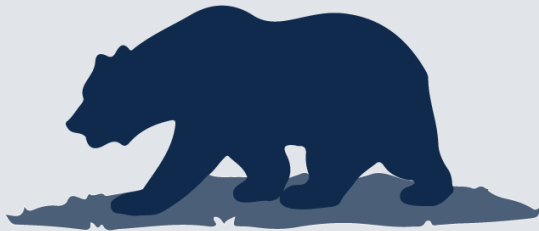


Overview of the Governor's May Revision Proposals for Resources and Environmental Programs



Presented to:

**Senate Budget and Fiscal Review
Subcommittee No. 2 on Resources,
Environmental Protection, Energy and Transportation**

May 24, 2020

Legislative Analyst's Office

Reduction in Proposed Spending Compared to January

State Spending Under Governor's 2020-21 Budget Plans^a

(In Millions)

| Agency | January Budget | May Revision | Change |
|-----------------------------|-----------------|-----------------|---------------|
| Transportation | \$21,981 | \$21,415 | -\$566 |
| Natural Resources | 6,804 | 6,906 | 102 |
| Environmental Protection | 3,944 | 3,928 | -16 |
| Public Utilities Commission | 1,599 | 1,608 | 9 |
| Food and Agriculture | 480 | 457 | -23 |
| Totals | \$34,807 | \$34,312 | -\$495 |

^a Excludes federal funds and reimbursements.

General Fund Solutions— Expenditure Reductions

Key General Fund Expenditure Reductions in May Revision

(In Millions)

| Department | Issue | Governor's Budget | May Revision | Change | LAO Comments |
|------------|--|-------------------|--------------|---------|---|
| CNRA | Light Detection and Ranging (LiDAR) data | \$80.0 | — | -\$80.0 | Withdrawn augmentation. Recommend approval given General Fund condition. |
| DTSC | Shift expenditures from General Fund to APCF for base costs, bond costs, new board, and other programs | 47.0 | — | -47.0 | APCF can accommodate these fund shifts on one-time basis but has structural deficit. |
| Parks | Shift deferred maintenance from General Fund to Proposition 68 | — | -\$44.3 | -44.3 | Recommend approval. Bond funds available for projects. |
| DWR | Tijuana River water quality issues | 35.0 | — | -35.0 | Withdrawn augmentation. Recommend approval given General Fund condition. |
| CDFW | Trigger cut to Biodiversity Conservation program | — | -33.7 | -33.7 | Would be partially offset by \$18.9 million proposed HCF transfer from WCB. |
| CDFA | Reduce Fresno-Merced Innovation Corridor | 33.0 | 2.0 | -31.0 | Recommend reduction given General Fund condition. |
| CalFire | Reversion of previously approved capital outlay appropriations (multiple projects) | — | -30.9 | -30.9 | Withdrawn previous project appropriations. Recommend approval given General Fund condition. |
| DWR | Implement Sustainable Groundwater Management Act | 30.0 | — | -30.0 | Withdrawn augmentation. Recommend approval given General Fund condition. |
| CalFire | Withdrawal of capital outlay proposals | 38.5 | 8.7 | -29.8 | Withdrawn augmentations. Recommend approval given General Fund condition. |

(Continued)

General Fund Solutions— Expenditure Reductions

Continued...

| Department | Issue | Governor's Budget | May Revision | Change | LAO Comments |
|----------------|---|-------------------|--------------|--------|--|
| SWRCB | General Fund expenditure shift to APCF | 24.0 | — | -24.0 | APCF can accommodate fund shifts on one-time basis but has structural deficit. |
| Parks | Outdoor Environmental Education Grant program | 20.0 | — | -20.0 | Withdrawn proposal. Reasonable given General Fund condition. |
| CDFW | Biodiversity Conservation program augmentation | 20.0 | — | -20.0 | Withdrawn augmentation. Recommend approval given General Fund condition. |
| CDFA | State Water Efficiency and Enhancement Program grants | 20.0 | — | -20.0 | Withdrawn augmentation. Recommend approval given General Fund condition. |
| CalFire | Mobile equipment replacement | 19.0 | — | -19.0 | Withdrawn augmentation. Recommend approval given General Fund condition. |
| DTSC | Fund shift for Stringfellow Superfund site | — | -17.3 | -17.3 | APCF can accommodate fund shifts on one-time basis but has structural deficit. |
| Parks | New state park | 20.0 | 5.0 | -15.0 | Reject May Revision amount. Unclear what site would be purchased and likely will commit state to future capital improvement and operating costs. |
| CDFA | Withdrawal of two border protection station replacements projects | 13.4 | — | -13.4 | Withdrawn augmentations. Recommend approval given General Fund condition. |
| Transportation | Reversion of legislative priority projects approved in current year (multiple projects) | — | -11.3 | -11.3 | Withdrawn appropriations. Weigh against other legislative priorities. (Savings estimated based on information from Caltrans.) |
| CalFire | Direct mission support | 10.8 | — | -10.8 | Withdrawn augmentation. Recommend approval given General Fund condition. |

