

# California State Assembly



## Informational Hearing Agenda

### Assembly Budget Subcommittee No. 4 on Climate Crisis, Resources, Energy, and Transportation

Assemblymember Steve Bennett, Chair

Wednesday, February 19, 2025  
9:30 A.M. – State Capitol, Room 447

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**Public Comment will be taken in person after the completion of all panels and any discussion from the Members of the Subcommittee.**

## Items To Be Heard

### Various

#### Issue 1: Overview of the 2025 Governor’s Budget on Transportation

Over the past few budget cycles, various transportation programs were granted \$13.8 billion in one time funding as part of the larger climate package. This thematic package only received a 5 percent cut over the past two years of deficits, and no new cuts are proposed in the Governor’s January Budget.

2021 & 2022 Multi-Year Climate Package (dollars in millions)				
Category	Original Multi-Year Total	Total Reductions: 2023 + 2024	Percentage Reduction	Amount Retained as of 2024 Budget Act
Transportation	13,800	675	5%	13,125

### Governor Does Not Propose Changes to Multiyear Transportation Funding Package

(In Millions)

Program	Dept.	2021- 22 to 2023- 24	2024 - 25	2025 - 26	2026 - 27	2027 - 28	Totals
<b>Transportation Infrastructure Package</b>							
Formula- based TIRCP	CalSTA	\$2,000	\$1,000	\$1,000	—	—	\$4,000
Competitive TIRCP	CalSTA	1,525	512	564	\$438	\$611	3,650
Active Transportation Program	Caltrans	450	100	100	—	—	650
Local climate adaptation programs	Caltrans	200	—	—	—	—	200
Clean California Local Grant Program	Caltrans	100	—	—	—	—	100
Grade separation projects	CalSTA/ Caltrans	—	—	75	75	—	150
Highways to Boulevards Pilot Program	Caltrans	—	—	25	50	—	75

**Supply Chain Package**

Port and Freight Infrastructure Program	CalSTA	\$800	\$100	\$200	\$100	—	\$1,200
Supply chain workforce campus	CWDB	70	—	20	20	—	110
Port operational improvements	GO- Biz	30	—	—	—	—	30
Increased commercial driver’s license capacity	DMV	9	—	—	—	—	9

**Other**

Zero- Emission Transit Capital Program	CalSTA	\$190	\$220	—	\$230	\$460	\$1,100
Port of Oakland improvements	CalSTA	184	—	—	—	—	184
<b>Totals</b>		<b>\$5,558</b>	<b>\$1,932</b>	<b>\$1,984</b>	<b>\$913</b>	<b>\$1,071</b>	<b>\$11,458</b>
<b>General Fund</b>		<b>\$4,122</b>	<b>\$1,350</b>	<b>\$1,591</b>	<b>\$538</b>	<b>\$611</b>	<b>\$8,212</b>
<b>Greenhouse Gas Reduction Fund</b>		<b>\$596</b>	<b>\$582</b>	<b>\$393</b>	<b>\$300</b>	<b>\$460</b>	<b>\$2,331</b>
<b>State Highway Account</b>		<b>\$650</b>	<b>—</b>	<b>—</b>	<b>\$75</b>	<b>—</b>	<b>\$725</b>
<b>Public Transportation Account</b>		<b>\$190</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>\$190</b>

Figure reflects package as modified by the 2023- 24 and 2024- 25 budget agreements.

TIRCP = Transit and Intercity Rail Capital Program; CalSTA = California State Transportation Agency; Caltrans = California Department of Transportation; CWDB = California Workforce Development Board; GO- Biz = Governor’s Office of Business and Economic Development; and DMV = Department of Motor Vehicles.

**PROPOSED NEW SPENDING**

- \$25 million General Fund to the Clean California Program for Community Cleanup and Employment Pathways Grant Program at CalTrans to reduce litter.
- \$5 million ongoing General Fund to expand the Computer Crimes Investigation Unit at California Highway Patrol focused on Child Sexual Abuse Material throughout California.
- \$1 million Motor Vehicle Account for Statewide Planning and Site Identification funding for California Highway Patrol facilities.

