

The 2023-24 Budget:

Crafting Climate, Resources, and Environmental Budget Solutions



GABRIEL PETEK | LEGISLATIVE ANALYST
FEBRUARY 2023

Table of Contents

Executive Summary 5

Introduction 7

Discussion of Governor’s Overall Approach 7

Discussion of Specific Proposals 19

 Zero-Emission Vehicles 19

 Energy 25

 Water and Drought 30

 Wildfire and Forest Resilience 36

 Nature-Based Activities and Extreme Heat 42

 Community Resilience 49

 Sustainable Agriculture, Circular Economy, and Other Recent Augmentations 54

 Parks, Museums, and Access 60

 Coastal Resilience 65

Potential Additional or Alternative Climate, Resources, and Environmental Budget Solutions 69

Executive Summary

In response to the multibillion-dollar budget problem the state is facing, the Governor's budget proposal identifies significant solutions from recent augmentations made to climate, resources, and environmental programs. This report describes the Governor's proposals and provides the Legislature with a framework and suggestions for how it might modify those proposals to better reflect its priorities and prepare to address a potentially larger budget problem. The report begins with a discussion of the Governor's overall approach, then walks through each of the Governor's proposed solutions within nine thematic areas, including describing and commenting on many of the specific proposals.

Recent Budgets Included Significant General Fund Augmentations for Climate, Natural Resources, and Environmental Programs. Combined, the 2021-22 and 2022-23 budget packages included \$27 billion—primarily from the General Fund—for a wide variety of activities related to mitigating and responding to climate change, as well as for protecting and restoring natural resources and the environment. These recent budgets also included agreements to provide additional General Fund support in the out-years to continue these activities—including \$8.7 billion in 2023-24—for a five-year total of \$40.2 billion.

Governor Proposes \$5.8 Billion in General Fund Solutions Across Five Years From These Programs. The Governor's budget proposal would generate \$5.5 billion in General Fund savings from climate, resources, and environmental programs in 2023-24—\$3.8 billion from spending reductions, \$875 million from reducing General Fund and backfilling with a different fund source (primarily the Greenhouse Gas Reduction Fund, or GGRF), and roughly \$800 million from delaying spending to a future year. The proposal includes additional net savings of \$300 million in the out-years (\$1.1 billion from further reductions and fund shifts, largely offset by the resumption of the delayed expenditures). The proposed approach differs by thematic area. For example, the Governor proposes reducing close to half of all the recent and planned augmentations for coastal resilience activities, but—largely due to shifting some planned program expenditures from the General Fund to GGRF—would maintain about 90 percent of intended funding for zero-emission vehicle programs.

While Important Needs Remain, Identifying Budget Solutions From These Programs Is Appropriate Given Magnitude of Recent Augmentations. As evidenced by the flooding, drought conditions, heat waves, and severe wildfires that Californians have experienced over the past year, a changing climate presents the state with significant challenges. As such, maintaining key activities supported by recent funding augmentations is important to making progress in addressing the causes and impacts of climate change. However, given the scale of the recent spending increases, even reduced amounts still will represent significant augmentations compared to historical levels for most of these programs, particularly since many of these activities have not typically received General Fund support. Additionally, because making reductions to newly initiated activities and one-time expenditures is usually less disruptive than cutting ongoing programs and associated staff, these types of programs represent a reasonable area to focus some of the solutions needed to address the budget problem. Indeed, the Governor and Legislature chose to spend most of the recent General Fund surpluses on one-time expenditures as a form of budget resilience, with the expressed goal of avoiding making ongoing commitments that would be hard to sustain should economic conditions change.

As such, making reductions to these programs can allow the Legislature to take advantage of the flexibility that was envisioned when crafting recent budgets. Moreover, given the magnitude of solutions needed to solve the anticipated budget problem, a significant focus on these one-time augmentations likely is necessary if the Legislature wants to avoid cutting ongoing programs in this or other policy areas. Through careful prioritization, the state can continue to make significant progress on its climate and environmental goals even at moderately reduced spending levels.

Governor's Overall Approach Is Reasonable, but Specific Choices Reflect Administration's Priorities. Overall, we find the Governor's proposed approach for crafting budget solutions within climate, resources, and environmental programs to be reasonable—however, it represents just one possible strategy. Because of the quantity and magnitude of recent programmatic expansions in these programs, the Legislature has numerous options for selecting a different and equally sensible package of choices that achieves roughly the same—or, as may be necessary, an even greater amount—of budget solutions as the Governor's, but that includes the activities it believes are most important to sustain.

Recommend Legislature Adopt Package of Budget Solutions Based on Legislative Prioritization Criteria. We recommend the Legislature develop its own package of budget solutions based on its priorities and guiding principles. Some criteria we suggest the Legislature consider include: (1) preserving activities that reflect key legislative priorities and goals, including targeting vulnerable communities that may not have the resources to undertake important activities on their own; (2) preserving funding that is needed urgently to meet pressing needs; (3) avoiding budget solutions that would cause major disruptions, such as reducing funding that has already been committed to specific projects and grantees; and (4) considering whether other resources—such as previous budget appropriations, special funds, or federal funds—might be available to help accomplish intended activities. As the Legislature modifies program funding levels, we recommend that it also consider whether it might want to refine or refocus some program features to ensure that remaining funding targets the most important populations, activities, and desired outcomes. Other overarching recommendations to the Legislature as it crafts its solutions package include:

- Be selective when opting to delay—rather than maintain or reduce—funding.
- Reject the Governor's General Fund trigger restoration approach to maintain legislative flexibility.
- Reject or modify the Governor's proposed GGRF trigger approach to maintain legislative flexibility.
- Use the spring budget process to identify additional potential budget solutions for climate, resources, and environmental programs.
- Weigh the relative priority of new spending against existing commitments.
- Request additional information from the administration on the availability of federal funding.
- Conduct robust oversight of spending and outcomes and consider whether additional program evaluations might be worthwhile.

While we do not discuss every individual program proposal or craft a comprehensive alternative package of solutions, throughout the thematic sections of this report we provide examples of alternative solutions the Legislature could consider and identify specific proposals that raise some concerns.

INTRODUCTION

In response to the multibillion-dollar budget problem the state is facing, the Governor's budget proposes reducing net General Fund spending by \$5.8 billion across five years from climate, resources, and environmental programs. This includes \$4.7 billion affecting the 2023-24 budget—\$3.8 billion in net spending reductions and \$875 million from shifting spending to different fund sources. The Governor would generate an additional roughly \$800 million in budget-year savings by delaying funding for certain programs to a future year. The Governor also includes a few new spending proposals for climate, resources, and environmental programs. This report describes the Governor's proposals and provides the Legislature with a framework and suggestions for how it might modify those proposals to (1) better reflect its priorities, and (2) prepare to address a potentially larger budget problem.

The report begins with a discussion of the Governor's overall approach, including background on recent funding augmentations and the state's budget problem; a high-level overview of the Governor's proposals for climate, resources, and environmental programs; our overarching assessment of his proposed approach; and recommendations for how the Legislature

could proceed, including suggested criteria the Legislature could use to craft its own package of solutions.

We then walk through each of the Governor's proposed solutions by thematic area, including describing and commenting on many of the specific proposals. While we do not discuss every individual program proposal or craft a comprehensive alternative package of solutions, we provide examples of alternative solutions the Legislature could consider and identify specific proposals that raise some concerns. These thematic areas include:

- Zero-Emission Vehicles (ZEVs).
- Energy.
- Water and Drought.
- Wildfire and Forest Resilience.
- Nature-Based Activities and Extreme Heat.
- Community Resilience.
- Sustainable Agriculture, Circular Economy, and Other Programs.
- Parks, Museums, and Access.
- Coastal Resilience.

We conclude the report with a summary of potential additional or alternative options the Legislature could consider for each thematic area.

DISCUSSION OF GOVERNOR'S OVERALL APPROACH

Background

Recent Budgets Included Significant General Fund Augmentations for Climate, Natural Resources, and Environmental Programs.

Recent budgets included noteworthy amounts of new spending, mostly grouped into thematic packages. **Figure 1** on the next page, highlights most of this funding. (Some augmentations that were provided outside of these thematic packages are not included in the figure.) As shown in the figure, recent budgets provided \$27 billion in 2021-22 and 2022-23 for a wide variety of activities related to mitigating and responding to climate

change, as well as for protecting and restoring natural resources and the environment. This spending is spread across numerous departments and is primarily from the General Fund, but does include \$6.4 billion from special funds, mostly the Greenhouse Gas Reduction Fund (GGRF) and Proposition 98 (for zero-emission school buses). These budget packages also included agreements to provide additional General Fund support in the out-years—including \$8.7 billion in 2023-24—for a five-year total of \$40.2 billion. In general, these augmentations were all for activities that were one-time or limited-term in

nature, such as providing grants for local entities to construct infrastructure or undertake habitat restoration projects. Some of the augmentations provided funding for activities to be undertaken by state agencies, such as to secure additional electricity resources intended to ensure summer electric reliability. In most cases, the augmentations displayed in the figure represent unprecedented levels of General Fund for these types of programs, many of which historically have been supported with special funds or bond funds. In some cases, this has allowed the state to expand previous programs or initiate new activities, while in others the state is providing General Fund support to continue existing activities that were previously supported with other fund sources.

State Faces a Multibillion-Dollar Budget Problem. Due to a deteriorating revenue picture relative to expectations from June 2022, both our office and the administration have anticipated that the state faces a budget problem in 2023-24. A budget problem—also called a deficit—occurs when funding for the upcoming budget is insufficient to cover the costs of currently authorized services. Estimates of the magnitude of this shortfall differ based on how “baseline” spending is defined—the administration estimates a \$22 billion problem whereas our office estimates that the Governor’s budget addresses an \$18 billion problem. Regardless of these technical definitions,

it is clear that—absent a major and unexpected jump in state revenues—the state faces the task of “solving” the budget problem. The Governor proposes to address the problem primarily by reducing spending, and targets the climate, resources, and environmental policy areas for the largest proportional share of these solutions. (We discuss the overall budget condition in our recent reports, *The 2023-24 Budget: Overview of the Governor’s Budget* and *The 2023-24 Budget: Multiyear Assessment*.)

Budget Outlook Could Actually Be Even Worse. While the Governor’s budget is balanced under the administration’s estimates for 2023-24, the administration forecasts operating deficits of \$9 billion in 2024-25, \$9 billion in 2025-26, and \$4 billion in 2026-27. That is, if the Governor’s budget projections are accurate, the state would have to address deficits of these amounts in each of these future years. Moreover, our office’s estimates suggest there is a good chance that revenues will be lower than the administration’s projections for 2022-23 and 2023-24. Thus far, neither the administration nor our office is forecasting a recession; rather, our weaker revenue estimates represent a slowdown from the extraordinary economic growth in recent years. However, we do see certain economic signs that suggest a heightened risk of a potential recession. Should a recession occur, the state’s revenue shortfall

Figure 1

Recent and Planned Augmentations to Climate, Resources, and Environmental Programs

(In Millions)

Thematic Area	2021-22	2022-23	2023-24	2024-25	2025-26	Totals
Zero-Emission Vehicles	\$3,351	\$3,168	\$2,107	\$858	\$460	\$9,944
Energy	2,425	3,002	2,626	654	918	9,625
Water and Drought	5,508	1,435	1,119	133	558	8,752
Wildfire and Forest Resilience	526	968	630	690	—	2,814
Nature-Based Activities and Extreme Heat	186	1,384	743	—	—	2,314
Community Resilience	522	935	715	—	—	2,172
Sustainable Agriculture, Circular Economy, and Other Programs	944	795	33	—	—	1,771
Parks, Museums, and Access	915	420	88	96	27	1,548
Coastal Resilience	19	606	652	19	—	1,295
Totals	\$14,395	\$12,714	\$8,713	\$2,450	\$1,963	\$40,236^a

^a Includes \$33.7 billion from the General Fund and \$6.4 billion from other fund sources, including the Greenhouse Gas Reduction Fund and Proposition 98.

would be considerably larger than current forecasts from either the administration or our office. Given this downside risk, in our recent budget reports, we recommended that the Legislature: (1) plan for a larger budget problem and (2) address that larger problem by reducing more one-time and temporary spending.

Governor’s Proposals

Uses Three Strategies to Generate \$5.8 Billion in General Fund Solutions Across Five Years From Climate, Natural Resources, and Environmental Protection Programs.

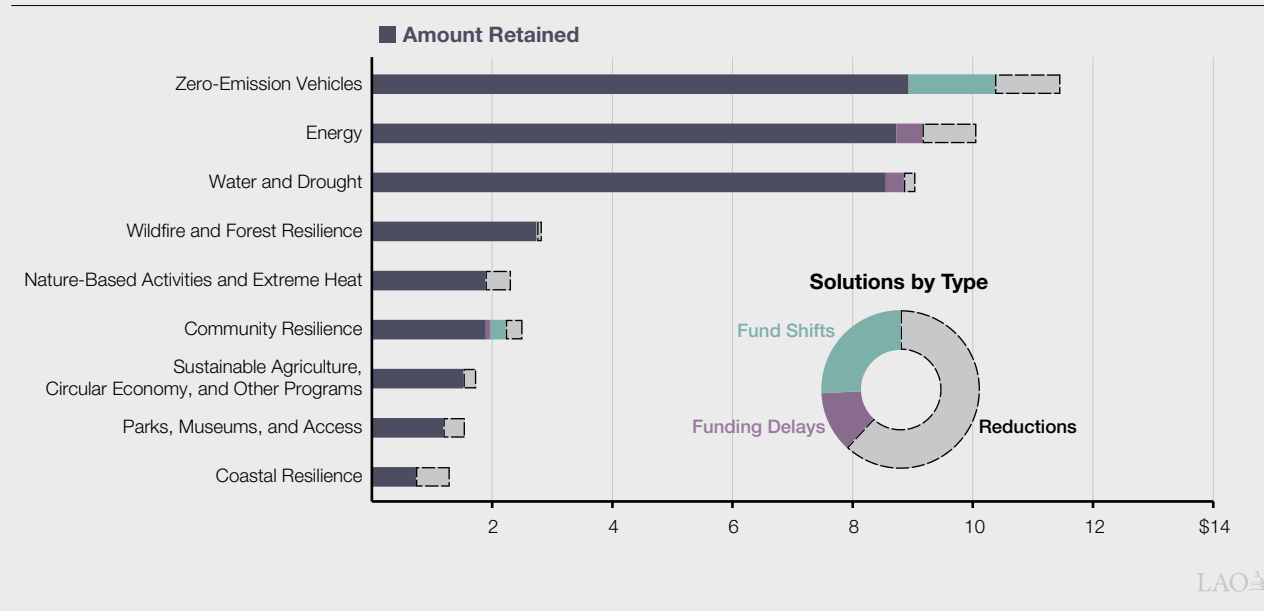
The Governor relies on three strategies to achieve General Fund savings from climate, resources, and environmental programs: reductions, fund shifts, and funding delays. This includes \$5.5 billion in General Fund savings in 2023-24—\$3.8 billion from spending reductions, \$875 million from reducing General Fund and backfilling with a different fund source, and roughly \$800 million from delaying spending to a future year. The proposal includes additional net savings of \$300 million in the out-years—\$1.1 billion from further reductions and fund shifts, largely offset by the resumption of the delayed expenditures. As shown in **Figure 2**, the

Governor’s proposed approach differs by thematic area. The figure also shows that for each area, the Governor proposes maintaining the majority of intended funding—using General Fund or a different source—across the five years.

- **Reductions.** The Governor reduces funding for selected programs. In some of these cases, the proposal is to rescind funding that was provided in the current or prior year that departments have not yet expended. In others, the Governor proposes not providing funding in 2023-24 that was pledged as part of a recent budget agreement. For some programs the Governor partially reduces the intended funding levels, and for others the proposal completely eliminates the funding. Reductions are the strategy through which the Governor generates the most savings across the five years (\$4.1 billion, or 62 percent), as displayed in Figure 2. This includes \$3.8 billion scored towards solving the 2023-24 budget problem.
- **Fund Shifts.** The Governor achieves additional savings by reducing or eliminating the intended General Fund for a program, but then backfilling it with funding from other

Figure 2

Governor's Proposed Changes to Climate, Resources, and Environmental Programs 2021-22 Through 2025-26 (In Billions)



sources—primarily using GGRF. The Governor would dedicate nearly all of the proposed 2023-24 discretionary GGRF expenditures—as well as amounts in future years—to backfill General Fund reductions. The Governor mentions the possibility of pursuing a general obligation bond for replacing or supplementing some program funding, but has not submitted a formal proposal to do so nor linked any specific program changes to potential bond funding. (A general obligation bond would have to be repaid from the General Fund and would require voter approval.) Similarly, the Governor mentions the potential availability of federal funds to help offset General Fund reductions, but does not propose any explicit shifts from state funds to federal funds. The proposal includes a total of \$1.7 billion in fund shifts, including \$875 million scored towards solving the 2023-24 budget problem.

- **Funding Delays.** The Governor also proposes delaying intended funding for certain programs, with the intent to provide it in a future year rather than in 2022-23 or 2023-24. This would achieve General Fund savings in the budget year, but shift the associated costs to a future year. The proposal includes a total of about \$800 million in funding delays, all scored towards solving the 2023-24 budget problem.

Suggests Some Proposed Reductions Could Be Restored if General Fund “Trigger” Conditions Are Met. The Governor’s proposal includes language that would allow \$2.2 billion—just over half—of the proposed reductions highlighted in Figure 2 to be restored in the middle of 2023-24 if the administration at that time estimates that the state has sufficient resources to fund these expenditures. Specifically, if in January 2024 the administration estimates that the state has sufficient General Fund resources to fund both its other baseline costs and these expenditures, funding for the associated programs would be restored halfway through the fiscal year. In order for *any* of these restorations to occur, however, the administration would have to determine that the state has sufficient resources to fund *all* of the identified programs subject to the trigger.

If the administration determines the state does not have sufficient resources, none of the restorations would occur. The trigger restoration list totals \$3.8 billion across the budget and includes some programs outside of the climate, resources, and environmental policy areas.

Also Proposes Trigger Restoration Approach for GGRF. The Governor proposes a separate trigger restoration approach for GGRF revenues that the state may receive above the administration’s current estimates. Specifically, proposed budget control section language would require the administration to allocate additional discretionary GGRF revenue to backfill more of the proposed reductions to ZEV programs. Under this proposal, the Director of the Department of Finance (DOF) would have the discretion to determine which ZEV programs to augment and at what levels.

Governor Also Proposes Some New Discretionary Climate and Natural Resources Spending. In addition to the above budget solutions, the Governor has a few significant new General Fund spending proposals for climate and natural resources programs. (These are in addition to numerous baseline increases across many departments, such as for funding to implement recently passed legislation, which we do not consider “discretionary.”) The major proposed augmentations include the following, most of which we discuss in more depth in separate publications:

- California Department of Forestry and Fire Protection (CalFire) new training center and conservation camp replacement (\$37 million in 2023-24, with commitment for \$495 million in future years for capital outlay, as well as ongoing operations costs of between \$3 million and \$12 million annually).
- Various flood management activities (\$139 million one time).
- Drought contingency fund (\$125 million one time).
- ZEV charging infrastructure at state buildings (\$35 million one time).
- Expanded Sustainable Groundwater Management Act staffing (\$14 million annually).

- Expansion of California Volunteers Climate Action Corps (\$4.7 million annually for three years, growing to \$9.5 million annually starting in 2026-27).

Overarching Assessment

Need for Climate, Resources, and Environmental Programs Remains... As evidenced by the flooding, drought conditions, heat waves, and severe wildfires that Californians have experienced over the past year, a changing climate presents the state with significant challenges. Escalating climate change impacts will continue to threaten public health, safety, and well-being—including from life-threatening events, damage to public and private property and infrastructure, and impaired natural resources. The unprecedented funding augmentations that the Legislature committed in recent budgets represent a significant step in the state's efforts to help mitigate these effects, along with pursuing other major state goals such as reducing greenhouse gas (GHG) emissions, increasing energy reliability, and restoring and protecting natural habitats. Maintaining key activities supported by this funding is important to making progress in addressing the causes and impacts of climate change.

...However, Given Magnitude of Recent One-Time Augmentations, Identifying Budget Solutions From These Programs Is Appropriate.

Across the budget, the Governor targets the climate, resources, and environmental policy areas for the largest share of budget solutions. This is due in part to the fact that these policy areas also received the largest proportional share of one-time General Fund spending from recent budget surpluses. Specifically, these programs represented about \$20 billion, or nearly one-quarter, of the state's \$87 billion in one-time expenditures from the [General Fund surplus](#) from 2018-19 through 2022-23. (This total excludes constitutionally required spending for schools and community colleges pursuant to Proposition 98.) In addition, many of the programs supported by these funds represent new activities that are just getting up and running. Because making reductions to newly initiated activities and one-time expenditures usually is less disruptive than cutting

ongoing programs and associated staff, these types of programs represent a reasonable area for the Governor—and Legislature—to focus some of the solutions needed to address the budget problem. Indeed, the Governor and Legislature chose to spend most of the recent surpluses on one-time expenditures as a form of budget resilience, with the expressed goal of avoiding making ongoing commitments that would be hard to sustain should economic conditions change. As such, making reductions to these programs can allow the Legislature to take advantage of the flexibility that was envisioned when crafting recent budgets. Moreover, given the magnitude of solutions needed to solve the anticipated budget problem, a significant focus on these one-time augmentations likely is necessary if the Legislature wants to avoid cutting ongoing programs in these or other policy areas. Although making reductions in these policy areas will result in fewer of the one-time activities that the Legislature intended for the state to conduct, even reduced amounts still will represent significant augmentations compared to historical levels for most of these programs. This is particularly true since many of these activities have not typically received General Fund support. Through careful prioritization, the state can continue to make significant progress on its climate and environmental goals even at moderately reduced spending levels.

Overall Approach Is Reasonable, but Specific Choices Reflect the Governor's Priorities. Given the significant budget problem facing the state, we find the Governor's overall approach for solutions from climate, resources, and environmental programs to be reasonable. As we discuss in the subsequent thematic sections of this report, in many cases, we find the Governor's rationale for many specific programmatic choices to be credible. For example, many of the proposed solutions focus on programs for which funds have not yet been committed to specific projects, where other fund sources are available to help compensate for the loss in General Fund, or where reduced funding would allow some of the activities to continue but at a lower level. However, the proposals represent an expression of the *Governor's* prioritization criteria, and the efforts that the administration

believes are most—or least—important to sustain. While the Governor selects many programs for funding reductions, the proposals would leave even more programs untouched. Notably, many of the programs that the Governor suggests reducing are those for which the Legislature advocated during budget negotiations in 2021-22 and 2022-23, rather than those which were first proposed through the Governor’s January and May budget proposals. For example, as shown in Figure 2, the Governor proposes cutting roughly \$560 million (43 percent) from the multiyear budget agreement for coastal resilience activities, most of which was added to the final budget package by the Legislature.

Additionally, the Governor focuses about one-third of proposed reductions on 2021-22 and 2022-23 appropriations, with about two-thirds from funding intended for 2023-24 and future years. However, the proposals still leave a significant portion of planned budget-year and future amounts unaffected. While this approach could make sense in some cases—such as if circumstances have delayed departments from spending prior- and current-year funds—in other instances avoiding appropriating budget-year funding in the first place could be less disruptive for departments and other entities than taking back existing funding. This is because expenditure plans likely are not as far along for funding that the departments do not yet have the legal authority to spend.

Legislature Could Apply Its Own Criteria, Select Different Set of Solutions. The Governor’s proposed approach for crafting budget solutions within climate, resources, and environmental programs represents one possible approach. Because of the quantity and magnitude of recent programmatic expansions in these programs, however, the Legislature has numerous options for selecting a different and equally reasonable package of choices that achieves roughly the same—or, as may be necessary, an even greater amount—of budget solutions as the Governor’s but that reflects legislative priorities. For example, this could include (1) a different mix across programs within a thematic area (such as across Energy programs); (2) a different mix across climate, resources and environmental thematic areas (such as more budget solutions from water spending

and less from coastal resilience programs); (3) a different mix across budget policy areas (such as more solutions from higher education programs and less from climate programs); (4) a different mix of solution strategies (such as more reductions and fewer delays); and (5) less new spending than the Governor proposes. The Legislature could also look at making reductions to programs funded with special funds—such as 2022-23 appropriations from GGRF that have not yet been expended by departments and are deemed a lower priority—to free up additional funding that could offset the impact of General Fund reductions. As we discuss below, the Legislature could apply its own prioritization criteria to guide its choices in building its solutions.

As Legislature Modifies Funding Levels, It Could Also Consider Refocusing Programs.

Alongside its decisions to reduce funding for certain programs, the Legislature may want to also take the opportunity to refine the design of those programs to help ensure that remaining funding is targeted towards achieving the most important desired outcomes. For instance, this could mean adopting budget bill language giving administering departments more guidance on how to prioritize funds, such as by limiting funding eligibility to underserved communities or to focus on those activities or projects that have been shown to be most effective. Similarly, the Legislature could specify whether it wants departments to implement funding reductions by decreasing the amount of each grant they award, or, alternatively, to keep the grants at the same level and just award fewer of them. In some instances, the Legislature may want to scale back funding originally intended to be spread across multiple years and instead fund an initial year on a pilot basis before making a larger commitment. In such cases, adding data collection and reporting requirements could help the state learn about the effectiveness of the pilot effort to inform future funding decisions.

Data Indicate Significant Amount of Funding Has Not Yet Been Committed. As of early February 2023, information provided by the administration indicates that approximately \$11.4 billion of the \$27 billion provided in 2021-22 and 2022-23 for climate, resources

and environmental programs has not yet been committed to or spent on specific projects. In many cases, this is because programs were recently established with the new funding and require time to hire staff, develop program guidelines, and implement grant solicitations and awards processes. While the Governor has already proposed some of the applicable programs for reductions or delays (totaling about \$1.4 billion), clearly that is not the case for all of them. Departments are in the process of awarding some of these funds in the coming months—meaning they are not ideal for reducing—but others represent options that the Legislature could consider for identifying additional solutions. As we discuss below, we think that one principle the Legislature should use to guide its decisions is to avoiding making reductions to programs that are already relatively far along in their implementation processes, since that can result in disruption for local grantees and their projects—including, potentially, prohibiting them from completing projects they have already begun carrying out. However, programs with large balances of uncommitted funds may indicate cases where programs still are in the early stages of implementation and thus reductions or delays could be made without significant disruptions. We highlight some specific examples in the subsequent thematic sections of this report.

