception of two changes: a $32 million shift from GGRF to Proposition 4 for the Clean Energy Reliability Investment Plan and an $81 million shift from the GGRF to the Motor Vehicle Account (MVA), to address fund insolvency in the budget year. The May Revision cuts all discretionary expenditures to shift $1.5 billion from the General Fund to GGRF to support CalFire's fire prevention, fire control, and resource management activities on an ongoing basis. This proposal also includes a General Fund backstop to protect CalFire's operations in the event "Cap-and-Invest" auction proceeds fall below projected revenues.	Approve $1 billion fund shift (across two years) to the General Fund for CalFIRE operational costs. Defer the remainder of the discretionary GGRF spending plan in a future budget bill.
48.	May Revision	**Cap-and-Trade Reauthorization Trailer Bill Language.** The May Revision includes trailer bill language that reauthorizes the nearly identical cap-and-trade program until 2045, including the following components: CARB's existing price ceiling authority; offset credit limit of 6%, half with direct environmental benefits to the state; 100% industry assistance factors for free allowances; requirement that revenues from all additional tons sold at the price ceiling are used CARB to achieve emissions reductions via offset-like projects; and requirement for all emission reductions to demonstrate additionality. In addition, it contains (as does existing law from 2031 onwards) a pared-down version continuing from 2046 into the future that lacks most of the specifics described above.	Defer to legislative policy process.

49.	Governor's Budget	**Motor Vehicle Account.** To maintain a positive MVA balance in 2025-26, the Governor proposes to transfer funds into the account from two other state accounts totaling $166 million on a one-time basis. These transfers are intended to fully offset the estimated $166 million that MVA annually provides to support CARB's Mobile Source Program. (That program aims to reduce emissions from on- and off-road mobile sources, such as vehicles and construction equipment.) The two components of these transfers consist of: • *$85 million From the Air Pollution Control Fund (APCF).* The proposal would transfer $85 million from APCF to MVA. The APCF is overseen by CARB and receives revenues from fees and penalties on vehicle and non-vehicle pollution sources. The account's funds generally are used to carry out CARB's duties and functions. • *$81 Million From GGRF.* GGRF contains auction proceeds from the state's cap-and-trade program. The proposed funds to be transferred to MVA consist of $49 million from unallocated projected discretionary GGRF revenues and $32 million that would be "freed up" by shifting some prior planned GGRF expenditures for clean energy activities to the Proposition 4 climate bond.	Approve $85 million transfer from the Air Pollution Control Fund. Defer $81 million transfer from the Greenhouse Gas Reduction Fund until the Greenhouse Gas Reduction Fund spending plan is finalized.

Senate Budget and Fiscal Review—Scott Wiener, Chair
SUBCOMMITTEE NO. 2 **Agenda**

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

Tuesday, June 10, 2025
1:30 p.m.
1021 O Street - Room 2200
Vote-Only Calendar
PART B

Consultant: Eunice Roh

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OUTCOMES

4-0: Issues 1, 3, 12-16, 19, 21, 29, 31, 33, 35-42, 45, 48.

3-1: Issues 2, 4-8, 10, 17, 18, 20-28, 30, 32, 34, 46, 47.

3-0: Issues 9, 11, 43, 44, 49.

Vote-Only Calendar

3355 OFFICE OF ENERGY INFRASTRUCTURE SAFETY

Issue 1: Enforcement of the Dig Safe Law

Issue #	Origin	Subject	Staff Recommendation
1.	January Governor's Budget	**Enforcement of the Dig Safe Law.** The Governor's Budget includes $1.3 million ongoing from the Safe Energy Infrastructure and Excavation Fund (SEIEF) for seven positions to address Energy Safety's Underground Safety Board's ongoing and unmet needs associated with the operational alignment of Chapter 809, Statutes of 2016 (SB 661); Chapter 307, Statues of 2020 (SB 865); associated legislation; its partnership in pipeline safety regulatory responsibilities with the Pipeline and Hazardous Materials Safety Administration (PHMSA); excavation safety outreach; and education, as mandated.	Approve as budgeted.

3360 ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION

Issue 2-12: Various Proposals

Issue #	Origin	Subject	Staff Recommendation
2.	January Governor's Budget	**Reappropriation and Technical Adjustment Proposal.** The Governor's Budget includes various reappropriations to continue implementation of existing authorized programs.	Approve as budgeted.
3.	January Governor's Budget	**Grid Resilience and Innovation Partnership 2 (GRIP 2) Federal Authority.** The budget includes $600.6 million in budget authority from the Federal Trust Fund to receive federal funds awarded through the Grid Resilience and Innovation Partnership (GRIP) program authorized by the Infrastructure Investment and Jobs Act (IIJA).	Approve as budgeted.
4.	January Governor's Budget	**California Energy Commission Chairperson Salary Increase Trailer Bill Language.** The Administration proposes trailer bill language to increase the salary of the chairperson of the California Energy Commission by 5 percent for the 2025-26, 2026-27, and 2027-28 years. In 2023, the budget included trailer bill that provided increases in CEC commissioner salaries of five percent per year for the next three fiscal years. This proposal is to reflect a similar increase for the chairperson of the Commission, because the prior language did not apply to the chair.	Approve placeholder trailer bill language.

5.	January Governor's Budget	**Demand Side Grid Support Trailer Bill Language.** The Administration proposes trailer bill language to amend the Demand Side Grid Support program by exempting the program from the Administrative Procedure Act, allowing the use of third party block grant or contract with incentive program implementers, allowing CEC to provide an advance up to 25 percent of awarded funds at a time, and exempting contracts, grants, or loans as part of the program from any review, consent, or approval from the Department of General Services or other state department or agency.	Approve placeholder trailer bill language.
6.	Legislative Proposal	**Distributed Electricity Backup Assets (DEBA) Program Budget Bill Language.** The Legislature proposes budget bill language that specifies that the DEBA be used for microgrids and distributed clean energy and storage projects, as well as be prioritized for projects receiving federal funding.	Approve placeholder budget bill language.
7.	May Revision	**Offshore Wind.** The May Revision cuts $42.8 million General Fund in 2025-26 for the development of offshore wind at the CEC. The administration requests to backfill the like amount from Proposition 4 Climate Bond funds. This was originally a part of a $45 million appropriation for offshore wind infrastructure investments in the 2022 Budget.	Approve as budgeted.
8.	May Revision	**Clean Transportation Program Block Grant Trailer Bill Language.** The May Revision includes trailer bill language that revises eligibility requirements for the Clean Transportation Program by eliminating the restriction that block grants or incentive programs be administered by public entities or not-for-profit technology entities and by expanding the category to authorize this funding for block grants or incentive programs for zero-emission vehicle infrastructure.	Approve placeholder trailer bill language.

9.	May Revision	**Emergency Reliability, Load Flexibility and Demand Reduction Trailer Bill Language.** The May Revision includes trailer bill language that requires any funds allocated to the School Energy Efficiency Stimulus Program (CalSHAPE) that are unencumbered as of July 1, 2025, be reverted and returned to the electrical corporation or gas corporation and used to reduce ratepayer charges that support the Emergency Load Reduction Program, or any other existing utility emergency grid reliability, load flexibility, or demand reduction program.	Approve placeholder trailer bill language.
10.	May Revision	**Alternative Fee Structure for the Power Plant Licensing and Compliance Programs Trailer Bill Language.** The May Revision includes trailer bill language that would change the existing certification process for power plants, energy storage systems, and related facilities at the CEC. Specifically, it requires a person submitting an application for certification to submit with the application a nonrefundable deposit of $750,000 and would require the applicant to pay all costs incurred by the Energy Commission in processing the application; require the Energy Commission to provide invoices for additional fees, at least annually, for the actual costs incurred by the Energy Commission in excess of the deposit; increase the annual fee to $70,000 for each year the facility retains its certification; and specify that the petition fee is nonrefundable. In addition, the May Revision includes $1.9 million limited-term funding per year for three years (through fiscal year 2027-28) for nine temporary positions from the Energy Facility Licensing and Compliance Fund (EFLCF, Fund 3062) for the CEC's Siting, Environmental, Engineering, and Safety and Reliability Program to process anticipated applications for certification, to ensure compliance of a facility's license, and to successfully implement the new Chapter 61, Statutes of 2022 (Assembly Bill (AB) 205) Opt-in expedited licensing program.	Approve as budgeted and approve placeholder trailer bill language.
11.	May Revision	**Electric Program Investment Charge (EPIC) Program Follow-on Funding Extension Trailer Bill Language.** The May Revision includes trailer bill language extends the CEC's follow-on funding authority for the EPIC program January 1, 2031. The EPIC program is a ratepayer-funded program, intended to fund scientific and technological research to accelerate innovation in the electricity sector to meet the state's energy and climate goals.	Approve placeholder trailer bill language.

12.	May Revision	**Federal Funding Expenditure Authority.** The May Revision includes $71,010,000 in Federal Trust Fund expenditure authority to administer three federal awards authorized as part of the federal Infrastructure Investment and Jobs Act (IIJA) of 2021and $12,000,000 reimbursement authority to supplement an existing federal program. The CEC received awards for the Community Energy Reliability and Resilience Investment (CERRI), Resilient and Efficient Codes Implementation (RECI), the Grid Resilience and Innovation Partnerships (GRIP) programs, and pledges from three entities to supplement the Charging and Fueling Infrastructure federal program funded via the California Department of Transportation that will be funded in fiscal year 2025-26.	Approve as budgeted.

3360 ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION
8660 PUBLIC UTILITIES COMMISSION

Issues 13-14: Various Proposals

Issue #	Origin	Subject	Staff Recommendation
13.	January Governor's Budget	**Electric Transmission Grid Study (AB 3264).** The California Public Utilities Commission (CPUC) requests ongoing budget authority of $829,000 for three permanent positions and $500,000 per year for four years for consulting services from the Public Utilities Commission Utilities Reimbursement Account (PUCURA); and the CEC requests $204,000 from the Energy Resources Program's Account annually and one permanent position to implement requirements from AB 3264 (Petrie-Norris and Rivas), Chapter 762, Statutes of 2024 to enhance clean energy initiatives by developing and reporting on a new and complex framework for assessing, tracking, and analyzing total annual energy costs paid by residential households in California.	Approve as budgeted.
14.	January Governor's Budget	**Implementation Support for SB 846 of 2022.** The Governor's budget includes $1.1 million ongoing for five positions from PUCURA for the CPUC and $319,000 ongoing for two positions from the Cost of Implementation Account, Air Pollution Control Fund (COIA) for the CEC for the ongoing workload related to SB 846 (Dodd), Chapter 239, Statues of 2022.	Approve as budgeted.

3860 DEPARTMENT OF WATER RESOURCES

Issue 15: Electricity Supply Strategic Reliability Reserve Facility Divestiture Trailer Bill Language

Issue #	Origin	Subject	Staff Recommendation
15.	January Governor's Budget	**Electricity Supply Strategic Reliability Reserve Facility Divestiture Trailer Bill Language.** The Administration proposes trailer bill language to specify restrictions on operations be applied to facilities constructed and owned by the department, not just facilities constructed by the department as currently stated in existing statute.	Approve placeholder trailer bill language.