**FUND SHIFTS TO BACKFILL MOTOR VEHICLE ACCOUNT DEFICIT**

To address a structural deficit in the Motor Vehicle Account, the Governor's Budget proposes to transfer \$166 million in special funds intended to reduce emissions and address climate change to the Motor Vehicle Account. This mostly funds existing costs at the Department of Motor Vehicles.

These special funds include:

- \$81 million from the Greenhouse Gas Reduction Fund
- \$86 million from the Air Pollution Control Fund

**Panel**

- Toks Omishakin, Secretary ,California Transportation Agency
- Eamon Nalband, Assistant Program Budget Manager, Department of Finance
- Bowen Peterson, Finance Staff Services Analyst, Department of Finance
- Rachel Ehlers, Deputy Legislative Analyst, Legislative Analyst's Office

**LAO Comments**

The Legislative Analysts' Office's (LAO) full write up on transportation proposals can be found here: <https://lao.ca.gov/Publications/Report/4961> and will be discussed in full detail later this year on March 26<sup>th</sup>.

**Staff Comments**

Members of this subcommittee may wish to ask:

- What is the plan to address the structural deficit in the Motor Vehicle Account besides utilizing climate funds? Why are there no proposed cuts being proposed?
- Given the cuts to other climate priorities, why did the Administration propose \$25 million more for litter abatement when \$1.2 billion was already appropriated for Clean California?

**Staff Recommendation:** Informational, no action needed.

**Various**

**Issue 2: Overview of the 2025 Governor’s Budget on Natural Resources, Environmental Protection, and Food and Agriculture**

Issues within the jurisdiction of this subcommittee (Sub. 4) – climate change, natural resources, environmental protection, agriculture, energy, air pollution, and transportation – have historically faced erratic levels of investment. The programs within the jurisdiction of this subcommittee grew the most during surpluses and suffered the greatest levels of cuts during deficits.

For example, during the 2021 and 2022 surpluses, the budget adopted an unprecedented \$54 billion multi-year climate package. Subsequently, due to the deficits in 2023 and 2024, the budget enacted almost \$10 billion in General Fund cuts to the climate package to balance the multi-year deficits. Additionally, billions of dollars in fund shifts, delays, and other General Fund solutions were adopted in this subcommittee.

The funding retained last year from the multi-year packages consists of the following:

<b>2021 &amp; 2022 Multi-Year Climate Package (dollars in millions)</b>				
<b>Category</b>	<b>Original Multi-Year Total</b>	<b>Total Reductions: 2023 + 2024</b>	<b>Percentage Reduction</b>	<b>Amount Retained as of 2024 Budget Act</b>
<b>Drought and Water Resilience</b>	8,746	2,061	24%	6,685
<b>Wildfire and Forest Resilience</b>	2,814	191	7%	2,623
<b>Extreme Heat</b>	649	353	54%	297
<b>Nature Based Solutions</b>	1,565	276	18%	1,288
<b>Coastal Resilience</b>	1,295	645	50%	650
<b>Community Resilience</b>	1,852	621	34%	1,231
<b>Sustainable Agriculture</b>	1,146	103	9%	1,043
<b>Circular Economy</b>	468	31	7%	437
<b>Zero Emission Vehicles</b>	10,020	856	9%	9,165

Transportation	13,800	675	5%	13,125
Energy	7,926	2,436	31%	5,490
Clean Energy Reliability Investment Plan (SB 846)	1,000	-	0%	1,000
Land Conservation and Economic Development Plan (SB 846)	160	-	0%	160
Climate Innovation	525	524	100%	1
Climate Homes	975	363	37%	613
Climate Health	346	278	80%	68
Climate School and Research	722	227	31%	495
Climate Jobs	315	25	8%	290
<b>Totals</b>	<b>54,323</b>	<b>9,663</b>	<b>18%</b>	<b>44,660</b>

\*Note: the chart above reflects what the Administration considers a part of the climate package. Some of these allocations (for example, climate homes and climate jobs) do not fall within the jurisdiction of Sub. 4.