Governor’s General Fund Trigger Restoration Approach Not Realistic, Minimizes Legislative Authority. As noted, of the \$3.8 billion in proposed reductions to climate, resources and environmental programs in 2023-24, the Governor identifies \$2.2 billion as being eligible for restoration should revenues exceed expectations by January 2024. We find this trigger proposal to be misleading in that it portrays the necessity for these reductions as being less certain than we think it is, and creates a false sense of hope—particularly for potential grant recipients and other stakeholders—that the reductions may not be implemented. As discussed earlier, not only do the administration’s revenue estimates assume insufficient funds to trigger such a restoration, but the administration also forecasts a \$9 billion budget deficit for 2024-25 that will need to be addressed. Moreover, the way the Governor

has structured the trigger proposal would require sufficient resources to restore the *full* \$3.8 billion budget-wide trigger restoration list. Given other budget formulas—such as Proposition 98—this means that revenues likely would have to exceed his projections by about \$7 billion in order for these restorations to occur. Since our revenue outlook is less optimistic than the Governor’s, we find it unlikely the trigger will be met. Specifically, we estimate there is about a one-in-three chance that the state will be able to afford the Governor’s budget as proposed for 2022-23 and 2023-24, and an even lower chance that the state could afford the Governor’s budget plus the trigger restorations. As such, we think the Legislature should consider the proposed trigger reductions as indistinct from the non-trigger reduction proposals, and assume that they will be needed. Indeed, as we discuss below, we think a strong possibility exists that the Legislature will need to identify an even greater magnitude of budget solutions.

Additionally, an automatic trigger is not needed to make midyear funding augmentations—the Legislature already has this ability through its authority to pass midyear spending bills. As such, we find that the Governor’s proposal is structured in a way that reduces legislative authority and flexibility. First, it grants the Director of DOF sole responsibility for determining whether resources are in “excess” of existing spending commitments, which allows significant room for the Director to make subjective decisions (such as how to define those commitments). Second, the proposal does not provide the Legislature with the opportunity to modify the identified spending priorities once the revenue situation has become clearer. This is because all of the programs in the proposed trigger would either be “on” or “off,” even if legislative priorities change or if revenues might be sufficient to allow for some but not all of the restorations.

GGRF Trigger Proposal Also Raises Concerns. We have similar concerns about the Governor’s proposal to allow the Director of DOF to allocate potential midyear increases in GGRF revenues. Historically, the Legislature has opted to delay action on any additional GGRF revenues that materialize midyear and allocate them as part of the subsequent year’s budget package.

This approach allows the Legislature the discretion to consider its highest priorities for that spending as part of a more comprehensive discussion, which also often includes consideration of the impact of those activities recently supported by GGRF and a desired level of fund balance to maintain. When midyear adjustments have been necessary due to GGRF revenues coming in lower than expected, the administration has cut programs proportionally (rather than making discretionary decisions to prioritize some over others). Allowing the administration to select which ZEV programs it would fund with any potential new monies and at what levels—without any statutory direction from the Legislature—shifts too much decision-making authority away from the Legislature to the administration.

Proposed Fund Shifts Would Have Programmatic Impacts. The Governor’s proposals to shift some program costs from the General Fund to other sources have some merit, as this approach can allow planned activities to continue while also helping to solve the state’s budget shortfall. However, such fund shifts are not without impacts. For example, the Governor’s proposal to use all of the discretionary GGRF revenue in 2023-24—roughly \$860 million—as well as commit GGRF revenues from future years to help sustain planned ZEV and “AB 617” community air protection program expenditures would benefit those programs. However, this strategy would leave the state without those funds to use for other programs that GGRF discretionary monies typically have supported. For example, in recent years, GGRF has been used for programs that reduce methane emissions, support climate change research, replace agricultural diesel engines, and limit short-lived climate pollutants. The choice before the Legislature is whether backfilling the General Fund to sustain intended funding for the ZEV and AB 617 programs is a higher priority than other programs for which GGRF could be used. The Legislature could also use GGRF to backfill General Fund reductions for other climate programs instead of those selected by the Governor.

Potential for Federal Funds Could Help Ease—but Not Fully Backfill—Proposed General Fund Reductions. While we see advantages to the Governor’s suggested strategy of identifying federal funds to help offset some proposed General Fund reductions, this strategy also comes with trade-offs. Specifically, while federal programs may fund activities similar to those supported by the state’s programs, typically they would not provide an identical dollar-for-dollar match. Federal programs may have different eligibility criteria or allowable activities than state programs. For example, some federal funding for coastal projects focuses more on nature-based activities to address sea-level rise rather than on other resilience efforts that state funds support, such as land acquisitions or shoring up critical public infrastructure. Moreover, some federal programs often require state departments or local governments to apply and compete for funding against entities from across the nation, making it uncertain whether California-based projects ultimately would benefit from the same total amount of funding as a General Fund allocation would have guaranteed. Some federal programs also require a state or local funding contribution, which can result in higher barriers to access than some state programs. Indeed, state or local entities may have been planning to use some of the recent state augmentations to meet such matching fund requirements in order to be eligible for funding from federal programs. Additionally, some federal programs are structured in ways that provide different forms of benefits than state programs. For instance, Californians who do not file taxes—including some lower-income households—cannot benefit from the tax credits provided through the federal ZEV incentive program, but are eligible for rebates from the state’s program.

While these distributional differences are important considerations for the Legislature to keep in mind, the recent large increases from federal spending bills do offer a unique and helpful opportunity to at least partially mitigate some state spending reductions made necessary by California’s budget situation. As such, taking federal fund availability into account when crafting budget solutions is worthwhile. Given the quantity of new and augmented programs in the Infrastructure

Investment and Jobs Act (IIJA) and Inflation Reduction Act, the Legislature would benefit from additional assistance from the administration to fully understand the landscape and nuances of federal funds that might be available.

Governor Uses Portion of Budget Solutions to “Make Room” for Proposed New Spending.

As highlighted above, along with the proposed reductions, the Governor’s budget also includes a few notable new General Fund spending proposals, including for flood management activities and CalFire capital outlay projects. Some of these activities may have merit and represent priorities for the Legislature—particularly as flood vulnerabilities have been highlighted by recent storms. However, in the context of a budget problem when revenues already are insufficient to fund existing commitments, every dollar of new spending comes at the expense of a previously identified priority and requires finding a commensurate level of solution somewhere within the budget. Moreover, some of the proposals—most notably the CalFire projects—have significant out-year costs, which would contribute to projected future budget deficits and require finding additional solutions in the coming years. We therefore think the Legislature should weigh the importance and value of the proposed new activities against the activities to which it has already committed, as this is essentially the spending trade-off that will result as long as budget problems persist.

Additional Solutions May Be Needed if Budget Problem Worsens. As discussed earlier, recent economic data and our fiscal outlook suggest that the Governor’s revenue estimates have a high likelihood of being overly optimistic. Should that prove to be the case, the Legislature will need to identify additional solutions in order to meet its constitutional requirement to pass a balanced budget. While it has several options for crafting such solutions—including from within other policy areas and using tools other than spending reductions—given the magnitude of the recent one-time investments in climate, resources, and environmental programs, the Legislature likely will want to consider making additional General Fund reductions in this area.

Outcomes and Success of Recent Augmentations Largely Are Still Unknown.

While the administration has collected some data regarding the status of *spending* from recent augmentations, information about the *outcomes* from that spending largely is still unavailable. For example, the Legislature has funded numerous efforts to help protect and rescue fish and wildlife from drought impacts, but does not have information regarding which specific strategies have proven to be most successful for long-term species protection. Similarly, the 2022-23 budget package provided close to \$3 billion in the current year for several different efforts to improve the state’s electrical grid reliability during summers and extreme events, but the degree to which these have increased the state’s preparedness still is not clear. Such data shortcomings are somewhat understandable, given how early many of these programs are in their implementation and expenditure of recently appropriated funds. However, the lack of such information makes it difficult for the Legislature to evaluate which programs are most effective at achieving their intended outcomes, and—perhaps most importantly—which are meaningfully contributing to the state’s overall climate resilience goals. Detailed program outcome data would be valuable in the near term to help inform the Legislature as to which lesser-performing programs could be better candidates for making needed budget reductions. Moreover, such information also would be important for helping to guide longer-term decisions, such as which programs should be prioritized for future funding investments. In addition to information on outcomes, the Legislature also could benefit from continued reporting from the administration regarding program implementation, including how funds are being prioritized for allocation and whether departments are encountering any barriers in effectively carrying out the Legislature’s goals. This type of data could facilitate the Legislature’s ability to be aware of and intervene if problems—such as significant delays—arise, or if departments are not implementing programs as the Legislature had originally intended.

Overarching Recommendations

Below, we discuss our overarching recommendations to the Legislature for crafting climate, resources, and environmental budget solutions, which we also summarize in **Figure 3**.

Adopt Package of Budget Solutions Based on Legislative Prioritization Criteria. We recommend the Legislature develop its own package of budget solutions based on its priorities and guiding principles. **Figure 4** highlights some of the criteria we suggest the Legislature use to guide its decisions. We provide our analyses and suggestions on specific programs in the subsequent sections of this report based on these principles. We find that many of the Governor’s proposals largely align with our suggested criteria, but so too would numerous alternative decisions the Legislature could make instead of or in addition to the Governor’s proposals. As the Legislature modifies program funding levels, we recommend that it also consider whether it wants to refine or refocus some program features to ensure that remaining funding targets the most important populations, activities, and desired outcomes.

Be Selective When Opting to Delay—Rather Than Maintain or Reduce—Funding. As noted, the Governor proposed delaying about \$800 million in funding for climate, resources, and environmental

programs. While this approach might preserve funding over the longer term, it also exacerbates future budget problems. Given the out-year budget forecast, we recommend the Legislature set a relatively high bar for opting to delay—rather than reduce—program funding. To the degree the Legislature wants to consider funding delays, we recommend limiting this strategy to programs that have a very compelling rationale for the state to prioritize maintaining funding (such as activities benefiting vulnerable populations), but for which (1) funding will not be spent this year, such as because of capacity issues precluding more immediate spending at the state or local level, and/or (2) more information is needed before specific decisions can be made about how to most effectively target the funds.

Reject Governor’s General Fund Trigger Restoration Approach, Maintain Legislative Flexibility. We recommend the Legislature reject the Governor’s trigger restoration proposal for two reasons. First, given revenue forecasts and the “all or nothing” structure of the proposal, we believe the likelihood of the state receiving sufficient funds to activate the trigger is low, so portraying the trigger cuts as distinct from other proposed reductions is misleading. Second, the proposal minimizes legislative authority and flexibility to respond to

Figure 3

Summary of Overarching Recommendations for Crafting Climate, Resources, and Environmental Budget Solutions

- ✓ **Adopt Package of Budget Solutions Based on Legislative Prioritization Criteria**
- ✓ **Be Selective When Opting to Delay—Rather Than Maintain or Reduce—Funding**
- ✓ **Reject Governor’s General Fund Trigger Restoration Approach, Maintain Legislative Flexibility**
- ✓ **Reject or Modify Governor’s Greenhouse Gas Reduction Fund Trigger Approach, Maintain Legislative Flexibility**
- ✓ **Use Spring Budget Process to Identify Additional Potential Budget Solutions for Climate, Resources, and Environmental Programs**
- ✓ **Weigh Relative Priority of New Spending Against Existing Commitments**
- ✓ **Request Additional Information From the Administration on Availability of Federal Funding**
- ✓ **Conduct Robust Oversight of Spending and Outcomes, Consider Whether Additional Program Evaluations Might Be Worthwhile**

changing revenue conditions and evolving spending priorities. We therefore recommend the Legislature instead focus its efforts on adopting the level of solutions needed to balance the 2023-24 budget. Then, as revenues become clearer over the coming year, it can make midyear changes—including augmentations if possible, or additional reductions if needed—through its existing authorities, such as by passing midyear spending bills. If the Legislature finds it is important to identify some signals to help guide potential future actions, it could include intent language in the budget package to identify which program reductions it views as the highest priorities for potential midyear legislative restorations if that option becomes available. However, because

priorities might change over the coming year—along with the evolving fiscal situation—we recommend the Legislature avoid locking in any decisions now and preserve its flexibility to revisit any future budget actions.

Reject or Modify Governor’s GGRF Trigger Approach, Maintain Legislative Flexibility. We similarly recommend that the Legislature reject the Governor’s proposed approach of giving the Director of DOF the discretion over how to allocate potential increases in GGRF revenues. We recommend the Legislature either (1) follow its historical approach of waiting to allocate any unforeseen increases in 2023-24 GGRF revenues as part of the 2024-25 budget process; (2) appropriate

such revenues by passing a midyear spending bill in early 2024; or (3) adopt language that directs the administration specifically how it should allocate additional GGRF revenues, such as to which particular programs—ZEV or otherwise—and at which levels. Any of these approaches would better preserve the Legislature’s spending decision authority as compared to the Governor’s proposal.

Use Spring Budget Process to Identify Additional Potential Budget Solutions for Climate, Resources, and Environmental Programs. Given the distinct possibility of worsening fiscal conditions, we recommend the Legislature begin to prepare now for the likely need to solve for a deeper revenue shortfall when it adopts its final budget this summer. Specifically, in addition to weighing the Governor’s proposed solutions and substituting its own alternatives, we recommend it identify additional reductions and fund shifts (and potentially some delays) for a greater total amount of solutions from climate, resources, and environmental programs than those proposed by the Governor.

Figure 4

Suggested Criteria for Crafting Climate, Resources, and Environmental Budget Solutions

- ✓ **Preserve Activities That Reflect Legislative Priorities and Goals**
 - Is the activity an important component of meeting the Legislature’s priorities?
 - Does the funding target vulnerable or underserved communities that may not have resources to undertake the activity on their own?
 - Does the activity represent a core state responsibility?
 - Does compelling evidence exist that a program is effective at meeting its intended outcomes?
 - If a program is to be reduced, should remaining funding be targeted or prioritized differently?
- ✓ **Preserve Funding That Is Needed Urgently to Address Pressing Needs**
 - Would the funding be expended and activity be conducted in the near term, or not for several years?
 - Are administering departments or funded entities experiencing capacity constraints in allocating or expending funding?
 - What is the current demand for the funds?
 - How likely is it that delaying or not conducting the activity could lead to negative long-term outcomes?
- ✓ **Avoid Solutions That Would Cause Major Disruptions**
 - How far along is the activity in being implemented?
 - Has the funding been appropriated? Has it been committed to specific projects or grantees?
 - Would pulling back state funding affect the ability to access other funding, such as federal funds?
- ✓ **Consider Other Available Resources**
 - Are there other funding sources available to help accomplish the activities at some level, either from previous budget appropriations, special funds, federal funds, or a potential bond?
 - Would raising new special fund revenues—such as through increasing user fees—be an appropriate substitution for General Fund monies?
 - What implications might result from potential fund shifts, such as for programs that funding might otherwise have supported?
 - Are similar activities already being conducted?

While this process will be challenging—and, likely, unpleasant—taking the time to consider, research, and select potential options over the spring will better prepare the Legislature to make decisions in May and June when it will not have much time to gather information or carefully consider program trade-offs before the budget deadline.

Weigh Relative Priority of New Spending Against Existing Commitments. In the context of a budget shortfall, each additional dollar of General Fund spending for new activities necessitates making additional spending reductions from previously agreed-upon commitments. As such, we recommend the Legislature keep these trade-offs in mind as it considers the Governor’s new spending proposals. Essentially, we recommend the Legislature weigh whether the new proposals represent higher priorities than its previously budgeted activities, since funding one comes at the expense of another. As it undertakes these calculations, we recommend the Legislature also consider potential out-year and/or ongoing costs associated with the new spending proposals and how they may affect future budget problems and resulting trade-offs.

Request Additional Information From Administration on Availability of Federal Funding. We recommend the Legislature ask the administration to provide more detailed information on funding that the state and local entities could potentially access from IIJA and the Inflation Reduction Act. Departments likely have been closely tracking the federal programs that align with their missions, and therefore could help provide comprehensive summaries that might be more difficult and time-intensive for legislative staff to track down on their own. Moreover, because federal agencies are still formulating some program specifics, additional details may become available over the spring. Such information could help instruct the Legislature’s decisions about where federal funds might help make up for potential state

funding reductions, and to understand associated implications and trade-offs in cases where federal programs’ criteria differ from the state’s programs. The Legislature could request that the administration provide this information ahead of the May Revision. Relatedly, we recommend the Legislature exercise caution about reducing state funding that might be essential for drawing down additional federal funds, such as monies that might be needed for state matching fund requirements.

Conduct Robust Oversight of Spending and Outcomes, and Consider Whether Additional Program Evaluations Might Be Worthwhile. We recommend the Legislature conduct both near-term and ongoing oversight of how the administration is implementing—and local grantees are utilizing—funding from the recent budget augmentations. In particular, we recommend the Legislature track: (1) how the administration is prioritizing funding, especially within newly designed programs; (2) the time lines for making funding allocations and completing projects; (3) the levels of demand and over- or under-subscription for specific programs; (4) any barriers to implementation that departments or grantees encounter; and (5) the impacts and outcomes of funded projects. The Legislature has a number of different options for conducting such oversight, all of which could be helpful to employ given that they would provide differing levels of detail. These include requesting that the administration report at spring budget hearings, requesting reports through supplemental reporting language, and adopting statutory reporting requirements (such as those typically included for general obligation bonds). Additionally, to the degree it might want more intensive external program evaluations for certain high-priority programs to help assess their effectiveness, the Legislature could consider adopting language that directs the administration to set aside a portion of provided funding to contract for researchers to conduct more in-depth studies.

DISCUSSION OF SPECIFIC PROPOSALS

ZERO-EMISSION VEHICLES

Recent and Planned Funding Augmentations

2021-22 and 2022-23 Budget Acts Included \$9.9 Billion in Planned Investments for ZEV Programs. The previous two budgets committed significant funding for programs intended to promote purchase and use of ZEVs. As shown in **Figure 5** on the next page, this funding is spread across five years, including \$6.5 billion already provided and \$2.1 billion intended for 2023-24. The majority of this funding is from the General Fund (\$6.3 billion), but also includes \$1.6 billion from Proposition 98 General Fund (for school buses), \$1.3 billion from GGRF, \$307 million from federal funds, and \$366 million from other special funds. Most of the funding is for continuing or expanding existing programs, such as rebates for purchasing vehicles and incentive payments for developing charging infrastructure. As shown in the figure, ZEV funding is primarily split between the California Air Resources Board (CARB) and the California Energy Commission (CEC). CARB oversees vehicle incentive programs, while CEC oversees ZEV charging infrastructure programs. The majority of planned ZEV augmentations (\$5.5 billion) support heavy-duty vehicle programs.

Package Represents Unusually Large State-Level Investment in ZEV Programs. The large investments reflect the state’s policy goals of reducing GHGs from transportation. Transportation is the single largest source of GHGs—responsible for 40 percent of emissions—making the sector a critical area for seeking reductions. In the fall of 2022, CARB adopted regulations to require all new cars sold in California to be ZEV or hybrid-electric by 2035. While the state has historically administered a variety of programs intended to promote ZEVs, the funding displayed in **Figure 5** is significant compared to previous amounts, as is the use of General Fund. For example, in 2019-20, the state invested a total of \$435 million

for ZEV programs, from GGRF. Certain vehicle fees commonly known as “AB 8” fees have provided another consistent source of funding for ZEV and mobile source emission reduction programs. These fees provide about \$170 million annually for programs that support ZEVs and lower-emission vehicles. (As we discuss in a separate publication, a portion of these fees are scheduled to sunset in 2023, and the Governor is proposing that the Legislature renew them to continue to support existing programs.)

Governor’s Proposal

Reduces General Fund Spending and Partially Backfills With GGRF for Net Reduction of \$1.1 Billion. As shown in **Figure 6** on page 21, the administration proposes to reduce General Fund spending on ZEV programs by a total of \$2.5 billion, including \$1.5 billion in 2023-24. However, the Governor proposes using \$1.4 billion from discretionary GGRF revenues across three years to backfill some of these reductions. As shown in **Figure 7** on page 21, this amount includes \$611 million in 2023-24. The Governor also proposes pledging \$414 million in annual discretionary GGRF revenues in 2024-25 and 2025-26 to partially backfill proposed reductions in those years. Largely because of this proposed use of GGRF, the majority of ZEV programs would be unaffected by the Governor’s proposed reductions, including Clean Cars 4 All (CC4A, which provides rebates to lower-income individuals for purchasing ZEVs), and a program shared by CARB and CEC to support ZEV and lower-emission drayage trucks and infrastructure. For most of the programs that would receive reductions, the Governor would maintain at least 50 percent of funding. The one exception is the proposed elimination of a new program shared by CARB and CEC aimed at reducing mobile source emissions from port equipment. Overall, the Governor proposes maintaining \$8.9 billion, or 89 percent, of intended funding for ZEV programs across the five years.

Figure 5

Recent and Planned Zero-Emission Vehicle (ZEV) Augmentations

Highlighted Rows Indicate Programs Governor Proposes for Budget Solutions
General Fund, Unless Otherwise Noted (In Millions)

Program	Department	2021-22	2022-23	2023-24	2024-25	2025-26	Totals
Light-Duty Programs		\$1,210	\$396	\$495	\$170	\$80	\$2,351
ZEV Fueling Infrastructure Grants	CEC	\$515	\$15	\$210	\$90	\$40	\$870
Clean Vehicle Rebate Project	CARB	525 ^a	—	—	—	—	525
Clean Cars 4 All and Other Equity Projects	CARB	150 ^b	381 ^a	125	—	—	656
Equitable At-Home Charging	CEC	20	—	160	80	40	300
Heavy-Duty Programs		\$1,627	\$2,635	\$1,205	\$488	\$225	\$6,180
School Buses and Infrastructure	CARB	\$130	\$1,260 ^c	\$135	—	—	\$1,525
	CEC	20	390 ^c	15	—	—	425
Clean Trucks, Buses, and Off-Road Equipment	CARB	500 ^a	600 ^a	—	—	—	1,100
	CEC	299	—	315	\$31	\$25	670
Transit Buses and Infrastructure	CARB	70	70	200	110	70	520
	CEC	30	30	90	50	30	230
Drayage Trucks and Infrastructure	CARB	157	75	165	48	—	445
	CEC	181	85	185	49	—	500
Ports	CARB	—	—	60	120	70	250
	CEC	—	—	40	80	30	150
ZEV Manufacturing Grants	CEC	125	125	—	—	—	250
Near-Zero Heavy-Duty Trucks	CARB	45	—	—	—	—	45
Drayage Trucks and Infrastructure Pilot Project	CARB	40	—	—	—	—	40
	CEC	25	—	—	—	—	25
ZEV Consumer Awareness	GO-BIZ	5	—	—	—	—	5
Other		\$514	\$137	\$407	\$200	\$155	\$1,413
Transportation package ZEV	CalSTA	\$407 ^b	\$77 ^d	\$77 ^d	\$77 ^d	\$76	\$714
Sustainable community plans and strategies	CARB/CalSTA	—	—	200	80	59	339
Emerging Opportunities	CARB	53	—	35	12	—	100
	CEC	54	—	35	11	—	100
Charter boats compliance	CARB	—	60 ^a	40	—	—	100
Hydrogen Infrastructure	CEC	—	—	20	20	20	60
Totals		\$3,351	\$3,168	\$2,107	\$858	\$460	\$9,944

^a Includes Greenhouse Gas Reduction Fund.

^b Includes \$200 million Public Transportation Account and \$80 million federal funds.

^c Proposition 98 General Fund.

^d Federal funds.

CEC = California Energy Commission; CARB = California Air Resources Board; Go-BIZ = Governor's Office of Business and Economic Development; and CalSTA = California State Transportation Agency.

Figure 6

Governor's Proposed Zero-Emission Vehicle (ZEV) Budget Solutions

(In Millions)

Program	Total Augmentations	General Fund Reductions		GGRF Backfill (2023-24 Through 2025-26)	Net Reductions	New Proposed Amounts
		2023-24	2024-25 and 2025-26			
Programs Proposed for Solutions						
School Buses and Infrastructure (CARB)	\$1,525	-\$135	—	—	-\$135	\$1,390
School Buses and Infrastructure (CEC)	425	-15	—	—	-15	410
ZEV Fueling Infrastructure Grants	870	-210	-\$130	\$130	-210	660
Clean Cars 4 All and Other Equity Projects	656	-125	—	125	—	656
Transit Buses and Infrastructure (CARB)	520	-176	-180	293	-63	457
Transit Buses and Infrastructure (CEC)	230	-66	-80	130	-16	214
Drayage Trucks and Infrastructure (CARB)	445	-80	-48	128	—	445
Drayage Trucks and Infrastructure (CEC)	500	-85	-49	134	—	500
Sustainable community plans and strategies	339	-140	-44	25	-159	180
Equitable At-Home Charging	300	-160	-120	280	—	300
Clean Trucks, Buses, and Off-Road Equipment	299	-98	-56	154	—	299
Ports (CARB)	250	-60	-190	—	-250	—
Ports (CEC)	150	-40	-110	—	-150	—
Charter boats compliance	100	-40	—	40	—	100
Emerging Opportunities (CARB)	100	-35	-12	—	-47	53
Emerging Opportunities (CEC)	100	-35	-11	—	-46	54
Subtotals	(\$6,809)	(-\$1,500)	(-\$1,030)	(\$1,439)	(-\$1,091)	(\$5,718)
All Other ZEV Package Funding	\$3,135	—	—	—	—	\$3,135
Totals	\$9,944	-\$1,500	-\$1,030	\$1,439	-\$1,091	\$8,853

GGRF = Greenhouse Gas Reduction Fund; CARB = California Air Resources Board; and CEC = California Energy Commission.

