

climate 100
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Climate 100 Issue Brief Update: The 2022 May Budget Revision



Summary

This Fact Sheet summarizes the proposed Climate Budget in the May Revision and assesses the proposal's progress towards the challenge we put forward in our Issue Brief "[From Luxury to Necessity: Budgeting for Climate Action](#)." In that document, we called on our elected leaders to integrate the state's climate targets into the whole of how our state operates and plans, rather than treating it as a niche spending category, to be pursued only after all other spending priorities have been fulfilled. California needs a 100% climate aligned budget, below we evaluate the May Revision's progress towards this goal.

Climate Budget Toplines: A \$65 Billion Climate Package?

Governor Newsom's May Revision to his 2022-2023 January Budget proposes a total of roughly \$32 billion in investments as part of his Climate Budget. This is an increase of \$9.5 billion over the \$22 billion Climate Budget he put forward in January to be allocated over a total of six years. Concurrently, the state Senate has put forward an \$18 billion proposed climate budget as part of their Putting Wealth to Work plan – proposals that largely complement policies and programs put forward by the Governor.

Together, the Governor's updated Climate Budget and the Senate Proposal would reflect a \$50 billion investment focused on advancing Zero Emission Vehicles, rail and other clean transportation systems, and electric system reliability and affordability (in the Governor's proposal), and climate adaptation and resilience (in the Senate proposal). Coupled with the \$15 billion climate budget enacted in the 2021-2022 budget, California could potentially enact a combined \$65 billion climate budget package.

Breaking Down California's Potential \$65 Billion Dollar Climate Commitment



In a recent [letter](#), NextGen Policy joined with 17 allied organizations in calling on the Governor and legislators in the state Senate and Assembly to expand upon the level of climate funding in the January Budget, and to “increase climate investments proportionately as the true size of the surplus became known.” In January, the Governor projected a \$20.6 billion discretionary surplus of general fund revenues and proposed a multi-year climate budget of roughly the same size, at \$22 billion. Now, the Governor estimates the discretionary surplus to be \$49 billion. If funding at the scale proposed in both the Governor's proposal and the complementary elements of the Senate proposal is enacted, the investment would indeed be literally proportionately increased with the growth in the budget surplus.

It remains to be seen whether the Senate and Assembly will enact a final budget that maintains this overall level of funding, but in light of California’s record budget surplus, an opportunity to make this scale of transformative investment may never come again. With federal efforts to mobilize major climate investments this year at an apparent standstill, this opportunity carries an even more heightened urgency.

What’s New In the May Revision’s Climate Budget

The Governor’s proposed May Revision Climate Budget includes an additional \$9.5 billion over and above the \$22.1 billion he proposed in January. Of this \$9.5 billion, \$8 billion is dedicated to electricity system affordability and reliability, including:

- \$1.2 billion for direct utility bill relief for Californians whose payments are in arrears
- \$5.2 billion to Create a Strategic Electricity Reliability Reserve to procure additional power sources to ensure system reliability in the event of extreme heat, fire, or other events that may cause blackouts¹
- \$1 billion for residential solar and storage systems
- \$250 million to facilitate financing for transmission to support geothermal power development in the Salton Sea region
- \$100 million for Direct Air Capture Carbon Dioxide Removal systems
- And other programs

The remaining portions of the proposed \$9.5 billion would provide \$1.3 billion for drought response and \$300 million primarily for helping communities withstand extreme heat with cooling centers at schools and other resilience centers.

In addition to the new climate investments proposed in the May Revision, the Governor has also proposed \$1.8 billion in new spending to upgrade and modernize school facilities, on top of the \$3.7 billion he proposed in January, for a total of \$5.5 billion. As we note in our Issue Brief, “given that the State pays interest on bonds across 30 years, all school facilities should now be climate resilient and decarbonized so these facilities last the next 30 years as climate conditions deteriorate.” The May Revision does not contain any requirement that these construction and upgrade projects be done in a manner that is consistent with the state’s carbon neutrality goals and expected climate conditions over their lifetime. These and all state infrastructure capital outlays should be designed in a manner that takes account of both emissions targets and the impacts of the climate crisis in order to take a prudent approach to managing state resources.

Finally, the May Revision also reiterates the Governor’s proposal to allocate \$11 billion towards an inflation relief proposal. The bulk of this proposal would go towards \$9 billion in direct payments to California households and suspending an upcoming inflationary adjustment to the state diesel excise tax. However, it also contains several significant climate investments, including:

¹ See our Note about this proposal on page 4

- Providing \$750 million in grants to transit agencies that offer free fares to riders
- Adding \$500 million to proposed funding for Active Transportation projects that provide safe walking and cycling routes; and
- Accelerating the rate at which \$1.75 billion proposed in the January budget would be allocated for equity-focused zero-emission vehicle funding

As we note in our Issue Brief, California has a considerable way to go before its transportation infrastructure funding decisions are consistent with our state's climate and equity goals. The proposed transit investments and other clean and active transportation infrastructure are welcome, but still far short of the demonstrated need. As this situation illustrates, even a historic set of proposed one-time investments in an unprecedented budget surplus year cannot replace a truly integrated approach to climate budgeting.

A NOTE ON THE PROPOSED STRATEGIC ELECTRICITY RELIABILITY RESERVE

The Governor's May Revision budget proposes spending \$5.2 billion on a Strategic Electricity Reliability Reserve program to strengthen the state's ability to withstand extreme climate events that stress the electricity grid. Some of this funding will be invested in lengthening the service of fossil-fuel-based electric plants that would otherwise have been retired and in purchasing new fossil-fuel-based backup generation technologies.

These proposed investments in GHG emitting electricity generation vividly illustrate the need for policymakers to move towards a 100% climate-aligned approach to budgeting. Over the last several years, policymakers have not made infrastructure investments that anticipated the ways in which climate change is increasing demands for electricity while simultaneously stressing the capacity of the grid to deliver electricity. As a result, instead of using \$5.2 billion from this year's once-in-a-generation budget surplus on climate-friendly infrastructure, the state finds itself in the position of trying to avoid blackouts by investing in technologies that worsen the climate crisis.

California can, and must, avoid similar outcomes in the future by stopping business-as-usual budgeting and considering how the spending of every single taxpayer dollar is connected to the climate crisis.

Bottom Line

The May Revision proposal continues to lean almost exclusively on one-time funding, and it does not diversify the sources of funding it relies upon compared to the January proposal. While the investments proposed here, particularly if they are combined with those proposed by the Senate, represent a significant step forward for climate action in California. However, the May Revision does not change the fundamental manner in which the state approaches budgeting for the climate crisis.

Until every part of the budget and every part of government operate in a manner that aligns with what the climate crisis demands, California will continue to fight global warming with one arm tied behind its back.