**PROPOSED CUTS**

The 2025-26 budget includes \$791 million in new cuts in the programs in the chart below (many of which are backfilled by Prop. 4 bond funds):

2025-26 Proposed Cuts to the Climate Packages		
Department	Program	Amount
Various	Stewardship of State-Owned Land	\$68 million*
State Water Resources Control Board	Water Recycling	\$51 million*
Department of Water Resources	Dam Safety	\$47 million*
Various	Watershed Climate Resilience	\$32 million*
Energy Commission	Clean Energy Reliability Investment Plan	\$50 million*

Department of Water Resources	Systemwide Flood Risk Reduction Program	\$15 million*
Governor’s Office of Land Use and Climate Innovation	Community Resilience and Extreme Heat Program	\$15 million*
Department of Parks and Recreation	Deferred Maintenance	\$14 million*
CalFire and Office of Emergency Services	Home Hardening (CA Wildfire Mitigation Program)	\$13 million*
Energy Commission/Air Resources Board	Zero Emission School Buses	\$500 million
<b>Total</b>		<b>\$791 million</b>

\* = General Fund backfilled by Prop. 4 bond funds

**NEW GENERAL FUND SPENDING**

Coming off the heels of two budget years with deficits, the 2025-26 budget includes very little new spending. The exceptions are the Administration’s Prop. 4 expenditure plan, and a handful of new discretionary General Fund spending items included in the chart below:

<b>Department</b>	<b>Item</b>	<b>Amount</b>
Department of Food and Agriculture	Farm-to-School Program	\$24.9 million
Department of Parks and Recreation	State Library Parks Pass Program	\$6.8 million
CalFire	Various Capital Outlay Projects	\$28.29 million
CalFire	Exclusive Use Aircraft Contract Increase	\$37.5 million
CA Natural Resources Agency	Museum of Tolerance	\$10 million
State Lands Commission	Rincon Decommissioning Project Implementation	\$12.5 million
CalTrans	Clean California	\$25 million
CA Highway Patrol	Computer Crimes Investigation Unit	\$5 million ongoing
<b>Total</b>		<b>\$149.9 million</b>

\*requests under \$1 million are not included on this chart

**PROPOSITION 4 CLIMATE BOND SPENDING PLAN**

Proposition 4 (Prop. 4), the Safe Drinking Water, Wildfire Prevention, Drought Preparedness, and Clean Air Bond Act of 2024, authorizes \$10 billion in general obligation bonds for natural resources and climate activities. These activities fall within eight categories summarized below:

<b>Prop. 4 Chapter Categories and Totals</b> <i>(*dollars in millions)</i>	
Safe Drinking Water, Drought, Flood, and Water Resilience	3,800
Wildfire and Forest Resilience	1,500
Sea Level Rise and Coastal Resilience	1,200
Protect Biodiversity and Accelerating Nature-Based Climate Solutions	1,200
Clean Energy	850
Park Creation and Outdoor Access	700
Climate Smart, Sustainable, and Resilient Farms, Ranches, and Working Lands	300
Extreme Heat Mitigation	450
<b>Total</b>	<b>10,000</b>

The Governor’s budget includes a multi-year spending plan for the \$10 billion bond. Under the Governor’s spending plan, the budget would appropriate \$2.655 billion in 2025-26, \$2.215 billion in 2026-27, and \$4.317 billion in future budget years. This would leave \$814 million of the \$10 billion bond unallocated. The chart below outlines the Governor’s spending plan by budget year and investment category:

**Climate Bond Expenditure Plan**  
(\$ in Millions)

<b>Investment Category</b>	<b>Bond Allocation</b>	<b>2025-26</b>	<b>2026-27</b>	<b>Out-Years</b>	<b>Pending Allocation</b>
Safe Drinking Water, Drought, Flood & Water Resilience	\$3,800	\$1,074	\$972	\$1,744	\$10
Wildfire & Forest Resilience	\$1,500	\$325	\$376	\$710	\$89
Coastal Resilience	\$1,200	\$173	\$129	\$899	\$0
Extreme Heat Mitigation	\$450	\$102	\$172	\$176	\$0
Biodiversity & Nature-Based Solutions	\$1,200	\$286	\$136	\$677	\$101
Climate Smart Agriculture	\$300	\$134	\$84	\$22	\$60
Outdoor Access	\$700	\$286	\$117	\$65	\$231
Clean Air & Energy	\$850	\$275	\$229	\$24	\$323
<b>Total</b>	<b>\$10,000</b>	<b>\$2,655</b>	<b>\$2,215</b>	<b>\$4,317</b>	<b>\$814</b>



Within these broad categories, the proposition and the Administration’s spending plan include more detailed sub-allocations. A majority of these sub-allocations are to existing programs; however, some are for the creation of new programs.