Figure 7

Governor's Proposed Use of GGRF for ZEV Program Backfills

(In Millions)

Program	Department	Backfill General Fund With Fund Shift to GGRF			GGRF Three- Year Totals
		2023-24	2024-25	2025-26	
Transit Buses and Infrastructure	CARB	\$38	\$56	\$199	\$293
	CEC	25	40	65	130
Equitable At-Home Charging	CEC	160	80	40	280
Clean Trucks, Buses, and Off-Road Equipment	CEC	98	31	25	154
	CARB	80	48	—	128
Drayage Trucks and Infrastructure	CEC	85	49	—	134
	CEC	—	90	40	130
ZEV Fueling Infrastructure Grants	CEC	—	90	40	130
Clean Cars 4 All and Other Equity Projects	CARB	125	—	—	125
Charter boats compliance	CARB	—	20	20	40
Sustainable community plans and strategies	CARB/CalSTA	—	—	25	25
Totals		\$611	\$414	\$414	\$1,439

GGRF = Greenhouse Gas Reduction Fund; ZEV = zero-emission vehicles; CARB = California Air Resources Board; CEC = California Energy Commission; and CalSTA = California State Transportation Agency.

Proposes Trigger Restoration Approach for GGRF. The Governor proposes a trigger restoration approach for GGRF revenues that the state might receive above current estimates during the 2023-24 fiscal year. Specifically, proposed budget control section language would require the administration to allocate additional GGRF revenues to backfill additional proposed reductions to ZEV programs. The language identifies specific activities for which these revenues could be used—fueling infrastructure grants, transit and school buses, ports, community-based efforts, emerging opportunities, and charter boat compliance—but would allow the Director of DOF the discretion to determine which of these ZEV programs to augment and at what levels.

Administration Plans to Seek Federal Funds to Offset Other Reductions. The administration indicates plans to use potential federal funding from IIJA and the Inflation Reduction Act to help further offset the proposed decrease in state funds. For example, the administration has identified federal funding for activities that reduce GHG emissions at ports (\$3 billion total available), support charging infrastructure (\$2.5 billion total available), and support ZEV buses and bus infrastructure (\$5.6 billion total available)—three areas proposed for General Fund reductions.

Proposes \$35 Million New Spending for Charging Stations at State-Owned Locations. Outside of the ZEV package—and therefore not displayed in any of the figures—the Department of General Services (DGS) Office of Sustainability is requesting \$35 million from the General Fund over three years to install ZEV infrastructure at state-owned and leased facilities.

Assessment

Consider Highest-Priority Goals When Making Funding Decisions. The large number of ZEV-related programs reflects diversity in approaches to achieve various state goals, such as reducing air pollution, lowering GHG emissions, and providing subsidies and infrastructure benefiting low-income and disadvantaged communities. Prioritizing among these complementary goals and assessing how effective each program is at attaining them can help guide the Legislature's

decisions about where to make funding reductions. For example, if the Legislature's highest-priority goal is to reduce air pollution from mobile sources, then it may want to prioritize maintaining funding for programs that incentivize medium- and heavy-duty ZEVs, as these are more effective at achieving that objective than programs that focus on passenger vehicles or charging infrastructure. Alternatively, if the most important goal is reducing GHGs, then maintaining funding for programs that promote passenger ZEVs make sense. (Please see our 2022 report, *The 2022-23 Budget: Zero-Emission Vehicle Programs*, for more information on the effectiveness of ZEV programs by goal.)

Governor's Proposed Solutions Appear Generally Reasonable. We find merit in the Governor's approach of focusing budget solutions on newer programs and in areas with potential federal funding availability. For example, eliminating funding for the ports program is less likely to cause disruption as compared to some existing programs, given that this program has not begun implementation. Furthermore, federal funds for similar activities at ports are available to help offset a loss in state funds. We also see value in the Governor's approach of retaining funding for programs that reduce emissions and air pollution in low-income/disadvantaged communities, including the drayage truck programs and CC4A. These communities are more likely to be located in heavy transit corridors with higher levels of air pollution, so they represent a worthwhile area of state focus and intervention. This is consistent with the Legislature's historical prioritization of programs that provide ZEV funding for low-income and disadvantaged communities. Finally, a rationale exists for making reductions in ZEV charging infrastructure support, as the market for charging is maturing and the same level of state intervention may no longer be needed to spur development. Additionally, new federal funding is becoming available for charging infrastructure.

Consider Refining Some Programs to Focus on Highest-Priority Needs. As it considers making funding reductions, the Legislature may want to also consider narrowing the scope of certain ZEV programs. This could help to ensure that remaining funding is specifically targeted towards

achieving the Legislature's highest-priority goals. For example, this might include more narrowly focusing benefits on lower-income Californians who are not eligible for federal subsidies and efforts where state investments could be most effective at spurring growth in ZEV infrastructure. Two possible approaches include:

- ***Focusing CC4A Rebates on Consumers Who Do Not Qualify for Federal Incentives.***

The Governor proposes to maintain the full funding amount for the CC4A program (\$656 million), which provides rebates for low-income car buyers who purchase ZEVs. Some individuals who purchase ZEVs are also eligible for federal tax credits up to \$7,500. For example, a car buyer at or below 300 percent of the federal poverty level and living in a disadvantaged community could receive up to \$12,000 from CC4A, up to \$7,500 from the state's Clean Vehicle Rebate Program, and up to \$7,500 of federal incentives. As the program is currently structured, some consumers can qualify for both CC4A and other state ZEV rebate programs in addition to the federal tax incentive. In contrast, some Californians are only eligible for CC4A because their incomes are too low to participate in the federal program. (The federal program provides incentives as a tax credit and very low-income households are not required to file taxes so therefore are not able to take advantage of this benefit.) Particularly if it were to make reductions to the CC4A program, the Legislature could consider further limiting the program's income-eligibility threshold to focus exclusively on consumers who do not qualify for federal incentives. This would allow the Legislature to focus funding on those who do not have other options for subsidizing their ZEV purchases and facilitate more equitable outcomes.

- ***Focusing Light-Duty ZEV Charging Funding on Chargers That Would Otherwise Not Be Developed.*** The state has invested heavily in chargers and these investments have helped support a private market for public charging stations. More chargers likely will

be deployed with or without additional state investments due to increased availability of federal funding and the growth of companies that install chargers in public locations. This is particularly true for passenger light-duty vehicles in locations with higher concentrations of ZEVs, which tend to be higher-income areas. The Legislature may want to consider whether the state should focus less on funding light-duty chargers and instead prioritize infrastructure investments in areas that do not have as much private investment. This could include helping to subsidize installment of chargers in multiunit dwellings and in lower-income neighborhoods. This also could include prioritizing funding for medium- and heavy-duty vehicles and hydrogen vehicles rather than light-duty electric chargers. While these types of chargers and fueling stations may also qualify for federal funds, they are more emergent technologies and may need additional support before reaching the same availability as passenger electric vehicle chargers.

Legislature Will Need to Weigh Whether ZEV Programs Represent Its Highest Priority for GGRF Discretionary Funds...

The Governor proposes to use the majority of discretionary GGRF funds for ZEV programs. Together with \$250 million proposed for backfilling a reduction to the AB 617 air quality improvement program (discussed in the "Community Resilience" section of this report), this represents nearly all of the administration's projected 2023-24 discretionary GGRF expenditures. Typically, the Legislature and Governor negotiate annually to allocate discretionary GGRF revenue for a variety of programs and priorities. As such, directing these revenues towards only two program areas is unusual. The Governor's proposal presents the Legislature with the key decision of whether sustaining ZEV programs is its highest priority for the 2023-24 discretionary GGRF revenue. However, should the Legislature reject the Governor's GGRF approach, this could mean deeper reductions to ZEV or other programs compared to what the administration proposes if it wants to realize the same amount of General Fund savings.

...And Whether It Wants to Commit Out-Year GGRF Revenues Now. As shown in Figure 7, in addition to the \$611 million of discretionary GGRF revenues in 2023-24, the Governor proposes using \$414 million annually in future GGRF discretionary funds to backfill ZEV programs in 2024-25 and 2025-26. This is somewhat unusual—in general, after allocating funding for statutorily required expenditures, uses for remaining GGRF funds typically are determined by the Governor and Legislature on an annual basis as part of the deliberations on the budget for the fiscal year in which they would be spent. Committing future GGRF revenues now would reduce the discretionary funds available in future years that could support other programs and preclude the Legislature’s ability to weigh whether it might have different spending priorities in 2024-25 and 2025-26.

GGRF Trigger Proposal Also Raises Concerns. We have concerns about the Governor’s proposal to allow DOF to allocate potential midyear increases in GGRF revenues. Historically, the Legislature has opted to delay action on any additional discretionary GGRF revenues that materialize midyear and allocate them as part of the subsequent year’s budget package. This standard approach allows the Legislature the discretion to consider its highest priorities for that spending as part of a more comprehensive discussion. When midyear adjustments have been necessary due to GGRF revenues coming in lower than expected, the administration has cut programs proportionally (rather than making discretionary decisions to prioritize some over others). Allowing the administration to select which ZEV programs it would fund with any potential new monies and at what levels—without any statutory direction from the Legislature—shifts too much decision-making authority away from the Legislature to the administration.

Potential for Higher GGRF Revenues Highlights Importance of Identifying Legislative Spending Priorities. We believe a strong possibility exists that additional GGRF revenues will be available to spend in 2023-24, as the administration historically underestimates

cap-and-trade auction revenues. This makes it particularly important for the Legislature to consider its priorities for these discretionary funds—and to maintain decision-making over how to spend potential midyear increases. Extra GGRF revenues could be especially helpful this year, given the potential for a worsening budget picture. The Legislature could consider using such funds to support other climate-related activities that might otherwise need to be reduced.

Federal Funds May Help Offset Some Reductions, but No Guarantee. The Governor has identified federal funding opportunities for ports (\$3 billion total), school and transit buses (\$5.6 billion total), and ZEV charging (\$2.5 billion total). The administration believes this funding could offset reductions in state funding for various ZEV programs. However, applicants for the funding would most likely be individual entities (such as transit agencies interested in purchasing electric buses, charging developers, or ports pursuing lower-emission technologies) rather than state departments. Such applicants would be competing for funding against entities from around the country. As such, while this funding could help offset reductions to similar state programs, California entities would not necessarily be the beneficiaries of the same amounts or allocations of federal funding.

Funding to Prepare State Properties for ZEV Transition Could Make Sense to Add to ZEV Package. DGS is subject to the Advanced Clean Fleets regulation planned for adoption this year by CARB, which will require government vehicle fleets to be zero-emission by 2035. As noted above, the Governor proposes \$35 million in new General Fund spending outside of the ZEV package to install charging stations at state-owned and leased facilities to help meet this requirement. Given the General Fund condition and the fact that overseeing the state fleet is a core state responsibility, the Legislature may want to consider whether it should prioritize funding for this activity within the ZEV package over paying for privately owned vehicles and charging stations. Making room for this activity within the existing ZEV package would necessitate making deeper reductions to the programs displayed in Figure 5

if the Legislature wants to avoid an additional \$35 million net General Fund cost. However, we think such action could be justified to enable the state to comply with ZEV fleet requirements and given budget constraints.

Recommendations

Adopt Package of Solutions From ZEV Programs Reflecting Legislative Priorities.

We recommend the Legislature begin with the Governor’s proposals, which we find reasonable, but also consider additional or alternative reductions across ZEV programs based on its goals and highest priorities. As it considers additional reductions, we recommend the Legislature consider whether it wants to further refine certain ZEV programs—such as support for ZEV charging infrastructure and CC4A—to have a narrower scope and focus on the highest-priority populations, locations, and emerging technologies. We also recommend the Legislature consider whether ZEV programs represent its highest-priority for GGRF discretionary spending and whether it wants to commit future-year GGRF revenues for ZEV programs now. The Legislature may also want to determine whether it wants to accommodate funding the costs for installing chargers at state-owned and leased facilities within the existing ZEV package rather than as a new additional General Fund expenditure—though this could come at the expense of other intended ZEV expenditures.

Reject or Modify Governor’s GGRF Trigger Approach, Maintain Legislative Flexibility.

We also recommend the Legislature either (1) follow its historical approach of waiting to allocate any unforeseen increases in 2023-24 GGRF revenues as part of the 2024-25 budget process; (2) appropriate such revenues by passing a midyear spending bill in early 2024; or (3) adopt language that directs the administration specifically how it should allocate additional GGRF revenues, such as to which programs—ZEV or otherwise—and at which levels. Any of these approaches would better preserve the Legislature’s authority over making spending choices as compared to the Governor’s proposal.

ENERGY

Recent and Planned Funding Augmentations

\$9.6 Billion Planned for Energy Programs

Across Five Years. As shown in **Figure 8** on the next page, the previous two budgets and corresponding budget trailer legislation provided significant funding for a variety of energy programs and activities. The 2021-22 budget provided \$175 million for a package of investments, including programs intended to promote building electrification, planning and permitting renewable energy projects, and activities intended to ensure electric reliability. The 2022-23 budget planned for an additional \$7.9 billion through 2025-26 (including \$2.3 billion scored in 2021-22) as part of another energy package. Both packages were funded almost entirely by the General Fund. Funded activities focus primarily on three categories—reliability, clean energy, and ratepayer relief, with most investments going to reliability-related programs. The 2022-23 budget also created the California Climate Innovation program, which offers grants for technology innovation projects that reduce emissions, and provided \$525 million through 2025-26.

Includes \$1 Billion for a Clean Energy

Reliability Investment Plan. As shown in Figure 8, the \$9.6 billion total also includes funding to support implementation of a Clean Energy Reliability Investment Plan (CERIP), pursuant to Chapter 239 of 2022 (SB 846, Dodd). This legislation requires CEC to develop and submit the CERIP to the Legislature by March 2023, and dedicates \$1 billion from the General Fund from 2023-24 through 2025-26—subject to appropriation—to implement the plan’s proposed activities and projects, including \$100 million in 2023-24.

General Fund Commitments Represent Unusually Large State-Level Investment in Energy Programs.

The state historically has operated programs that encourage renewable energy and conservation, but the magnitude of General Fund commitments for energy efforts displayed in Figure 8 is uncommonly large, and most of the activities represent new efforts for the state.

Figure 8

Recent and Planned Energy Augmentations

Highlighted Rows Indicate Programs Governor Proposes for Budget Solutions General Fund, Unless Otherwise Noted (In Millions)

Activity	Department	2021-22	2022-23	2023-24	2024-25	2025-26	Totals
2021-22 Energy Package		\$175	—	—	—	—	\$175
BUILD expansion	CEC	\$75	—	—	—	—	\$75
Permitting initiatives	CEC/DFW	39	—	—	—	—	39
SB 100 planning and participation	CEC/CPUC	20	—	—	—	—	20
Various offshore wind activities	CEC	18	—	—	—	—	18
Emergency planning and support	CEC/CPUC	14	—	—	—	—	14 ^a
Wildfire Operational Observer	OES	9	—	—	—	—	9
2022-23 Energy Package		\$2,250	\$3,002	\$2,626	\$654	\$918	\$7,925
Reliability							
Strategic Reliability Reserve	DWR	\$1,500	\$700	\$20	\$75	\$75	\$2,370
Residential Solar and Storage	CPUC	—	—	900	—	—	900
Distributed Electricity Backup Assets	CPUC	550	—	100	25	25	700
Demand Side Grid Support	CEC	200	—	95	—	—	295
Transmission financing	IBank	—	200	50	—	—	250
DOE grid resilience match	CEC	—	5	—	—	—	5
Support for reliability	DWR	—	3	—	—	—	3
Clean Energy							
Equitable Building Decarbonization	CEC	—	\$112	\$665	\$53	\$92	\$922
	CPUC	—	50	95	—	—	145
	CARB	—	20	20	—	—	40
Long duration storage	CEC	—	140	240	—	—	380
Oroville pump storage	DWR	—	100	140	—	—	240
Carbon removal innovation	CEC	—	50	50	—	—	100
Industrial decarbonization	CEC	—	100	—	—	—	100
Hydrogen grants	CEC	—	100	—	—	—	100
Food production	CEC	—	25	50	—	—	75
Offshore wind infrastructure	CEC	—	45	—	—	—	45
Energy modeling	CEC	—	7	—	—	—	7
Distributed energy workload	CPUC	—	1	1	1	1	4 ^b
Hydrogen Hub	GO-Biz	—	5	—	—	—	5
Energy data infrastructure	CEC	—	5	—	—	—	5
AB 525 implementation	Various	—	4	—	—	—	4 ^c
Ratepayer Relief							
Arrearage Payment Program	CSD	—	\$1,200	—	—	—	\$1,200 ^d
Capacity building grants	CPUC	—	30	—	—	—	30
Other Funding		—	\$100	\$200	\$500	\$725	\$1,525
Clean Energy Reliability Investment Plan	Various	—	—	\$100	\$400	\$500	\$1,000
Climate Innovation Program	CEC	—	\$100	100	100	225	525
Totals		\$2,425	\$3,002	\$2,626	\$654	\$918	\$9,625

^a Includes \$2 million Public Utilities Commission Utilities Reimbursement Account.

^b Public Utilities Commission Utilities Reimbursement Account.

^c Includes \$1.5 million Energy Resources Program Account and \$2.6 million General Fund.

^d General Fund through the California Emergency Relief Fund.

BUILD = Building Initiative for Low-Emissions Development; CEC = California Energy Commission; DFW = Department of Fish and Wildlife; CPUC = California Public Utilities Commission; OES = Governor's Office of Emergency Services; DWR = Department of Water Resources; IBank = California Infrastructure and Economic Development Bank; CARB = California Air Resources Board; DOE = U.S. Department of Energy; GO-Biz = Governor's Office of Business and Economic Development; and CSD = Department of Community Services and Development.

Many energy programs, including programs that promote energy efficiency and rooftop solar, largely are run through utilities and typically are funded by ratepayers. For example, since 2009, the California Public Utilities Commission (CPUC) has collected \$1.7 billion from ratepayers to fund incentives for households and businesses to undertake energy and storage activities through the Self-Generation Incentive Program.

Governor's Proposals

Proposes Roughly \$900 Million in Reductions. Figure 9 displays the administration's proposed budget solutions within energy programs. As shown, the Governor would reduce \$510 million from 2022-23 appropriations and \$820 million from funding intended for 2023-24, for budget-year savings of \$1.3 billion. These reductions, however, include a shift of \$433 million in General Fund spending from 2022-23 and 2023-24 to future years, which would delay program expenditures but not result in a net reduction. Therefore, on net, the Governor's proposal would result in \$897 million less spending across energy programs. For the most part, the administration would implement

these reductions by making fewer grant awards and funding fewer projects. The majority of programs approved in the past two budgets are unaffected. All of the Governor's solutions propose to maintain at least 50 percent of the intended funding for individual programs. In total, the Governor proposes to maintain \$8.7 billion, or 91 percent, of the intended energy funding of \$9.6 billion.

Makes Reductions Across Eight Programs, Delays Funding Two Programs. The administration proposes reducing funding for eight programs, with most representing relatively modest reductions or scaling down of planned amounts. The proposal also includes delaying funding for two programs. The most significant of these proposals include:

- **The California Arrearage Payment Program.** The Governor proposes a \$400 million reduction to this program, which received \$1.2 billion from the California Emergency Relief Fund via General Fund resources in 2022-23. The administration states that updated data indicate that not all of this funding will be needed to address overdue

Figure 9

Governor's Proposed Energy Budget Solutions

(In Millions)

Program	Total Augmentations	Proposed Changes			Net Reductions	New Proposed Amounts
		2022-23	2023-24	2024-25 and Out-Years		
Programs Proposed for Solutions						
Arrearage Payment Program	\$1,200	-\$400	—	—	-\$400	\$800
Residential Solar and Storage	900	—	-\$270	—	-270	630
Equitable Building Decarbonization (CEC)	922	-50	-320	\$283 ^a	-87	835
Equitable Building Decarbonization (CARB)	40	—	-20	—	-20	20
Climate Innovation Program	525	-50	-100	150 ^a	—	525
Long duration storage	380	—	-50	—	-50	330
Transmission financing	250	—	-25	—	-25	225
Carbon removal innovation	100	—	-25	—	-25	75
Industrial decarbonization	100	-10	—	—	-10	90
Food production	75	—	-10	—	-10	65
Subtotals	(\$4,492)	(-\$510)	(-\$820)	(\$433)	(\$897)	(\$3,595)
All Other Energy Funding	\$5,133	—	—	—	—	\$5,133
Totals	\$9,625	-\$510	-\$820	\$433	-\$897	\$8,728

^a Reflects proposed delays from prior years to 2024-25 through 2026-27.

CEC = California Energy Commission and CARB = California Air Resources Board.

energy bills for eligible households, so the proposed amount can be reverted back to the General Fund without programmatic impact.

- **Residential Solar and Storage.** This \$900 million incentive payment program was designed with two components: (1) \$630 million for residential customers in lower-income, tribal, and disadvantaged communities to install solar systems with or without energy storage systems, and (2) \$270 million for general customers who install energy storage systems. The Governor proposes to eliminate the second portion for a net reduction of \$270 million and maintain the \$630 million targeted for lower-income, tribal, and disadvantaged populations.
- **Equitable Building Decarbonization.** The Governor proposes three changes to this multifaceted program, which has the overarching goal of reducing GHGs from buildings. The first two affect the portion of this program administered by CEC, which supports low-energy building upgrades for low-to-moderate income families in under-resourced communities and incentives for low-carbon building technologies. The Governor proposes to (1) delay \$283 million from 2023-24 and instead provide it spread over the subsequent three years, and (2) reduce the program by \$87 million in 2023-24. These changes would result in fewer funded projects and delayed time lines for projects. Third, for the portion administered by CARB—which provides incentives for low global warming-potential refrigerants in homes—the Governor proposes to reduce funding by \$20 million in 2023-24.
- **Climate Innovation Program.** The Governor proposes delaying \$50 million from 2022-23 and \$100 million from 2023-24 and instead providing these funds in 2026-27. This program is to provide financial incentives to California-headquartered companies developing and commercializing new technologies that help reduce GHGs or improve climate resiliency.

Largely Does Not Reduce Reliability Programs. The suite of energy reliability programs included in the 2022-23 budget package—the largest category of funded activities—are kept mostly intact in the Governor’s proposal. These include significant programmatic investments, including \$2.3 billion to the Department of Water Resources (DWR) for investments in strategic reliability assets, \$700 million to CPUC for the Distributed Electricity Backup Assets Program, and \$295 million to CEC for the Demand Side Grid Support Program.

Proposes Spending for Clean Energy Activities. Consistent with the intent expressed in SB 846, the administration has proposed activities in 2023-24 for the first \$100 million intended to implement its clean energy plan. While CEC has not yet adopted the final CERIP or submitted it to the Legislature ahead of its March 2023 deadline, the Governor has indicated intent to fund the following categories of activities in the budget year:

- **Clean Energy Resource Development Implementation (\$67 Million).** This would include \$32 million to DWR to initiate a new centralized energy resource procurement function, in which the state would procure large-scale clean resources for utilities and other load serving entities. Other proposed investments in this category are intended to support transmission and reduce barriers in permitting and interconnection.
- **Near-Term Reliability (\$33 Million).** The administration has not yet provided details for how specifically it would use these funds.

Assessment

Reasonable Justification Exists for Governor’s Proposed Approach to Energy Solutions. Overall, we find the Governor’s proposed reductions to be reasonable and appropriate. For example, if the state believes most of the originally intended programs still have merit, making modest reductions across many of them while retaining some funding to continue supporting a smaller pool of projects makes sense as a strategy. Most programs are new and without an existing track record of success, which we believe makes them better candidates for reduction compared to more established activities.

Additionally, most of the Governor’s proposed reductions are from funding proposed for 2023-24, which means the targeted programs have not begun significant implementation and can thereby avoid unnecessary disruption.

Strong Equity-Based Rationale for Prioritizing Continued Funding for Solar and Building Decarbonization Programs. We see merit in the Governor’s proposal to maintain Residential Solar and Storage funding for lower-income households while reducing funding incentives for higher-earning households. Because disadvantaged communities are most likely to bear the brunt of climate impacts and have historically been excluded from similar investments, we believe providing this type of targeted support should continue to be a high priority for the state. Moreover, higher-earning households likely will be eligible to apply for incentives for residential solar and energy storage projects from newly augmented federal programs. These include the expansion of the federal Tax Credit for Residential Clean Energy, which was extended through 2034 in the Inflation Reduction Act. The extension authorized a new 30 percent credit on new standalone residential battery storage.

Similarly, while we believe the Legislature should avoid adopting significant funding delays because of how they would impact potential future budget problems, we find merit in the Governor’s proposal to delay—but not reduce—funding for the Equitable Building Decarbonization Program. Because the program is just beginning implementation, it could sustain delays without major programmatic impacts. This program targets upgrades to buildings, which are a substantial source of GHG emissions, and specifically focuses on supporting efficiency and energy improvements for low-income households that would not otherwise be able to undertake these upgrades. The Legislature could consider reductions and/or further delays in future years should the program struggle to meet its goals or if costs could be shifted to federal funds awarded to California for energy efficiency projects. However, we think this program’s focus on equity makes it worthwhile to continue prioritizing for state investments.

Federal Funds Could Help Partially Offset Some Reductions. In addition to the solar program mentioned above, the administration has identified other federal funding that will flow to California for energy efficiency and clean energy activities. These include funds for a home-efficiency upgrade rebate program and an energy efficiency block grant. The administration has not yet provided details about what specific programs or efforts these funds may support.