3900 STATE AIR RESOURCES BOARD

Issue 16-28: Various Proposals

Issue #	Origin	Subject	Staff Recommendation
16.	January Governor's Budget	**Cap and Trade Administrative Services (WCI, Inc.).** The Governor's budget includes $1 million in 2025-26 and $2 million ongoing beginning in 2026-27 from the Cost of Implementation Account for the California Air Resources Board (CARB)'s increased contract services costs. Specifically, CARB is facing a cost increase for contract services from the Western Climate Initiative (WCI, Inc.) to help support the Cap-and-Trade program.	Approve as budgeted.
17.	January Governor's Budget	**Conversion of Limited-Term to Permanent Positions for Advanced Clean Fleets and Zero-Emission Airport Shuttle Regulations.** The Governor's Budget includes permanent position authority for 32.5 limited-term (LT) positions beginning 2025-26 and $5.8 million in ongoing funding authority starting in 2026-27 from the Air Pollution Control Fund (APCF) to implement the approved Advanced Clean Fleets (ACF) and Zero-Emission Airport Shuttle (ZEAS) regulations. These LT positions were approved in the 2023-24 Zero-Emission Vehicle (ZEV) Portfolio proposal and appropriated in the Budget Act of 2023 (Chapter 12, Statutes of 2023).	Approve positions and funding for the Zero-Emission Airport Shuttle Regulations and reject without prejudice positions and funding for the Advanced Clean Fleets regulation.
18.	January Governor's Budget	**Conversion of Limited-Term to Permanent Positions for Incentives Portfolio.** The budget includes position authority for CARB to convert 25 positions from limited-term to permanent. These positions are intended to support the department's incentives programs. This request is specifically for position authority, as these positions will be funded out of the 5 percent administrative set asides from funding for incentive programs.	Approve as budgeted.
19.	January Governor's Budget	**E15 Fuel Specification.** The Governor's budget includes $2.3 million ongoing from the Air Pollution Control Fund for ten permanent positions to complete the regulatory process to authorize the use of motor vehicle fuels with up to 15 percent ethanol blending (E15) and conduct ongoing program implementation enabling the use of E15 fuels in California.	Approve on a two-year, limited-term basis.

20.	January Governor's Budget	**Expanded Resources for Carbon Capture, Removal, Utilization and Storage Program (SB 905).** The Governor's Budget includes $2.2 million in 2025-26 and $4.3 million ongoing beginning in 2026-27 from the Cost of Implementation Account (COIA) for 18 positions to implement SB 905 (Caballero and Skinner), Chapter 359, Statutes of 2022. SB 905 requires that CARB establish a Carbon Capture, Removal, Utilization, and Storage Program (Program) to evaluate carbon capture, utilization, or storage (CCUS) technologies and carbon dioxide removal (CDR) technologies and facilitate the capture and sequestration of carbon dioxide from those technologies.	Approve as budgeted.
21.	January Governor's Budget	**Implementation and Enforcement of Zero-Emission Forklift Regulation.** The Governor's Budget includes $3.5 million from the Air Pollution Control Fund (APCF) for 17.0 permanent staff positions to support policy implementation and enforcement to meet the statutory requirements outlined in the newly adopted Zero-Emission Forklift Regulation (Cal. Code Regs, title 13, § 3000-3011 et seq.). The requested staff would assist an expected large number of regulated entities new to CARB fleet regulations, conduct enforcement investigations, provide information technology support for an updated reporting system, and furnish legal counsel for the newly adopted regulation.	Reject without prejudice.
22.	January Governor's Budget	**Mobile Source Laboratory Equipment Support and Maintenance.** The budget includes $8 million ongoing from the Certification and Compliance Fund for CARB to support and maintain its mobile source laboratory, which is key to investigating manufacturers violating emissions standards. Of this amount, $6.5 million will support cost increases in maintenance, service, and training contracts, equipment procurements, and laboratory supplies. The remaining $1.5 million will fund the replacement of laboratory equipment beyond its useful life. In addition, the Administration proposes trailer bill language to specify deficiency fines and fees are a part of the certification, audit, and compliance programs regulating motor vehicle manufacturers.	Approve as budgeted and approve placeholder trailer bill language.
23.	January Governor's Budget	**Right Sizing of IT Procurement, Contracting, and Business Technology Management.** The budget includes $439,000 in 2025-26 and $840,000 ongoing beginning in 2026-27 from various funds for information technology (IT) procurement, contracting, business technology management, and contact management units.	Approve as budgeted.

24.	January Governor's Budget, May Revision	**Regulatory Fee Authority Trailer Bill Language.** The Governor proposes trailer bill language that would provide CARB the authority to impose fees on entities regulated by the board, for the purpose of recovering reasonable costs incurred in regulating that entity. Under this proposal, CARB would be able to collect fees for a range of their responsibilities, including, but not limited to, developing new and amending existing airborne toxic control measures as well as emission reduction measures for on-road and non-road sources; implementing and enforcing airborne toxic control measure; and identifying, quantifying, inventorying, monitoring, evaluating, and reducing emissions of toxic pollutants in communities across the state, among other activities. The May Revision includes a revised version of the Regulatory Fee Authority trailer bill language that was originally a part of the Governor's Budget. This proposal narrows the regulatory fee authority to the Transport Refrigeration Unit and Commercial Harbor Craft regulations.	Approve placeholder trailer bill language.
25.	May Revision	**California Climate Investments Administration.** The May Revision includes $666,000 from the Greenhouse Gas Reduction Fund ongoing to convert three limited-term positions to permanent to provide technical assistance to agencies administering the California Climate Investments programs for quantification, reporting, and policy guidance to maximize greenhouse gas (GHG) reductions and ensure benefits to disadvantaged communities and low-income communities and households.	Reject without prejudice, deferring until the Greenhouse Gas Reduction Fund spending plan is finalized.
26.	May Revision	**Legal Resources to Respond to Federal Actions.** The May Revision includes $1.9 million from the Air Pollution Control Fund for eight positions for its Legal Office to support the significant workload attributable to the current federal administration in the form of affirmative and defensive litigation, as well as associated e-discovery, records management, and administrative support.	Approve as budgeted.

27.	Legislative Proposal	**California Environmental Quality Act (CEQA) Exemption for SB 253/261 Regulations.** The Senate proposes trailer bill language that exempts the SB 253/261 regulations from the standardized regulatory impact analysis requirement as well as CEQA.	Approve placeholder trailer bill language.
28.	Legislative Proposal	**Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project (HVIP).** The Legislature proposes to appropriate $132.2 million from the Air Pollution Control Fund for HVIP. Specifically, the appropriation shall be from a recent legal settlement with Hino Motors.	Approve legislative proposal.

8660 PUBLIC UTILITIES COMMISSION

Issue 29-46: Various Proposals

Issue #	Origin	Subject	Staff Recommendation
29.	January Governor's Budget	**California Public Utilities Commission Energy Reports (AB 2462).** The Governor's Budget includes $400,000 for one-time consulting services and $50,000 per year ongoing for subscription fees from PUCURA to annually report on recommendations for actions that could be undertaken during the succeeding 12 months to limit utility cost and rate increases, consistent with the state's energy and environmental goals, culminating in the creation of the SB 695 Report.	Approve as budgeted.
30.	January Governor's Budget	**Implementation Support for AB 14 of 2021.** The Governor's Budget includes $602,000 ongoing from PUCURA to convert three limited-term positions to permanent positions to continue to administer and maintain surcharge and user fee revenues.	Approve as budgeted.
31.	January Governor's Budget	**Implementation Support for SB 28 of 2021.** The Governor's Budget includes $1,139,000 annually from PUCURA to convert four limited-term positions to permanent positions, and the addition of one new permanent position to implement new complaint and enforcement procedures related to video services.	Approve as budgeted.
32.	January Governor's Budget	**Implementation Support for SB 4 of 2021.** The Governor's Budget includes $1,085,000 ongoing from PUCURA to convert five limited-term positions to permanent positions; and $2.55 million one-time for consultant services with an extended encumbrance and liquidation period from the California Advanced Services Fund (CASF) to address the increased demand for broadband funding, larger collection authority, and overall expansion of the CASF program.	Approve as budgeted.
33.	January Governor's Budget	**Industrial Process Heat Recovery (AB 2109).** The Governor's Budget includes $222,000 ongoing for one position from PUCURA to establish rules regarding the exemption of nonbypassable or departing load surcharges from applying to a reduction in kilowatt-hours of electricity consumption due to industrial heat process technology that meets prescribed requirements.	Approve as budgeted.

34.	January Governor's Budget	**Neighborhood Decarbonization Zones (SB 1221).** The Governor's Budget includes $1,652,000 ongoing for seven positions and $49,000 one-time, $240,000 over four years, and $7,000 for training, travel, workshop support, and software licensing from PUCURA to implement a new neighborhood decarbonization program to transition customers from natural gas usage to cleaner forms of energy usage.	Approve as budgeted.
35.	January Governor's Budget	**Public Utilities Rate of Return (AB 2666).** The Governor's Budget includes $2,720,000 ongoing for twelve positions; $35,000 for one-time equipment and training; $40,000 per year for two-years for workshop travel; and $20,000 ongoing for software subscriptions from PUCURA to establish guidelines, evaluate rate of return variances, and adjust revenue requirements as appropriate while ensuring sufficient funds for safe and reliable services, in addition to clearly communicating to consumers about the CPUC and utility work in support of implementing this statute and outcomes.	Approve as budgeted.
36.	January Governor's Budget	**SB 1130 Electricity: Family Electric Rate Assistance Program.** The Governor's Budget includes $222,000 ongoing from PUCURA for one senior analyst position to implement the changes to the Family Electric Rate Assistance (FERA) program, pursuant to SB 1130.	Approve as budgeted.
37.	January Governor's Budget	**System Reliability and Outages (AB 2368).** The Governor's Budget includes $845,000 ongoing for four positions from PUCURA to implement the reliability and modeling requirements in the integrated resource planning and resource adequacy programs pursuant to AB 2369.	Approve as budgeted.
38.	January Governor's Budget	**Public Advocates Office Administrative Support (AB 2109, AB 2368, and SB 1221).** The budget includes $925,000 from the Public Utilities Commission Public Advocates Office Account (PUC) for four positions to meet the Public Advocates Office's statutory obligations resulting from AB 2109, AB 2368, and SB 1221.	Approve as budgeted.
39.	January Governor's Budget	**Support for Administrative Law Judge Division.** The Governor's Budget includes $340,000 ongoing for three new support staff positions and position authority for two existing Senior Legal Typist positions to support the Administrative Law Judge (ALJ) Division's timely management and issuance of documents in proceedings and to enhance agenda support functions, records filling and maintenance, as well as support the Intervenor Compensation unit.	Approve as budgeted.

40.	January Governor's Budget	**Support for CPUC Administrative Functions.** The Governor's Budget includes $575,000 ongoing for four positions, 0.5 position authority to enhance and strengthen the core administrative functions and provide customer service supporting the entire CPUC, and $150,000 ongoing for licensing/data storage from various special funds.	Approve as budgeted.
41.	January Governor's Budget	**Deaf and Disabled Telecommunications Program Trailer Bill Language.** The Governor's Budget includes trailer bill language that would extend the surcharge for the Deaf and Disabled Telecommunications Program (DDTP) until December 31, 2034 and authorize the CPUC to make recommendations to the Legislature regarding the appropriations for the DDTP.	Defer to legislative policy process.
42.	January Governor's Budget	**Data Sharing with the Western Energy Coordinating Council and Others Trailer Bill Language.** The Governor's Budget includes trailer bill language that would allow CPUC to share information, pursuant to an agreement to treat the shared information as confidential, with the Western Energy Coordinating Council (WECC), the North American Electric Reliability Corporation (NERC), and the Northwest Power and Conservation Council (NPCC). In addition, the bill would allow for a disclosure made through the sharing of information between the Independent System Operator, WECC, NERC, NPCC, and a state agency does not constitute a waiver of an exemption.	Reject without prejudice.
43.	January Governor's Budget, May Revision	**California Lifeline – State Operations and Local Assistance.** The May Revision includes $528 million in 2025-26 from the Universal LifeLine Telephone Service Trust Administrative Committee Fund (0471) for the Universal LifeLine Telephone Service Program to provide low-income California households with basic, high-quality wireless and wireline services at affordable rates in accordance with the Public Utilities Code section 871 et seq.	Approve as budgeted.
44.	May Revision	**Community Renewable Energy and Storage.** The May Revision cuts $33 million General Fund for programs funding community renewable energy projects at the CPUC. This is a part of the Clean Energy Reliability Investment Plan (CERIP), a $1 billion commitment to clean energy programs as part of the Diablo Canyon Power Plant extension agreement.	Approve as budgeted.
45.	May Revision	**Safe Battery Energy Storage Systems.** The May Revision includes $3.7 million Public Utilities Commission Utilities Reimbursement Account (PUCURA) in 2025-26 and 2026-27, and $2.9 million ongoing PUCURA and 12 positions in 2027-28 to support compliance and enforcement of safety standards for large-scale, electric grid connected battery energy storage systems at the CPUC.	Approve as budgeted.