In addition to funding specific activities and programs, Prop. 4 includes statutory language on how the bond funds are to be used. For example, at least 40 percent of bond funds must be used for projects that provide meaningful and direct benefits to lower-income communities or communities disproportionately impacted by climate change.

*Administrative Procedures Act (APA) Exemption* – The APA governs how state agencies adopt regulations to implement state law. It requires that agencies provide the public with a meaningful opportunity to participate in the process and that the proposed regulations undergo review by the Office of Administrative Law to ensure that they are clear, necessary, and legally valid. The Governor’s budget proposes to exempt Proposition 4 spending from the requirements of the APA and notes that previous resources bonds also have been implemented with a similar statutory exemption.

**Panel**

- Rachel Ehlers, Deputy Legislative Analyst, Legislative Analyst’s Office
- Wade Crowfoot, Secretary, California Natural Resources Agency
- Yana Garcia, Secretary, California Environmental Protection Agency
- Karen Ross, Secretary, California Department of Food and Agriculture
- Lizzie Urie, Principal Program Budget Analyst, Department of Finance

**LAO Comments**

To read the LAO’s full analysis, assessment, and recommendations on the Administration’s Prop. 4 spending plan, visit: <https://www.lao.ca.gov/Publications/Report/4958>.

**Assessment**

***Proposed Plan Has Several Merits.*** Given that voters only approved Proposition 4 in November, the Administration acted quickly to prepare a proposed spending plan. Having the proposal in January rather than later in the budget process provides the Legislature and other interested parties with more time to review the proposed course of action and consider all of the potential options. Based on our initial review, the proposed spending plan generally strikes a balance between quick distribution of funds and thoughtful implementation of programs. Positive aspects of the proposal that apply to most—though not necessarily every—bond category include:

- *Appears Consistent With Bond Requirements for Uses of Funds.*
- *Phases in Funding to Account for Administrative Capacity.*
- *Phases in Funding Based on Program Readiness.*
- *Builds on Recent Funding and Program Development Efforts.*
- *Waits to Make Funding Decisions in Cases Where More Information Is Needed.*

***Proposed Multiyear Approach Has Important Trade- Offs...*** Rather than planning to request new funding allocations each year, for all but a few programs the Governor's budget presents a multiyear spending proposal that includes both 2025-26 appropriations and planned amounts for future years (through 2039- 40). (The Legislature still would need to approve a given year's spending amounts through the annual budget process.) The multiyear approach does have some important trade-offs that warrant careful consideration.

Potential advantages of adopting a multiyear spending plan include:

- Supports implementation of a more coordinated, longer-term strategy. Achieving climate goals requires thinking beyond a single budget cycle.
- Provides more certainty to grantees and state agencies, potentially allowing them to plan projects, assess staffing needs, and develop capacity to implement programs more effectively.
- Reduces certain inefficiencies and potential for extra workload tied to uncertain year- over- year appropriations, such as having to delay projects midstream or prepare budget requests annually for every single program.

Potential drawbacks of pre-approving funding plans for future years include:

- Increases the procedural burden to make modifications. Adopting a multiyear spending plan does not preclude the Legislature from making changes in a future year, as all appropriations would be dependent upon subsequent approval through the annual budget process. However, building spending plans into departments' future baseline budgets means the Legislature would have to take specific action to change the proposed budget and deviate from the plan.
- Requires being proactive if the Legislature wanted to pivot and use Proposition 4 funds to respond to evolving priorities or emergencies, such as significant reductions in federal funding or a wildfire, flood, or drought. Future Legislatures or governors could have

different priorities, but the previously approved plan might limit the extent to which they can easily pursue alternative approaches. Changing course from an established plan also could be challenging and potentially disruptive for administering departments and grantees with set expectations.

