



Memorandum

TO: Interested Parties, with Permission of Author Only

FROM: Climate 100, a project of NextGen Policy

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SUBJECT: Informational Update on the California Climate Budget Negotiations:
Remaining Issues and State of Play Entering the Final Month of Legislative Session

Topline Numbers

The Governor's Office asserts that this year's budget, combined with last year's, amounts to an historic and unprecedented \$54 billion climate funding commitment. While advocates can rightly point to some areas that can be improved, expanded, or that should be excised, the overall ambition of this level of investment is itself an important achievement, particularly in light of the failure of federal climate investment negotiations in Congress.

Regarding the total amount of the climate package, I believe the Governor and Legislature would be justified in asserting at least a \$55 billion commitment, and perhaps as much as \$59 billion, depending on details yet to be released regarding an eventual transportation infrastructure package and interpretations of which existing allocations contribute to the "Climate Budget."

THE 2022-2023 CURRENT CLIMATE BUDGET (IN MILLIONS OF DOLLARS):

Last Year	\$15,113 Million
Done in Main Budget This Year	\$2 Million
Done in Budget Bill Jr's This Year	\$25,954 Million
Remaining Promised	\$14,470 Million
TOTAL	\$55,539 Million

HOW THE CURRENT CLIMATE BUDGET IS ALLOCATED, SO FAR:

Category	Amount
AB 617, Office of Racial Equity in CARB, Food	\$784 Million
Energy	\$4,296 Million
Fire	\$542 Million
Food	\$182 Million
Heat, Drought, Water, & Other Adaptation	\$2,865 Million
Housing	\$1,157 Million
Climate Jobs, Catalyst Fund, Climate Health Information, Education, and Other	\$1,002 Million
Nature Based Solutions, Outdoor Access, and 30x30	\$1,808 Million
Short Lived Climate Pollutants	\$280 Million
Transportation Infrastructure & High Speed Rail	\$9,920 Million
Zero Emission Vehicles	\$3,295 Million
TOTAL	\$25,954 Million

Estimates of what is in the final Climate Budget will vary due both to judgment calls as to what “counts” as climate spending (whether we include 30x30 funding, certain housing and transportation infrastructure programs, CalTrans fleet replacement, etc.), as well as some fiscal unknowns, such as how big we expect the GGRF to ultimately be (the next Quarterly Auction is Aug 17 -- after budget committee deadlines, but before end of session).

The bottom line on the topline figure, though: the climate budget is big. The Governor’s Office says \$39 billion this year on top of \$15 billion last year. The \$39 billion figure is an increase from the previous \$32 billion number included in the May Revise. Moreover, we came into this year with the Governor proposing an already-historic \$22 billion in new climate spending, and we are now roughly doubling that amount. Advocates and governmental officials should all be very proud of the work that has gone into growing this total to a combined \$54 billion-plus climate package.

What’s been done, What hasn’t

There is broad agreement that there is about \$14 billion in spending left to allocate towards sections of the climate budget. According to rough final estimates from existing budget bills and committee analyses as well as information shared with advocates, the \$14 billion breaks down approximately as follows:

- **\$3.8 billion for energy**
 - Half of the Governor’s requested amount and timeline for the strategic electricity reliability reserve has not been settled yet.
 - Virtually no building decarbonization money allocated yet.
 - After buildings and the remaining reserve amounts, a relatively small amount remains for potential priority programs advocates have identified, including funding for DER, offshore wind, microgrids and other energy projects.
- **\$3.5 billion for ZEVs**
 - While advocates have been receiving intelligence that there may be an appetite to shrink this total somewhat, government officials have also provided assurances that the total agreed-to dollar amount for ZEVs will not be changed. Despite these assurances, advocates have good reason to continue to advocate for priorities with respect to how the remaining funds are allocated and to protect the total amount.
- **\$3.1 flexible**
 - This pot of funding will be oversubscribed with competing asks from members, advocates, and others whose priorities have not yet been met in the mix of existing bills. Notably, \$2 billion of the Governor’s proposed \$10 billion in energy spending was not accepted by the Legislature. He may seek to allocate part of this pot towards reclaiming part of that \$2 billion for energy.
- **\$1.5 billion for drought relief**
- **\$1.9 billion for extreme heat, sea level rise, and fire**

Note also that the Legislature asserts that it will enact a \$10.2 billion transportation infrastructure package, plus the \$4.2 billion investment in High Speed Rail, for a combined total of \$14.2 billion. So far, less than \$10 billion of that \$14.2 billion has been allocated, leaving more than \$4 billion that may or may not provide additional climate benefits (or harms).

Where the opportunities and needs are between now and EOS

With only 12 days between when legislators return and committee deadlines, there is not much time, so asks should be few, highly concentrated, and carried by members or the Governor’s office. Advocates should use the little time remaining in July to secure champions for their asks.

While another \$14b in climate spending is in the works, nothing is done until it is done. Holding the line on that number is important, and a looming recession and members’ associated fear of having no surplus next year create pressure to scale back or defer commitments. Advocates should therefore tread carefully in opposing proposed spending, and offer specific ways to reprogram funds for spending they oppose, staying within the framework outlined in Section 2, above. Otherwise, there is a risk that the funding is simply cut or re-allocated outside of the climate space.

Supporting specific asks with public-facing advocacy for the overall \$54 billion+ climate package can also help to keep the total intact. Advocates should also work to ensure that funding is allocated in the current budget year or current year plus one. By frontloading funding, we can reduce the risk that funding that is not allocated and encumbered quickly, which could lead to it being cut or repurposed in years to come.

There is a lot of attention on the strategic electricity reliability reserve, both in the Legislature, with advocates, and in the press. Advocates may have a chance to shape the way this program looks for 2024 and going forward (which has not been funded yet) in a way they did not for 2022 and 2023, which was funded in existing bills.

The recent failure of Congress to enact a federal climate investment package and forthcoming executive actions by the Biden administration provide the context for everything that happens next. Advocates should remain flexible and ready to adapt to changing federal circumstances as budget negotiations close out for the year in California.

Finally, despite the historic scale and scope of this climate budget, much more is needed. California is in the unique position of filling a federal climate leadership void, but also failing to achieve emissions reductions in line with what will be required to meet even our existing statutory target, much less a more ambitious target that better aligns with global equity and current scientific knowledge. Advocates should celebrate what has been achieved here while considering how to use this year's victories to build power as we head into a more difficult budget environment next year.