46.	Legislative Proposal	**Self-Generation Incentive Program (SGIP) Trailer Bill Language.** The Legislature proposes trailer bill language to clarify that customers receiving service from community choice aggregators are eligible for SGIP funds as well as that specified demand response or peak load reduction programs are eligible to meet the requirement for the program.	Approve placeholder trailer bill language.

VARIOUS DEPARTMENTS

Issue 47-49: Various Proposals

Issue #	Origin	Subject	Staff Recommendation
47.	January Governor's Budget, May Revision	**GGRF Spending Plan**. The Governor's Budget includes $1.8 billion in discretionary Greenhouse Gas Reduction Fund (GGRF) expenditures, in addition to $2.4 billion continuous appropriations and $430 million in statutory obligations. The proposed spending plan generally aligns with the multi-year commitments made in prior years, with the exception of two changes: a $32 million shift from GGRF to Proposition 4 for the Clean Energy Reliability Investment Plan and an $81 million shift from the GGRF to the Motor Vehicle Account (MVA), to address fund insolvency in the budget year. The May Revision cuts all discretionary expenditures to shift $1.5 billion from the General Fund to GGRF to support CalFire's fire prevention, fire control, and resource management activities on an ongoing basis. This proposal also includes a General Fund backstop to protect CalFire's operations in the event "Cap-and-Invest" auction proceeds fall below projected revenues.	Approve $1 billion fund shift (across two years) to the General Fund for CalFIRE operational costs. Defer the remainder of the discretionary GGRF spending plan in a future budget bill.
48.	May Revision	**Cap-and-Trade Reauthorization Trailer Bill Language.** The May Revision includes trailer bill language that reauthorizes the nearly identical cap-and-trade program until 2045, including the following components: CARB's existing price ceiling authority; offset credit limit of 6%, half with direct environmental benefits to the state; 100% industry assistance factors for free allowances; requirement that revenues from all additional tons sold at the price ceiling are used CARB to achieve emissions reductions via offset-like projects; and requirement for all emission reductions to demonstrate additionality. In addition, it contains (as does existing law from 2031 onwards) a pared-down version continuing from 2046 into the future that lacks most of the specifics described above.	Defer to legislative policy process.

49.	Governor's Budget	**Motor Vehicle Account.** To maintain a positive MVA balance in 2025-26, the Governor proposes to transfer funds into the account from two other state accounts totaling $166 million on a one-time basis. These transfers are intended to fully offset the estimated $166 million that MVA annually provides to support CARB's Mobile Source Program. (That program aims to reduce emissions from on- and off-road mobile sources, such as vehicles and construction equipment.) The two components of these transfers consist of: • *$85 million From the Air Pollution Control Fund (APCF).* The proposal would transfer $85 million from APCF to MVA. The APCF is overseen by CARB and receives revenues from fees and penalties on vehicle and non-vehicle pollution sources. The account's funds generally are used to carry out CARB's duties and functions. • *$81 Million From GGRF.* GGRF contains auction proceeds from the state's cap-and-trade program. The proposed funds to be transferred to MVA consist of $49 million from unallocated projected discretionary GGRF revenues and $32 million that would be "freed up" by shifting some prior planned GGRF expenditures for clean energy activities to the Proposition 4 climate bond.	Approve $85 million transfer from the Air Pollution Control Fund. Defer $81 million transfer from the Greenhouse Gas Reduction Fund until the Greenhouse Gas Reduction Fund spending plan is finalized.

Senate Budget and Fiscal Review—Scott Wiener, Chair
SUBCOMMITTEE NO. 2 **Agenda**

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

Thursday, May 1, 2025
9:30 a.m. or Upon Adjournment of Session
1021 O Street - Room 2200

Consultant: Eunice Roh

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ITEMS FOR DISCUSSION

VARIOUS DEPARTMENTS

Issue 1: Cap-and-Trade Spending Plan

Governor's Proposal. The Governor's Budget includes $1.8 billion in discretionary Greenhouse Gas Reduction Fund (GGRF) expenditures, in addition to $2.4 billion continuous appropriations and $430 million in statutory obligations. The proposed spending plan generally aligns with the multi-year commitments made in prior years, with the exception of two changes: a $32 million shift from GGRF to Proposition 4 for the Clean Energy Reliability Investment Plan and an $81 million shift from the GGRF to the Motor Vehicle Account (MVA), to address fund insolvency in the budget year.

Background. According to the LAO:

Expenditures for Most Cap-and-Trade Auction Revenues Are Directed by Statute. The California Air Resources Board (CARB) holds quarterly cap-and-trade auctions. The revenues from these auctions are deposited into GGRF and generally are allocated to climate-related programs. Over the past three years, individual quarterly auctions have generated an average of $1.1 billion in revenue, with annual amounts averaging $4.4 billion. Under current law, most GGRF is allocated to specific programs, as shown in Figure 1. The remaining revenue is available for appropriation by the Legislature for discretionary spending programs, as well as to cover state administrative costs, through the annual budget process.

Figure 1

Continuous Appropriations and Other Statutorily Required GGRF Appropriations

Program	Department	Appropriation Amount
High-speed rail project	HSRA	25 percent of annual revenues
Affordable Housing and Sustainable Communities Program	SGC	20 percent of annual revenues
TIRCP	CalSTA	10 percent of annual revenues
Low Carbon Transit Operations Program	Caltrans	5 percent of annual revenues
Healthy and resilient forest activities	CalFire	$200 million
Safe and Affordable Drinking Water Program	SWRCB	5 percent of annual revenues (up to $130 million)
Manufacturing tax credit	N/A	Roughly $100-$140 million
State Responsibility Area fee backfill	CalFire	Roughly $70-$90 million

GGRF = Greenhouse Gas Reduction Fund; HSRA = High-Speed Rail Authority; SGC = Strategic Growth Council; TIRCP = Transit and Intercity Rail Capital Program; CalSTA = California State Transportation Agency; Caltrans = California Department of Transportation; CalFire = California Department of Forestry and Fire Prevention; SWRCB = State Water Resources and Control Board; and N/A = not applicable.

Past Two Budget Agreements Included Plans for Spending Out-Year Discretionary GGRF. The past two budget agreements—2023-24 and 2024-25—not only appropriated GGRF to discretionary programs for those respective budget years, but also included plans to dedicate a large share of out-year discretionary GGRF revenues for specific purposes. This contrasts with the historical practice of allocating funding on a year-by-year basis. As shown in Figure 2, the bulk of the agreed-upon planned GGRF spending would backfill reductions to expenditures that were previously planned to be made from the General Fund for a wide variety of activities. These actions were taken with the intent of sustaining previous multiyear spending commitments while achieving General Fund savings in response to the deficit and worsening budget condition.

Figure 2

Discretionary Greenhouse Gas Reduction Fund Expenditure Plan as of *2024-25 Budget Act*

(In Millions)

Program	Department	2024-25	2025-26	2026-27	2027-28	2028-29
Fund Shifts From General Fund		**$2,434**	**$1,504**	**$1,314**	**$1,089**	**$650**
Climate Packages		**$1,371**	**$1,051**	**$952**	**$989**	**—**
Drinking water/wastewater projects (Water)	SWRCB	$225	$30	—	—	—
Drayage trucks & infrastructure (ZEV)	CEC	157[a]	—	—	—	—
Flood projects (Water)	DWR	126	—	—	—	—
ZEV fueling infrastructure grants (ZEV)	CEC	120[a]	—	—	$99	—
Habitat restoration projects (NBA)	DWR	103	—	—	—	—
Streamflow Enhancement Program (Water)	WCB	101	—	—	—	—
Demand side grid support (Energy)	CEC	75	75	—	—	—
Clean trucks/buses/off-road equipment (ZEV)	CEC	71[a]	—	—	—	—
Protecting wildlife (NBA)	WCB	70	—	—	—	—
Emerging opportunities (ZEV)	CARB	53	—	—	—	—
Fire prevention grants (Wildfire)	CalFire	40	—	—	42	—
Transit buses & infrastructure (ZEV)	CEC	29[a]	—	—	—	—
Ocean protection activities (Coastal)	OPC	28	—	37	—	—
Extreme heat/community resilience (Extreme heat)	OPR	25	—	—	—	—
Equitable Building Decarbonization (Energy)	CEC	25	—	—	93	—
Long duration storage (Energy)	CEC	23[a]	26	—	—	—
Carbon removal innovation (Energy)	CEC	20[a]	—	—	—	—
Prescribed fire pilot; monitoring & research (Wildfire)	CalFire	26	—	—	—	—
Wetlands restoration (NBA)	CDFW	17		—	—	—
Livestock methane reduction (Agriculture)	CDFA	17	7	—	—	—
Climate Action Corps (Community Resilience)	OPR	9	9	9	9	—
Salton Sea activities (Water)	DWR	7	—	—	—	—
ZEV programs (ZEV)	CEC	—	385	299	387	—
ZEV programs (ZEV)	CARB	—	215	301	213	—
Distributed Electricity Backup Assets (Energy)	CEC	—	200	180	—	—
Hydrogen grants (Energy)	CEC	5	34	—	—	—
Oroville pump storage (Energy)	DWR	—	30	100	100	—
Watershed climate resilience (Water)	WCB	—	15	—	—	—
Water recycling/groundwater cleanup (Water)	SWRCB	—	15	—	—	—
Tribal engagement (Wildfire)	CalFire	—	10	—	—	—
SWEEP (Water)	CDFA	—	—	21	—	—
Environmental justice grants (Community Resilience)	CalEPA	—	—	5	—	—
Unit fire prevention projects (Wildfire)	CalFire	—	—	—	26	—
Regional Forest and Fire Capacity (Wildfire)	DOC	—	—	—	20	—
Transportation and Other Environmental Programs		**$1,063**	**$453**	**$363**	**$100**	**$650**
Competitive and formula-based TIRCP	CalSTA	$958[a]	$368	$20	—	—
Vulnerable community toxic cleanup	DTSC	65	—	43	—	—
Diablo Canyon land conservation	Various	40	10	50	$50	—
CERIP	CEC	—	50	150	50	$650
Highways to Boulevards	Caltrans	—	25	50	—	—
Oil well plug/abandonment	DOC	—	—	50	—	—

(Continued)

Program	Department	2024-25	2025-26	2026-27	2027-28	2028-29
Non-Fund Shifts		**$315**	**$278**	**$480**	**$710**	**$275**
AB 617—Community Air Protection	CARB	$250	$250	$250	$250	$250
Zero Emission Transit Capital Program	CalSTA	—	—	230	460	—
Salton Sea activities	Various	65	3	—	—	—
Community renewable energy	CPUC	—	25	—	—	25
Totals		**$2,750**	**$1,783**	**$1,794**	**$1,799**	**$925**

[a] Includes funding scored in 2023-24.

