



FACT SHEET 2023.1.20

Changes to the California Climate Commitment in the January Budget Proposal



The January Budget Proposal — Overview of impacts on the Climate Commitment

On January 10th, Gov. Gavin Newsom released his budget proposal for the 2023-24 Fiscal Year. The proposal is reflective of forecasts anticipating a tighter budget than in recent years — the Legislative Analyst’s Office projects that California could see a budget shortfall close to \$24 billion in 2023 and the Governor’s Department of Finance forecasts a budget shortfall of roughly \$22.5 billion in 2023. These forecasts have led the administration to propose significant changes to the state budget, including revisions to its own historic \$54 billion California Climate Commitment enacted last year. This fact sheet summarizes those changes.

The governor’s proposed budget would affect nearly \$9.5 billion in planned climate investments from the California Climate Commitment in the following ways:

1. It eliminates a \$6 billion chunk from the \$54 billion climate package and delays expenditures for an additional \$1.4 billion. Of the \$6 billion eliminated, the Governor has proposed that approximately \$3.1 billion be placed in a “trigger restoration fund.” In the event that state revenues rebound faster than expected or additional funds become available from federal grants or better than expected performance of California’s Cap and Trade program, funds in this category would be restored partway through the fiscal year, in January 2024.
2. It shifts \$2.2 billion from the General Fund to special funds like the Greenhouse Gas Reduction Fund and the State Highway Account. These shifts may also be characterized as cuts, in a sense: shifting planned General Fund expenditures to these funds displaces other new climate investments from those funds this year.
3. It delays nearly \$1.4 billion in planned expenditures, placing these investments at increased risk of being reduced in future legislative sessions if the economic outlook does not improve.

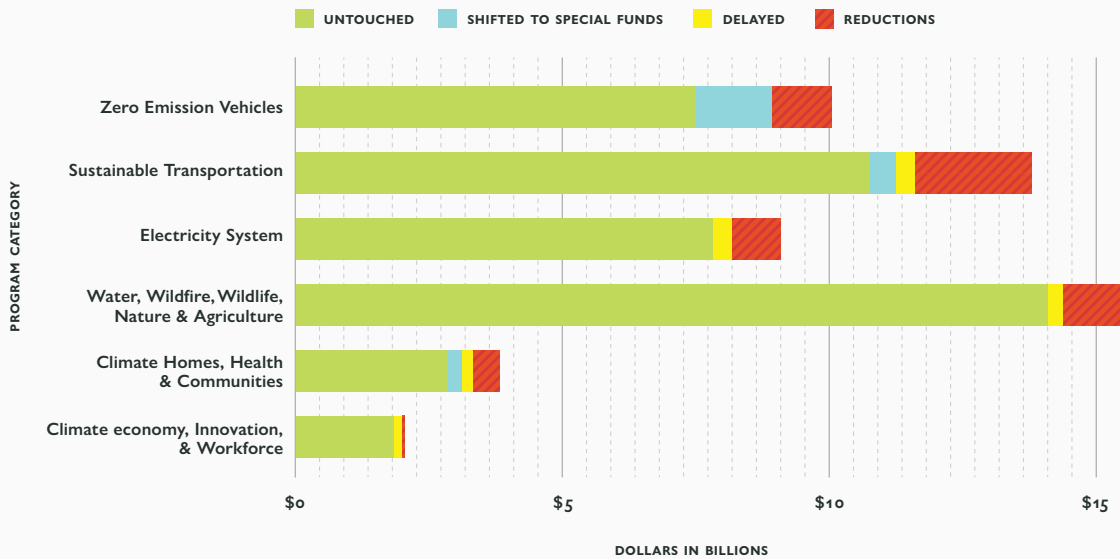
Roughly \$44 billion of the \$54 billion California Climate Commitment would be left untouched.