- Reduces transparency. The Administration would not provide the Legislature with the same level of information and detail each year as it would if it had to request funding on a year- by- year basis. The Legislature would have to specifically ask for annual updates to understand whether the Administration is implementing programs with fidelity to expressed intentions as it would not receive these on the natural through budget change proposals.

*...And Might Not Be Suitable for All Categories of Spending.* For well-defined and established programs, a multiyear spending plan could make sense—Proposition 4 would essentially augment funding within the existing framework. In contrast, for bond categories and programs around which details are less certain—either because the bond requirements are broad or the program is new—adopting a multiyear approach could limit deliberation over important choices.

***Proposed Proposition 4 Spending Plan’s Alignment With Specific Climate Goals Not Fully Clear.*** Proposition 4 contains language that identifies specific climate- related problems that bond funding should help address and articulates goals—including some quantitative targets—that bond funding should help the state achieve. The Administration indicates that its proposed Proposition 4 spending plan is designed to advance the various goals identified in its numerous climate- related plans and strategies. However, the proposal does not fully describe the links between those goals and individual spending decisions. In addition, the Administration has not explained how its planned reporting will specifically evaluate progress toward such goals. Without these connections, the Legislature may have difficulty assessing whether the funding effectively advances the state’s climate objectives as expressed in the bond language.

### ***Recommendations***

While we have identified some positive attributes associated with the Governor’s overall approach, we also raise some issues for the Legislature to consider to ensure the spending plan it ultimately adopts is consistent with what it intended for Proposition 4.

## LAO Summary of Recommendations for Proposition 4 Implementation

- Ensure Spending Plan Reflects Legislative Priorities.
- Tailor Approach to Differentiate Between Already Established and Less Well- Defined Programs.
  - For existing programs and programs with well- defined plans, approve a multiyear plan.
  - For new or less well- defined programs, require new budget requests in future years once plans are more refined.
- Consider Clarifying Spending Guidance in Statute, Particularly When Multiple Options Are Allowed.
- Consider Enhanced Reporting to Track Progress Toward Most Important Proposition 4 Climate Goals.
- Weigh Fund Shifts in Light of Overall Budget and Legislative Priorities.
- Approve Administrative Procedure Act Exemption, but Consider Adding Transparency Requirements for Program Development Processes.

### Staff Comments

The 2025-26 Governor's budget stands before the Legislature amidst many uncertainties that have serious implications for the state's present and future fiscal health. While the Trump Administration has made threats to withhold or roll back funding commitments to environmental programs, these have yet to come to fruition. Additionally, the devastation of the Southern California wildfires and their impact on our economy and, therefore, state tax revenue are also not yet fully known.

As a result, staff recommends that members of this subcommittee should be discerning in approving new discretionary spending due to the uncertainty outlined above.

Staff also notes that the January budget proposes new spending, while simultaneously proposing to cut programs that have historically been Legislative priorities.

Given this context, the Subcommittee members may wish to ask the following:

1. How did the Administration craft this year's budget given the uncertainties around federal funding? Where can we find examples in this budget where the Administration has provided built-in flexibility to respond to economic uncertainties?

2. For the handful of programs that received increases in General Fund in the 2025-26 budget, what criteria did the Administration use to determine these investments merited those funds?
3. Does the Administration expect they will need increased staff capacity to get Prop. 4 funds out within the proposed spending plan's timeframe? Why or why not?
4. Why did the Administration decide to backfill prior General Fund allocations with bond funds and how did they select the particular activities to swap?
5. What were General Fund allocations the Administration did not backfill with bond funds? Why were these investments not chosen to swap?
6. What will the Administration's approach be to tracking, measuring, and reporting outcomes on Prop. 4 dollars?
7. The climate packages allowed the Administration to make investments in pilot programs and other programs in order to achieve more specific outcomes and goals than ever before. What are the Administration's lessons-learned from administering those funds? How did the Administration incorporate those lessons into the spending plan before us?

**Staff Recommendation:** Informational, no action needed.

This agenda and other publications are available on the Assembly Budget Committee's website at: [Sub 4 Hearing Agendas | California State Assembly](#). You may contact the Committee at (916) 319-2099. This agenda was prepared by Shy Forbes / Christine Miyashiro.