SWRCB = State Water Resources Control Board; ZEV = zero-emission vehicles; CEC = California Energy Commission; DWR = Department of Water Resources; NBA = nature-based activities; WCB = Wildlife Conservation Board; SWEEP = State Water Efficiency and Enhancement Program; CARB = California Air Resources Board; CalFire = California Department of Forestry and Fire Protection; OPC = Ocean Protection Council; OPR = Governor's Office of Planning and Research; CDFW = California Department of Fish and Wildlife; CDFA = California Department of Food and Agriculture; CalEPA = California Environmental Protection Agency; DOC = Department of Conservation; TIRCP = Transit and Intercity Rail Capital Program; CalSTA = California State Transportation Agency; DTSC = Department of Toxic Substances Control; CERIP = Clean Energy Reliability Investment Plan; Caltrans = California Department of Transportation; and CPUC = California Public Utilities Commission.

Governor Proposes $1.8 Billion Discretionary Spending in 2025-26. As shown in Figure 3, the Governor proposes spending $4.8 billion from GGRF in 2025-26. Of this amount, the proposal provides $2.6 billion for continuous appropriations, $346 million for other existing statutory commitments, and $1.8 billion for discretionary spending. Almost all of the proposed 2025-26 discretionary spending would be used to implement agreements that were part of the 2024-25 budget package, as detailed in Figure 2. Based on the administration's revenue assumptions and proposed expenditures, it estimates GGRF would maintain a balance (also known as a reserve) of roughly $160 million at the end of 2025-26.

Adds Two Proposed Fund Shifts Aimed at Supporting MVA. The Governor proposes two modifications to the cap-and-trade expenditure plan agreed to as part of the 2024-25 budget. Both are GGRF-related fund shifts with the goal of supporting CARB activities typically funded by MVA. (As we discuss in our February 2025 publication, *The 2025-26 Budget: Transportation Proposals*, MVA continues to be structurally imbalanced and faces insolvency in the budget year absent corrective action.) The two proposals include:

- ***Clean Energy Reliability Investment Plan (CERIP) Fund Shift ($32 Million Shift From GGRF to Proposition 4).*** The Governor proposes shifting $32 million of planned spending to implement CERIP from GGRF to Proposition 4. (The Legislature established CERIP in 2022 to support various activities aimed at helping the state reach its clean energy goals.) Along with this proposed fund shift, the Governor would designate the funding specifically for the Demand Side Grid Support Program. (Previous budget agreements included intent to provide GGRF for CERIP-related activities in 2025-26 but deferred decisions on which specific activities would be funded to future budget deliberations.) This proposal would reduce pressure on GGRF by $32 million in 2025-26. (Please see our February 2025 report, *The 2025-26 Budget: Proposition 4 Spending Plan*, for further discussion of these shifts.)

- ***MVA Offset ($81 Million Shift From GGRF to MVA).*** The Governor proposes to transfer a total of $81 million from GGRF to MVA in 2025-26. This consists of the $32 million that would be "freed up" by the CERIP fund shift discussed above, along with $49 million from projected additional unallocated discretionary GGRF revenues. These transfers would pay for the costs of CARB's Mobile Source Program, which is intended to reduce emissions from on- and off-road mobile sources. (Separately, the Governor also proposes to transfer $85 million from CARB's Air Pollution Control Fund to further address MVA shortfalls.)

Figure 3

Governor's Proposed 2025-26 Cap-and-Trade Expenditure Plan

(In Millions)

	Department	Proposed in 2025-26 Budget
Continuous Appropriations[a]		**$2,576**
High-speed rail project	HSRA	$936
Affordable Housing and Sustainable Communities Program	SGC	749
TIRCP	CalSTA	374
Healthy and resilient forests activities	CalFire	200
Low Carbon Transit Operations Program	CalTrans	187
Safe and Affordable Drinking Water Program	SWRCB	130
Other Existing Statutory Commitments		**$346**
Manufacturing tax credit	N/A	$141
Baseline operations	Various	117
State Responsibility Area fee backfill	CalFire	88
Discretionary Appropriations		**$1,832**
2024-25 Budget Agreement		**$1,783**
Fund shifts from General Fund (climate packages)	Various	$1,504
Non-fund shifts	Various	278
New Proposals		**$49**
Motor Vehicle Account offset	CARB	$81
CERIP	CEC	-32[b]
Total		**$4,754**

[a] Based on Governor's revenue assumption of $4.2 billion in 2025-26.

[b] Governor proposes shifting $32 million of planned spending on CERIP from GGRF to Proposition 4.

HSRA = High Speed Rail Authority; SGC = Strategic Growth Council; TIRCP = Transit and Intercity Rail Capital Program; CalSTA = California State Transportation Agency; CalFire = California Department of Forestry and Fire Prevention; SWRCB = State Water Resources and Control Board; N/A = not applicable; CARB = California Air Resources Board; CERIP = Clean Energy Reliability Investment Plan; and CEC = California Energy Commission.

LAO Assessment.

Governor's Proposal Maintains Agreed-Upon Expenditure Plan. We find the Governor's GGRF proposal to be largely consistent with the expenditure plan agreed to in 2024-25. (The one relatively small modification is related to the proposed fund shift for CERIP.) Assuming GGRF revenues are adequate and the Legislature's priorities remain unchanged, maintaining these previous spending plans is both reasonable and appropriate. However, should the budget condition or prioritization of potential activities change, the Legislature may want to revisit these intentions.

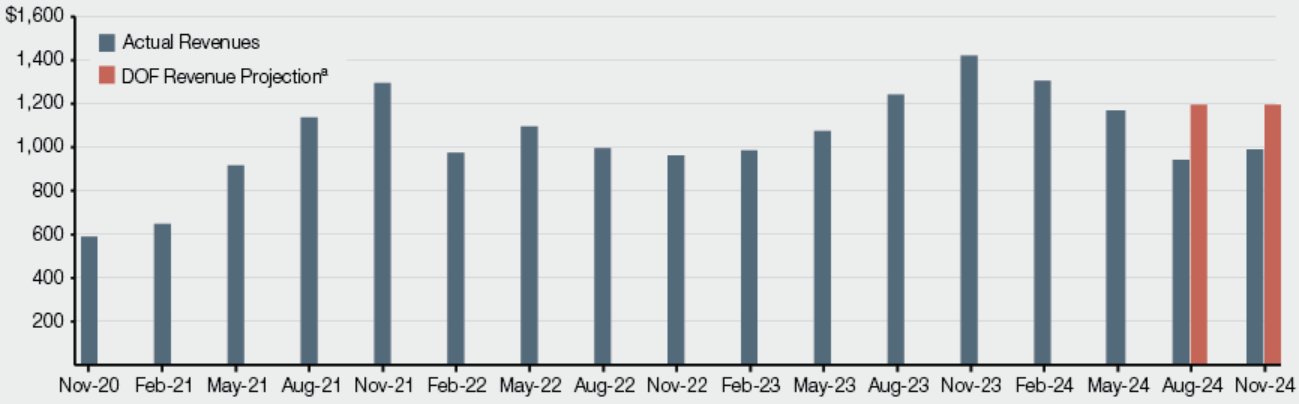
Using GGRF to Backfill MVA Comes With Trade-Offs. The proposed fund shifts come with notable trade-offs, as we discuss in further detail in *The 2025-26 Budget: Transportation Proposals*. For example, a key advantage is that they allow the state to continue to keep MVA balanced in 2025-26 without raising vehicle fees or reducing service levels. However, some key disadvantages include that (1) the amount shifted to Proposition 4 results in the bond funds being used to sustain existing commitments rather than to enhance the state's climate efforts, (2) using unallocated projected discretionary GGRF revenues for this purpose means they are not available for other purposes, and (3) sustaining the proposed level of expenditures from GGRF in 2025-26 may be difficult if revenues fail to strengthen, as discussed below.

2024-25 GGRF Revenues Are Coming in Below Projections. The Department of Finance (DOF) estimates future GGRF revenues based on an average of actual allowance prices from auctions that occurred in the previous calendar year. In general, we find this methodology to be a reasonable approach. However, the past two auctions have reflected some weakening in allowance prices compared to the auctions that took place during the prior year. Specifically, DOF projected 2024-25 auction prices of about $38 per allowance, but actual prices at the first two quarterly auctions of the fiscal year were roughly $31. Accordingly, as shown in Figure 4, GGRF revenues in 2024-25 have been somewhat lower than the administration's projections last spring that formed the basis of the *2024-25 Budget Act's* GGRF spending package.

Figure 4

Recent Quarterly GGRF Auction Revenues Underperformed Projections

(In Millions)



[a] DOF forecast as of the 2024-25 Budget Act.

GGRF = Greenhouse Gas Reduction Fund and DOF = Department of Finance.

LAO

If Revenue Trends Continue at Modest Decline, Planned Current-Year Expenditures Likely Still Feasible… Two auctions remain in the 2024-25 fiscal year—February and May. We estimate that even if allowance prices continue to trail the *2024-25 Budget Act's* assumptions, if they remain at comparable levels to the past two auctions (roughly $31), GGRF likely will be able to continue to support the expenditures that currently are planned for 2024-25. This is in part because many of the continuous appropriations are calculated as a percentage of GGRF revenues and thus automatically adjust downward when revenues decline. However, should allowance prices decline more steeply than occurred in the August and November 2024 auctions, modifications to planned expenditures for 2024-25 could potentially be necessary. DOF could address such a circumstance through Control Section 15.14 of the annual budget act, which provides a mechanism for DOF to make midyear reductions if auction revenues are insufficient to support discretionary GGRF spending at the budgeted levels.

…But Revisiting GGRF Spending Plan for 2025-26 Could Be Necessary Depending on February and May Auction Results. If the somewhat lower allowance prices that the state has experienced over the past two auctions persist into 2025-26, we estimate that revenues may not be sufficient to fund existing statutory commitments and the budget-year spending plan agreed to in the 2024-25 budget package. Specifically, we estimate that if the allowance prices seen at the past two auctions persist throughout 2025-26, in adopting the final budget plan the Legislature and Governor would need to reduce the Governor's proposed 2025-26 expenditures by nearly $200 million to prevent a negative fund balance for GGRF at the end of the fiscal year. Since GGRF revenues are subject to substantial uncertainty, as

we discuss in greater detail below, revenues could be notably higher or lower than recent trends. Further declines in revenues compared to what has been the case thus far would necessitate additional reductions to planned expenditures, whereas increases in revenues could potentially result in additional monies becoming available for discretionary purposes.

Substantial and Increasing Degree of Uncertainty Around GGRF Revenues. Predicting how the cap-and-trade market will behave and forecasting corresponding GGRF revenues are always subject to some uncertainty. However, a couple of factors may contribute to more uncertainty than usual for this exercise over the next several years. The Legislature may want to keep these uncertainties in mind as it makes its GGRF budgeting decisions. In particular:

- ***CARB Considering Cap-and-Trade Program Changes.*** CARB has indicated that it intends to begin a rulemaking process for potential amendments to the cap-and-trade program that would influence allowance prices. These include potential changes to the number of allowances the state makes available and the allocation of those allowances.

- ***2030 Expiration of Statutory Authorization.*** Before the Legislature last extended the statutory authorization for the cap-and-trade program in 2017, revenues from GGRF began to decline due to investor uncertainty about the status of the program. Should considerable uncertainty about the fate of the program exist as its next statutory end-date approaches (2030), a similar downward pressure on revenues could emerge.

- ***Linkage With Washington State.*** CARB has indicated that it is discussing linking California's cap-and-trade program with the program in Washington state. Such action could affect allowance prices in both states as they come into alignment.