From \$54B to \$48B — How the Climate Commitment has changed

REDUCTIONS DELAYED
SHIFTED TO SPECIAL FUNDS UNTOUCHED

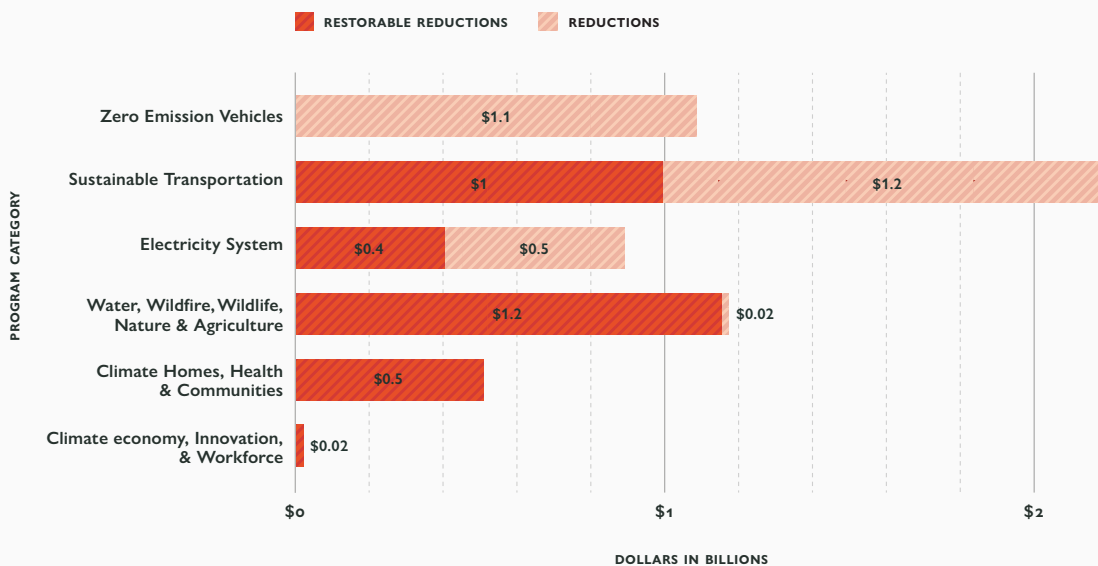


Where the \$54B California Climate Commitment got shifted, delayed, and cut



The January Budget Proposal cuts and modifies funding across climate categories, with ZEV and transportation investments seeing the most substantial alterations.

What can be restored from the \$6B in climate cuts?



The Proposal's trigger restoration fund offers a potential life raft to some climate programs, while largely overlooking others.

Zero Emission Vehicles Acceleration:

\$1.1 BILLION CUT; \$2.5 BILLION AFFECTED



CUT: \$1.1B in cuts across ZEV acceleration programs, including:

- \$210M (9%) of package funds for equitable light-duty ZEV programs
- \$661M (11%) of package funds for heavy-duty ZEV programs

Cuts to the ZEV package are not included in the trigger fund to restore funding in the case of a revenue rebound.

SHIFTED: \$1.4B in Cap and Trade funds proposed to partially backfill cuts across programs.

NOTE: The proposal points to leveraging federal funds, reauthorizing AB-8 (vehicle registration fees), surplus Cap and Trade funds, and a potential climate bond as options to fill funding gaps for the ZEV package.

Sustainable Transportation:

\$1.2 TO 2.2 BILLION CUT; \$3.05 BILLION AFFECTED



CUT: \$2.2B cut from sustainable transportation infrastructure investments, including:

- \$200M (19%) of package funds for the Active Transportation Program (ATP)
- \$2B (50%) of package funds for the Transit and Intercity Rail Capital Program (TIRCP)

The proposed trigger fund would restore only \$1B of the reduction from the TIRCP.

SHIFTED: \$500M in State Highway Account funds proposed to partially backfill funding cuts across programs.


DELAYED: The proposal delays \$350M in funding for safety grade separations to later budget years.