Utility Arrearage Funding Not All Needed to Meet Existing Demand. Our analysis concurs with the administration’s assessment that the state could revert \$400 million and still support all eligible households that fell behind in their utility payments during the pandemic. Specifically, based on the applications submitted by utility providers in fall 2022, \$647 million will fully pay down all remaining eligible arrears. The administration’s proposal to leave \$800 million available would cover those costs and associated administrative activities. Please see our online post, [The 2023-24 Budget: Department of Community Services and Development](#), for our full assessment of this proposal.

Legislature Could Consider Additional or Alternative Reductions to Energy Programs. Making additional reductions beyond those proposed by the Governor to new energy programs that are early in implementation or planning phases could provide additional General Fund savings. This could include reducing more funding than the Governor for certain programs that the Legislature may view as lesser priorities compared to other activities. Additionally, the Legislature could reduce programs the Governor does not identify for any funding changes. Three specific programs we think the Legislature could consider for additional solutions include:

- ***Oroville Pump Storage Project.*** The recent budget package included \$240 million from the General Fund—\$100 million in 2022-23 and \$140 million in 2023-24—for a project to modify the Oroville Dam complex so it can use its existing pump-back operations to provide long-duration energy storage. The project is still in the initial planning phases, so the majority of the funding will not be needed for several years. Moreover, given the early

stage of the project, its specific costs still are unknown, and therefore whether it ultimately will be cost-effective and worthwhile for the state to pursue also is still uncertain. The Legislature could revert the bulk of these funds (leaving a small amount for continued planning) and have the administration come back to request additional funds once cost estimates and more conclusive information on the cost effectiveness of the project are more certain.

- **Climate Innovation Program.** The Governor proposes to delay \$150 million from this program to 2026-27 but maintain the full \$525 million. This new program has a very broad scope and how exactly the administration will use the funds still is unclear, making it difficult for the Legislature to weigh how to prioritize its importance or effectiveness compared to other programs. Moreover, the program has not yet begun implementation. These factors make it a good candidate for reduction.
- **Energy Reliability Programs.** As highlighted in Figure 8, the 2022-23 Energy Package planned for significant funding across five years for programs that primarily focus on ensuring electric reliability. These programs include the Strategic Reliability Reserve, Distributed Electricity Backup Assets, and Demand Side Grid Support. The funding is intended to support actions to expand energy supply and storage in California in coordination with CEC, CPUC, and the California Independent System Operator. While improving energy reliability is a clear state priority, the benefits from this investment thus far are not entirely clear. As of early February 2023, about \$440 million had been committed for DWR's Strategic Reliability Reserve, which is much less than the \$2.3 billion intended for these efforts in 2021-22 and 2022-23. Given the additional \$100 million for CERIP activities the Governor also proposes to provide in 2023-24, it is unclear whether all of the reliability funding the state has already provided is still urgently needed. In determining whether

the reliability programs merit continued or additional funding, the Legislature could ask the administration: How duplicative is the funding? When exactly will it be needed, and is it all needed this year? What role should the state play in funding reliability resources as compared to local utilities? What are the potential impacts on electricity rates, which have been steadily increasing? Depending on the answers to these questions, the Legislature might determine that some of this funding could be reduced without major near-term impacts.

Recommendations

Modify Governor's Proposals to Reflect Legislative Priorities. We find the Governor's proposed reductions to be reasonable and believe they merit legislative consideration. We recommend the Legislature prioritize maintaining funding for programs that focus on equity, such as providing residential solar incentives and grants to decarbonize homes in lower-income communities. To the degree the Legislature wants to identify alternative or additional programs for reductions, we recommend it consider providing less funding for: (1) the Oroville pump storage project (which is still in the planning phases); (2) the Climate Innovation Program (which has an unclear focus and has not yet begun implementation); and (3) potentially to three primary reliability programs—the Strategic Reliability Reserve, Distributed Electricity Backup Assets, and Demand Side Grid Support—based on what it learns about the outcomes from these programs thus far.

WATER AND DROUGHT

Recent and Planned Funding Augmentations

Recent Budgets Committed \$8.8 Billion for Drought and Water Resilience Activities. As shown in **Figure 10**, recent budgets have committed a combined \$8.8 billion (\$8.3 billion from the General Fund and \$440 million from other funds) over five years to various departments for emergency drought response and water resilience activities. Of the total, \$6.9 billion was appropriated

Figure 10

Recent and Planned Drought Response and Water Resilience Augmentations

Highlighted Rows Indicate Programs Governor Proposes for Budget Solutions
General Fund, Unless Otherwise Noted ^a (In Millions)

Program	Department	2021-22	2022-23	2023-24	2024-25	2025-26	Totals
Drinking Water, Water Supply, Flood		\$2,498	\$529	\$473	\$25	\$500	\$4,025
Drinking water, wastewater projects	SWRCB	\$1,700	—	—	—	—	\$1,700
Water recycling, groundwater cleanup	SWRCB	300	\$190	\$310	—	—	800
Flood and dam safety	DWR	313	237	163	\$25	—	738 ^b
Water conveyance, water storage	DWR	100	100	—	—	\$500	700
Aqueduct solar panel pilot study	DWR	35	—	—	—	—	35
Watershed climate studies	DWR	25	—	—	—	—	25
Water storage tanks	DWR	21	—	—	—	—	21
Flood planning	DWR	4	2	—	—	—	6
Immediate Drought Response		\$1,250	\$84	\$26	\$26	\$26	\$1,411
Community drought relief	DWR	\$800	—	—	—	—	\$800
Data, forecasting, communications	Various	144	—	\$17	\$17	\$17	194
Drought contingency control section	Various	96	—	—	—	—	96
Save Our Water campaign	DWR	—	\$75	—	—	—	75
Drinking water emergencies	SWRCB	62	—	—	—	—	62
Water rights activities	SWRCB, CDFW	88	4	9	9	9	119 ^b
Drought salinity barrier	DWR	27	—	—	—	—	27
Drought food assistance	CDSS	23	—	—	—	—	23
Conservation technical assistance	DWR	10	—	—	—	—	10 ^b
Water refilling stations at schools	SWRCB	—	5	—	—	—	5
Habitat/Nature-Based Activities		\$643	\$292	\$160	\$82	\$32	\$1,208
Fish and wildlife protection/study	Various	\$300	\$47	—	—	—	\$347
Watershed climate resilience	WCB	16	158	\$96	\$50	\$14	334
Watershed climate resilience	DWR	10	67	48	25	11	161
Aquatic/large-scale habitat projects	Various	122	7	7	7	7	149
MWD resilience projects	DWR	50	—	—	—	—	50
River restoration activities	DWR	15	14	9	—	—	37 ^b
Spending from various bonds	WCB, DWR	105	—	—	—	—	105
State land and bird habitat projects	CDFW, DWR	25	—	—	—	—	25
Water Quality and Ecosystem Restoration		\$391	\$420	\$380	—	—	\$1,191
Water resilience projects	CNRA	\$165 ^b	\$100	\$180	—	—	\$445
Streamflow enhancement program	WCB	100	150	—	—	—	250
Salton Sea	DWR	40	100	80	—	—	220
PFAs support	SWRCB	30	50	120	—	—	200
Urban streams and border rivers	Various	50	20	—	—	—	70
Clear Lake	CNRA	6	—	—	—	—	6
Conservation/Agriculture		\$726	\$110	\$80	—	—	\$916
SGMA implementation	DWR	\$236	\$60	\$60	—	—	\$356
SWEEP	CDFA	110	50	—	—	—	160
Multi-benefit land repurposing	DOC	90	—	20	—	—	110
Water conservation programs	DWR	180	—	—	—	—	180
Agricultural conservation	DWR, CDFA	110	—	—	—	—	110
Totals		\$5,508	\$1,435	\$1,119	\$133	\$558	\$8,752

^a In total, \$440 million is from a variety of non-General Fund sources, including bond funds, federal funds, special funds, and reimbursements.

^b Includes funding from sources other than General Fund.

SWRCB = State Water Resources Control Board; DWR = Department of Water Resources; CDFW = California Department of Fish and Wildlife; CDSS = California Department of Social Services; WCB = Wildlife Conservation Board; MWD = Metropolitan Water District; CNRA = California Natural Resources Agency; PFAs = per- and polyfluoroalkyl substances; SGMA = Sustainable Groundwater Management Act; SWEEP = State Water Efficiency and Enhancement Program; CDFA = California Department of Food and Agriculture; and DOC = Department of Conservation.

in 2021-22 and 2022-23, while \$1.8 billion is intended for 2023-24 through 2025-26. Nearly half of the funding targets activities related to drinking water, water recycling and groundwater cleanup, water supply, and flood management. About \$1.4 billion supports immediate drought response activities, such as for the State Water Resources Control Board (SWRCB) and California Department of Fish and Wildlife (CDFW) to oversee and enforce regulatory restrictions on water diversions and fishing in certain streams. The remaining funding supports habitat restoration, water quality, and conservation activities.

State Investments for These Types of Activities Historically Supported Primarily Through Bonds. The vast majority of total spending on water systems—including drinking water and wastewater systems, water delivery, and flood management—comes from local water utilities, which are funded by local water charges and taxes. According to [data compiled by the Public Policy Institute of California](#), from 2016 through 2018, local sources contributed 84 percent of total spending on water in California, with much smaller shares coming from the state (13 percent)—primarily via bond funds—and federal (3 percent) governments. State bond funding

historically has filled important gaps, such as by supporting infrastructure improvements in areas that lacked local and/or long-term funding streams. The General Fund traditionally has supported emergency drought response, but in recent years also has funded more expanded types of drought response activities, such as projects to upgrade community water systems.

Governor’s Proposals

Proposes Some Modest Changes, but Retains Vast Majority of Water-Related Funding.

Figure 11 displays the Governor’s proposed changes to water and drought spending. As shown, the proposal reduces spending by \$194 million and delays spending by \$300 million until 2024-25, yielding combined General Fund budget solutions of \$494 million in 2023-24. This approach retains \$8.6 billion of \$8.8 billion planned for water-related activities over the five years. The proposal retains nearly all of the funding appropriated or planned for immediate drought response and instead focuses most of the funding reductions in other categories. (In addition, the Governor’s budget proposes \$139 million in new one-time General Fund spending for flood management projects, which we discuss in more detail in a separate publication.)

Figure 11

Governor’s Proposed Drought Response and Water Resilience Budget Solutions (In Millions)

Program	Total Augmentations	Proposed Changes			Net Reductions	New Proposed Amounts
		2021-22 and 2022-23	2023-24	2024-25		
Programs Proposed for Solutions						
Water recycling, groundwater cleanup	\$800	—	-\$40	—	-\$40	\$760
Watershed climate resilience (WCB)	334	-\$158	-64	\$198 ^a	-24	310
Watershed climate resilience (DWR)	161	-42	-30	72 ^a	—	161
PFAs support	200	—	-100	30 ^a	-70	130
SWEEP	160	-40	—	—	-40	120
Aqueduct solar panel pilot study	35	-15	—	—	-15	20
Water refilling stations at schools	5	-5	—	—	-5	—
Subtotals	(\$1,695)	(-\$260)	(-\$234)	(\$300)	(-\$194)	(\$1,501)
All Other Drought Response and Water Resilience Funding	\$7,057	—	—	—	—	\$7,057
Totals	\$8,752	-\$260	-\$234	\$300	-\$194	\$8,558

^a Reflects funding delayed from a prior year.

WCB = Wildlife Conservation Board; DWR = Department of Water Resources; PFAs = per- and polyfluoroalkyl substances; and SWEEP = State Water Efficiency and Enhancement Program.

- **Water Recycling.** The proposal reduces \$40 million General Fund from planned 2023-24 funding for water recycling programs administered by SWRCB. Recent budgets committed a total of \$800 million for both water recycling (\$725 million) and groundwater cleanup (\$75 million). The proposal retains \$685 million for water recycling and the original \$75 million for groundwater cleanup.
- **Watershed Climate Resilience.** Recent budgets committed \$495 million over five years to DWR and the Wildlife Conservation Board (WCB) to support increased climate resilience at a watershed level. WCB plans to use funding to provide grants through existing programs. DWR has formed a Watershed Resilience Work Group and plans to complete climate risk and preparedness assessments; develop a watershed resilience planning framework, toolkit, and performance metrics; and support four to six pilot studies. The proposal reduces 2022-23 funding and planned 2023-24 funding by \$24 million and delays an additional \$270 million until 2024-25. On net, the proposal retains \$471 million for watershed climate resilience activities.
- **Per- and Polyfluoroalkyl Substances (PFAs) Support.** Recent budgets committed \$200 million over three years for various activities to address PFAs. These are long-lasting chemicals that are hard to break down and have been used in a variety of consumer and industrial products to create, for example, nonstick surfaces and water- and stain-resistant fabrics. The proposed budget reduces planned 2023-24 spending by \$70 million and delays an additional \$30 million until 2024-25. On net, the proposal retains \$130 million for PFAs support.
- **State Water Efficiency and Enhancement Program (SWEET).** The proposal reduces funding for the SWEET program by \$40 million in 2022-23, retaining \$120 million over 2021-22 and 2022-23. This program, administered by the California Department of Food and Agriculture (CDFA), provides farmers with financial assistance to make improvements to their irrigation systems that would result in using less water and/or energy.
- **Aqueduct Solar Panel Pilot Study.** The proposal reduces spending by \$15 million in 2021-22 for DWR to support pilot studies on installing solar panels over aqueducts to generate energy and reduce evaporation. The proposal retains \$20 million for this purpose.
- **Water Refilling Stations at Schools.** The proposal eliminates all \$5 million in 2022-23 funding for SWRCB to support water refilling stations at schools.

Assessment

Some Drought and Water Resilience

Activities Remain Important. While we generally find identifying budget solutions among the many recent one-time augmentations appropriate, we think retaining funding for the most critical activities should remain a priority. For example, maintaining funding to address drinking water emergencies and to support SWRCB's modernization and enforcement of water rights are key to the state's ability to effectively manage drought conditions. Recent storms also demonstrated the importance of flood and dam management. We therefore find the Governor's proposed approach to leave funding for these efforts untouched to be prudent.

Proposed Reductions Appear Reasonable.

Overall, the individual reductions the Governor proposes appear reasonable—they do not take funding away from the most urgent needs and, in some cases, federal funding is available for similar purposes. In addition, based on our assessment, these reductions will not lead to major disruptions in the programs. Specifically:

- **Water Recycling—Significant State and Federal Funding Still Available for This Purpose.** SWRCB indicates that even with the Governor's proposed \$40 million reduction for water recycling, it expects the remaining \$685 million would be sufficient to provide the maximum grant amount to all eligible projects based on current demand. In addition, SWRCB receives federal funding through the Clean Water State Revolving Fund (CWSRF), which can be used for water recycling projects. (The CWSRF provides low-cost financing and forgivable loans for water projects.) On top of the regular annual

amount of federal CWSRF funds the state receives (roughly \$54 million), IIJA is providing CWSRF with a significant increase (roughly \$850 million over five years from 2022 through 2026).

- ***SWEEP—Reduction Would Maintain Program at Historical Levels.*** Recent budgets provided the SWEEP program with \$110 million General Fund in 2021-22 and \$50 million General Fund in 2022-23. Even with the proposed \$40 million reduction, it would still receive \$10 million General Fund in 2022-23, which is more in line with historical average annual allocations. (From 2013-14 through 2019-20, SWEEP received an average of \$18 million annually from GGRF or bond funds; it did not receive funding in 2019-20 or 2020-21.) Because this is a grant program, reducing funding likely would mean fewer grants to farmers.
- ***Aqueduct Solar Panel Pilot Study—State Could Wait for Study Results Before Expanding.*** DWR awarded 2021-22 funding (\$20 million General Fund) to Turlock Irrigation District in February 2022 to install and study solar panels over several sections of its irrigation canals. The district anticipates starting construction in early 2023 and completing it in 2024. The Governor's proposal to reduce the \$15 million for similar demonstration projects would give the state time to see whether the Turlock project has the desired results before it decides whether to fund additional pilots or expand solar panels over canals more broadly in the future.
- ***Water Refilling Stations at Schools—Funding Reduction Would Not Cause Major Disruptions.*** While the proposed \$5 million reduction would decrease funding explicitly for new water refilling stations at schools, SWRCB's broader Drinking Water for Schools Program, which also supports water refilling stations, would continue. This program was established in 2016 and has provided two rounds of grant funding to schools totaling \$16.3 million to increase access to and/or improve the quality of their drinking water. SWRCB indicates that demand for this

funding has been modest and that it has other services and funding available depending on schools' needs. In addition, schools could choose to use their general purpose funding and federal COVID-19-related funding for water refilling stations.

Legislature Could Consider Converting Governor's Proposed Delays to Reductions Instead.

In light of the state's budget condition, the Legislature could consider reducing rather than delaying funding—as the Governor proposes—for watershed climate resilience and PFAs support. The Legislature could then revisit whether to provide more funding for these programs in 2024-25 or a future year.

- ***Watershed Climate Resilience.*** Reducing this funding would result in an overall decline from \$495 million to \$201 million for watershed climate resilience. For WCB, this would mean providing fewer and/or smaller grants. For DWR, this could mean conducting fewer or no pilot studies over the five-year window and perhaps scaling back some of its planning and assessment activities. Should it decide to make these reductions, the Legislature also could consider redirecting more of the remaining funds from WCB to DWR. The activities DWR is undertaking—climate risk assessments; development of frameworks, toolkits, and performance metrics; and pilot studies—could be used to inform more effective and strategic spending on projects in the future.
- ***PFAs Support.*** Reducing this funding would result in an overall decline from \$200 million to \$100 million for PFAs support. Another funding source is available, however. The IIJA is providing California with supplemental funds of about \$330 million over five years through the Drinking Water State Revolving Fund (DWSRF) specifically to address “emerging contaminants,” including PFAs.

Legislature Could Consider Additional Reductions.

As the Legislature weighs additional budget solutions in response to a potentially worsening revenue picture, some programs it could consider reducing—or reducing further—include:

- Water Resilience Projects (California Natural Resources Agency, CNRA).** Recent budgets have provided a total of \$445 million to CNRA over three years, including \$180 million General Fund planned for 2023-24, for water resilience projects in the Delta. This program is new and was created with the funding provided in 2021-22. It allows the administration to select projects to implement voluntary agreements with water users. The purpose is to improve conditions for native fish species and maximize water for human purposes, without necessitating stricter regulatory flow requirements. CNRA was given significant discretion over how to use these funds with few statutory parameters or reporting requirements. The Legislature could reduce or eliminate the 2023-24 amount and instead request reporting and evaluation of the use of funds to date before providing additional funds.
- Drinking Water (SWRCB).** Recent budgets provided \$1.7 billion General Fund to SWRCB for drinking water projects. This includes providing financial assistance to small and/or disadvantaged communities that had projects underway to repair, upgrade, or consolidate drinking water or wastewater systems. SWRCB thus far has committed about \$265 million of the \$1.7 billion and indicates it should reserve \$400 million to meet state matching requirements for federal DWSRF funds. However, this leaves up to about \$1 billion that could be reduced. While the activities funded by this program are important—for example, they help increase equitable access to safe, clean, and affordable drinking water within vulnerable communities—an unprecedented amount of federal funding currently is available for these purposes. This includes more than \$2.5 billion from IJA over five years, on top of historical grant levels, for DWSRF programs (including the aforementioned \$330 million to address emerging contaminants). In addition, state statute requires an annual GGRF appropriation (through 2030) to SWRCB of \$130 million to provide more flexible funding and grants to

support these types of projects. As such, the state could continue to pursue its goals and focus on the needs of disadvantaged communities even with a reduction in General Fund support.

- Multi-Benefit Land Repurposing (Department of Conservation, DOC).** Recent budgets provided DOC with \$90 million in 2021-22 and planned \$20 million in 2023-24 for a new grant program to support repurposing agricultural land for other beneficial uses. Such uses might include dry farming, wildlife habitat, or groundwater capture. The program is not needed to respond to immediate and urgent drought impacts and it is too early in its implementation to know how effective it is at addressing longer-term land transition goals. As such, the Legislature could consider reducing or eliminating the \$20 million in 2023-24 and collecting information about program design, demand, and outcomes before making any future funding decisions.
- Additional Water Recycling Reductions (SWRCB).** Given the influx of federal IJA dollars to the state's CWSRF (which can be used for a variety of purposes, including water recycling projects), the Legislature could consider reducing the amount planned for 2023-24 (\$310 million) by more than the proposed \$40 million. While this could mean that SWRCB might be unable to fully meet current demand for the program using state funds, federal funds could help make up for some of that gap.

State Could Use Coordinated Approach in Seeking Reductions Within Habitat Programs That Support Similar and Complementary Efforts.

Recent state budgets have included and planned for numerous augmentations to support ecosystem health, habitat restoration, and fish and wildlife protection and resilience. Such programs were funded in both the water and drought packages displayed in Figure 10, as well as the nature-based activities package discussed in more detail later in this report. Many of these programs have similar types of objectives, even if their specific areas of focus may differ somewhat.

The Legislature could look across these various programs and consider them together when deciding where to make needed reductions. While decreasing funding levels for some of these programs likely would mean completing fewer total projects, taking a holistic approach about where to cut and where to preserve funding could allow the state to maintain complementary efforts and continue to pursue its overall habitat and ecosystem goals in a more coordinated way. For example, programs could be categorized thematically by their overarching goal, such as protecting native fish/salmon populations. The state could then maintain funding for one or two of the programs that would most effectively achieve that goal, while potentially reducing funding for others. **Figure 12** describes the various programs included in recent funding packages that support similar and complementary habitat restoration and wildlife protection efforts.

Recommendations

Modify Governor’s Proposals to Reflect Legislative Priorities. Overall, we find the Governor’s proposed reductions for water and drought programs to be reasonable and therefore recommend the Legislature give them careful consideration. The proposals do not take funding away from the most urgent needs (such as responding to drinking water emergencies or supporting water rights enforcement) and, in some cases, federal funding is available for similar purposes. Should the Legislature wish to seek alternative or additional reductions, some of the particular modifications we recommend it consider include: (1) reducing rather than delaying funding for watershed and PFAs support programs; (2) reducing or further reducing programs receiving federal IIJA funding, such as drinking water and water recycling; (3) reducing or eliminating 2023-24 funding for new programs such as DOC’s multi-benefit land repurposing program and CNRA’s water resilience activities; and (4) taking a coordinated approach to reducing funding for wildlife habitat programs with similar activities and goals.

Consider Requiring Reporting and Assessment for New Programs. The Legislature could require the administration to provide reporting and assessment of newer programs, such as

DOC’s multi-benefit land repurposing, CNRA’s water resilience activities, DWR’s aqueduct pilot, and DWR’s watershed climate resilience planning and assessments. Particularly if it were to reduce funding for these programs, the various evaluations and information would enable the Legislature to make more effective funding decisions in the future.

WILDFIRE AND FOREST RESILIENCE

Recent and Planned Funding Augmentations

Recent Budgets Committed \$2.8 Billion for Wildfire and Forest Resilience Packages.

The state has made significant commitments in recent years to support wildfire resilience. Most of this funding has been allocated as part of three budget packages: (1) an early action package adopted in April 2021 that amended the *2020-21 Budget Act*, (2) a *2021-22 Budget Act* package, and (3) a *2022-23 Budget Act* package. As shown in **Figure 13** on page 38, together, these augmentations total \$2.8 billion over four years—\$526 million in 2020-21, \$968 million in 2021-22, \$630 million in 2022-23, and \$690 million planned for 2023-24. Of the \$2.8 billion total, \$2 billion is from the General Fund and the remaining \$755 million is from GGRF.

Funding Supports Various Programs and Activities. The wildfire and forest resilience packages commit funding to more than two dozen programs managed by various state agencies, with CalFire receiving the largest share (about 60 percent). As shown in **Figure 13**, roughly 40 percent of the funding over the four years—\$1.1 billion—is to support programs designed to promote healthy forests and landscapes, generally by removing hazardous fuels. Just over one-quarter of the funding—\$766 million—is to support the installation and maintenance of wildfire fuel breaks. The remaining funds—totaling \$909 million—are for projects to increase regional capacity for conducting forest health projects, as well as to encourage forest-sector economic stimulus, science-based forest management, and community hardening.

Figure 12

Habitat Restoration and Wildlife Protection Programs Funded in Recent Budgets

General Fund, Unless Otherwise Noted (In Millions)

Program	Department	Description	Funding Provided and Planned (2021-22 Through 2023-24)
Water resilience projects (DRWR package)	CNRA	New program supporting projects to implement voluntary agreements with water users in the Sacramento-San Joaquin Delta, improve conditions for native fish, and maximize water for human purposes without using flow regulations.	\$445 ^a
Protect fish and wildlife from changing climate conditions (NBA package)	WCB	Fish and wildlife protection projects, including land acquisition and restoration, invasive plants and species control, and wildlife corridors development.	353
Streamflow enhancement program (DRWR package)	WCB	Grant program for projects to benefit fish and wildlife by changing the amount, timing, or quality of stream flows, including by purchasing water or water rights.	250
Various WCB programs (NBA package)	WCB	Support for planning, acquisition, and restoration projects on natural and working lands.	245
Habitat restoration (NBA package)	DWR	Multi-benefit habitat projects supporting efforts to reach voluntary agreements on species protections and water flows in the Delta.	200
Aquatic habitat and drought resilience (DRWR package)	DWR	Programs and projects, such as habitat restoration projects, promoting recovery of native fish in the Sacramento-San Joaquin watershed.	122
Resilience projects for fish and wildlife (DRWR package) ^b	WCB	Projects to construct, repair, modify, or remove infrastructure to improve fish and wildlife passage.	105
Salmon protection (DRWR package) ^b	CDFW	Projects to protect, restore, and enhance riparian and aquatic salmon habitat, including restoring river channels and reconnecting flood plains.	100
Fish and wildlife protection (DRWR package) ^b	CDFW	Support to rehabilitate and shelter fish and wildlife at risk from drought conditions.	75
Climate change impacts on wildlife (NBA package)	CDFW	Projects to benefit fish and wildlife by protecting instream flows, purchasing water, and building conservation projects.	50
Fisheries and wildlife support (DRWR package) ^b	CDFW	Support for fish and wildlife at-risk during drought, including fish hatchery improvements and terrestrial and fish species monitoring and rescue.	33
Climate induced hatchery upgrades (DRWR package) ^b	CDFW	Support for an assessment of existing fish hatcheries to inform future planning and development efforts.	17
Salmon study, tribal co-management (DRWR package) ^b	DWR, CDFW	Support to study the reintroduction of salmon on the North Fork Feather River and for CDFW to work with tribal nations on fish passage above large dams.	7

^a Includes \$125 from Proposition 68 (2018) bond funds.