Revisiting Spending Plan Also Could Make Sense if Budget Condition Worsens. As of January 2025, both our office and DOF projected that the state's General Fund will be roughly balanced in 2025-26 under the Governor's budget proposal. However, various factors could change over the coming months that could affect the condition of the state's General Fund. For example, if the costs of responding to and recovering from the January 2025 wildfires that affected the Los Angeles region are higher than anticipated or state revenues come in lower than projected, the state's budget condition could worsen. Additionally, our office and DOF project out-year deficits of over $10 billion annually over the next few years. To the extent the state's budget condition weakens in the coming months, the Legislature could consider modifying its GGRF spending plan. For example, if revenue declines result in the state facing a large budget problem that necessitates cuts to ongoing programs, the Legislature could consider forestalling those reductions by redirecting GGRF to help sustain higher-priority activities.

LAO Recommendations.

Monitor Auctions and General Fund Condition Over Coming Months. Given the growing uncertainty around cap-and-trade revenues, we recommend the Legislature continue to closely monitor quarterly auctions to assess how revenues are materializing. To the extent that revenues from the February and May 2025 auctions deviate from projections, the 2025-26 GGRF spending levels may not be able to support the plans included in the 2024-25 budget agreement.

Additionally, we recommend that the Legislature consider updated information on the condition of the General Fund as it becomes available over the coming months before it finalizes its GGRF spending plan. In the event that the General Fund condition deteriorates notably, the Legislature could consider redirecting GGRF as a tool to help sustain its highest-priority activities.

Adopt GGRF Spending Plan Consistent With Legislative Priorities. Ultimately, once the picture is clearer regarding GGRF revenues as well as the General Fund condition, we recommend the Legislature adopt a GGRF expenditure plan that is consistent with its intent and priorities. This will include assessing strategies for supporting the MVA and the programs that account historically has supported, and the degree to which the Legislature is comfortable with the trade-offs associated with the Governor's proposed fund shifts.

Staff Comment. The Governor's proposed GGRF expenditure plan largely maintains the multi-year commitments made in the 2024-25 budget, with the exception of two items—(1) backfilling a $32 million prior GGRF commitment with Proposition 4 funds and (2) transferring $81 million to the MVA to help address the impending fund deficit. As the Legislature considers this year's expenditure plan, it may want to consider whether these changes align with its priorities, as well as if there are any additional changes that may be needed.

For example, the Legislature may want to consider how the GGRF expenditure plan currently allocates funding towards ZEV programs. The 2025-26 GGRF expenditure plan includes significant discretionary spending for zero-emission vehicle programs at CARB ($215 million) and CEC ($385 million). Specifically, the budget proposes to fund the following ZEV categories at the two departments:

Department	Category	2025-26	2026-27	2027-28
Air Resources Board				
	Charter Boats Compliance	20		20
	Clean Cars 4 All & Other Equity Projects			45
	Community-Based Plans, Projects and Support / Sustainable Community Strategies	100	79	100
	Drayage Trucks & Infrastructure	48	37	48
	Emerging Opportunities	47		
	Ports		185	
	CARB Subtotal	215	301	213
Energy Commission				
	Drayage Trucks & Infrastructure	50	49	50
	Clean Trucks, Buses and Off-Road Equipment	89		137
	Fueling Infrastructure Grants	140	80	219
	Equitable At-Home Charging	60	40	80
	Ports		130	
	Emerging Opportunities	46		
	CEC Subtotal	385	299	486
	Total	600	600	699

Under the proposed budget bill language, CARB and CEC have discretion on which specific programs are funded under each of these categories. Each department has their own specific process to allocate these funds—for CARB, it is through the Funding Plan and for CEC, it is through Clean Transportation Program. Both programs include a public proceeding process to develop an annual investment plan, through which department staff can engage with stakeholders, develop a specific allocation plan, and submit to the board or commission for final approval. The following provides a brief summary of each category, which programs the funding has gone towards, and how that is determined:

- **Charter Boats Compliance (CARB).** Funding under this category is aimed at reducing emissions from vessels subject to the Commercial Harbor Craft regulation, by supporting cleaner technology for commercial passenger fishing vessels, excursion and research vessels, as well as public and private ferries, helping reduce diesel particulate matter emissions near port communities. The project/program through which the funding for this category will be administered will be determined through a public process and ultimately described in CARB's annual Funding Plan. Previous budgets have included $60 million for Charter Boats Compliance, which was awarded through the Sustainable Heavy-Duty Initiatives for Future Technology (SHIFT) program (formerly known as the Advanced Technology Demonstration and Pilots). Approximately $52 million dollars has been encumbered in grant agreements and the remaining funds have been committed to projects, pending grant execution.

- **Clean Cars 4 All & Other Equity Projects (CARB).** This category of funding is aimed to help increase low-income individuals' and households' access to clean transportation options. Specific program allocations are determined by CARB's Funding Plan process. Funding has gone towards the following projects and programs:

    - Regional Clean Cars 4 All (local air district programs): Provides incentives to help lower income consumers living in priority populations to replace their old higher polluting vehicles with newer and cleaner transportation. Currently available in the state's 5 largest air districts. $107 million remains as of January 31, 2025.
    - Driving Clean Assistance Program (includes Statewide Clean Cars 4 All, the Financing Assistance Program, and Zero Emission Assurance Project): Offers Statewide Clean Cars 4 All in all areas outside of the 5 implementing air districts and the Financing Assistance Program provides access to low interest rate loans and incentives statewide for consumers that don't have a vehicle to scrap. The Zero Emission Assurance Project helps lower-income Californians reduce the risk of buying a used zero-emission vehicle by providing a rebate or vehicle service contract for the replacement battery or fuel cell component. The Zero Emission Assurance Project is expected to launch as a part of the Driving Clean Assistance Program later this year. $208 million ($105 million for Statewide Clean Cars 4 All, $93 million for Financing Assistance, and $10 million for the Zero-Emission Assurance Project) remains as of January 31, 2025.
    - California E-Bike Incentive Project: Provides voucher incentives to low-income California residents for the purchase of electric bikes (e bikes) including cargo e bikes and adaptive e bikes. $21 million remains, as of January 31, 2025.
    - Access Clean California Project: Helps streamline access to California Climate Investments' consumer-facing, equity-focused clean transportation and clean energy incentive programs for low-income and disadvantaged communities.

- **Community-Based Plans, Projects and Support / Sustainable Community Strategies (CARB).** Funding generally supports projects that increase access to zero-emission mobility in low-income communities and reduce vehicle miles traveled. Specifically, funding has been allocated towards the following projects/programs:

    - Clean Mobility Options Project: Provides funding for community-driven mobility projects that include electric car sharing, carpooling, regular bicycle and electric bicycle sharing, scooter sharing, vanpools, innovative transit services, fixed route transit, and other clean mobility options that best suit their communities' needs. Previously, CARB allocated $10 million to this program.

- Clean Mobility in Schools Project: Funds a variety of clean transportation projects in and around school communities. This includes funding for zero-emission vehicles, charging infrastructure, active and alternative modes of transportation, fleet and energy transition plans, education, curriculum, workforce training, and more. Previously, CARB allocated $16.7 million to this program.
- Sustainable Transportation Equity Project: Funds a variety of community-driven clean transportation projects, such as public transit, shared mobility services, active transportation infrastructure, land use planning and housing policy, workforce development, and clean transportation planning and education. Previously, CARB allocated $16.7 million to this program.
- Planning and Capacity Building Grants: Funds a variety of community-led planning and capacity building projects that include clean mobility transportation planning, community transportation needs assessments, community capacity building, outreach, workforce training and development, ongoing technical assistance, and other critical community-led clean mobility investment needs. Previously, CARB allocated $16.7 million to this program.

- **Drayage Trucks & Infrastructure (CARB).** This funding supports incentives to purchase zero-emission drayage trucks, and is administered through the Clean Truck and Bus Voucher Incentive Project (HVIP) as a dedicated set aside. CARB has received a total of $312 million for this category from the ZEV Package to date. All previous appropriations have been fully encumbered and the HVIP drayage truck set-aside is now closed to new applications. Fleets have placed purchase orders for the new zero-emission drayage trucks and CARB expects vehicle deliveries will occur within 12-18 months due to build times and truck availability.

- **Emerging Opportunities (CARB).** Funding under this category supports the advancement of zero-emission technologies in sectors where zero-emission options are not yet widely available such as maritime, aviation, locomotives, and off-road applications. The project/program through which the funding for this category will be funded will be determined through a public process and described in CARB's annual Funding Plan. CARB has received $53 million for this category from the ZEV Package to date. CARB and CEC held a joint solicitation for this funding in late 2023 into early 2024, under Advanced Technology Demonstration and Pilot Projects.

- **Ports (CARB and CEC).** This category of funding is intended to support ports in transitioning its vehicles and equipment to zero-emission, through funding port vehicles and vessels, forklifts, goods movement vehicles and equipment, and other mobile sources of pollution at ports. CARB and CEC will work in collaboration through the public process to develop the details on how this funding is implemented, including project prioritization, but anticipate it being through established programs to provide vehicle and equipment and infrastructure incentives. This could potentially be a joint solicitation.

- **Drayage Trucks & Infrastructure (CEC).** Funding under this category has been allocated through two mechanisms: (1) a grant solicitation to support medium- and heavy-duty (MDHD) ZEV infrastructure at ports and (2) EnergIIZE, a third party administered block grant that provides incentives for ZEV infrastructure for MDHD vehicles. According to the CEC, the funding proposed for 2025-26, 2026-27, and 2027-28 is intended to support deployment of charging and hydrogen refueling infrastructure for zero-emission drayage trucks at ports, and goods movement corridors related to ports.

- **Clean Trucks, Buses and Off-Road Equipment (CEC).** This category of funding supports the deployment of charging and hydrogen refueling infrastructure for clean trucks, buses, and off-road equipment, including, but not limited to, construction and agricultural vehicles and equipment. This is a broad category that allows for infrastructure funding to support smaller trucks (i.e., delivery trucks) up through larger heavy-duty trucks and also buses (transit & schools). CEC has allocated this funding through various grant solicitations and third-party administered block grants.

- **Fueling Infrastructure Grants (CEC).** This category supports the deployment of charging infrastructure for light-duty electric vehicles. Prior funding under this category has been allocated through various grant solicitations and third-party administered block grants, such as Fast and Available Charging for All Californians and Charging Infrastructure for Government Fleets.

- **Equitable At-Home Charging (CEC).** Funding under this category supports the deployment of equitable at-home charging infrastructure for those living in multi-unit dwellings such as apartments and/or homes with limited access or means to support home charging. Prior funding under this category has been allocated through the Reliable, Equitable, and Accessible Charging for Multi-family Housing grant solicitation as well as the Communities in Charge block grant.

- **Emerging Opportunities (CEC).** Funding under this category support the zero-emission aviation, locomotives, marine vehicles, and vehicle-grid integration efforts. Prior funding under this category has been allocated through the Responsive, Easy Charging Products with Dynamic Signals grant solicitation as well as Advanced Technology Demonstration and Pilot Projects program in partnership with CARB.

Although the Legislature has previously provided CARB and CEC significant authority to allocate funds under these categories, it can directly allocate funds to specific programs. In particular, several stakeholders have requested additional funding be provided to local air pollution districts participating in Clean Cars 4 All, an incentive program for low-income individuals; the HVIP program, which provides incentives for medium- and heavy-duty vehicles; zero-emission school buses; Funding Agricultural Replacement Measures for Emission Reductions (FARMER) Program; among many others. The Legislature may want to consider to what extent it would like to prioritize specific ZEV programs by providing a direct appropriation, and how it can best direct CARB and CEC in using state funds to meet the needs of the zero-emission transition.