NOTE: California has received \$38B in federal formula funding through IIIA; the proposal notes that opportunities remain to secure competitive federal funding for transportation infrastructure and that the state will continue to pursue them.

Electricity System:


\$487 – 897 MILLION CUT; \$1.3 BILLION AFFECTED



 **CUT:** \$897M in cuts across clean energy programs, including:

- \$270M (30%) of package funds for the Residential Solar and Storage Program
- \$400M in savings to be returned from the California Arrearage Payment Program to the General Fund


The proposed trigger fund would restore up to \$410M in reductions across programs.

 **DELAYED:** The proposal delays \$370M in funding for the Equitable Building Decarbonization Program.

Water, Wildfire, Nature and Agriculture:


\$19 – \$1,178 MILLION CUT; \$1.5 BILLION AFFECTED




 **CUT:** \$1.2B in cuts across programs, including:

- \$779M (27%) of package funds for nature-based solutions and coastal resilience funds
- \$128M (11%) of package funds for sustainable agriculture programs

The proposed trigger fund would almost entirely restore funding across programs in this category.

 **SHIFTED:** \$14M in Proposition 98 funds proposed to partially backfill cuts to wildfire and forestry workforce training programs.

 **DELAYED:** The proposal delays \$300M in funding across water and drought resilience programs.

NOTE: The proposed budget contains \$374M in new investments to address water and drought resilience concerns in light of recent disruptions from extreme rainfall and flooding. These strategic investments are largely offset by delayed funding for other programs within these categories.

Climate Homes, Health, and Communities:

\$0 – \$510 MILLION CUT; \$975 MILLION AFFECTED



CUT: \$510M in cuts across extreme heat, community resilience, and climate health programs, including:

- \$130M (36%) of package funds for urban greening and forestry programs
- \$75M (43%) of package funds for the Extreme Heat and Community Resilience Program
- \$105M (25%) of package funds for the Transformative Climate Communities Program
- \$25M (100%) of package funds for Climate and Health Resilience Planning Grants

The proposed trigger fund would fully restore funding across programs in this category.

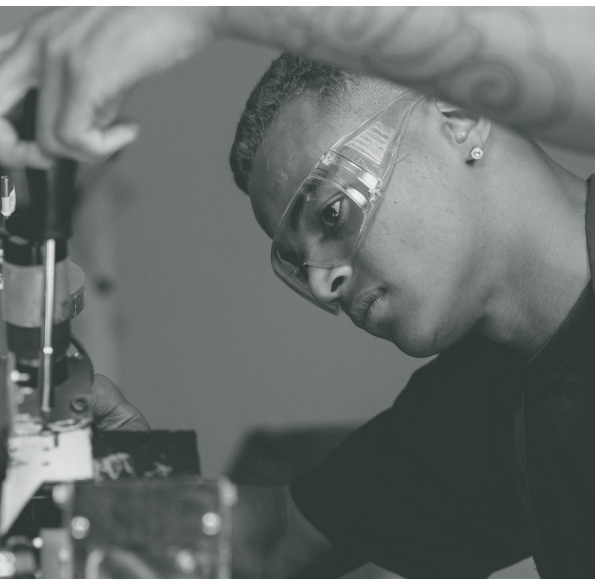
SHIFTED: \$250M in Cap and Trade funds proposed to partially backfill cuts to funding for the Community Air Protection Program.

DELAYED: The proposal delays \$215M in funding for programs in this category, including:

- \$85M for Climate Resilience Centers
- \$130M for Community Health Worker Initiative Grants

Climate Economy, Innovation, and Workforce:

\$0 – \$24 MILLION CUT; \$174 MILLION AFFECTED



CUT: \$24M in cuts across circular economy investments, including:

- \$5M (48%) of package funds for composting opportunity programs
- \$15M (100%) of package funds for recycling feasibility grants

The proposed trigger fund would fully restore funding across programs in this category.

DELAYED: The proposal delays \$150M in funding for the Climate Innovation Program.