



## Memorandum

**TO:** Interested Parties

**FROM:** Climate 100, a project of NextGen Policy

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**SUBJECT:** Informational Update on the California Climate Budget Negotiations

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### Background

On Jun 1, 2022, the California Assembly and Senate released a [Joint Budget Agreement](#) that provides a partial [response](#) to the Governor's January proposed budget, proposed tax rebate and inflation/gas prices relief package, and May Revise. This joint agreement also sets the framework for what we can expect to see in the main legislative Budget Bills (AB 154/SB 154), which must be in print by Jun 12, 2022 and passed by Jun 15, 2022.

This memorandum provides an overview of how this agreement responds to the Governor's proposed Climate Budget and climate-related elements of his relief package. For more information on those proposals, please see NextGen Policy's Climate 100 reports, "[From Luxury to Necessity](#)," and "[Issue Brief Update: the 2022 May Budget Revision](#)."

### Dollar amount comparison between legislative agreement and governor's proposals:

The legislative agreement describes its climate provisions as follows:

"In lieu of the Governor's various Resources- and Energy-related packages, adopt a Legislative Climate-Energy Budget Plan, appropriating \$21 billion General Fund (in addition to associated federal and special funds), with details subject to ongoing negotiations. The Plan is expected to include items related to the following issues: Water-Drought Resilience, Wildfire Resilience, Sea Level Rise, Extreme Heat, Biodiversity and Outdoor Access, Energy, Zero-Emission Vehicles, and other climate-related actions."

## **(A) THE LEGISLATIVE AGREEMENT VS THE JANUARY BUDGET.**

The Governor's January climate proposal (\$22b) included a \$9.1b climate-focused transportation infrastructure package. This package included:

- \$4.2B from high-speed rail bonds,
- \$4.1B for transit, intercity rail, other transportation infrastructure programs programs, and
- \$750M for Active Transportation.

The legislature split all transportation infrastructure spending off into its own non-climate category. In addition to the \$21b climate package, the agreement is also proposing a \$10.5b transportation infrastructure package, which appears to exclude an unspecified amount of HSR bond funds. We don't have enough details to know how climate-friendly the legislature's transportation package will be yet. If it is fully climate-oriented, and we, like the Governor, include it under climate spending, it would bring their climate budget to as much as \$32.5b, plus whatever level of funding is appropriate for High Speed Rail from Prop 1A bond funds. If portions of the proposal are inconsistent with climate priorities, they should be subtracted from this amount.

## **(B) THE LEGISLATIVE AGREEMENT VS THE GOVERNOR'S PROPOSED INFLATION/GAS PRICE RELIEF PACKAGE**

In March, the Governor also proposed, as part of an inflation/gas price relief package that would send \$400 debit cards to Californians who have a motor vehicle registered in the state, additional and accelerated clean transportation spending, including:

- \$500M for Active Transportation investments over and above those proposed in the January budget,
- Accelerating \$1.75B in equity-focused components of the ZEV package, and
- \$2B for grants to transit districts who offer free fares.

These additional investments brought the Governor's proposed climate budget to approximately \$25B.

The legislature is rejecting this whole package and replacing it with \$200 checks to California taxpayers and dependents with an income cap. The information provided by the legislature does not indicate if the additional clean transportation components would be included in the budget.

## **(C) THE AGREEMENT VS. THE MAY REVISE**

The Governor's May Revise added \$9.5B in additional funding to his proposed climate package, bringing his total proposed climate package to over \$33B. This funding was mostly on energy reliability and affordability, but about \$1.6B was for extreme heat and drought response. The legislature accepts this proposed dollar amount in their initial \$21B package, leaving their total proposed budget at approximately the same size as the Governor's, or more or less depending on the as-yet unknown details of the transportation infrastructure proposal and High-Speed Rail bond funds allocation.