The Legislature may also want to consider the GGRF allocations to ZEV programs in context of a recent legal settlement with Hino Motors, a heavy-duty engine manufacturer. In January 2025, the California Attorney General and CARB announced a $236.5 million settlement with Hino Motors, to address claims that Hino fraudulently obtained low emission vehicle subsidies from the State and allegedly violated California laws including the False Claims Act and Unfair Competition Law. Of the settlement amount, $111.8 million is required to be spent to mitigate harmful emissions of NOx in California. Stakeholders have requested this amount be allocated to HVIP, as it supports the zero emission transition of medium- and heavy-duty vehicles, and thus, mitigates NOx. CARB reports that these settlement funds have not yet been received. However, once the funds are received, the department intends to make a proposal to the Legislature for appropriation through the budget process.

Staff Recommendation. Hold open.

3900 STATE AIR RESOURCES BOARD

Issue 2: Implementation of Advanced Clean Fleets, Zero-Emission Airport Shuttle, and Zero-Emission Forklift Regulations

Governor's Proposal. The Governor's budget includes two proposals to provide CARB with ongoing resources in order to implement regulations aimed at improving air quality and reducing GHG emissions:

- ***ZEF.*** $3.5 million on an ongoing basis from APCF and 17 positions to support the implementation and enforcement of CARB's recently adopted ZEF regulations.

- ***ACF and ZEAS.*** $5.8 million on an ongoing basis from APCF starting in 2026-27 and the conversion of 32.5 limited-term positions to permanent positions in 2025-26 to implement CARB's recently adopted ACF and ZEAS regulations.

LAO Assessment.

Lack of Federal Waivers Prevents California From Enforcing Most Components of ZEF, ACF, and ZEAS Regulations. Because they represent unique state-level vehicle standards, under federal law, CARB must secure federal waivers to enforce the ZEAS and ZEF regulations, as well as most of the ACF regulation. While CARB secured a waiver for the ZEAS regulation in 2023, it has not done so for its ZEF and ACF regulations. Accordingly, while CARB can enforce the ZEAS regulation and certain portions of the ACF regulation, it does not have authority to enforce most of the ACF regulation or any of the ZEF regulation. Moreover, signals from the new federal administration suggest it is not likely to grant California additional waivers and may even attempt to rescind already-approved waivers. For example, on January 20, 2025, President Trump signed an Executive Order stating that it is the policy of the United States to eliminate the "electric vehicle mandate" and to terminate, "where appropriate, state emissions waivers that function to limit sales of gasoline-powered automobiles." Accordingly, CARB is unlikely to be able to enforce the ZEF regulation or most of the ACF regulation for at least the next four years.

Given Lack of Enforcement Authority, Re-Evaluation of Approach Could Make Sense. Together, the Governor's two proposals would provide nearly 50 positions and over $9 million annually from APCF to implement all three regulations. This proposed use of APCF funds comes with trade-offs, as they could otherwise be used to support a variety of other types of regulations and programs that also would help the state meet its climate goals and air pollution standards. As such, the Legislature will want to give careful consideration to which activities it believes will be most cost-effective at achieving the state's objectives. CARB contends that implementing the ZEF and ACF regulations is an important step in helping the state achieve its climate goals and meet air quality standards. However, absent the authority to enforce the bulk of these regulations, the state will likely need to step back and consider whether to shift efforts and resources towards alternative strategies to achieve GHG and air quality goals. For example, a modified approach could rely more on (1) other regulations or activities that are covered under existing waivers and/or (2) activities that are unlikely to require federal waivers, such as financial incentive programs, programs that assess varied fee levels based on a vehicle's emissions, or indirect source rules. (Indirect source rules are regulations that address air pollution from mobile sources that are indirectly associated with a facility. For example, they could require the operator of a warehouse to offset the emissions from the trucks that use its facility.)

These types of modified approaches likely would come with trade-offs—including related to costs, expected amounts of emission reductions, and impacts on regulated industries—that would be important for the Legislature to weigh prior to deciding how to move forward.

Lack of Information on State Operations and Vacancy Reductions Complicates Legislative Decision-Making. At the same time that CARB is requesting additional positions to implement these new regulations, the administration is in the process of making reductions that could affect other programs and/or regulations aimed at helping the state meet its climate goals and air pollution standards. Specifically, as mentioned above, the Administration currently is in the process of implementing two reductions across nearly all state departments—one aimed at achieving ongoing General Fund state operations savings of up to 7.95 percent beginning in 2024-25 and another aimed at capturing additional savings from permanently eliminating vacant positions regardless of their funding source. As of this writing, CARB has provided minimal details on how these reductions will be implemented across the department. Absent such information, the Legislature has no way to assess how these reductions will affect other existing programs or regulations that might help the state meet its air quality standards and GHG-reduction goals or other key legislative priorities. This complicates the Legislature's efforts to assess whether the proposed new positions are the highest priorities for limited funding, or whether funding might more effectively be used to help maintain support for existing priority programs and regulation implementation.

LAO Comments.

Direct CARB to Report at Budget Hearings on Potential Approaches to Meeting Goals Given Lack of Waivers. In light of the lack of federal waivers for the ZEF and ACF regulations and resulting limitations on the state's regulatory enforcement abilities, we recommend the Legislature direct CARB to provide information at spring budget hearings on the various types of alternative approaches that the state could explore to meet its climate goals and air quality standards, as well as the associated advantages and disadvantages. This would give the Legislature more information about the types of strategies that it could consider for helping the state meet its goals.

Direct CARB to Report at Budget Hearings on Plans for State Operations and Vacancy Reduction Savings. We recommend that the Legislature direct CARB to provide a detailed report at budget hearings on its plans for the state operations and vacancy reduction savings, including identifying the specific personnel, contracts, and programs that will be affected. We further recommend that the Legislature direct CARB to provide information on any anticipated programmatic impacts of the proposed reductions. Such information is key to enabling the Legislature to better assess (1) how the changes may impact the state's ability to meet its GHG reduction goals and air pollution standards, (2) whether the changes are consistent with legislative priorities, and (3) how to prioritize the Governor's new proposed position and funding augmentations against a broader context of department-wide resources. (Our recent report, *The 2025-26 Budget: State Departments' Operational Efficiencies [Control Sections 4.05 and 4.12]*, provides a framework with some questions the Legislature could ask the Administration regarding the impacts of these reductions.)

Direct Implementation Resources Toward Priority Activities. We recommend the Legislature incorporate information that CARB provides at budget hearings—including on alternative options for meeting the state's air pollution standards and GHG emission reduction targets, as well as planned reductions associated with state operations and vacant positions—into its decisions regarding whether to fund the proposed positions to support the ZEF, ACF, and ZEAS regulations. The Legislature could then use this information to more fully evaluate how any additional funding and positions could be used to achieve state goals most cost-effectively.

To the extent the Administration is not able to provide adequate information to inform legislative decision-making within the time frame of the spring budget hearings, the Legislature could consider rejecting the proposals without prejudice and directing the Administration to provide further information prior to requesting ongoing funding at a later date.

Staff Recommendation. Hold open.

Issue 3: Expanded Resources for Carbon Capture, Removal, Utilization, and Storage Program (SB 905)

Governor's Proposal. The Governor's Budget includes $2.2 million in 2025-26 and $4.3 million ongoing beginning in 2026-27 from the Cost of Implementation Account (COIA) for 18 positions to implement SB 905 (Caballero and Skinner), Chapter 359, Statutes of 2022. SB 905 requires that CARB establish a Carbon Capture, Removal, Utilization, and Storage Program (Program) to evaluate carbon capture, utilization, or storage (CCUS) technologies and carbon dioxide removal (CDR) technologies and facilitate the capture and sequestration of carbon dioxide from those technologies.

Background. The 2023 budget provided $3.6 million annually for three years, with $1.9 million for nine limited-term positions and $1.7 million for contract funds. Currently, six of the nine limited-term positions are vacant, and CARB has been unable to successfully fill these vacancies with subject matter experts despite repeated recruitments. According to the department, this is due to the limited-term nature of those existing authorized positions. CARB encountered significant delays in program implementation primarily due to the limited number of positions and the inability to recruit qualified staff based on the limited term tenure of positions. Although contract funding was authorized, procurement for IT services has been delayed due to a lack of qualified staff to design system requirements and manage contracts. In addition, CARB has not met several statutory deadlines to adopt regulations and protocols for CCUS and CDR due to the limited staffing and resources dedicated to SB 905 implementation.

The department proposes staffing and budget levels similar to what was originally requested in 2023. This includes 18 positions to complete initial regulatory work, such as conducting CCUS/CDR technology reviews, updating CCS protocols for technologies/project types, developing regulations for financial responsibility and permit portal, establishing a centralized public project database, and conducting program/project reporting for reports due to the Legislature.

Staff Comments. CARB has encountered severe challenges in filling positions to implement SB 905 in the last two years. As a result, the Carbon Capture, Removal, Utilization, and Storage Program development has been hindered and statutory deadlines have not been met. There may be several reasons why the department has struggled to fill these positions. According to CARB, the primary reason is because these positions are limited-term. However, the difficulty to recruit and retain staff can be due to other issues as well, such as a limited pool of candidates with the required skills and expertise. Furthermore, due to the limited information available about the vacancy and state operations reductions at this time, it is unclear how Control Sections 4.12 and 4.05 are impacting SB 905 implementation. For example, without further information, it is difficult to assess whether these control sections further hindered CARB from hiring these positions and moving forward with any operational expenses. Given the department's lack of success in filling these positions the last two years, the Legislature may want to request from CARB, in addition to requesting for permanent positions, how it plans to prioritize this effort, improve its recruitment and retention strategies, fill vacancies expeditiously, and meet the deadlines included in statute (or if passed, as soon as possible).

The Legislature may also want to request additional information on how CARB plans to implement community protections included in SB 905. Health and Safety Code 39741.1 requires CARB to establish a Carbon Capture, Removal, Utilization, and Storage Program that, among other things, ensures all projects include certain community protections, such as strategies to minimize copollutant emissions, monitoring criteria pollutants and toxic air contaminants, and more. According to CARB, the department will embed such community protection requirements in the development of the CCUS program and all related rulemaking efforts through community engagement. CARB reports that specific timelines for program development can only be finalized once final resources are in place. However, stakeholders have voiced concern with the lack of a committed timeline to implement the rulemaking, particularly with respect to the community protections outlined in HSC 39741.1(a)(3). The Legislature may want to request from CARB how the department plans on incorporating these community protections in its rulemaking and how it will be prioritized in the rulemaking process.

Staff Recommendation. Hold open.

Issue 4: E15 Fuel Specification

Governor's Proposal. The Governor's budget includes $2.3 million ongoing from the Air Pollution Control Fund for ten permanent positions to complete the regulatory process to authorize the use of motor vehicle fuels with up to 15 percent ethanol blending (E15) and conduct ongoing program implementation enabling the use of E15 fuels in California.

Background. According to the LAO:

Current Regulations in California Allow for 10 Percent Ethanol Blending in Gasoline. California statute provides authority for CARB to issue regulations for motor vehicle fuel specifications, among other areas. Under this authority, CARB has established regulations that authorize the use of up to 10 percent ethanol in gasoline (a blend known as E10). CARB reports that virtually all gasoline currently sold in California is E10.