^b Included as part of the "Fish and wildlife protection/study" item in Figure 10.

DRWR package = funded in one of the Drought Response and Water Resilience packages; CNRA = California Natural Resources Agency; NBA package = funded in the Nature-Based Activities package; WCB = Wildlife Conservation Board; DWR = Department of Water Resources; and CDFW = California Department of Fish and Wildlife.

Figure 13

Recent and Planned Wildfire and Forest Resilience Augmentations

Highlighted Rows Indicate Programs Governor Proposes for Budget Solutions
 General Fund, Unless Otherwise Noted (In Millions)

Program	Department	2020-21	2021-22	2022-23	2023-24	Totals
Resilient Forests and Landscapes		\$204	\$383	\$272	\$280	\$1,139
Forest Health Program ^a	CalFire	\$155	\$160	\$120	\$120	\$555
Stewardship of state-owned land	Various	30	145	65	65	305
Post-fire reforestation	CalFire	—	—	50	50	100
Forest Improvement Program ^a	CalFire	10	40	11	14	75
Forest Legacy Program ^a	CalFire	6	10	14	19	49
Tribal engagement	CalFire	1	19	10	10	40
Reforestation nursery	CalFire	2	9	2	2	15
Wildfire Fuel Breaks		\$148	\$236	\$190	\$192	\$766
Fire prevention grants ^a	CalFire	\$123	\$120	\$115	\$117	\$475
Prescribed fire and hand crews ^a	CalFire	15	49	35	35	134
CalFire unit fire prevention projects	CalFire	10	40	20	20	90
Forestry Corps and residential centers ^a	CCC	—	27	20	20	67
Regional Capacity		\$119	\$199	\$55	\$155	\$528
Conservancy projects	Various Conservancies	\$69	\$139	\$35	\$135	\$378
Regional Forest Capacity Program	DOC	50	60	20	20	150
Forest Sector Economic Stimulus		\$25	\$51	\$72	\$22	\$170
Workforce training grants	CalFire	\$6	\$18	\$15	\$15	\$54
Biomass to hydrogen/biofuels pilot	DOC	—	—	50	—	50
Climate Catalyst Fund Program	IBank	16	33	—	—	49
Transportation grants for woody material	CalFire	—	—	5	5	10
Market development	OPR	3	—	2	2	7
Science-Based Management and Other		\$3	\$79	\$19	\$19	\$120
Monitoring and research	CalFire	\$3	\$20	\$7	\$8	\$38
Remote sensing	CNRA	—	25	3	2	30
Prescribed fire liability pilot	CalFire	—	20	—	—	20
Permit efficiencies	CARB, SWRCB	—	4	4	4	12
State demonstration forests	CalFire	—	—	5	5	10
Interagency Forest Data Hub	CalFire	—	10	—	—	10
Community Hardening		\$27	\$20	\$22	\$22	\$91
Home hardening	OES, CalFire	\$25	—	\$13	\$12	\$50
Defensible space inspectors	CalFire	2	\$13	5	5	25
Land use planning and public education	CalFire, UC ANR	—	7	4	5	16
Totals		\$526	\$968	\$630	\$690	\$2,814

^a Includes Greenhouse Gas Reduction Fund.

CalFire = California Department of Forestry and Fire Protection; CCC = California Conservation Corps; DOC = Department of Conservation; IBank = California Infrastructure and Economic Development Bank; OPR = Governor's Office of Planning and Research; CNRA = California Natural Resources Agency; CARB = California Air Resources Board; SWRCB = State Water Resources Control Board; OES = Governor's Office of Emergency Services; and UC ANR = University of California Agriculture and Natural Resources.

Packages Represented a Significant Increase in State Funding for Wildfire Resilience.

The state historically has provided some baseline funding from the General Fund for wildfire prevention and resilience activities, typically in the tens of millions of dollars annually. However, the state has greatly increased its funding for such activities in recent years. First, starting in 2017-18, the state allocated roughly \$200 million annually from GGRF to support forest health and wildfire prevention. (As part of the 2021-22 budget, the Legislature made this a continuous appropriation lasting from 2022-23 through 2028-29.) Second, the addition of one-time General Fund commitments in the packages discussed above represent unprecedented state funding to support wildfire resilience efforts. Notably, even with these recent commitments, wildfire resilience still only accounts for a relatively small share of CalFire’s overall budget (under 15 percent in 2022-23 and 2023-24), with the remainder of the department’s budget almost entirely supporting wildfire response.

Governor’s Proposals

Proposes a Few Programs for Reductions and One Fund Shift.

The Governor proposes a few reductions in the area of wildfire resilience, which would have a net impact of providing \$77 million less for five programs. As shown in **Figure 14**, the Governor proposes to reduce

General Fund support for: (1) the Climate Catalyst Fund Program (\$41 million), (2) stewardship of state-owned lands (\$25 million), (3) workforce training grants (\$15 million), (4) defensible space inspections (\$5 million), and (5) monitoring and research (\$5 million). Notably, the Governor proposes to replace \$14 million of the General Fund for workforce training grants with Proposition 98 General Fund (for a net reduction of \$1 million). As part of this fund shift, the Governor proposes to modify the eligibility for the program to limit it to community colleges, which are eligible to receive Proposition 98 funding.

Proposes to Retain Vast Majority of the Funding From Recent Packages.

Despite the reductions discussed above, the Governor’s budget proposes to maintain almost all—roughly 97 percent—of the funding that has been committed in recent wildfire and forest resilience packages. The administration indicates that it is prioritizing retaining funding for wildfire and forest resilience in recognition of the urgency of reducing the risk of catastrophic wildfires. (Separately from these packages, the Governor’s budget also proposes funding for some new discretionary wildfire-related proposals, including for the construction of a new CalFire training center and the replacement of a conservation camp. We discuss these proposals in further detail in a separate publication.)

Figure 14

Governor’s Proposed Wildfire and Forest Resilience Budget Solutions

2020-21 Through 2023-24 (In Millions)

Program	Department	Total Augmentations	General Fund Reductions	Backfill With Fund Shift	New Proposed Amounts
Programs Proposed for Solutions					
Stewardship of state-owned land	Various	\$305	-\$25	—	\$280
Workforce training grants	CalFire	54	-15	\$14 ^a	53
Climate Catalyst Fund Program	IBank	49	-41	—	8
Monitoring and research	CalFire	38	-5	—	33
Defensible space inspectors	CalFire	25	-5	—	20
Subtotals		(\$471)	(-\$91)	(\$14)	(\$394)
All Other Wildfire and Forest Resilience Funding		\$2,343	—	—	\$2,343
Totals		\$2,814	-\$91	\$14	\$2,737

^a Governor proposes to shift funding to Proposition 98.

CalFire = California Department of Forestry and Fire Protection and IBank = California Infrastructure and Economic Development Bank.

Assessment

Wildfire Resilience Continues to Represent an Urgent and Critical Issue. We find that prioritizing maintaining support for programs aimed at improving the state's resilience to wildfires has merit. California has experienced a pattern of increasingly severe wildfires in recent decades, driven by climate change and poor forest management. These wildfires have had major consequences for local communities and the broader state, including loss of life, property, and habitats. Furthermore, the scale of the effort that will be required to make the state resilient to wildfires is so large—involving treating millions of acres and protecting millions of homes in high fire-risk areas over the coming years—that it will take significant, sustained funding to accomplish. Accordingly, we think it makes sense to be selective about reductions to wildfire and forest resilience funding to continue the state's efforts in this area.

Most Proposed Solutions Appear Reasonable. While all of the Governor's proposed wildfire and forest resilience-related solutions come with trade-offs, on balance, we find most to be reasonable in light of the state's anticipated budget challenges.

- **Climate Catalyst Program Is New and Untested.** The intent of the new Climate Catalyst Fund Program is to provide low-interest rate loans to private-sector projects—such as building materials manufacturing and energy generation—that use materials remaining from fuel reduction projects, with the ultimate goal of creating a sustainable wood products market. While funding was initially allocated in 2020-21, the program has taken time to launch and no awards have been made thus far. Given this, reducing funding for this program likely would be less disruptive than for some other programs that already are well underway. Additionally, as this is a new activity, the program's effectiveness in achieving its stated goals is unclear. Reducing the funding for this program should still allow it to support one or two pilot projects. The Legislature could consider adding funding in a future year if evidence suggests the program is successful at achieving its goals.

- **Reducing Funding for Stewardship of State Land Justifiable Given Delays in Relevant Regulations.** We also find justification for the Governor's proposal to partially reduce funding for stewardship of state-owned land. CNRA departments—such as the Department of Parks and Recreation (Parks), CDFW, and CalFire—had planned to use the \$25 million in funding now proposed for reduction to help bring their buildings in high fire-risk zones into compliance with new defensible space regulations required by Chapter 259 of 2020 (AB 3074, Friedman). However, the relevant regulations have not yet been promulgated, so CNRA indicates the funding is not yet necessary. Additionally, Parks and CDFW have received other allocations of funding for stewardship of state-owned land that the Governor is not proposing to reduce, which they could use to support these compliance efforts. We note, however, that maintaining required defensible space around state facilities is a core state responsibility and has important safety implications. Accordingly, should the Legislature adopt this proposed reduction, it may want to consider providing funding in a future year should departments determine it is needed to ensure safety and compliance.
- **Shift of Workforce Training to Proposition 98 Worth Considering Given General Fund Condition.** On balance, we also find that shifting funds for workforce training to Proposition 98 merits consideration as a budget solution. Community colleges have received a portion of the past grant funding from this CalFire program (\$2.3 million of \$18 million appropriated in 2021-22 from the General Fund outside of Proposition 98). Additionally, community colleges already play an important role in helping develop the forestry workforce. Currently, eight community colleges offer two-year degree and/or certificate programs in forestry, and 55 colleges offer them in fire technology or wildland fire technology. Together, these colleges have granted about 100 forestry associate degrees and certificates, as well as about 2,500 fire and wildland fire technology

associate degrees and certificates annually in recent years. Given the existing role community colleges play in this area and their past history of receiving grant funds under this program, providing them with workforce training grant funds would take advantage of their expertise and experience. We note that despite this, limiting grants to community colleges could exclude some potentially worthwhile recipients from the program. Also, shifting these costs to Proposition 98 would mean fewer resources available for other eligible activities using that fund source. However, we think these trade-offs are reasonable given available Proposition 98 resources, workforce development goals, and the General Fund (non-Proposition 98) condition.

Proposed Reduction to Defensible Space Inspector Funding Raises Potential Concerns.

While most of the Governor's proposed solutions appear reasonable, we have identified one that raises some potential concerns. Specifically, the Governor proposes to reduce funding for CalFire defensible space inspectors by \$5 million. These inspectors are tasked with assessing homeowner compliance with the state's defensible space requirements in certain areas of the state. As we noted in our September 2021 report, [*Reducing the Destructiveness of Wildfires: Promoting Defensible Space in California*](#), CalFire has consistently failed to meet its goal of conducting defensible space inspections on each eligible parcel at least once every three years. Inspections play a valuable foundational role in the state's defensible space program and can help the state track and evaluate its efforts to promote compliance with these safety requirements. Additionally, inspectors can help to educate homeowners about activities they can conduct to make their homes safer from wildfires. Accordingly, we have recommended increased ongoing resources for CalFire defensible inspections. The Governor's proposed reduction runs counter to this recommendation, and we are concerned it could impede the effectiveness of the state's efforts to encourage properties to maintain defensible space.

Legislature Could Consider Making Reductions to Some Other Programs. The Legislature could consider making some other targeted reductions, in place of or alongside those proposed by the Governor. Two programs we think could be potential candidates for reduction include:

- ***Transportation of Woody Biomass.*** The budget provided \$5 million in 2022-23 and committed \$5 million more for 2023-24 to develop a new program aimed at reducing the costs of transporting woody biomass, with the goal of reducing combustible material left in the state's forests. We think it is worthwhile to consider making reductions to this program for a few reasons. First, it is new and thus how effective it will be at improving the state's resilience to wildfires is uncertain. Second, some of the state's existing programs already support the transportation of woody biomass. For example, CalFire's Wildfire Prevention grant program has provided about \$70 million annually over the past two grant cycles in part for this same activity. The extent to which this new program is needed is therefore not clear. We think retaining the \$5 million appropriated in 2022-23 for this program would be reasonable, since CalFire has already released the grant solicitation. However, the Legislature could eliminate the \$5 million commitment for 2023-24. In so doing, the Legislature could treat the initial \$5 million as a pilot and then decide whether to expand the program at a later date based on whether it is able to demonstrate cost-effectiveness at improving wildfire resilience.
- ***Home Hardening.*** The Legislature could also consider reducing a new pilot program to provide financial assistance to homeowners in a few communities to conduct home hardening activities. The Legislature initiated this pilot program through the passage of Chapter 391 of 2019 (AB 38, Wood). This legislation also required a report to be completed by 2024 assessing the cost-effectiveness of defensible space and home hardening compared to other activities to help facilitate the Legislature's evaluation of the effectiveness of the pilot.

The initial \$25 million for this program was provided in 2020-21. However, the process of developing the program has been lengthy and no awards have been made to date. Currently, the administration indicates that it anticipates providing funding for the first round of pilot communities this spring. The Legislature could consider decreasing the funding for this program—such as by reducing or eliminating the combined \$25 million in 2022-23 and 2023-24 for a future round of pilot communities—given that it is in the early stages of implementation and no outcome data is yet available. It could then decide whether to expand it based on whether the program is able to demonstrate cost-effectiveness at improving wildfire resilience.

Potential for Some Federal Funds to Support Wildfire Resilience, but Details Lacking. The IIJA and the Inflation Reduction Act included substantial funding to support forestry and wildfire resilience. The details of much of this funding, including how much California will receive, still are emerging. However, in some cases, it appears the legislation supports activities similar to those the state committed to funding. For example, the Inflation Reduction Act includes a total of over \$3 billion for several programs aimed at conserving private forestlands and managing vegetation on federal, state, and private lands, among other activities. Additionally, IIJA provides the U.S. Forest Service with close to \$3 billion to support various activities that reduce the risk of wildland fire and restore ecosystems on federal forestlands, as well as an additional \$1 billion for a new competitive grant program to assist at-risk communities in planning for and mitigating wildfire risk. It will be important for the Legislature to understand more about how these federal programs align with state investments, which may become clearer by the spring. To the extent federal funding mirrors the same types of activities, it could help to partially mitigate state reductions.

Recommendations

Modify Governor’s Wildfire Proposal Consistent With Legislative Priorities. We recommend the Legislature develop its own package of budget solutions based on its priorities and the guiding principles we identify in this report. As it does so, we suggest the Legislature be judicious about targeting any reductions in the area of wildfire and forest resilience, given its overall urgency and importance. Based on our review, we think it is reasonable for the Legislature to consider adopting most of the Governor’s proposed reductions since they align with many of the principles we identify in this report. We do, however, recommend the Legislature consider rejecting the Governor’s proposed reduction of \$5 million for defensible space inspectors given the foundational value they play in educating homeowners and promoting data collection and compliance with state defensible space laws. We also recommend the Legislature consider adopting additional solutions, either in place of or in addition to those proposed by the Governor. The home hardening grant and transportation of woody biomass are two examples of programs we think are potential candidates for reductions. By reducing but not eliminating their funding, the Legislature could gain information on their effectiveness before determining whether to expand them. The potential availability of federal funds to support similar purposes could mitigate the impacts of potential reductions. Since the details about these funds are still emerging and departments are often well-positioned to secure timely information, we recommend that the Legislature request updates from the administration in the spring on the funding that departments are tracking and how it aligns with state commitments for similar purposes.

NATURE-BASED ACTIVITIES AND EXTREME HEAT

Recent and Planned Funding Augmentations

Recent Budgets Committed \$1.6 Billion for Nature-Based Activities. As shown in **Figure 15**, recent budgets have committed a total of \$1.6 billion on a one-time basis over three years—\$106 million

in 2021-22, \$1 billion in 2022-23, and \$421 million intended for 2023-24—from the General Fund for various departments to implement a variety of nature-based activities. While most of this funding was included as part of a 2022-23 budget package focused on nature-based activities, some was part of a 2021-22 package focused on climate resilience.

Nature-Based Activities Funding Supports a Variety of Programs. About one-third of the funding over the three years—\$495 million—is to support programs focused on acquiring and

managing land for conservation and habitat restoration-related purposes. Just over one-quarter of the funding—\$403 million—is to support wildlife protection programs. Just under one-quarter of the funding—\$383 million—is for regionally focused programs, such as those targeting specific areas of the state. The remaining funding—totaling \$284 million—is for youth and tribal programs, wetland-focused programs, and other types of activities. Many of the funded programs are intended to help the state achieve various goals

Figure 15

Recent and Planned Nature-Based Activities Augmentations

Highlighted Rows Indicate Programs Governor Proposes for Budget Solutions
General Fund (In Millions)

Program	Department	2021-22	2022-23	2023-24	Totals
Land Acquisition and Management Programs		—	\$325	\$170	\$495
Various WCB programs	WCB	—	\$150	\$95	\$245
Habitat restoration	DWR	—	125	75	200
Opportunity coastal acquisition	SCC	—	50	—	50
Wildlife Protection Programs		\$46	\$257	\$100	\$403
Protect wildlife from changing conditions	WCB	\$31	\$222	\$100	\$353
Climate change impacts on wildlife	CDFW	15	35	—	50
Regionally Focused Programs		\$60	\$214	\$109	\$383
Conservancy funding	Various	\$60	\$70	\$100	\$230
Wildlife corridors (including Liberty Canyon)	CDFW, SMMC	—	52	—	52
San Joaquin Valley flood plain restoration	WCB	—	40	—	40
Natural Community Conservation Program Planning and Land Acquisition	CDFW	—	36	—	36
Climate Smart Land Management Program	DOC	—	14	6	20
Resource conservation strategies	WCB	—	2	3	5
Youth and Tribal Programs		—	\$109	\$42	\$152
Local and tribal NBS corps programs	CCC	—	\$38	\$11	\$49
Tribal program	CNRA	—	70	30	100
Tribal staffing	CNRA	—	1	1	3 ^a
Wetland Focused Programs		—	\$111	—	\$111
Wetlands Restoration Program	CDFW	—	\$54	—	\$54
NBS Wetlands Restoration Program	DC	—	36	—	36
San Francisco Bay wetlands support	SCC	—	11	—	11
Redondo Beach wetlands restoration	CNRA	—	10	—	10
Other Programs		—	\$20	—	\$21
Cal CIS	CNRA	—	\$18	—	\$18
Partnerships and improvements	CNRA	—	2	—	2
California nature support	CNRA	—	0.3	\$0.3	0.5
Totals		\$106	\$1,036	\$421	\$1,565

^a NBS package also provided \$1 million in 2024-25.

WCB = Wildlife Conservation Board; DWR = Department of Water Resources; SCC = State Coastal Conservancy; CDFW = California Department of Fish and Wildlife; SMMC = Santa Monica Mountains Conservancy; DOC = Department of Conservation; NBS = nature-based solutions; CCC = California Conservation Corps; CNRA = California Natural Resources Agency; DC = Delta Conservancy; and Cal CIS = California Climate Information System.

and plans established by the administration over the past few years, such as the goal to conserve 30 percent of the state’s land and coastal waters by 2030 (“30x30”) as established by the [Governor’s Executive Order N-82-20](#) and the [Natural and Working Lands Climate Smart Strategies](#).

Nature-Based Activities Represent Area of Expanded Focus. This funding represents a significant increase in General Fund support for nature-based programs. Some of the specific programs shown in Figure 15 support activities that the state has historically undertaken—often using general obligation bond funds or GGRF—such as habitat and wetland restoration. However, some programs are new, such as the Local and Tribal Nature-Based Solutions (NBS) Corps programs and the Climate Smart Land Management Program.

Recent Budgets Committed \$749 Million for Extreme Heat. Recent budgets have committed a total of \$749 million over four years—\$10 million in 2020-21, \$70 million in 2021-22, \$348 million

in 2022-23, and \$322 million in 2023-24—for various departments to address the risks posed by extreme heat. These activities are displayed in [Figure 16](#). Almost all of this funding comes from the General Fund, but a small portion—\$15 million for the Farmworker Low-Income Weatherization Program—comes from GGRF. Notably, while most of this funding was part of a 2022-23 budget package focused on addressing extreme heat, some was also included as part of a 2021-22 package focused on climate resilience.

Extreme Heat Funding Supports Variety of Programs. About 60 percent of the funding over the four years—\$460 million—is to support programs to expand green spaces in urban areas, schools, and childcare centers. Just under one-quarter of the funding—\$175 million—is for a program intended to help communities prepare for the impacts of extreme heat. The remaining funding—totaling \$115 million—is for programs to support weatherizing housing occupied by individuals with

Figure 16

Recent and Planned Extreme Heat-Related Augmentations

Highlighted Rows Indicate Programs Governor Proposes for Budget Solutions General Fund, Unless Otherwise Noted (In Millions)

Program	Department	2020-21 and 2021-22	2022-23	2023-24	Totals
Greening Programs		\$80	\$237	\$143	\$460
Urban Greening Program	CNRA	\$50	\$100	\$100	\$250
Urban Forestry Program	CalFire	30	20	10	60
Green Schoolyards Program	CalFire	—	117 ^a	33	150
Community Resilience		—	\$50	\$125	\$175
Extreme Heat and Community Resilience Program	OPR	—	\$50	\$125	\$175
Weatherization Programs		—	\$40	\$25	\$65
Low-Income Weatherization Program	CSD	—	\$25	\$25	\$50
Farmworker Low-Income Weatherization Program	CSD	—	15 ^b	—	15
Education and Outreach Programs		—	\$20	\$28	\$48
Protections for vulnerable populations	CDPH, DIR, CDSS	—	\$14	\$14	\$28
Community-based public awareness campaign	OPR	—	6	14	20
Agricultural Programs		—	\$1	\$1	\$2
Animal Mortality Management Program	CDFA	—	\$1	\$1	\$1
Origin Inspection Program	CDFA	—	0.3	0.3	0.5
Totals		\$80	\$348	\$322	\$749

^a Includes \$100 million for the Urban Forestry Program for schools and childcare facilities provided through a budget control section.

^b Funded from the Greenhouse Gas Reduction Fund.

CNRA = California Natural Resources Agency; CalFire = California Department of Forestry and Fire Protection; OPR = Governor’s Office of Planning and Research; CSD = Department of Community Services and Development; CDPH = California Department of Public Health; DIR = Department of Industrial Relations; CDSS = California Department of Social Services; and CDFA = California Department of Food and Agriculture.

lower incomes, conduct education and outreach on extreme heat for certain vulnerable populations, and mitigate the impacts of extreme heat in pest and livestock management.

Extreme Heat Represents New Area of State Focus. Historically, the state has not provided significant funding explicitly to mitigate the impacts of extreme heat. The package includes existing, expanded, and new activities. Some of the recently funded programs—such as the Urban Greening Program, Urban Forestry Program, and Low-Income Weatherization Program—represent existing activities that have received support from the state in the past, however, these programs have not historically focused narrowly on the goal of addressing extreme heat. Rather, they have had other core goals—such as enhancing landscapes or improving energy efficiency—but they can also help with heat mitigation. Previous funding typically was not provided from the General Fund, but rather from

alternative sources such as general obligation bonds or GGRF. Some of the funding displayed in Figure 16 is to augment existing programs and activities to add a focus on extreme heat. For example, funding is included for the Department of Industrial Relations to expand its existing outreach, education, and strategic enforcement efforts to improve worker protections from heat-related illnesses. Finally, some of the augmentations are supporting the creation of new programs. For example, the Extreme Heat and Community Resilience Program is a new program at the Governor’s Office of Planning and Research (OPR) aimed at helping communities prepare for the impacts of extreme heat.

Governor’s Proposals

Proposes Several Programs for Reductions. The Governor proposes some notable reductions in the areas of nature-based activities and extreme heat, as shown in **Figure 17**.

Figure 17

Governor’s Proposed Nature-Based Activities and Extreme Heat-Related Reductions (In Millions)

Program	Department	Total Augmentations	Proposed Reductions			New Proposed Amounts
			2020-21 Through 2022-23	2023-24	Total	
Nature-Based Activities Programs Proposed for Solutions						
Conservancy funding	Various	\$230	—	-\$100	-\$100	\$130
San Joaquin Valley flood plain restoration	WCB	40	-\$40	—	-40	—
Protect wildlife from changing conditions	WCB	353	—	-35	-35	318
Local and tribal NBS corps programs	CCC	49	-13	-11	-24	26
San Francisco Bay wetlands support	SCC	11	-10	—	-10	1
Natural Community Conservation Program Planning and Land Acquisition	CDFW	36	-6	—	-6	30
Climate Smart Land Management Program	DOC	20	-4	—	-4	16
Subtotals		(\$739)	(-\$73)	(-\$146)	(-\$219)	(\$520)
All Other Nature-Based Activities Funding		826	—	—	—	826
Nature-Based Activities Totals		\$1,565	-\$73	-\$146	-\$219	\$1,346
Extreme Heat Programs Proposed for Solutions						
Urban Greening Program	CNRA	\$250	—	-\$100	-\$100	\$150
Extreme Heat and Community Resilience Program	OPR	175	-\$25	-50	-75	100
Urban Forestry Program	CalFire	60	-20	-10	-30	30
Subtotals		(\$485)	(-\$45)	(-\$160)	(-\$205)	(\$280)
All Other Extreme Heat Funding		264	—	—	—	264
Extreme Heat Totals		\$749	-\$45	-\$160	-\$205	\$544

WCB = Wildlife Conservation Board; NBS = Nature-Based Solutions; CCC = California Conservation Corps; SCC = State Coastal Conservancy; CDFW = California Department of Fish and Wildlife; DOC = Department of Conservation; CNRA = California Natural Resources Agency; OPR = Governor’s Office of Planning and Research; and CalFire = California Department of Forestry and Fire Protection.