General Fund Solutions— Special Fund Loans and Transfers

| Proposed Transfers and Loans From Special Funds to General Fund (In Millions) | | |
|---|--|---------------------------|
| Department | Fund | 2020-21 Amount |
| Transfers | | |
| Transportation | State Highway Account, State Transportation Fund | \$130.5 |
| Parks | Natural Resources and Parks Preserve | 95.3 |
| Transportation | Traffic Congestion Relief Fund | 32.0 |
| Subtotal, Transfers | | (\$257.8) |
| Loans | | |
| SWRCB | Underground Storage Tank Cleanup Fund | \$500.0 |
| CPUC | Universal Lifeline Telephone Service Trust Fund | 300.0 |
| CPUC | California High-Cost Fund-B Administrative Committee Fund | 60.0 |
| CPUC | California Advanced Services Fund | 60.0 |
| SLC | School Land Bank Fund | 32.0 |
| CDFW | Oil Spill Response Trust Fund | 30.0 |
| CEC | Alternative and Renewable Fuel and Vehicle Technology Fund | 25.0 |
| SWRCB | Site Cleanup Subaccount | 25.0 |
| Transportation | Local Airport Loan Account | 21.8 |
| CEC | Renewable Resource Trust Fund | 20.0 |
| CalRecycle | Electronic Waste Recovery and Recycling Account, Integrated Waste Management | 20.0 |
| CNRA | Environmental Enhancement and Mitigation Program Fund | 17.0 |
| DOC | Hazardous and Idle-Deserted Well Abatement Fund | 10.0 |
| DOC | Strong-Motion Instrumentation and Seismic Hazards Mapping Fund | 5.4 |
| CEC | Diesel Emission Reduction Fund | 4.0 |
| CalRecycle | Solid Waste Disposal Site Cleanup Trust Fund | 4.0 |
| CEC | Energy Technologies Research, Development, and Demonstration Account | 3.0 |
| CalFire | California Hazardous Liquid Pipeline Safety Fund | 3.0 |
| CalFire | Forest Resources Improvement Fund | 2.8 |
| Subtotal, Loans | | (\$1,143.0) |
| Total, Transfers and Loans | | \$1,400.8 |

General Fund Augmentations

Significant General Fund Augmentations in Governor's Budget Plan

(In Millions)

| Department | Issue | 2019-20 | 2020-21 | LAO Comments |
|------------|---|---------|---------|--|
| Parks | Backfill of fees and other revenues | \$50.0 | \$100.0 | Backfill likely necessary due to anticipated revenue reductions. Exact amount needed is unknown. |
| CDFA | Support for fairgrounds | 40.3 | — | No concerns with augmentation which likely is necessary given certain operating costs and anticipated revenue reductions. Recommend reporting language regarding fiscal health of fairs. |
| CalFire | Relief staffing | — | 85.6 | Significant augmentation. Will want to weigh against other General Fund priorities. Could consider options to reduce budget-year or out-year costs. |
| DWR | American River Common Features project | — | 46.0 | No concerns. This project leverages significant amount of federal funds. |
| DWR | New River Improvement project | — | 18.0 | Approach is somewhat inconsistent with other proposals in that it maintains General Fund for the new project. Could consider approving only the \$10 million in bond funds proposed. |
| CDFA | Farm to School Program | — | 10.0 | No concerns, though will want to weigh against other General Fund priorities. Program supports providing food to schools. |
| CDFW | "Cutting Green Tape" and land management expansions | — | 6.2 | Was proposed in January using shifted HCF funds rather than new General Fund. Unclear rationale for expanding programs while also cutting baseline services. |

Issues for Legislative Consideration— General Fund Proposals

Proposed Expenditure Reductions Generally Reasonable. Most General Fund expenditure reductions maintain existing service levels by withdrawing proposals for new projects and program expansions, as well as shifting some costs to special funds.

Many Proposed General Fund Solutions Are One Time. Special fund loans, transfers, and shifts of costs to special funds provide one-time General Fund benefits. While reasonable to address the 2020-21 budget challenge, these solutions do not provide ongoing General Fund benefits to address what is projected to be a multiyear budget challenge.

May Revision Includes Some Baseline Cuts. Two significant ongoing reductions would be temporarily “triggered off” if sufficient federal funds are provided in 2020-21: (1) Department of Fish and Wildlife (\$33.7 million) and (2) Department of Parks and Recreation (\$30 million in 2021-22).

Certain Augmentations Reasonable, but Reflect Governor’s Priorities. The Legislature will want to ensure that the enacted budget plan—including any augmentations—reflects legislative priorities across the budget given limited General Fund revenues.

Significant Special and Bond Fund-Related Proposals

Cap-and-Trade Expenditure Plan. The Governor continues to propose \$965 million in “discretionary” expenditures from cap-and-trade auction revenues in 2020-21.

- The May Revision includes budget language to prioritize revenues towards certain programs—forestry and wildfire prevention, local air pollution reduction, safe and affordable drinking water, and agricultural equipment upgrades and replacement—if revenue is lower than budgeted.
- Given the reduction in economic activity and vehicle miles traveled, it is quite possible that cap-and-trade revenues will be lower than assumed. Establishing a mechanism to prioritize revenues is reasonable. There are different mechanisms that could be used, and the Legislature will want to ensure that its preferred programs are prioritized in the final expenditure plan.

Withdrawal of Two Major Climate Proposals. The administration has withdrawn January proposals to (1) send to voters a \$4.8 billion climate bond and (2) provide \$250 million from the General Fund for a new Climate Catalyst Fund.

Significant Special and Bond Fund— Related Proposals

Continued...

Retains New Oversight Board and Fee Structure for DTSC. The Governor continues to propose creation of a new oversight board for the Department of Toxic Substances Control (DTSC). The proposed budget plan also includes fee increases in 2021-22 to address ongoing structural deficits in two DTSC special funds, and the new board would set fees in subsequent years.

Accelerates Appropriations from Proposition 68 (2018). The May Revision proposes \$725 million in new appropriations from the natural resources bond approved by voters in 2018. This total is \$212 million greater than what was proposed in January, with most of this increase (\$151 million) for local parks grants.