Since U.S. EPA Waiver Issued, Other States Have Approved Use of E15. Starting in 2010, U.S. EPA has issued various waivers for the adoption of up to 15 percent ethanol in gasoline (known as E15) for 2001 and newer conventional vehicles. (The use of E15 is not authorized for older vehicles, motorcycles, lawnmowers and other types of off-road equipment, delivery trucks, or other types of heavy-duty vehicles.) Since the adoption of those waivers, all other states besides California have authorized the sale of E15. However, according to the U.S. Department of Energy, E15 only is available at roughly 3,000 gas stations across 31 states (roughly 2 percent of gas stations that sell fuel to the public), and E10 continues to be the standard blend nationwide.

Statute Requires Certain Steps Prior to Establishment of Regulations Governing Motor Fuel Specifications. Existing statute requires CARB to undertake specific actions prior to establishing regulations governing motor fuel specifications. For example, CARB must conduct certain analyses, including an evaluation of the environmental impacts of the proposed policy change known as a "multimedia evaluation." CARB reports that a multimedia evaluation includes three main steps (referred to as tiers) that generally involve the following activities: (1) Tier I: summarizing existing research and identifying knowledge gaps, (2) Tier II: conducting experiments to fill the identified knowledge gaps, and (3) Tier III: preparing a final report summarizing the existing and new research and providing findings and conclusions. According to CARB, completing a multimedia evaluation typically takes two to five years.

Statute further requires that the multimedia evaluation be approved by the California Environmental Policy Council, which is an entity composed of the heads of seven state environmental protection-related agencies.

CARB Is Undertaking a Process to Consider Allowing E15. CARB indicates that it initiated a multimedia evaluation for E15 in 2018 and finalized the Tier I analysis in 2020. The department has not yet completed Tier II or Tier III but anticipates finishing these remaining steps by summer 2025. Once complete, CARB will use the multimedia evaluation process to determine whether to move forward with developing a regulation to authorize the use of E15 in California.

Governor Issued Directive to CARB Related to E15. In October 2024, Governor Newsom sent a letter to CARB directing the department to expedite its actions related to E15. In that letter, the Governor also indicated that the Administration "welcomes a partnership" with the Legislature in 2025 to consider necessary statutory changes and funding that would further expedite CARB's consideration of authorizing the use of E15 in California.

LAO Assessment.

Potential Trade-Offs Associated With Shift to E15. Recent reports have highlighted various potential trade-offs associated with E15. For example, in August 2024, the California Energy Commission issued a *Transportation Fuels Assessment* that found that E15 likely would reduce gasoline prices and may present fewer environmental harms than E10. However, the analysis also noted that shifting to E15 could result in a loss of fuel economy of roughly 1 percent, that fueling equipment and some vehicles may lack the capability of operating with E15, and that more analysis is necessary to understand the pollution impacts.

Premature to Provide Ongoing Funding for Program Given Uncertain Outcome of Regulatory Process. To the extent that expediting the development of E15 regulations is a priority for the Legislature, providing resources to support that activity in the near term is reasonable. However, authorizing ongoing funding for CARB positions to support the implementation of the policy now—as the Governor is proposing—would be premature at this time for two reasons. First, whether CARB ultimately will pursue and adopt E15 regulations is uncertain, given that the multimedia evaluation has not yet been completed. Notably, while CARB indicates that thus far its analyses have not identified major environmental or public health concerns associated with E15, it cannot forecast the ultimate outcome of any regulatory process or board action. Second, the program's staffing needs are subject to change as the policy moves from regulation development to implementation and enforcement. Initially, CARB proposes to use the requested staff to complete development of the E15 regulation to bring to the board for consideration by summer 2026. (The department indicates the process likely would take until late 2027 absent the proposed additional resources.) After the regulation has been adopted, CARB indicates that it would use the additional staff for associated implementation and enforcement activities. However, the staff expertise required for regulation development likely would differ from that for implementation and enforcement, potentially resulting in differences in both the number of personnel needed as well as their respective duties.

Modifying Proposal to Provide Limited-Term Funding Would Better Align With Known Workload, but Would Come With Trade-Offs. Because future E15-related workload still is uncertain, a stronger justification exists for modifying the proposal to provide limited-term resources to complete the regulatory process. The Legislature could then revisit the need for and level of ongoing positions and funding once more is known about future implementation and enforcement needs. However, such an approach has associated trade-offs.

The administration has indicated that activities which are funded on a limited-term basis present some challenges. For example, attracting and retaining qualified staff to complete activities supported with limited-term funding can be more difficult since associated positions generally provide less stability for employees. This challenge can lead the Administration to request ongoing funding and positions even when workload is short term in nature or subject to substantial uncertainty—as we believe is the case with the E15 regulation development and future workload. Yet a key drawback to this approach is that it obligates the state to hire and maintain permanent staff—and support their associated future pension benefits—even when they may no longer be needed or justified after the short-term workload they were brought on to complete has ended. In the case of the E15 proposal, despite the trade-offs involved, we find providing limited-term funding to be more appropriate than ongoing support in light of (1) the uncertainty regarding whether the policy will be implemented and (2) if it is ultimately implemented, the changing resource needs as the program moves from regulatory development to implementation.

LAO Recommendation.

Modify Proposal to Provide Proposed Funding for Positions on a Two-Year, Limited-Term Basis. We recommend providing the requested funding for positions on a two-year, limited-term basis rather than on an ongoing basis. To the extent CARB's multimedia evaluation ultimately supports the development of an E15 regulation, this modified action would provide funding for the development of such a regulation. Should the regulatory process culminate in the adoption of an E15 regulation, CARB could request the requisite amount of ongoing funding for the appropriate number and classifications of permanent positions to implement and enforce the regulation as part of a future budget request. The department will be in a better position to assess the level of this ongoing workload once the regulatory process is complete.

Staff Recommendation. Hold open.

Issue 5: Regulatory Fee Authority Trailer Bill Language

Governor's Proposal. The Governor proposes trailer bill language that would provide CARB the authority to impose fees on entities regulated by the board, for the purpose of recovering reasonable costs incurred in regulating that entity. Under this proposal, CARB would be able to collect fees for a range of their responsibilities, including, but not limited to, developing new and amending existing airborne toxic control measures as well as emission reduction measures for on-road and nonroad sources; implementing and enforcing airborne toxic control measure; and identifying, quantifying, inventorying, monitoring, evaluating, and reducing emissions of toxic pollutants in communities across the state, among other activities.

Background. According to the LAO:

State Levies Fees to Fund Certain Costs. The state assesses a variety of fees and charges to help fund its operations. Typically, the state levies fees to pay for the costs of specific regulatory activities or for providing specified government services or products. Under the State Constitution, fees must be set at a reasonable level, generally reflecting the costs of the services or benefits provided. The State Constitution allows the Legislature to increase fees to cover the costs of specific state activities with a majority vote of each house of the Legislature. (This is in contrast to taxes, from which revenues can be used for a broader range of activities and which require a two-thirds vote of each house of the Legislature.)

Legislature Has Longstanding Practice of Granting Departments Authority to Assess Specific Fees. In many cases, the Legislature has enacted statutes that delegate some of its authority to set and/or modify fees to state departments. When the Legislature delegates this authority, it often provides direction in statute regarding how such fees are to be assessed. For example, the Legislature may specify the entities and activities that will be subject to the fees, the amounts of the fees to be collected, the mechanism for increasing the fees (such as to adjust for inflation), the authorized uses of the fee proceeds, and the duration of the fee authority.

Legislature Has Provided CARB Authority to Collect Certain Fees. The Legislature has authorized CARB to collect various specified fees and charges. For example, under existing statute, CARB has explicit authority to assess fees related to a range of specific regulatory programs, such as to certify and audit motor vehicles and motor vehicle engines and to regulate non-vehicular sources of emissions. CARB uses the revenues it collects through this existing fee authority—along with funding from penalties, taxes, and other sources—to carry out its functions. However, existing statute does not include a broad authorization for CARB to assess fees to support any and all climate and air quality-related programs; generally, the department's existing fee authority is for activities or programs specifically enumerated in law.

Legislature Has Provided CARB Particularly Broad Authority to Establish Regulations. As discussed later in this brief, the Legislature has authorized CARB to establish regulations related to meeting the state's climate goals and air pollution standards. In general, the authority that the Legislature has granted to CARB is broader than what is typical; for most other departments, the scope of the authorized regulatory power is more limited and specific. CARB has used its broad authority to promulgate numerous regulations, such as those that require entities to shift to ZEVs (including the ZEF, ACF, and ZEAS regulations discussed elsewhere in this report) and require reductions in the carbon intensity of transportation fuels (known as the Low Carbon Fuel Standard program).

LAO Assessment.

New Proposed Authority for CARB to Assess Fees Appears Quite Broad. The proposed budget trailer legislation could have the effect of greatly expanding CARB's authority to assess fees to fund its activities related to air pollution and GHG reductions. In contrast to its current fee-setting authority, which is limited to specific regulatory programs, this proposal would provide broad authority for the department to assess fees related to the activities it conducts pursuant to Division 26 of the Health and Safety Code. The exact scope of the fees or other charges that could be assessed under this proposed authority is not entirely clear. However, the language appears to be broad enough that it could potentially be interpreted to allow CARB to assess charges that go beyond the simple administration and enforcement of regulations. For example, should the proposed budget trailer legislation receive a two-thirds vote of both houses of the Legislature, it potentially could be interpreted to allow CARB to assess fees on certain entities (such as high polluters) and use the revenue to make payments to other entities (such as low polluters). As discussed above, CARB already has broad authority to promulgate regulations related to air pollution and GHG emission reductions. When taken together with the proposed expansion of fee authority, CARB would have a wide-ranging ability to craft new policies and raise the funds to support them without additional legislative action, so long as the department believes the policies would help the state achieve its air pollution standards and climate goals.

Breadth of Requested Fee Authority Does Not Appear Justified. We have two significant concerns with the Administration's proposal. First, we do not believe that CARB has provided a compelling rationale for why it needs such broad fee authority to pursue the state's climate and air quality goals. CARB argues that the scale of actions needed to address California's air pollution and climate challenges require more funding and that the proposed legislation would enable it to raise those funds. While some additional funding may ultimately be needed for CARB to implement its programs and regulations, in our assessment, the department has not made an adequate case for why the proposed broad delegation of authority is warranted and why a more narrowly crafted authorization to increase fees for specific activities would not suffice. For example, the department could identify a specific set of problems it wants to address and actions it wants to undertake and request authority from the Legislature to raise fees that are targeted around supporting those activities. CARB has not offered a persuasive explanation for why the Legislature should depart from this traditional approach to setting fee policy. Second, CARB has not provided adequate information over how it would use the proposed new authority. CARB is effectively requesting that the Legislature grant it authority to raise additional fees without providing a clear understanding of what those fees would include, which entities would pay them, or the amount that would be charged. This lack of information makes it impossible for the Legislature to assess the costs or benefits of potential fees CARB might impose, thereby also precluding it from comparing and balancing those two key considerations before approving this proposal.

Proposal Requests Legislature Delegate Core Responsibility for Setting Fees and Charges. Given the lack of detail around why CARB needs the expansive proposed authority to accomplish the state's goals or how the department would use it, we think this proposal requests that the Legislature delegate too much of its constitutional fee-setting responsibility to the administration. The California Constitution entrusts the Legislature with the fundamental "power of the purse," which includes the responsibility to determine the fees and charges assessed on Californians. In general, we believe the Legislature should be cautious in delegating this core responsibility, particularly without specific parameters and a compelling justification. Any new fees CARB might assess under the proposed new authority would be subject to a public rulemaking process and approval by its board. However, in our view, such processes are not an adequate substitute for decisions made by the Legislature, which is the state's elected body charged with determining overall state fee and expenditure policies. Also, while the annual budget process would give the Legislature an opportunity to appropriate the money raised by the proposed new fees, that also would not serve as an adequate substitute for legislative approval of the specific fees—by the time the department requests that the Legislature appropriate the revenue, CARB could already have set and levied the fees.