Specifically, for nature-based activities, the largest reduction proposed—\$100 million—is for funds slated for various conservancies across the state. Some other notable reductions include: (1) eliminating \$40 million for WCB for San Joaquin Valley floodplain restoration, (2) reducing \$35 million from funding for a WCB program to mitigate climate change impacts on wildlife, and (3) reducing \$24 million from funding to establish a new program to support nature-based activities undertaken by the state’s 14 local conservation corps.

For extreme heat, the Governor proposes reductions to three programs. The largest is \$100 million from the Urban Greening Program, a longstanding program that funds plans and projects aimed at developing additional green spaces (such as by adding trees or drought-tolerant plants). Significant reductions are also proposed for the new Extreme Heat and Community Resilience Program (\$75 million out of \$175 million) and \$30 million from the Urban Forestry Program, which is a longstanding program managed by CalFire that focuses on supporting tree planting in local communities.

Proposes to Retain Most of the Funding That Was Previously Committed. While the Governor reduces a larger share of funding for nature-based activities and extreme heat as compared to most of the other thematic areas, the proposal still would maintain most of it. Specifically, the Governor proposes to maintain 86 percent of the funding for nature-based activities. This includes retaining 94 percent of the funding already appropriated (in 2021-22 and 2022-23) and 65 percent of funding planned for 2023-24. The Governor also proposes to maintain 73 percent of the funding for extreme heat. This includes retaining 89 percent of the funding already appropriated (in 2020-21 through 2022-23) and half of the funding planned for 2023-24.

Assessment

None of the Governor’s proposed solutions are without trade-offs. However, on balance, we think the Governor’s proposals generally are reasonable in light of the state’s anticipated budget challenges. Below, we discuss several of these proposals, as well as other potential reductions we think could warrant consideration.

Reductions to Conservancies Make Sense Given Other Recent Funding. Because of their access to significant other funding, we think the Governor’s proposal to reduce \$100 million for nature-based activities by various state conservancies merits legislative consideration. In addition to the \$130 million that conservancies would retain for nature-based activities from this package, they also received substantial funding as part of the wildfire and forest resilience package (\$378 million) which the Governor does not propose reducing. Thus, even with the proposed reductions, conservancies still would receive significant funding to support key priority activities in their regions. This represents a substantial increase in conservancy funding compared to historical levels, as well as a shift toward greater use of General Fund support than has been the case in the past. (Conservancies have traditionally relied heavily on general obligation bond funding.)

Given Significant Funding Proposed Across Multiple Programs, Could Consider Additional Reductions to WCB Habitat Restoration Program. We also think it is reasonable for the Legislature to adopt the Governor’s proposed reductions to WCB’s efforts to protect wildlife from changing conditions. Notably, the Governor only proposes to reduce this program by \$35 million, leaving over \$300 million for these activities. Additionally, as we discuss in further detail in the earlier “Water and Drought” section of this report and below, these activities are similar to several others that are proposed for funding in both the nature-based activities and water and drought packages, and thus the Legislature may even want to consider adopting additional reductions to these programs beyond those proposed by the Governor.

Reduction of Funding for Local Corps Reasonable Given Access to Other Funding.

The recent budget package established two new activities for the California Conservation Corps: (1) \$36 million to support nature-based work at the 14 existing local conservation corps and (2) \$13 million to establish a new Tribal NBS Corps and provide related administrative support. The Governor proposes reducing the first by \$24 million (retaining \$12 million) and leaving the second unaffected. Reducing the dedicated funding for local

conservation corps may result in them completing fewer nature-based projects than they might otherwise. However, local corps still have access to their typical funding sources, such as grants (including from other state programs) and payments for their work, that can allow them to continue to complete activities, including some similar types of projects. Accordingly, we think the Governor's proposed reduction merits legislative consideration.

Scaling Back Climate Smart Land Management and Extreme Heat and Community Resilience Programs Could Provide Time to Evaluate Results of Initial Funding. We also find merit in the Governor's proposal to reduce funding for DOC's Climate Smart Land Management Program by \$4 million (from \$20 million to \$16 million) and OPR's Extreme Heat and Community Resilience Program by \$75 million (from \$175 million to \$100 million) and think the Legislature could consider making even deeper reductions to these programs. These are both new initiatives first funded in the current year. As new programs, the Legislature does not yet have information on their effectiveness or demand for funding. The Legislature could consider reducing more funding than the Governor proposes and treating the remaining amount as a more limited pilot effort. It could then evaluate the outcomes of that funding before deciding whether it is worthy of future support. For example, for Climate Smart Land Management, the Governor proposes to reduce \$4 million from the amount provided in 2022-23, but the Legislature could also opt to not provide the \$6 million intended for 2023-24, for a total reduction of \$10 million. Similarly, for the Extreme Heat and Community Resilience Program, the Governor proposes to reduce \$25 million from the amount provided in 2022-23 and \$50 million from the amount intended for 2023-24, but the Legislature could choose to eliminate the remaining \$75 million intended for 2023-24, for a total reduction of \$150 million.

Proposed Urban Greening and Forestry Reductions Still Would Leave Substantial Funding for Similar Purposes. We also find a compelling rationale for the Governor's proposal to reduce funding for Urban Greening and Urban Forestry. While funding would decline for Urban Greening from \$250 million to \$150 million and for

Urban Forestry from \$60 million to \$30 million, there would still be a significant amount—\$180 million—available for these programs. Additionally, these two programs are similar to the Green Schoolyards program, which the Governor proposes to fully maintain at \$150 million. Accordingly, under the Governor's proposed approach, the state still would maintain \$330 million for greening-related programs. Notably, as we discuss in greater detail below, these types of programs are also candidates for some other potential funding sources, such as federal funds, which could help mitigate some of the impacts should their state funding be reduced.

Legislature Could Consider Making Reductions to Some Other Programs. To the extent the Legislature needs to identify additional solutions, either because the budget condition worsens in the coming months or because it would like alternatives to some of the Governor's proposals, it has various options to consider. In particular, the Legislature could make more significant reductions than the Governor proposes to funding for programs or projects in 2023-24 or subsequent years. For both nature-based activities and extreme heat activities, the Governor only proposes to reduce half or less of the funding intended for 2023-24. Since this funding has not yet been appropriated, it has not yet been committed to specific projects, and as such, making reductions would generally be less disruptive. Some examples of specific programs that we think are reasonable for the Legislature to consider reducing, in addition to those discussed above, include:

- ***WCB's Various Programs, DWR's Habitat Restoration, and CDFW's Program to Mitigate Climate Change Impacts on Wildlife.*** As discussed above and in the "Water and Drought" section of this report, these programs support activities with similar objectives, even if their specific areas of focus differ somewhat. The Legislature could reduce funding levels for some of these programs, including the amounts that would be appropriated in 2023-24. While this would mean fewer projects completed, other complementary efforts still would be underway.

- **State Coastal Conservancy's (SCC's) Coastal Acquisitions.** SCC has not yet identified specific properties for which it would use this funding. This uncertainty makes it difficult to conclude that this funding meets an urgent need and that its planned usage should be a high priority for the state's limited resources. Given the lack of clarity around the demand for, timing of, and specific use of this funding, we find it to be a good candidate for reducing.
- **CNRA's Tribal NBS Program.** This is a new program aimed at helping facilitate access, co-management, and ancestral land return. None of the \$70 million provided in 2022-23 has yet been allocated and the \$30 million intended for 2023-24 has not yet been appropriated. While providing funding to support tribes has merit in light of historical injustices, the specific activities that will be supported with this funding still are unclear because CNRA still is in the process of consulting with tribes to develop the program. The Legislature could provide a lesser amount of funding to get the program started. It could then consider restoring some of the funding at a later date should the final structure and details of the program be consistent with legislative priorities. Alternatively, if the Legislature considers this effort a high near-term priority, it could consider retaining or delaying—rather than reducing—the funding, and providing additional statutory direction on the use of the funds.
- **OPR's Community-Based Public Awareness Campaign.** This is a new program to conduct a public awareness campaign about the risks of extreme heat, focused on vulnerable communities. While a greater state focus on mitigating the effects of extreme heat is warranted given the health risks it poses, particularly to vulnerable groups, this particular program is new and thus its effectiveness is uncertain. Moreover, starting in 2022-23, OPR also received a separate \$65 million ongoing annual General Fund augmentation to establish and operate an Office of Community Partnerships and Strategic Communications. In addition to running the

above program, this office has base funding for general communications about important state issues. The Legislature could retain the \$6 million that was provided for the public awareness campaign in 2022-23, but eliminate the \$14 million planned for 2023-24. This would enable the Legislature to treat the 2022-23 funding as a pilot and evaluate its effectiveness—and relationship to other OPR activities—prior to determining whether additional funding is merited.

Potential for Other Funding Sources to Replace or Help Offset Loss of General Fund.

As the Legislature considers its preferred mix of solutions, it will be important to consider other sources of potential funding that may be available to support similar activities. Some additional sources could include:

- **Federal Funds.** Recent federal infrastructure bills have included funding to support some similar activities. Specifically, the Inflation Reduction Act provided \$1.5 billion for the United States Forest Service's Urban and Community Forestry Program and \$3 billion to the U.S. Environmental Protection Agency to mitigate extreme heat and other climate-related risks. Additionally, IIJA provided \$3.5 billion for a weatherization assistance program. The details around this funding, including how much California will receive, still are emerging. However, to the extent federal funding aligns with the same types of activities as state funding, state reductions could be partially mitigated by similar federally funded activities. Additional details on available federal funding should be available in the coming months.
- **Proposition 98 General Fund.** CalFire's program to green schoolyards could potentially be funded through Proposition 98. A key trade-off associated with using school funds to support this program is that less would be available to support other Proposition 98 priorities. However, shifting funding for this program to Proposition 98 would reduce pressure on non-Proposition 98 General Fund resources, so it is worthy of consideration.

- **GGRF.** Some activities—such as wetlands restoration, urban greening, and low-income weatherization—have been funded by GGRF in the past. A key trade-off associated with using GGRF for these activities is that it would mean less of those funds available to support other programs. (As noted elsewhere in this report, the administration is already proposing to use GGRF to offset some other General Fund augmentations, mostly for ZEV-related programs.)
- **Potential Future Bond.** As noted previously, some of the types of activities and programs funded in the nature-based activities and extreme heat areas are consistent with those that have been funded in past general obligation bonds. Accordingly, if the Legislature decides to pursue asking voters to approve a resources-related bond in the future, it could consider including some or all of these activities if they are high legislative priorities.

Recommendations

Modify Governor’s Proposals Consistent With Legislative Priorities, Identify Additional Potential Solutions. We recommend the Legislature develop its own package of budget solutions based on its priorities. Based on our review, we think it is reasonable for the Legislature to consider adopting the Governor’s proposed reductions for nature-based activities and extreme heat since they align with many of the principles we identify in this report.

We also recommend the Legislature consider adopting additional solutions, either in place of or in addition to those proposed by the Governor. As it does so, we recommend the Legislature focus mostly on reducing planned funding for 2023-24 in order to minimize potential disruptions. Some specific areas that we think merit consideration for potential reduction include: WCB, DWR, and CDFW programs with similar objectives; SCC’s coastal acquisitions; and OPR’s community-based public awareness campaign. The Legislature could also consider reducing or delaying funding for CNRA’s Tribal NBS Program until more details have been developed regarding how funds will be used.

As the Legislature makes its choices regarding which programs to target for solutions, we recommend that it consider other potential sources of available funding, such as Proposition 98, GGRF, and federal funds. While many of these sources of funds come with trade-offs, they could enable the Legislature to maintain funding for more high-priority programs while also reducing pressure on the General Fund.

COMMUNITY RESILIENCE

Recent and Planned Funding Augmentations

Recent Budgets Included Significant New Funding for Community-Based Climate Activities.

As shown in **Figure 18** on the next page, recent budgets have included \$2.2 billion for programs primarily focused on helping communities address the causes and impacts of climate change. This total consists of \$1.5 billion appropriated through the last two budgets and \$715 million intended for 2023-24. About two-thirds of the funding across the three years is from the General Fund (\$1.4 billion), with the remainder (\$760 million) from GGRF. As shown, the largest share of funding (\$930 million) is for the AB 617 program, which funds efforts to reduce pollution and improve air quality in highly impacted communities. This is an existing program established in 2017—through Chapter 136 (AB 617, C. Garcia)—that has historically been supported using GGRF. The same is true for the Transformative Climate Communities (TCC) program, which began in 2018 and funds community-led development and infrastructure projects. The three years of augmentations displayed in the figure represent the first time the TCC program is funded with General Fund instead of GGRF.

In contrast to AB 617 and TCC, most of the other programs displayed in the figure represent new activities that the state is initiating for the first time with this funding. This includes the Community Resilience Centers Program (which will support new construction and upgrades of neighborhood-level resilience centers to provide shelter and resources during climate and other emergencies) and the Regional Climate Resilience Program (which will provide grants for local entities to plan and implement regional projects that respond to their greatest climate risks).

Figure 18

Recent and Planned Community Resilience Augmentations

Highlighted Rows Indicate Programs Governor Proposes for Budget Solutions General Fund, Unless Otherwise Noted (In Millions)

Program	Department	2021-22	2022-23	2023-24	Totals
AB 617 program	CARB	\$320 ^a	\$310 ^b	\$300	\$930
Transformative Climate Communities Program	SGC	115	165	140	420
Community Resilience Centers	SGC	—	110	160	270
Regional Climate Resilience Program	OPR	25	125	100	250
Methane monitoring satellites	CARB	—	105 ^a	—	105
Community air monitoring	CARB	—	30 ^a	—	30
Climate Adaptation and Resilience Planning Grants	OPR	10	10	5	25
Environmental Justice Initiative	CalEPA	10	10	5	25
Fifth Climate Assessment	Various	22	—	—	22
Regional Climate Collaboratives	SGC	10	10	—	20
School ventilation upgrades (CalSHAPE)	CEC	—	20 ^a	—	20
CA Volunteers: Climate Action Corps	OPR	5	5	5	15
Fluorinated Gas Reduction Incentive Program	CARB	—	15	—	15
High-GWP Refrigerants	CARB	—	10 ^a	—	10
Vulnerable Communities Platform and CalAdapt Mapping	OPR	5	—	—	5
Wood stove replacements	CARB	—	5 ^a	—	5
Regional planning for lithium extraction	CEC	—	5	—	5
Totals		\$522	\$935	\$715	\$ 2,172

^a Funded from the Greenhouse Gas Reduction Fund (GGRF).

^b Includes \$270 million from GGRF.

AB 617 = Chapter 136 of 2017 (AB 617, C. Garcia); CARB = California Air Resources Board; SGC = Strategic Growth Council; OPR = Governor’s Office of Planning and Research; CalEPA = California Environmental Protection Agency; CalSHAPE = California Schools Healthy Air, Plumbing, and Efficiency Program; CEC = California Energy Commission; and GWP = Global Warming Potential.

Governor’s Proposals

Proposes Funding Changes for Four Programs, \$280 Million Total Net Reduction.

Figure 19 displays the Governor’s proposed changes for community-based climate programs. The Governor selects the four largest programs for achieving General Fund savings and leaves the remaining 13 programs unaffected. The proposals would reduce General Fund support for three of the programs by a combined \$530 million (although proposes to shift \$250 million from GGRF to mostly backfill one program) and delay a share of funding for one program by one year without a net change in overall resources. When accounting for the proposed GGRF fund shift, the Governor’s budget would result in a total net programmatic reduction of \$280 million, leaving a three-year total of \$1.9 billion (87 percent) to support the community resilience programs displayed in Figure 18. The specific proposals are as follows:

- AB 617 Program Reduction and Fund Shift.** The Governor proposes to eliminate the full \$300 million in planned General Fund spending for this program in 2023-24, but then uses \$250 million from GGRF to mostly make up for this loss, resulting in a \$50 million net reduction. The administration states it is uncertain exactly how it would implement this reduction (such as whether it would result in fewer grantees or decreased grant amounts for the same number of grantees).
- TCC Reduction.** The Governor proposes reducing \$65 million from the 2022-23 appropriation and \$40 million from planned 2023-24 funding for a net reduction of \$105 million. This would leave the program with \$100 million annually in both the current and budget years. The administration estimates this reduction would result in a total of between five and ten fewer communities receiving TCC funds, as well as reduced

implementation grant amounts for continuing grantees. The administration notes that applicants could apply instead to a similar new federal program.

- Community Resilience Centers Delay.** The Governor delays \$85 million of the \$160 million in planned spending for this program from 2023-24 to 2024-25. This would achieve General Fund savings in the budget year but shift those costs to the next year. The program still would retain \$75 million to spend in 2023-24 and would not experience a net funding reduction across the two fiscal years. The administration estimates the proposed delay would not have programmatic impacts, but rather would allow potential grantees more time to develop competitive proposals before applying for funds.
- Regional Climate Resilience Program Reduction.** The Governor proposes reducing \$25 million from the 2022-23 appropriation and \$100 million from planned 2023-24 funding, for a total net reduction of \$125 million. This would retain half of the three-year planned total amount. The administration estimates this reduction would result in approximately 60 fewer projects funded.

Proposes Doubling Funds for California Volunteers Climate Action Corps. In addition to his proposed reductions for the four large programs, the Governor also proposes two changes for the California Volunteers Climate Action Corps program. This program, which provides stipends for local community members to organize volunteer climate change-fighting efforts, was approved on a pilot basis with \$4.7 million General Fund per year from 2021-22 through 2025-26. The Governor proposes (1) doubling funding for this program, resulting in additional \$4.7 million annual General Fund costs from 2023-24 through 2025-26, and (2) making the program permanent rather than limited term, ultimately resulting in an ongoing \$9.3 million annual General Fund cost.

Assessment

Governor’s Focus on Larger Programs Is Appropriate. We find that the Governor’s approach of focusing budget solutions on large community resilience programs and leaving the smaller programs unaffected has merit. With one exception—methane monitoring satellites, which we discuss next—all of the unaffected programs displayed in Figure 18 received less than \$30 million total. Additionally, nearly all of this funding was provided in the current or prior years and administering agencies likely already are in

Figure 19

Governor’s Proposed Community Resilience Budget Solutions

2021-22 Through 2023-24 (In Millions)

Program	Department	Total Augmentations	General Fund Reductions	Backfill With Fund Shift	New Proposed Amounts
Programs Proposed for Solutions					
AB 617 program	CARB	\$930	-\$300	\$250 ^a	\$880
Transformative Climate Communities Program	SGC	420	-105	—	315
Community Resilience Centers	SGC	270	— ^b	—	270
Regional Climate Resilience Program	OPR	250	-125	—	125
Subtotals		(\$1,870)	(-\$530)	(\$250)	(\$1,590)
All Other Community Resilience Programs					
		\$302	—	—	\$302
Totals		\$2,172	-\$530	\$250	\$1,892

^a Would shift fund source to the Greenhouse Gas Reduction Fund.

^b Governor proposes delaying \$85 million in General Fund spending from 2023-24 to 2024-25.

AB 617 = Chapter 136 of 2017 (AB 617, C. Garcia); CARB = Air Resources Board; SGC = Strategic Growth Council; and OPR = Governor’s Office of Planning and Research.

the process of expending the funds. Therefore, rescinding the funding at this point could be disruptive. Even if some share might still be available, given the comparatively smaller amounts of funding associated with these programs, the potential amount of budget solutions they could yield likely are not worth the potential disruption. As such, maintaining the modest funding for these smaller programs and allowing departments to carry out their intended activities makes sense.

Methane Monitoring Satellite Program Would Be a Good Candidate for Reductions.

The fact that the Governor proposes no reductions for the methane monitoring satellite program is a notable inconsistency in approach. Like the other four programs proposed for modification, this initiative has a relatively large associated cost—\$105 million—and therefore has the potential to meaningfully contribute to needed budget solutions. (Although this program was funded with GGRF, the Legislature could reduce the amount and free up those monies to swap with General Fund from a different program, thereby yielding General Fund budget solutions.) This program was funded for the first time in 2022-23 to (1) help pay for the costs to launch eight satellites, (2) cover the costs of collecting the methane data for the lifetime of the satellites (5 to 15 years), and (3) support seven positions at CARB for three years. We believe several arguments exist for reducing funding for this program. First, CARB indicates that only a small amount of the funds (less than \$1 million) has been spent thus far. The board does not expect to release a request for proposals until late spring or early summer 2023, so no funding would be awarded in the current year. Second, methane leaks from oil and gas facilities and landfills—the two main methane sources intended to be monitored by this program—make up a relatively small share of overall statewide GHG emissions (less than 5 percent in most years), so the state could instead prioritize maintaining funding for other programs that might have a greater impact on reducing statewide GHG goals. Third, the state already has various efforts in place to monitor methane, including regular in-person inspections. Finally, CARB is expecting to obtain methane data from two satellites being launched by the private sector in 2023, so some similar data already will be available.

Governor’s TCC Proposal Justified, Given Availability of Federal Funds. While the Governor’s proposal to reduce the TCC program by \$105 million would result in fewer communities receiving state grants, we believe it is justified for two reasons. First, even with the proposed reductions, significant funding would remain for the program—\$100 million each in 2022-23 and 2023-24. This would allow the program to continue at roughly the same level as in 2021-22. The Strategic Growth Council (SGC) indicates it would use this funding to award three new large implementation grants (at \$28 million each), three new mid-size project development grants (at \$5 million each), and three new smaller planning grants (at \$300,000 each) each year. Second, the U.S. Environmental Protection Agency recently established the Environmental and Climate Justice Block Grants Program, which is modeled directly after California’s TCC program. This \$3 billion federal program will provide three-year implementation grants on a competitive basis to applying states, tribes, municipalities, and community-based organizations. California communities have no guarantees about how much they will receive from this program or whether it will directly backfill the locations and amounts that state funds would have supported. However, the federal program presents an opportunity to potentially support the goal of expanding the TCC program even if the state reduces its funding. SGC indicates it will use existing staff to provide technical assistance and support communities interested in applying for the federal program.

Uncertainty About New Climate Resilience Center Program Makes It a Good Candidate for Reduction.

Instead of the Governor’s proposal to delay \$85 million for climate resilience centers from 2023-24 to 2024-25, the Legislature may want to consider reducing funding for this program. This is a brand-new program initiated in the current year, and as such, no data are yet available regarding program demand or effectiveness. SGC still is in the process of designing the program and does not plan to make initial awards from its 2022-23 allocation until Fall 2023. Moreover, SGC indicates that most communities do not yet have scoped-out, designed, and permitted centers ready to receive funding, so its initial funding awards will only be for planning activities. Given how early this program is in its implementation, spending the allocated funds

for actual projects likely will take several years, and the state cannot yet be sure how many centers it will fund, where they will be located, how frequently they will be used, or how effective they will be at protecting communities from climate change impacts. This uncertainty around funding demand and implementation timing, combined with the need for budget solutions, suggest this program is a good candidate for reductions. The Legislature could convert the Governor's proposed \$85 million funding delay into a reduction, as well as consider reducing an even larger share of the \$160 million intended to be provided in 2023-24. If it makes reductions to the 2023-24 intended amounts, the Legislature could leave the \$115 million from the 2022-23 appropriation in place (as the Governor does) and treat this as a more modest pilot effort, collecting information about program demand and implementation to help target and inform potential future investments.

Proposal to Cut Regional Climate Resilience Program in Half Raises Some Concerns. While the Regional Climate Resilience Program is new and early in its implementation, we think the Legislature may want to exercise caution in considering the Governor's proposed reductions. This is the community resilience program for which the Governor proposes the largest reduction, both in dollars (\$125 million) and proportion (50 percent). However, the Legislature established this program to fill an important gap in statewide climate preparedness efforts. While numerous other programs provide grants for individual cities or nongovernmental entities to conduct distinct projects, this program is somewhat unique in its intent to support *regionally based* project planning and implementation efforts. Many of the impacts of climate change cross jurisdictional boundaries and necessitate coordinated, collaborative efforts that are hard to organize and fund. (We discuss this challenge as it relates to sea-level rise in our December 2019 report, [*Preparing for Rising Seas: How the State Can Help Support Local Coastal Adaptation Efforts*](#).) Although large amounts of funding for this program still remain unspent and thus could be reduced without near-term disruptions, the absence of support for regional-based climate change readiness activities could contribute to greater *long-term* disruptions from climate change impacts.

Expanding Climate Action Corps Program While Reducing Existing Commitments Not Justified. Given this program only began in 2021-22, sufficient data are not yet available on the effectiveness of the current pilot program to justify the Governor's proposal to double its existing funding or make it ongoing, particularly at the expense of other existing commitments. Given the budget problem, providing \$4.7 million in additional General Fund for this program would necessitate an equal amount of reductions from other existing spending commitments. Moreover, \$3 million in federal Americorps funds is available and currently supplementing state funds for this program, so this activity could continue—albeit at a lower level—even without any General Fund support. We discuss this proposal and our assessment in more detail in a separate publication.

Recommendations

Modify Governor's Proposals to Reflect Legislative Priorities. Overall, we find most of the proposed budget solutions the Governor proposes for community resilience programs to be reasonable and worthy of consideration. Based on our initial assessment, some particular modifications the Legislature could consider include: (1) reducing funding for methane monitoring satellites, (2) reducing rather than delaying \$85 million for the Climate Resilience Center Program, and (3) maintaining some additional funding for the Regional Climate Resilience Program.

Reject Proposal to Expand Climate Action Corps Program. Because no evidence is available to suggest this program is particularly effective at reducing the causes and impacts of climate change, and because it would necessitate a like amount of reductions from existing programs, we recommend the Legislature reject the Governor's proposal to allocate an additional \$4.7 million General Fund to double funding for this program. We also recommend the Legislature reject the proposal to make the program ongoing, given the lack of data on its effectiveness and the state budget condition and outlook. The Legislature could request additional information on program outcomes to inform future budget decisions about whether to extend this program beyond its current 2025-26 sunset date.