## **General Fund vs. Special Funds**

One complicating factor is the legislature's assertion that its climate package is "\$21 billion General Fund (in addition to associated federal and special funds)." The detailed spreadsheet of proposed budget actions defers spending from the Greenhouse Gas Reduction Fund (a special fund) to the same climate and energy package. If these funds are additional to the \$21B, it could grow the legislative climate budget an additional \$1B to \$2B, but it

may be the case that this is an oversight in the summary issued by the legislature and the GGRF is included in the \$21B package.

The legislature also approves \$1.5B in Prop 98 funds for school bus upgrades, weakening the Governor's proposed requirement that the funds be spent on zero emission vehicles, allowing schools to use the funds for "low emission" vehicles as well. The portion of this funding that goes towards zero emission school buses should also be considered part of the legislature's proposed climate package, but funding for fossil fuel powered vehicles should not. For now, those proportions are unknown.

## The Process From Here

The legislative agreement approves nearly all of the funding categories proposed in the January Budget and May Revise (but not the inflation/gas price relief package), so virtually all of these programs should see some level of funding. But the legislature also proposes to defer all decisions on the allocations of these funds, and potentially other categories they may add, to a later Budget Bill and Trailer Bills. We have no indication at this point what the relative dollar amounts for each program would be or what other funding guidelines they may carry.

To use an analogy, the legislature has accepted the Governor's proposal for what ingredients and how much water goes into the pot for the stew. How much of each ingredient and how it gets ladled out again won't be decided until negotiations are completed. So, for example, money the Governor proposed for zero-emission vehicles could go to fire management, or vice versa. Deferring these decisions does not necessarily affect most of the Governor's proposals, except that a potentially late-session agreement also jeopardizes the legislature's ability to accelerate ZEV equity program funding, which the Governor and many advocates are asking for.

Note also that the Senate released in April a budget proposal that included \$18b in funding that was not in the Governor's proposals, mostly for natural resource items. It is still unclear if the legislature will prioritize these investments over others within the \$21b proposed, or if, as NextGen has advocated, these programs will also be funded, perhaps in a Natural Resources package akin to the legislature's proposed Transportation Infrastructure package. The legislature's description of the climate package as focused on "Water-Drought Resilience, Wildfire Resilience, Sea Level Rise, Extreme Heat, Biodiversity and Outdoor Access, Energy, and Zero-Emission Vehicles," appears unfortunately to indicate that the priorities proposed by the Senate may be more likely to be treated as in competition with the other components of the climate budget, rather than in addition to them.

## A FEW OTHER NOTES ON ITEMS OF INTEREST TO THE CLIMATE COMMUNITY

- The legislature authorizes the requested amount for the creation of an electric reliability reserve procured by DWR, but leaves open the allocation, meaning the nature of what resources are procured and at what levels remains an open question. The amount included is also vague: the Governor calls for \$4.25b, but only specifies \$1.5 in 21-22 and \$445 in 22-23, and it is not clear which figure the legislature is working from.
- The legislature approves utility bill arrearages as a budget category within the climate and energy package
- The legislature rejects the proposed office of racial equity within CARB. Virtually all other CARB proposals are approved or included in the climate and energy package. The legislature indicated openness to a statewide framework in lieu of the CARB-specific plan. The legislature could act this year on SB 17 fund its costs in the budget.

- The legislature rejects \$300m for affordable housing and sustainable communities at BCSH.
- The legislature adds another billion from the General Fund on top of the Governor's proposed \$5.5b for school facilities, bringing the total to a proposed \$6.5b. It is unclear if this funding will be required to be used in a manner that promotes clean energy, transportation, and climate resilience at these facilities. If so, this could be a substantial addition to the legislative climate budget.

## Conclusion

There are, for now, many unanswered questions regarding how far and in what way the historic budget surplus this year will serve to help California meet its climate goals and protect its residents from climate-related harms. We will know more when SB 154 and AB 154 are in print and with a planned full Budget committee meeting on June 13. In the meantime, NextGen Policy and the Climate 100 team hope that this memorandum provides helpful information regarding the current state of California climate budget negotiations.