LAO Recommendation.

Reject Proposed Budget Trailer Bill Language. We recommend the Legislature reject the proposed budget trailer legislation as the breadth of the requested fee authority is not justified and would delegate too much legislative control and authority to the administration. To the extent CARB requires additional authority to raise revenues to implement specific programs and regulations, the department can return at a future date with a more narrowly crafted proposal for the Legislature to consider. Such a proposal should include a robust justification for the specific fees the department proposes to levy, as well as key details on the proposed fees such as: (1) the specific activities that would be subject to the fees, (2) the proposed fee amounts, (3) the entities that would be subject to paying the fees, (4) the level of expected fee revenues, and (5) how the fee revenues would be used. This type of detailed information is critical to enable the Legislature to adequately weigh the anticipated costs and benefits associated with providing CARB with additional fee-raising authority.

Staff Comments. CARB is primarily funded out of various special funds, including the Air Pollution Control Fund (APCF) and the Motor Vehicle Account (MVA). However, both APCF and MVA face funding challenges. For example, the MVA continues to face operational shortfalls as expenditures outpace revenues. In the Governor's Budget, absent any action, the MVA is projected to be insolvent with a fund balance of -$148 million in 2025-26. APCF has also historically faced a similar structural deficit—meaning expenditures outpacing revenues. But in recent years, the APCF have received penalty funds, typically from manufacturers or distributers of motor vehicles for violations of regulations, which has improved the fund condition. It is important to note, however, that these funds typically have specific requirements. For instance, CARB recently entered into a joint settlement with Hino Motors, and of the settlement money, $111.8 million is required to be spent to mitigate harmful emissions of NOx in the state. In the long-term, it is difficult to budget with settlement monies, since the timing and amount of the penalties are unknown—and ideally, penalty revenues will decrease over time as fewer companies are found violating regulations.

Given the challenges that these special funds face, the Governor's Budget includes trailer bill language that would allow CARB to impose fees to recover costs of regulation. These fees would be deposited to the Certification and Compliance Fund (CCF). This would allow the department to (1) shift costs to regulated entities and embody more of a "polluter pays" model; (2) potentially reduce expenditures out of the MVA and APCF in the long-term; and (3) create a more sustainable funding solution for its regulatory programs.

Under this proposal, CARB anticipates all fees will still be subject to the annual budget process—meaning, the department will report back with any new proposals to generate fee revenue for specific programs. This will be in addition to the board's own rulemaking process. If the trailer bill language is approved, CARB anticipates using the proposed authority to collect fees for the Transport Regulation Unit (TRU) and Commercial Harbor Craft (CHC) regulations. Both regulatory programs have been previously approved in the 2022 and 2023 budgets, and presumed to be funded through the collection of fees or payments by regulated owners and operators deposited in the CCF. However, a recent court ruling prohibited CARB from collecting fees included in the TRU Regulation. As a result, TRU programmatic work is currently being funded by APCF.

As the Legislature assesses the merits and tradeoffs of this proposal, it has options to amend aspects of the language to best meet specific policy goals. For example, the Legislature may want to consider modifying the scope of the proposal, by authorizing fee authority for specific programs, setting caps for fee levels, including a sunset date, among other changes. The Legislature may want to consider the level of oversight and involvement through the budget and/or policy process to institute in providing such fee authority to the department; the potential impacts of fees on consumers and regulated entities; as well as funding and programmatic alternatives to this proposal.

Staff Recommendation. Hold open.

ITEMS FOR PUBLIC COMMENT

3900 STATE AIR RESOURCES BOARD

Issue 6: Cap and Trade Administrative Services (WCI, Inc.)

Governor's Proposal. The Governor's budget includes $1 million in 2025-26 and $2 million ongoing beginning in 2026-27 from the Cost of Implementation Account for the California Air Resources Board (CARB)'s increased contract services costs. Specifically, CARB is facing a cost increase for contract services from the Western Climate Initiative (WCI, Inc.) to help support the Cap-and-Trade program.

Background. WCI, Inc. is a non-profit corporation that provides administrative services, such as contracted financial and market monitoring services, as well as technical systems to the participating jurisdictions—which currently are California, Washington, and Quebec—to help implement greenhouse gas emissions trading programs. WCI, Inc. is solely funded by fees paid by member jurisdictions, assessed based on the costs to provide administrative services, develop, maintain, and operate technical systems, and for staff and operations.

Currently, CARB's budget includes $2 million ongoing for contract services from WCI, Inc. In 2020-21, CARB received one-time funding of $21.1 million from 2021-22 through 2025-26 to fund the development of a new auction platform and market registry systems while concurrently maintaining the legacy systems. The department reports the development is largely complete, with the new auction platform in use and the new market registry anticipated for release in late 2025. As the one-time funding ends this budget year, CARB requests ongoing funding (an additional $2 million, so $4 million total) for increased in-house staff to maintain and improve administrative services provided by WCI, Inc. Specifically, this ongoing funding will allow WCI, Inc. to shift from contracted IT services to in-house technical staff to maintain and operate the newly built technical systems.

Staff Recommendation. Hold open.

Issue 7: Conversion of Limited-Term to Permanent Positions for Incentives Portfolio

Governor's Proposal. The budget includes position authority for CARB to convert 25 positions from limited-term to permanent. These positions are intended to support the department's incentives programs.

Background. CARB implements several incentive programs that provides funding for zero-emission vehicles and equipment in a wide range of sectors and environments to ultimately reduce GHG emissions and improve air quality. These incentive programs include Clean Transportation Initiatives, Community Air Protection (CAP), and Carl Moyer programs.

In recent years, CARB has received significant amounts of funding for these incentive programs from the General Fund, Greenhouse Gas Reduction Fund, settlement funds, and other special funds. In particular, programs grew rapidly in the 2022 budget due to the surplus at the time. As these programs received an influx of funding, CARB administratively created 25 limited-term positions to support these programs as they expanded in a short period of time. CARB is now requesting these positions be made permanent because supporting and implementing these programs have become ongoing workload—lasting longer than the two years that limited-term positions are restricted to.

This request is specifically for position authority, as these positions will be funded out of the 5 percent administrative set asides from funding for incentive programs.

Staff Recommendation. Hold open.

Issue 8: Mobile Source Laboratory Equipment Support and Maintenance

Governor's Proposal. The budget includes $8 million ongoing from the Certification and Compliance Fund for CARB to support and maintain its mobile source laboratory, which is key to investigating manufacturers violating emissions standards. Of this amount, $6.5 million will support cost increases in maintenance, service, and training contracts, equipment procurements, and laboratory supplies. The remaining $1.5 million will fund the replacement of laboratory equipment beyond its useful life.

In addition, the Administration proposes trailer bill language to specify deficiency fines and fees are a part of the certification, audit, and compliance programs regulating motor vehicle manufacturers.

Background. CARB's mobile source laboratory is equipped with more than 1,000 individual pieces of equipment to test almost any size engine or vehicle on any fuel used in California – both at higher emission rates characteristic of older vehicles and the lowest emission rates characteristic of current and future emission standards. These systems must be regularly maintained, repaired when broken, supported with calibration gases and other consumables, operated with compliant and functional software, and replaced when obsolete. The department's budget currently includes $4 million ongoing for equipment maintenance contracts, equipment calibrations, lab supplies, and consumables for heavy-duty testing. However, CARB requests additional funding to maintain, repair, and replace equipment, to supply the laboratory with consumable materials, including calibration gases, and to subscribe to the software upon which the laboratory runs.

The department proposes to fund these ongoing needs from fines and fees from manufacturers. Specifically, CARB has an existing on-board diagnostic (OBD) program which notifies the vehicle/engine operator when the engine is not operating properly and needs to be repaired. A "check engine" light is the most well-known portion of this system. The OBD program is incredibly complex and sometimes manufacturers disclose issues in their system which cannot be fixed before vehicles are offered for sale. In these cases, CARB has offered deficiency fines on a limited basis, to settle non-compliance through an enforcement process, and payable to the Air Pollution Control Fund (APCF).

CARB anticipates about $5 to $10 million will be generated from OBD deficiency fines. These funds are currently deposited into the APCF, but the department proposes trailer bill language that specifies these deficiency fines should be considered compliance fees. According to CARB, this would allow the department to begin deposit these funds to Certification and Compliance Fund (CCF) instead. Because this would require an update to its regulations, this budget request proposes to additionally transfer funds from APCF to CCF for two years, until the CCF is sufficiently robust to support the allocation.

Staff Recommendation. Hold open.

Issue 9: Right Sizing of IT Procurement, Contracting, and Business Technology Management

Governor's Proposal. The budget includes $439,000 in 2025-26 and $840,000 ongoing beginning in 2026-27 from various funds for information technology (IT) procurement, contracting, business technology management, and contact management units.

Background. Under CARB's Office of Information Services, the Information Technology Procurement, Contracting, and Reporting Section (ITPCRS) supports the department by managing IT contracts for CARB's hardware/software purchasing, mobile devices, infrastructure purchasing, hardware/software support, network management, consulting and implementation services, laboratory equipment, online subscriptions, data services, and University and interagency agreements. However, as the department needs have grown, ITPCRS have been unable to meet that increased demand.

For example, ITPCRS received over 500 IT requisition requests for CARB and more than 115 IT requisitions for CalEPA in 2022-23. In 2023-24, ITPCRS received over 900 IT requisition requests for CARB and over 85 IT requisitions for CalEPA. On August 1, 2024, CARB transferred delegated purchasing authority to CalEPA for CalEPA's requisitions at the direction of the Department of General Services. The current contract load is estimated at 230 contracts, with an estimated value of $400 million. This results in a ratio of 153 procurements and 58 contracts per 1 support staff. This workload demand means procurements and contracts are not executed timely, not properly managed, and not completed by the end of the appropriation's encumbrance period, and this results in costly project delays. It is also causing issues in quality and compliance with State policy and management of Telecom services. In both 2022-23 and 2023-24, ITPCRS was unable to complete more than 10 percent of the contracting and procurement requests. Additionally, over 40 percent of completed requests were delivered or provided after the required need-by date.

Moving forward, the department estimates the number of assets, acquisitions, and contracts will grow expeditiously due to (1) continued organizational growth, (2) oversight directives that classify previous non-IT goods and services as IT goods and services, and (3) ongoing legislative and regulatory actions resulting in complex projects or contracts. CARB requests two Information Technology Specialist II for IT Project Contracting Support and two Information Technology Specialist I for IT Procurement and Contracting to meet such ongoing need.

Staff Recommendation. Hold open.

Senate Budget and Fiscal Review—Scott Wiener, Chair
SUBCOMMITTEE NO. 2 **Agenda**

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

Tuesday, June 10, 2025
1:30 p.m.
1021 O Street - Room 2200

Consultant: Joanne Roy

PART A

OUTCOMES

Vote: 4-0: Issues 3, 6-9, 11, 12, 13, 14, 16 -20, 23, 26-30, 32, 33, 35, 36, 38, 39, 40, 44, 45, 49, 50, 52, 53, 54, 55, 57, 58, 59, 60, 61, 62, 63, 65, 70, 71, 76, 79, 80, 81, 82, 84, 85, 86, 87, and 88.

Vote: 3-1 (Choi – No): Issues 10, 15, 21, 72, and 83.

Vote: 3-0 (Choi – Abstain): Issues 1, 2, 4, 5, 22, 24, 25, 31, 34, 37, 41, 42, 43, 46, 47, 48, 51, 56, 64, 66, 67, 68, 69, 73, 74, 75, 77, and 78.