SUSTAINABLE AGRICULTURE, CIRCULAR ECONOMY, AND OTHER RECENT AUGMENTATIONS

Recent and Planned Funding Augmentations

Recent Budgets Committed \$1.2 Billion for Sustainable Agriculture Activities, Mostly From General Fund. As shown in **Figure 20**, recent budgets have committed a total of \$1.2 billion on a limited-term basis over three years—\$684 million in 2021-22, \$487 billion in 2022-23, and \$13 million intended for 2023-24—to support sustainable agriculture activities. About 80 percent of the \$1.2 billion total—\$915 million—is from

the General Fund. The remaining amounts are from GGRF (\$225 million) and the Air Pollution Control Fund (\$43 million). While most of this funding was included as part of a 2021-22 budget package focused on sustainable agriculture, some of the funding shown was originally included in an extreme heat package or as standalone proposals.

Sustainable Agriculture Funding Supports a Variety of Programs. The committed \$1.2 billion is designated for more than two dozen programs administered by various departments. Almost half of the funds are for two programs administered by CARB: (1) the Funding Agricultural Replacement Measures for Emission Reductions (FARMER) Program, which supports agricultural equipment

Figure 20

Recent and Planned Sustainable Agriculture Augmentations

Highlighted Rows Indicate Programs Governor Proposes for Budget Solutions General Fund, Unless Otherwise Noted (In Millions)

Program	Department	2021-22	2022-23	2023-24	Totals
Agricultural diesel engine replacement (FARMER)	CARB	\$213 ^{a,b}	\$150	—	\$363
San Joaquin Valley agricultural burning alternatives	CARB	180	—	—	180
Healthy Soils Program	CDFA	75 ^a	85	\$10	170
Livestock methane reduction and AAMP	CDFA	32	68 ^a	—	100
Farm to School Incubator Program	CDFA	30	60	—	90
Conservation Agriculture Planning Grants	CDFA	17	22	—	39
Pollinator Habitat Program	CDFA	15	15	—	30
Fresno-Merced Future of Food	CDFA	30	—	—	30
Climate Catalyst Fund Program—agriculture	IBank	—	25	—	25
California Nutrition Incentive Program	CDFA	10	10	—	20
Healthy Refrigeration Grant Program	CDFA	10	10	—	20
Farm to Community Food Hubs Program	CDFA	15	—	—	15
Urban Agriculture Program	CDFA	12	—	—	12
Underserved farmer technical assistance	CDFA	5	5	—	10
Methane reduction: cattle feed	CDFA	—	10 ^a	—	10
Research in GHG reduction	CDFA	5	5	—	10
Invasive Species Council	CDFA	5	5	—	10
Farmer training and manager apprenticeships	CDFA	5	5	—	10
Safer, sustainable pest management	CDFA	10	8	—	18
Sustainable Cannabis Pilot Program	CDFA	9	—	—	9
Various other programs ^c	CDFA, DPR	6	4	3	12
Totals		\$684	\$487	\$13	\$1,183

^a Includes funding from the Greenhouse Gas Reduction Fund.

^b Includes funding from Air Pollution Control Fund.

^c Includes the following programs: (1) impact assessment and alignment of reporting, (2) integrated pest management technical assistance (previously in the extreme heat package), (3) canine blood bank, and (4) Senior Farmers Market Nutrition Program.

FARMER = Funding Agricultural Replacement Measures for Emission Reductions; CARB = California Air Resources Board, CDFA = Department of Food and Agriculture; AAMP = Alternative Manure Management Program; IBank = California Infrastructure and Economic Development Bank; GHG = greenhouse gas; and DRP = Department of Pesticide Regulation.

upgrades and replacements that reduce GHG and air pollutant emissions (\$363 million) and (2) financial incentives for farmers to implement alternative practices to agricultural burning in the San Joaquin Valley (\$180 million). The remaining funds—\$640 million—support a wide range of programs, mostly administered by CDFA. For example, \$170 million is committed to CDFA’s Healthy Soils Program, which provides grants to increase statewide implementation of various practices that improve soil health, sequester carbon, and reduce GHG emissions.

Sustainable Agriculture Activities Historically Not Significant Recipients of General Fund.

The state has traditionally not provided significant General Fund support for most of these activities. Some of the programs shown in Figure 20 are new and their creation was made possible by the robust condition of the General Fund. Examples of new programs include (1) the Fresno-Merced Future of Food Innovation Initiative; (2) the Conservation Agriculture Planning Grants Program; (3) the Pollinator Habitat Program; (4) the Urban Agriculture

Program; (5) the Farm to Community Food Hubs Program; and (6) the Climate Catalyst Fund, which provides low-interest loans to projects that advance the state’s climate mitigation and adaptation goals in the agricultural sector. (We also discuss this program in the “Wildfire and Forest Resilience” section of this report because separate funding focusing on the wood products sector was included in that package.)

Some other programs shown in Figure 20 have received funding from the state in the past, but typically from sources other than the General Fund. For example, CARB’s FARMER Program has been supported by GGRF and the Air Pollution Control Fund (which receives revenue from fees and penalties paid by various emitters of air pollution), and the Healthy Soils program has historically been supported by GGRF. As noted in the figure, these two programs received support from those special funds in 2021-22, but in subsequent years funding shifted to the General Fund.

Recent Budgets Committed \$468 Million for Circular Economy Activities. As shown in the top portion of **Figure 21**, recent budgets have

Figure 21

Recent and Planned Circular Economy and Other Augmentations

Highlighted Rows Indicate Programs Governor Proposes for Budget Solutions General Fund, Unless Otherwise Noted (In Millions)

Program	Department	2021-22	2022-23	2023-24	Totals
Circular Economy		\$205	\$263	—	\$468
SB 1383 implementation grants	CalRecycle	\$60 ^a	\$180 ^a	—	\$240
Organic waste infrastructure	CalRecycle	90 ^a	15	—	105
RMDZ Loan Program	CalRecycle	25	25	—	50
Co-Digestion capacity	CalRecycle	10	10	—	20
Recycling feasibility grants	CalRecycle	2	13	—	15
Quality incentive payments	CalRecycle	10 ^b	—	—	10
Methane reduction from waste	CalRecycle	—	10 ^a	—	10
Compost permitting pilot and edible food recovery	CalRecycle	3	10	—	13
Composting opportunities	CalRecycle	5	—	—	5
Other^c		\$55	\$45	\$20	\$120
Sustainable Agricultural Lands Conservation ^d	DOC	—	\$25	—	\$25
Complete fine-scale vegetation mapping	CDFW	\$5	20	\$20	45
Deferred maintenance	CalFire	50	—	—	50

^a Includes funding from the Greenhouse Gas Reduction Fund (GGRF).

^b Includes funding from Beverage Container Recycling Fund.

^c Includes other resources and environmental protection programs proposed by the Governor as solutions, but not categorized in packages by the administration.

^d In addition to the funding shown above, this program receives an annual appropriation of GGRF administered by the Strategic Growth Council.

CalRecycle = California Department of Resources Recycling and Recovery; RMDZ = Recycling Market Development Zone; DOC = Department of Conservation; CDFW = California Department of Fish and Wildlife; and CalFire = California Department of Forestry and Fire Protection.

committed a total of \$468 million on a limited-term basis over two years—\$205 million in 2021-22 and \$263 million in 2022-23—to support various recycling and waste reduction programs. Of the \$468 million total, just over 40 percent—\$138 million—is from the General Fund. The remaining amounts are from GGRF (\$320 million) and the Beverage Container Recycling Fund (BCRF, \$10 million). While most of this funding was part of a 2021-22 budget package focused on the circular economy, some funding was initially included in the nature-based activities packages or as standalone proposals.

Circular Economy Funding Supports Several Different Programs. Circular economy funding is committed to roughly a dozen programs, all of which are administered by the California Department of Resources Recycling and Recovery (CalRecycle). Roughly half of the funds (\$240 million) are for a program that provides grants to local jurisdictions to help them in implementing and complying with the organic waste requirements established by Chapter 395 of 2016 (SB 1383, Lara). Significant funding is also allocated to support (1) the expansion of organics recycling infrastructure, such as composting and digestion facilities (\$105 million), and (2) the Recycling Market Development Zone (RMDZ) Loan Program, which provides loans to recycling businesses that prevent, reduce, or recycle recovered waste materials (\$50 million).

Circular Economy Activities Historically Not Significant Recipients of General Fund. Typically, the state has supported most of CalRecycle's budget from special funds, such as BCRF, which is supported by deposit fees consumers pay when purchasing beverages in recyclable containers. The state has not historically provided significant General Fund support for the department to undertake the types of activities included in the circular economy package.

In some cases, the package includes funding for new programs, such as those that support recycling feasibility grants, edible food recovery grants, and composting opportunities. In other cases, it supports expansions of existing programs, often with a greater reliance on the General Fund than in the past. For example, the package provides General Fund support for the expansion of the existing GGRF-funded grant program to include

food waste co-digestion projects at wastewater treatment plants. Notably, local jurisdictions administer various programs aimed at promoting recycling and waste reduction, typically supported by user fees.

Recent Budgets Provided One-Time Funding for Various Other Activities Outside of Packages. While most of the major one-time augmentations in the resources, environment, and climate area were presented as part of packages, some were adopted as separate actions and largely are not proposed for reductions (and, therefore, are not discussed in this report). However, we display three of these non-package augmentations in the bottom of Figure 21 because the Governor proposes to reduce them: the Sustainable Agricultural Lands Conservation program through DOC (\$25 million), vegetation mapping undertaken by CDFW (\$45 million), and deferred maintenance at CalFire facilities (\$50 million).

Governor's Proposals

Proposes Various Reductions Affecting Multiple Programs. The Governor proposes some notable reductions in the areas of sustainable agriculture, circular economy, and other activities, as shown in **Figure 22**. Specifically, for sustainable agriculture activities, the largest reduction proposed—\$25 million—is the elimination of the Climate Catalyst Program's funding for agriculture-related loans. Some other notable reductions include: (1) \$22 million from the Conservation Agriculture Planning Grants Program, (2) \$15 million from the Healthy Soils Program, (3) \$15 million from the Pollinator Habitat Program, and (4) \$15 million from the Farm to Community Food Hubs Program.

In the circular economy area, the Governor proposes reducing three programs. The largest is the elimination of \$15 million for recycling feasibility grants, which is a new program that provides grants to entities that are in the research, development, feasibility assessment, and pilot phases of new recycling technologies and projects. Reductions are also proposed for a program that provides grants to community groups operating small-scale composting programs in green spaces within disadvantaged and low-income communities (\$5 million) and the RMDZ Loan Program (\$5 million).

Figure 22

Governor's Proposed Sustainable Agriculture, Circular Economy, and Other Budget Reductions

2021-22 Through 2023-24 (In Millions)

Program	Department	Total Augmentations	Proposed Reductions	New Proposed Amounts
Sustainable Agriculture Programs Proposed for Solutions				
Healthy Soils Program	CDFA	\$170 ^a	-\$15	\$155
Conservation Agriculture Planning Grants	CDFA	39	-22	18
Pollinator Habitat Program	CDFA	30	-15	16
Climate Catalyst Fund Program—agriculture	IBank	25	-25	—
Healthy Refrigeration Grant Program	CDFA	20	-9	11
Farm to Community Food Hubs Program	CDFA	15	-15	0
Urban Agriculture Program	CDFA	12	-6	6
Research in GHG reduction	CDFA	10	-5	5
Invasive Species Council	CDFA	10	-5	5
Farmer training and manager apprenticeships	CDFA	10	-5	5
Sustainable Cannabis Pilot Program	CDFA	9	—	1
Subtotals		(\$350)	(\$128)	(\$222)
All Other Sustainable Agriculture Funding	Various	\$833	—	833
Sustainable Agriculture Totals		\$1,183	-\$128	\$1,055
Circular Economy Programs Proposed for Solutions				
RMDZ Loan Program	CalRecycle	\$50	-\$4.5	\$45.5
Recycling feasibility grants	CalRecycle	15	-15	—
Composting opportunities	CalRecycle	5	-5	—
Subtotals		(\$70)	(\$24)	(\$46)
All Other Circular Economy Funding	CalRecycle	\$398	—	\$398
Circular Economy Totals		\$468	-\$24	\$444
Other Non-Package Programs Proposed for Solutions				
Sustainable Agricultural Lands Conservation	DOC	\$25	-\$25	—
Complete fine-scale vegetation mapping	CDFW	45	-20	\$25
Deferred maintenance	CalFire	50	-13	37
Other Totals		\$120	-\$58	\$62

^a Includes \$25 million from the Greenhouse Gas Reduction Fund.

CDFA = California Department of Food and Agriculture; IBank = California Infrastructure and Economic Development Bank; GHG = greenhouse gas; RMDZ = Recycling Market Development Zone; CalRecycle = California Department of Resources Recycling and Recovery; DOC = Department of Conservation; CDFW = California Department of Fish and Wildlife; and CalFire = California Department of Forestry and Fire Protection.

The Governor also proposes cuts to three programs funded outside of budget packages: (1) eliminating the \$25 million for DOC's Sustainable Agricultural Lands Conservation program, (2) reducing CDFW's vegetation mapping program by \$20 million (retaining \$25 million), and (3) reducing CalFire's deferred maintenance funding by \$13 million (retaining \$37 million).

Retains Most of the Funding That Was Previously Approved for Sustainable Agriculture and Circular Economy Activities. The Governor proposes to maintain close to 90 percent of the funding for sustainable agriculture activities.

The Governor also proposes to maintain 95 percent of the funding for circular economy activities. Most of the funding in these areas was provided in 2021-22 and 2022-23, so there has been more time for the funding to be committed to projects as compared to some of the other packages. Also, as described above, a notable portion of the funding for these activities was from non-General Fund sources, and thus was not the focus of the Governor's reductions.

Assessment

Proposed Solutions Generally Appear Reasonable. All of the Governor’s proposed solutions come with trade-offs. However, after weighing these trade-offs, we think the Governor’s proposals generally are reasonable in light of the state’s anticipated budget challenges. In particular, while many of these programs aim to achieve worthy environmental goals, they generally focus on less pressing climate change-induced challenges than some of the other thematic areas discussed in this report (such as wildfire, sea-level rise, and drought). Accordingly, we think targeting uncommitted funding from these programs is a worthwhile approach to pursuing budget solutions. (We think it would be overly disruptive to take away funding that has already been committed to specific projects.) Below, we discuss several specific proposals for which we think the Governor proposes reasonable reductions, and we also identify other potential reductions that we think warrant legislative consideration.

Climate Catalyst Program Is New and Untested. We find justification for the Governor’s proposal to eliminate the \$25 million provided in 2022-23 for offering agricultural-related loans through the Climate Catalyst Fund Program. As we discussed in the “Wildfire and Forest Resilience” portion of this report, funding was initially allocated in 2020-21 to establish a version of this program focused on creating a sustainable wood products market. However, the program has taken time to launch and no awards have been made thus far for either wood products or sustainable agriculture activities. We note that the Governor proposes to maintain some funding for the wildfire portion of the program, which could be used to test its effectiveness as a strategy for spurring market development. Depending on the results of that effort, the Legislature could consider whether to reauthorize funding for an agriculture-related expansion in future years.

Given Uncertain Benefits, Various Other Newly Established Programs Also Good Candidates for Reductions. Like the Climate Catalyst Fund, several other programs the Governor proposes reducing are new or recently established programs, including (1) the Conservation Agriculture

Planning Grants Program, (2) the Pollinator Habitat Program, and (3) the Urban Agriculture Program. We think it is reasonable for the Legislature to consider reducing these programs given that they have funding that has not yet been committed and are relatively new with uncertain benefits. In most cases, the Governor proposes to retain some funding for these programs, which could be used to gather information on their effectiveness. The Legislature could then use this data to decide whether to provide additional funding for in the future.

In the case of two other new activities—the Farm to Community Food Hubs Program and recycling feasibility programs—the Governor proposes to eliminate rather than reduce the associated funding. Given the programs are new and untested, their elimination will not result in significant disruptions, and as such we find this proposed approach worthy of consideration. If these programs are high priorities for the Legislature, however, it could also consider reducing rather than eliminating their funding.

Other Proposed Reductions Also Reasonable. We also find merit in the Governor’s other proposed reductions:

- **Sustainable Agricultural Lands Conservation.** This program funds conservation easements on and plans for agricultural lands to preserve them from being converted to more GHG-intensive residential uses. Eliminating the full \$25 million in General Fund support for this program, as the Governor proposes, however, would not leave it without any funding. This is because the program receives annual funding allocations from GGRF as part of the continuously appropriated Affordable Housing and Sustainable Communities program through SGC. While the annual funding amounts vary depending on the level of cap-and-trade auction revenues, they typically total tens of millions of dollars. The program awarded \$74 million in grants using GGRF in December 2022 and has allocated nearly \$300 million since it began. This funding could allow it to continue existing activities even without the intended General Fund augmentation.

- **Vegetation Mapping.** Reducing the \$20 million intended for this effort in 2023-24 would prevent CDFW from being able to complete fine-scale statewide mapping of vegetation and habitats. However, the \$25 million provided in 2021-22 and 2022-23 will allow the department to complete about two-thirds of this mapping effort and provide the state with a good deal of helpful information to support its conservation decisions. The state could fund the final stage of this project in a future year.
- **CalFire Deferred Maintenance.** The Governor proposes to reduce by \$13 million the \$50 million provided in 2021-22 for CalFire to undertake deferred maintenance projects. This would still leave the department with sufficient funding—\$37 million—to address a significant portion of the roughly \$160 million backlog that has accumulated over many years. While addressing deferred maintenance is an important activity, the Governor’s proposed reduction is worthy of consideration given the funds that would remain and the condition of the General Fund.
- **RMDZ Loan Program.** Reducing this program by \$4.5 million represents a relatively modest decrease. Leaving the program with \$45.5 million, as the Governor proposes, would enable it to continue providing nearly as many loans to recycling businesses.

Legislature Could Consider Reducing Farm to School Incubator Grant Program, Further Reductions for Healthy Soils. Should the Legislature want to consider alternative or additional budget solutions than those proposed by the Governor, we believe two additional agriculture-related programs merit consideration.

- **Farm to School Incubator Grant Program.** The Governor does not propose changes for this program—which provides funding to schools to purchase locally grown foods, coordinate educational opportunities, and further collaboration and coordination between schools and producers—but we think the Legislature could consider reducing its funding. Recent budgets provided \$90 million

for this relatively new program—\$30 million in 2021-22 and \$60 million 2022-23. Given that the program is still in its early implementation stages (it began in 2020-21), the Legislature could reduce funding and allow it to continue operating at a scaled-down level (offering fewer grants). The state could then gather information about how effectively the program met its intended goals before considering additional augmentations. (An existing program evaluation report is due to the Legislature by January 2024.) The program has awarded all of its 2021-22 funding to grantees, but has not yet made awards from the 2022-23 amount, and has \$60 million in unspent funds as of February 2023.

- **Healthy Soils Program.** While the Governor proposes a \$15 million reduction for this program, we find that additional reductions could be warranted. As we discuss in our 2021 report, [Assessing California’s Climate Policies—Agriculture](#), the program provides only modest GHG benefits at a relatively high cost per ton when compared to other programs we reviewed. While a deeper reduction for the program would result in fewer overall projects, the program received a significant augmentation from the \$75 million provided in 2021-22. Data indicate that roughly \$8 million in funding from that augmentation remains unspent as of this writing and the program has not yet awarded any of its \$85 million in funding from 2022-23.

Legislature Could Consider Reducing GGRF for SB 1383 Implementation Grants and Organic Waste Infrastructure Program to Offset General Fund Support for Other Activities. While the Governor does not propose funding changes for these two circular economy programs, we think they are reasonable candidates for reducing should the Legislature seek additional or alternative budget solutions. Decreasing this funding likely would result in smaller grants to local governments to support their compliance with SB 1383 and organic waste management efforts. While these grants help offset costs faced by local jurisdictions (costs which are typically passed on to users through fees), local waste management

does not represent a core state responsibility and SB 1383 requirements will be implemented regardless of whether the grants are provided. Notably, of the combined \$345 million appropriated in 2021-22 and 2022-23 for these two related programs, as of this writing roughly \$240 million (about 70 percent) remained uncommitted and thus potentially is available for reduction. We note that almost all of the uncommitted funding is from GGRF rather than the General Fund. However, to the extent that the Legislature were to reduce these GGRF expenditures, it would free up those funds to redirect and use in place of General Fund for other programs the Legislature wants to preserve, thereby achieving state budget solutions.

Recommendations

Modify Governor’s Proposals Consistent With Legislative Priorities, Identify Additional Potential Solutions. We recommend the Legislature develop its own package of budget solutions based on its priorities and the guiding principles we identify in this report. Based on our review, we recommend the Legislature consider adopting the Governor’s proposed reductions for sustainable agriculture, circular economy, and other non-package proposals since they align with many of the principles we identify in this report.

We also recommend the Legislature consider adopting additional solutions, either in place of or in addition to those proposed by the Governor. Options for legislative consideration include: (1) reducing funding for the Farm to School Incubator Grant Program, (2) deeper reductions to the Healthy Soils Program, (3) reducing CalRecycle’s SB 1383 implementation grants, and (4) reducing organic waste infrastructure grants. While these latter two programs are funded with GGRF, such reductions would free up those funds to offset General Fund spending on other legislative priorities.

PARKS, MUSEUMS, AND ACCESS

Recent and Planned Funding Augmentations

Recent Budgets Provided Various One-Time Augmentations. Over the past few years, the state has committed significant one-time funding to support parks, museums, and improving public access to parks and open space. As shown in **Figure 23**, these augmentations provide a combined total of about \$1.5 billion over a five-year period, almost all from the General Fund. Of this amount, \$1.3 billion has already been appropriated (in either 2021-22 or 2022-23), \$88 million is planned for appropriation in 2023-24, and \$124 million is planned for appropriation in a future year. (In addition to the items displayed in the figure, the state also provided numerous augmentations in recent years to specific legislative-priority park, museum, and access projects through budget control sections.)

Most of These Augmentations Were Not Included in Packages. The 2021-22 budget grouped several of these augmentations into an “Outdoors for All” package. However, unlike many of the other thematic areas discussed in this report, most of the recent augmentations for parks, museums, and access were not adopted by the Legislature as part of defined packages, but rather as stand-alone proposals.

Funding Supported Various Programs and Activities. As shown in Figure 23, recent and planned augmentations support a variety of types of programs and projects, most of which are administered by Parks or CNRA. Close to 40 percent of the funds—\$569 million—is for competitive grant programs to create new or improve upon existing parks and other open spaces. About 30 percent of the funds—\$464 million—is to support specific local, state, federal or nonprofit projects. The remaining funds—totaling \$515 million—are for programs focused on increasing access to parks (such as through providing transportation or free admission to parks), improving interpretation and art programming in parks, and supporting various other programs. This represents an unusually large amount of General Fund support for these types of activities, many of which have traditionally been funded largely from general obligation bonds.

Figure 23

Major Recent and Planned Parks, Access, and Museum One-Time Augmentations

Highlighted Rows Indicate Programs Governor Proposes for Budget Solutions
General Fund, Unless Otherwise Noted (In Millions)

Program	Department	2021-22 and 2022-23	2023-24	2024-25 and 2025-26	Totals
Competitive Grants for New or Improved Parks Space		\$419	\$56	\$94	\$569
Statewide Parks Program ^a	Parks	\$230	\$56	\$94	\$380
Urban Rivers and Waterways Program	Parks	154	—	—	154
Recreational Trails and Greenways Program	CNRA	35	—	—	35
Specific Projects		\$459	\$5	—	\$464
Wildfire repair projects at specific state parks	Parks	\$124	—	—	\$124
Indian Heritage Center	Parks	95	—	—	95
India Basin project ^a	Parks	50	—	—	50
Jewish summer camps	CNRA	40	—	—	40
Alameda-Tesla expansion area	Parks	31	—	—	31
Sacramento Railyards	Parks	30	—	—	30
Allensworth State Park and Entrepreneurship Center	Parks, CNRA	30	—	—	30
John Muir Trail projects	CNRA	23	—	—	23
Designated museums	CNRA	16	—	—	16
Public Beach Restoration Fund transfer	Parks	15	—	—	15
San Francisco Greenhouse Project	CNRA	6	—	—	6
Redondo Beach Park	CNRA	—	\$5	—	5
Access-Related Programs		\$132	\$27	\$30	\$189
Outdoor Equity Grants Program ^a	Parks	\$65	\$25	\$25	\$115
Library Pass and other pilot programs ^a	Parks	23	—	—	23
K-12 access ^{a,b}	Parks	21	2	5	28
Explore the Coast Program ^a	SCC	14	—	—	14
Whale Tail Program ^a	Coastal Commission	10	—	—	10
Interpretation and Art-Related Programs		\$50	—	—	\$50
Cultural Art Installation Program	Parks	\$25	—	—	\$25
African American history and engagement	Parks	15	—	—	15
Tribal acknowledgment and interpretation	Parks	10	—	—	10
Other Programs		\$276	—	—	\$276
Deferred maintenance	Parks	\$169	—	—	\$169
Museum Grant Program	CNRA	50	—	—	50
Future capital outlay	Parks	50	—	—	50
Property acquisitions	Parks	6	—	—	6
Totals		\$1,335	\$88	\$124	\$1,548

^a Included in 2021-22 Outdoors for All package.

^b Includes \$3.2 million in 2020-21 and \$2.4 million ongoing from the Environmental License Plate Fee Fund.

Parks = Department of Parks and Recreation; CNRA = California Natural Resources Agency; and SCC = State Coastal Conservancy.

Governor’s Proposals

Proposes Several Program Reductions. The Governor proposes some notable reductions to a few programs, as shown in **Figure 24**. The largest proposed reductions are to the Statewide Parks Program, which is a long-standing competitive grant program focused on creating new local parks and improving existing parks in disadvantaged communities. Specifically, the Governor proposes to (1) eliminate \$75 million appropriated for the program in 2022-23 and (2) reduce the funding planned for the program in 2023-24 through 2025-26 from a total of \$150 million to \$75 million.

The Governor also proposes to eliminate \$35 million appropriated in 2022-23 for the Recreational Trails and Greenways Program, which is an existing program that provides competitive grants to support nonmotorized infrastructure in parks and other outdoor recreational areas. Additionally, the Governor proposes to reduce \$31 million from the \$185 million appropriated in 2021-22 to help Parks address its over \$1.2 billion backlog of deferred maintenance projects. (Parks funding for deferred maintenance was reduced by \$16 million in 2022-23, leaving a net increase of \$169 million over those two years.) Finally, the proposal would reduce \$29 million from the \$50 million appropriated in 2021-22 for the Museum Grant Program, which is a competitive grant program that prioritizes funding for museums

that serve underserved communities or were severely affected by COVID-19.

In addition, the Governor proposes to revert \$110 million of General Fund that was previously set aside in a designated fund for specific park-related activities but is not urgently needed. Of this funding, \$95 million was set aside to support the completion of a new Indian Heritage Center. This project is currently in the initial planning phases and the administration indicates that it intends to request additional funding—potentially from lease revenue bonds—when it reaches the construction phase. The remaining \$15 million that the Governor proposes to revert was part of a 2022-23 appropriation to support the identification and completion of future Parks capital outlay projects, which are not anticipated to be undertaken at this time. (The Governor presents these reversions as fund shifts rather than reductions.)

Proposes to Retain Most of the Funding That Was Previously Approved. Even with the reductions discussed above, the Governor proposes to maintain roughly three-quarters of the intended General Fund for parks, museums, and access-related programs and projects—\$1.2 billion of \$1.5 billion. Notably, the Governor proposes to not only maintain most of the funding that has already been appropriated for these activities (79 percent) but also most of the funding intended for the budget year and future years (65 percent).

Figure 24

Governor’s Proposed Parks, Museum, and Access Budget Reductions

2021-22 Through 2025-26 (In Millions)

Program	Department	Total Augmentations	Proposed Reductions	New Proposed Amounts
Programs Proposed for Solutions				
Statewide Parks Program	Parks	\$380	-\$150	\$230
Indian Heritage Center	Parks	95	-\$95 ^a	—
Recreational Trails and Greenways Program	CNRA	35	-\$35	—
Deferred maintenance	Parks	169	-\$31	138
Museum Grant Program	CNRA	50	-\$29	21
Future capital outlay	Parks	50	-\$15 ^a	35
Explore the Coast Program	SCC	14	-\$3	11
Subtotals		(\$793)	(\$358)	(\$435)
All Other Parks, Museum, and Access Funding				
		\$755	—	\$755
Totals		\$1,548	-\$358	\$1,190

^a The Governor proposes to revert funding that was deposited in a specific fund for these activities back to the General Fund. The Governor categorizes these as fund shifts rather than reductions.

Parks = Department of Parks and Recreation; CNRA = California Natural Resources Agency; and SCC = State Coastal Conservancy.

Assessment

While all of the Governor’s proposed solutions come with trade-offs, on balance, we find them to be reasonable given the difficult choices that the Legislature is likely to face in the coming year.

Given Potential for Other Funding Availability, Proposed Reductions to Statewide Parks and Greenways Programs Appear Reasonable.

The largest reductions the Governor proposes are for the Statewide Parks Program and the Recreational Trails and Greenways Program. These are both programs that serve valuable goals, including improving and enhancing parks and open spaces with a focus on underserved communities. Nonetheless, funding for these types of activities is generally needed with less urgency than funding for many other areas within the climate, resources, and environment policy areas because they do not address the most immediate climate risks—which often disproportionately affect these same communities. Additionally, the federal government has recently provided increasing support for similar types of programs. Specifically, since 2018, the amount of federal funding available to California from the Land and Water Conservation Fund (LWCF) program—which provides matching funds for state and local parks projects—has roughly tripled. The state now anticipates receiving over \$20 million in formula-based funds annually from LWCF, as well as access to competitive grant funds. Notably, LWCF is not a direct replacement for state dollars, since it requires a 50 percent match and comes with various compliance and other requirements. However, it can provide a complementary source of support to help cover the costs of local and state parks projects, and can help mitigate some of the impacts of modest reductions to state funding for these types of projects. Moreover, these programs have historically been funded with bond funds. Thus, if the Legislature were to consider proposing a bond, these types of programs could be included if they were high legislative priorities. For these reasons, we think the Governor’s proposed reductions merit legislative consideration.

Reducing Deferred Maintenance Funding Would Mean Fewer Projects, but Likely No Major Near-Term Impacts. We also think it is reasonable for the Legislature to consider reducing the amount of deferred maintenance funding for Parks, as proposed by the Governor. Taking care of state assets—such as through addressing backlogs of deferred maintenance—is a core state responsibility and important to ensuring those facilities and locations can serve Californians for decades to come. However, Parks has received large augmentations to help it address its backlog of deferred maintenance in recent years, in part due to the healthy condition of the General Fund. Moreover, many of Parks’ projects are not of high urgency to protect health and safety. For example, these projects include completing assessments of artifacts, replacing interpretive signs, and repairing pavement. Given the change in the General Fund condition, pulling back some of these funds seems justifiable.

Supporting Museums Is Worthwhile, but Not Urgent State Responsibility. The Governor’s proposal to reduce the Museum Grant Program also has some merit. Since the program received \$50 million in 2021-22, it has provided one round of funding totaling \$21 million to support 64 projects. The Governor’s proposal to eliminate the rest of the funding for this program would mean that remaining dollars would no longer be available to support a second round of grants, and thus fewer museums would benefit from the program than would otherwise be the case. While this program serves a worthwhile goal of assisting museums, this need is less urgent than many other programs, such as those addressing the immediate impacts of climate change. Additionally, supporting museums is generally not a core state responsibility, as they typically rely primarily on fee revenues and private funding for their operations.

Most Funding Not Yet Needed for Indian Heritage Center Project. The Governor’s proposal to shift funding for the Indian Heritage Center also seems reasonable. Reverting the money that was designated for this project back to the General Fund would help solve the 2023-24 budget problem. Notably, these funds are not needed immediately, since the project is still in the early planning phase.

When the project is ready for construction—expected to be 2027—depending on the budget condition, the Legislature could decide what fund source to provide for its support (such as General Fund or lease revenue bonds). As such, adopting the Governor’s proposal essentially would shift the timing of the costs associated with this project, but would eventually result in at least the same overall costs for the General Fund.

Legislature Could Consider Making Reductions to Some Other Programs. To the extent that the Legislature needs to identify additional solutions either because the budget condition worsens in the coming months or because it would like to reject some of the Governor’s proposed solutions, it has various options that we think are reasonable candidates to consider. In particular, the Legislature could consider making more significant reductions to funding for programs or projects in 2023-24 or out-years than the Governor proposes. Since this funding has not yet been appropriated, it has not been committed to specific projects, and as such, making reductions would generally be less disruptive. Some programs the Legislature could consider reducing include:

- **Cultural Art Installation Program.** The Legislature could consider reducing funding appropriated in 2022-23 to create this new program. This program is intended to support grants to artists to develop permanent and temporary art installations in state and local parks. These activities have the potential to enhance park users’ experiences but do not meet an urgent need or address a core state responsibility. We note that a portion of the funding for this program—\$5.7 million of \$25 million—has been encumbered. However, the first funds are not anticipated to be provided to projects until July 2023, so a large share of this funding likely could be reduced with only modest disruptions.
- **Outdoor Equity Grant Program.** The Governor proposes to maintain all of the planned funding for this program, including the \$25 million annually planned for 2023-24 and 2024-25. This is a relatively new program, established pursuant to Chapter 675 of

2019 (AB 209, Limón) and first funded with \$20 million from the General Fund on a one-time basis in 2020-21. The goals of this program are worthwhile—to help enable underserved youth to have more outdoor educational experiences. However, because the program is new, data are not yet available to enable the Legislature to evaluate its effectiveness. The Legislature could wait to see the outcomes of the \$85 million already appropriated before determining whether to provide additional funding.

- **Statewide Parks Program.** While the Governor proposes some reductions to the Statewide Parks Program, the proposal would retain \$25 million annually from 2023-24 through 2025-26. The Legislature could consider further reductions to this program should it need to identify additional General Fund solutions, although taking such action would come with trade-offs. Specifically, reductions would result in fewer projects to rehabilitate and construct local projects which are valuable to local communities, particularly the economically disadvantaged communities on which this program focuses. However, these projects typically do not represent urgent health and safety issues. Moreover, funding from federal programs or a potential bond could potentially support similar types of activities, as discussed above.
- **Redondo Beach Park.** The Governor does not propose a reduction to this local project planned for funding in 2023-24. The Legislature could consider whether providing \$5 million for this specific project continues to be a high legislative priority since it has not yet been appropriated and given recent deteriorations in the condition of the General Fund.

Recommendations

Modify Governor’s Proposals Related to Parks, Museums, and Access Consistent With Legislative Priorities. We recommend the Legislature develop its own package of budget solutions based on its priorities and the guiding principles we identify in this report. Based on

our review, we think it is reasonable for the Legislature to consider adopting the Governor’s proposed solutions—such as for the Statewide Parks Program, Recreational Trails and Greenways Program, Parks deferred maintenance projects, and the Museum Grant Program—since they align with many of the principles we identify in this report. We also recommend the Legislature consider adopting additional solutions, either in place of or in addition to those proposed by the Governor. Some other areas that we think merit potential consideration for reduction include: (1) the Cultural Art Installation Program and (2) reductions to programs slated for additional funding in 2023-24 or out-years, such as the Outdoor Equity Grants Program, Statewide Parks Program, and Redondo Beach Park.

COASTAL RESILIENCE

Recent and Planned Funding Augmentations

Recent Budgets Committed \$1.3 Billion Over Four Years for Coastal Resilience Activities.

As shown in **Figure 25**, recent budgets have committed \$1.3 billion (\$1.1 billion from the General Fund, \$155 million from GGRF, and \$17 million from Proposition 68 bond funds) to three departments—SCC, the Ocean Protection Council (OPC), and

Parks—to support coastal resilience activities. Of the total, \$624 million was appropriated in 2021-22 and 2022-23, while \$652 million is planned for 2023-24 and \$19 million for 2024-25. Recent budget and trailer bill language specified some of the specific purposes and allowable uses for the recent augmentations.

- Protecting the Coast From Climate Change.** Nearly 40 percent—\$500 million—of the total funding for coastal resilience is for SCC to support an array of possible projects geared toward protecting the coast and coastal watersheds from the effects of climate change. This could include sea-level rise adaptation projects. Trailer bill language includes numerous allowable uses, such as improving the resilience of critical infrastructure, restoring upland habitat, removing dams, developing coastal trails, or providing low-interest loans to local governments to acquire properties at risk from sea-level rise to prepare for impending impacts.
- Adapting to Sea-Level Rise Through Nature-Based Activities.** Roughly one-third—\$420 million—of the total funding is for SCC to support nature-based activities to protect communities and natural resources

Figure 25

Recent and Planned Coastal Resilience Augmentations

Highlighted Rows Indicate Programs Governor Proposes for Budget Solutions General Fund, Unless Otherwise Noted (In Millions)

Program	Department	2021-22	2022-23	2023-24	2024-25	Totals
Protecting the coast from climate change	SCC	—	\$350	\$150	—	\$500
Adapting to sea-level rise: nature-based activities	SCC	—	120 ^a	300	—	420
Adapting infrastructure to sea-level rise	SCC	—	38 ^b	97	\$9	144
Protecting the ocean from climate change	OPC	\$7 ^c	61 ^d	50	—	117
Implementing SB 1	OPC	—	38 ^b	55	10	102
Adapting to sea-level rise in state parks	Parks	12	—	—	—	12
Totals		\$19	\$606	\$652	\$19	\$1,295

^a Includes \$80 million from the Greenhouse Gas Reduction Fund (GGRF).

^b GGRF.

^c Proposition 68 (2018) bond funds.

^d Includes \$11 million from Proposition 68 bond funds.

SCC = State Coastal Conservancy; OPC = Ocean Protection Council; SB 1 = Chapter 236 of 2021 (Senate Bill 1, Atkins); and Parks = Department of Parks and Recreation.

from sea-level rise. Budget bill language directs SCC to make \$30 million available for the San Francisco Bay Area Conservancy. “Nature-based” in this context could mean, for example, restoring or building up wetlands or sand dunes to serve as wave buffers.

- Adapting Infrastructure to Sea-Level Rise.** Another \$144 million is for SCC to support sea-level rise adaptation projects through its Climate Ready Program. Budget and trailer bill language direct SCC to prioritize projects that adapt public infrastructure along the coast, including urban waterfronts, ports, and ecosystems.
- Protecting the Ocean From Climate Change.** Nearly 10 percent—\$117 million—of the total funding is for OPC to support ocean protection projects, including projects to protect and restore marine wildlife and ocean and coastal ecosystems.
- Implementing SB 1.** Another \$102 million is for OPC to implement Chapter 236 of 2021 (SB 1, Atkins). This legislation requires OPC to establish a collaborative that would provide information and support to local, regional, and state agencies in identifying, assessing, planning for, and mitigating the effects of sea-level rise. As intended by SB 1, this funding also provides financial support to local and regional governments for updating their local land use plans to account for sea-level rise.

- Adapting to Sea-Level Rise in State Parks.** Parks received \$12 million in 2021-22 to implement its sea-level rise adaptation strategy, including conducting planning and demonstration projects.

SCC and OPC historically have not received large General Fund augmentations. Instead, bond funds, GGRF, other special funds, and federal funds have supported their activities and grant programs.

Governor’s Proposals

Proposes Significant Reductions Totaling \$561 Million. Figure 26 shows the Governor’s proposed \$561 million in reductions for coastal resilience, which represent 43 percent of the funding that had been committed for this purpose. The Governor makes the smallest proportional reductions to SCC’s nature-based sea-level rise adaptation activities (12 percent, or \$50 million) and OPC’s ocean protection activities (13 percent, or \$15 million). Other programs would be reduced by more than 60 percent of their committed funding:

- Protecting the Coast From Climate Change.** The Governor’s budget reduces funding by \$325 million (65 percent) over 2022-23 and 2023-24, maintaining \$175 million of the original intended amount.
- Adapting Infrastructure to Sea-Level Rise.** The proposed budget reduces funding by \$106 million (74 percent) over 2023-24 and 2024-25, maintaining \$38 million of the original intended amount.

Figure 26

Governor’s Proposed Coastal Resilience Budget Reductions

2022-23 Through 2024-25 (In Millions)

Program	Department	Total Augmentations	General Fund Reductions	New Proposed Amounts
Programs Proposed for Solutions				
Protecting the coast from climate change	SCC	\$500	-\$325	\$175
Adapting to sea-level rise: nature-based activities	SCC	420	-50	370
Adapting infrastructure to sea-level rise	SCC	144	-106	38
Protecting the ocean from climate change	OPC	117	-15	102
Implementing SB 1	OPC	102	-65	38
Subtotals		(\$1,283)	(-\$561)	(\$722)
All Other Coastal Resilience Funding				
		\$12	—	12
Totals		\$1,295	-\$561	\$734

SCC = State Coastal Conservancy; OPC = Ocean Protection Council; and SB 1 = Chapter 236 of 2021 (Senate Bill 1, Atkins).

- **Implementing SB 1.** The Governor’s budget reduces funding by \$65 million (63 percent) over 2023-24 and 2024-25, maintaining \$38 million of the original intended amount.

Assessment

Addressing Pending Impacts of Sea-Level Rise Represents Important State Activity. While the most severe impacts of sea-level rise could be several years off, they are certain. This differs from some other climate challenges such as wildfire, for which the magnitude and location are unknown and dependent on ignitions, weather, and interventions to remove fuels. Given the degree of global warming that already is assured, climate scientists are confident that sea-level rise will result in increased flooding along the coast, erosion of beaches and cliffs, and raised coastal groundwater levels in the coming decades. Damage to public infrastructure poses a serious threat, as these assets are key components of state and local systems of public health, transportation, and commerce. (Our 2019 report, *Preparing for Rising Seas: How the State Can Help Support Local Coastal Adaptation Efforts*, provides more information about these threats and lays out options for how the state can support local communities in their responses.)

Governor’s Significant Reductions Could Affect Statewide Preparation Activities. Recent General Fund augmentations to plan for and address sea-level rise were particularly notable because General Fund spending in this area historically has been low. We note that the Governor proposes reducing a disproportionately large amount of coastal resilience funding (43 percent) relative to other climate resilience packages (most others would maintain at least 85 percent of funding). Given the threats posed by rising seas, the reductions to coastal resilience funding that the Governor proposes could impede the state’s ability to prepare for pending impacts. The Legislature might wish to consider maintaining a higher proportion of this funding, or consider delaying funding rather than reducing it, to try to continue some the progress it had hoped to make. Given the current state budget problem, however, if it were to do so, it likely would have to consider alternative budget solutions in other areas of the budget.

Some Coastal Resilience Activities Are More Urgent Than Others. The recent and planned state funding augmentations for coastal resilience include a variety of allowable uses. While these are all intended to help achieve state goals, some are more directly targeted towards responding to the threat of sea-level rise and therefore focus on more urgent needs. For example, planning now for the inevitable impacts of sea-level rise is an essential step in increasing preparedness along the coast before tides are anticipated to get higher. In contrast, other activities, such as developing coastal trails, may also meet important state goals—such as increasing public access—but represent a less time-sensitive undertaking. In light of the state’s worsening budget condition, the distinction between urgent and less urgent activities is a key factor for the Legislature to use in guiding its funding decisions.

Proposed Reductions Do Not Allow SCC Sufficient Flexibility to Target Most Effective Projects. Recent budgets structured SCC funding to support sea-level rise adaptation projects within all three of its allocations. The administration’s proposal retains most of the funding for one of these allocations—nature-based sea-level rise adaptation activities—while reducing the large majority of funding for the other two—protecting the coast and adapting coastal infrastructure to sea-level rise. We are concerned that this approach will limit SCC’s ability to fund the projects that may be most effective at and necessary for preparing for the impacts of sea-level rise. While nature-based projects are an important part of the state’s coastal resilience strategy, in certain cases, a compelling reason may exist to pursue other types of near-term activities as well, such as land acquisition, managed retreat, or shoring up critical public infrastructure. The Governor’s proposed reductions could limit SCC from adequately supporting these types of projects even when they might be needed more urgently than a nature-based activity. The Legislature could consider a more flexible approach, for example, by combining the three SCC programs, funding the combined program at whatever level the state can afford based on other legislative priorities, then directing SCC to use the funding to support the

most critical sea-level rise-preparation projects, whether those use nature-based approaches or other methods to protect the coast, infrastructure, and vulnerable populations.

Legislature May Want to Consider Less Drastic Reductions to OPC-Supported Sea-Level Rise Adaptation Planning. The Governor's proposal to significantly reduce SB 1 implementation funding could affect the state's ability to effectively prepare for the impacts of sea-level rise. Assessing local risks, understanding a community's particular vulnerabilities, and adjusting land use plans accordingly are all important activities that the Legislature might wish to support now, ahead of significant changes in sea levels. These planning efforts could enable local communities to more effectively direct potential project implementation funding in the future. Waiting to fund such activities could result in lost opportunities to prepare before it is too late to avoid significant impacts. As such, as the Legislature weighs potential modifications to the Governor's proposals, it could seek to identify the level of planning progress it feels is important to make in the next few years and maintain an associated amount of funding.

Retaining Parks Funding Makes Sense. We find merit in the Governor's proposal to avoid reducing Parks' funding for sea-level rise planning and demonstration projects. Particularly because state parks comprise more than one-quarter of California's coastline and are a state responsibility, prioritizing funding to prepare these public lands for forthcoming impacts seems sensible. In addition, planning and demonstration projects can help inform effective uses of future implementation spending.

Federal Funding a Possibility, but Would Not Directly Backfill State Funds. Some federal funding for coastal projects is available through the National Oceanic and Atmospheric Administration

(NOAA) and the U.S. Army Corps of Engineers (USACE). SCC indicates NOAA's current grants support nature-based sea-level rise adaptation projects—the same types of projects for which the Governor already proposes maintaining funding. However, NOAA's current grants are competitive, meaning California will vie for funding (totaling about \$700 million over five years) against other states. Moreover, USACE supports longer-term projects and requires state matching funds. In sum, while federal funds could help further the state's coastal resilience goals, they will not be available immediately nor will they necessarily support the types of projects included in the Governor's proposed reductions.

Recommendations

Modify Governor's Proposals to Reflect Legislative Priorities. The Governor's proposal significantly reduces coastal resilience funding overall (from an already low base), including for planning, which is an important first step for local communities and the state to prepare for sea-level rise and to make more effective future spending decisions. Overall, this approach highlights the challenging trade-offs currently facing the Legislature. While we recommend the Legislature plan for a larger budget problem by identifying more spending reductions than the Governor, it might wish to consider maintaining a higher level of support for sea-level rise adaptation—though this would mean it likely would have to consider additional budget solutions in other areas. Based on our initial assessment, we recommend the Legislature consider: (1) modifying the focus of SCC program funding to allow it to direct spending to the most urgent sea-level rise adaptation activities, including nature-based *and* other strategies, and (2) funding OPC's SB 1 planning efforts at a level that will allow it to meet the Legislature's near-term goals.

POTENTIAL ADDITIONAL OR ALTERNATIVE CLIMATE, RESOURCES, AND ENVIRONMENTAL BUDGET SOLUTIONS

Figure 27 highlights some of the specific budget solutions we have identified within this report that the Legislature could consider as alternatives or additions to the Governor's proposals.

Figure 27

Potential Additional or Alternative Climate, Resources, and Environmental Budget Solutions

Overall Recommendation: Modify the Governor's proposals consistent with legislative priorities and identify additional potential solutions.

Zero-Emission Vehicles (ZEVs)

Consider: (1) whether to further refine certain ZEV programs, such as support for charging infrastructure and the Clean Cars 4 All Program, to have a narrower scope and focus on the highest priority populations, locations, and emerging technologies; (2) whether ZEV programs represent the Legislature's highest priority for Greenhouse Gas Reduction Fund (GGRF) discretionary spending; (3) whether to commit future-year GGRF revenues for ZEV programs now; and (4) whether to "make room" for funding costs for installing chargers at state-owned and leased facilities within the existing ZEV package.

Reject or modify the Governor's GGRF trigger approach to maintain legislative flexibility.

Energy

Consider reducing funding for: (1) the Oroville pump storage project, (2) the Climate Innovation Program, and (3) potentially for three primary reliability programs based on what the Legislature learns about the outcomes from these programs thus far.

Water and Drought

Consider: (1) reducing rather than delaying funding for watershed resilience and per- and polyfluoroalkyl substances programs; (2) reducing or further reducing programs receiving federal funding, such as drinking water and water recycling programs; (3) reducing or eliminating 2023-24 funding for new programs such as the multi-benefit land repurposing program and voluntary agreement-related water resilience activities; and (4) taking a coordinated approach to reducing funding for habitat restoration programs with similar activities and goals.

Wildfire and Forest Resilience

Consider: (1) rejecting the Governor's proposed reduction of funding for defensible space inspectors, (2) reducing funding for the home hardening grant program, and (3) reducing funding for the transportation of woody biomass program.

Nature-Based Activities and Extreme Heat

Consider: (1) reducing funding for coastal acquisitions, (2) reducing or delaying funding for the Tribal Nature-Based Solutions Program until more spending details are clear, and (3) reducing funding for the Governor's Office of Planning and Research's community-based public awareness campaign.

Community Resilience

Consider: (1) reducing funding for methane monitoring satellites, (2) reducing rather than delaying funding for the Climate Resilience Center Program, and (3) maintaining some additional funding for the Regional Climate Resilience Program.

Reject the proposal to expand the California Volunteers Climate Action Corps program.

Sustainable Agriculture, Circular Economy, and Other Programs

Consider: (1) deeper reductions to the Healthy Soils Program, (2) reducing funding for the Farm to School Incubator Grant Program, (3) reducing SB 1383 Program implementation grants, and (4) reducing organic waste infrastructure grants.

Parks, Museums, and Access

Consider reducing funding for: (1) the Cultural Art Installation Program and (2) programs slated for additional funding in 2023-24 or out-years, such as the Outdoor Equity Grants Program, Statewide Parks Program, and Redondo Beach Park.

Coastal Resilience

Consider: (1) maintaining a higher level of support for coastal resilience by identifying alternative budget solutions in other areas of the budget; (2) modifying the focus of the State Coastal Conservancy's programs to allow it to direct spending to the most urgent sea-level rise adaptation activities, including nature-based as well as other strategies; and (3) funding sea-level rise planning efforts at a level that will allow for meeting the Legislature's near-term goals.

CONTACT LIST

Sarah Cornett	Zero-Emission Vehicles Energy	(916) 319-8329 Sarah.Cornett@lao.ca.gov
Rachel Ehlers	Community Resilience	(916) 319-8330 Rachel.Ehlers@lao.ca.gov
Frank Jimenez	Sustainable Agriculture Circular Economy	(916) 319-8324 Frank.Jimenez@lao.ca.gov
Helen Kerstein	Wildfire and Forest Resilience Nature-Based Activities Extreme Heat Parks, Museums, and Access	(916) 319-8364 Helen.Kerstein@lao.ca.gov
Sonja Petek	Water and Drought Coastal Resilience	(916) 319-8340 Sonja.Petek@lao.ca.gov

LAO PUBLICATIONS

This report was reviewed by Rachel Ehlers and Anthony Simbol. The Legislative Analyst's Office (LAO) is a nonpartisan office that provides fiscal and policy information and advice to the Legislature.

To request publications call (916) 445-4656. This report and others, as well as an e-mail subscription service, are available on the LAO's website at www.lao.ca.gov. The LAO is located at 925 L Street, Suite 1000, Sacramento, California 95814.