California State Assembly

Informational Hearing Agenda

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

Assemblymember Steve Bennett, Chair

Wednesday, March 12, 2025
9:30 A.M. – State Capitol, Room 447

Items To Be Heard

Non-Presentation Items: Staff have suggested the following items do not receive a formal presentation from the Administration in order to focus time on the most substantial proposals. Members of the Subcommittee may ask questions or make comments on these proposals at the time designated by the Subchair or request a presentation by the Administration at the discretion of the Subchair. Members of the public are encouraged to provide public comment on these items at the designated time.

Non-Presentation Items

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

3900 California Air Resources Board

Issue 1: Regulatory Fee Authority Trailer Bill

The Governor's Budget requests statutory authority to assess a fee on any entity regulated by the California Air Resources Board consistent with Division 26 of the Health and Safety Code to cover the reasonable costs incurred by the Board in regulating that entity.

Fees would be deposited into the Certification and Compliance Fund, for appropriation by the Legislature, for the purpose of:

- Developing new and amending existing airborne toxic control measures.
- Developing new and amending existing emission reduction measures for on-road and non-road sources.
- Implementing and enforcing an airborne toxic control measure.
- Identifying, quantifying, inventorying, monitoring, evaluating, and reducing emissions of toxic pollutants in communities across the state, as determined to be necessary by the state board.

The fees shall be in an amount sufficient to cover the state board's reasonable costs in developing, implementing, and enforcing the programs authorized by this division, including any administrative costs and may be adjusted for annual inflation.

The text of the trailer bill can be found here: https://trailerbill.dof.ca.gov/public/trailerBill/pdf/1182.

Background:

Poor air quality harms public health, particularly in vulnerable communities, and hurts California's economy. To meet emission reduction goals and mandates to reduce the health, environmental, and climate impacts of toxic and other kinds of air pollution, CARB develops, amends, implements, and enforces various programs. These programs require staffing, equipment, and supplies. To support these programs and cover their costs, CARB needs to collect fees. The Trailer Bill Language (TBL) supports the collection of fees from emitters of toxic air contaminants and other air pollutants. These include diesel particulate matter, hexavalent chromium, formaldehyde, nitrogen oxides, sulfur oxides, ozone, and carbon monoxide.

Fees supported by the TBL will be used to recover CARB's reasonable costs in developing, implementing, and enforcing its statutory authority to regulate these harmful pollutants. However, each program will still be subject to the state's annual budget process. Prospective program funding will still be required to be authorized by the Legislature. Further, the establishment of any future fees will be established through rulemaking under the Administrative Procedures Act and its requisite public process.

Existing CARB staff working on air toxics and other emission reduction programs (including health effects research, air monitoring, emissions inventory, regulatory development, implementation, and enforcement) are at full capacity. Without additional funding sources, CARB lacks the resources and staffing it needs to carry out CARB's mission. The TBL will authorize CARB to collect fees on emitters, limited to reasonable costs, to ensure its programs are self-sufficient and reduce the impact of CARB's programs on other fund sources. Each program will still be subject to the state's annual budget process. Prospective program funding will still be required to be authorized by the Legislature. Additionally, these regulatory fees would reduce reliance on other funding sources such as Air Pollution Control Fund and Motor Vehicle Account in the future.

Panel

This panel will include representatives from the California Air Resources Board, Department of Finance, and the Legislative Analysts' Office (LAO).

LAO Comments

Recommendation

Reject Proposed Budget Trailer Bill Language. The Legislative Analysts' Office recommends the Legislature reject the proposed budget trailer legislation as they believe the breadth of the requested fee authority is not justified and would delegate too much legislative control and authority to the administration. To the extent CARB requires additional authority to raise revenues to implement specific programs and regulations, the department can return at a future date with a more narrowly crafted proposal for the Legislature to consider.

Such a proposal should include a robust justification for the specific fees the department proposes to levy, as well as key details on the proposed fees such as: (1) the specific activities that would be subject to the fees; (2) the proposed fee amounts; (3) the entities that would be subject to paying the fees; (4) the level of expected fee revenues; and (5) how the fee revenues would be used. This type of detailed information is critical to enable the Legislature to adequately weigh the anticipated costs and benefits associated with providing CARB with additional fee-raising authority.

The full LAO write up can be found here: https://lao.ca.gov/Publications/Report/4980.

Staff Comments

Members of this subcommittee may wish to opine on their comfortability with this proposed trailer bill as written or may wish to consider additional limitations. Possible limitations could include a limit on the annual fee level, a limit on the number of fee payers in order to limit the broad applicability of the fees, a sunset, specifying which fees or entities this subcommittee may be comfortable with, or additional Legislative oversight like notice to the Joint Legislative Budget Committee when fees are proposed.

Members of this subcommittee may wish to ask:

- What fees do you envision implementing in the next five years?
- What will be the estimated price of those fees and who do you anticipate paying them?

Staff Recommendation: Hold open.

Issue 2: Expanded Resources for Carbon Capture, Removal, Utilization and Storage Program (SB 905)

The Governor's Budget requests $2.2 million Cost of Implementation Account (COIA) and 18 permanent positions in 2025-26, and $4.3 million COIA in 2026-27 and ongoing to implement the requirements of Senate Bill (SB) 905 (Chapter 359, Statutes of 2022). SB 905 requires that CARB establish a Carbon Capture, Removal, Utilization, and Storage Program (Program) to evaluate carbon capture, utilization, or storage (CCUS) technologies and carbon dioxide removal (CDR) technologies and facilitate the capture and sequestration of carbon dioxide from those technologies. This proposal provides additional, ongoing resources to the limited, three-year resources authorized in the 2023 Budget Act (Chapter 12, Statutes of 2023).

Panel

This panel will include representatives from the California Air Resources Board, Department of Finance, and the Legislative Analysts' Office.

Staff Comments

Staff notes that this is a resubmission of a request from 2023 for 18 permanent staff. In 2023, 9 limited (three-year) term staff were approved. This request is for an additional 18 permanent staff. CARB has stated that they were only able to hire 3 limited term staff, due to potential applicants preferring permanent positions. Staff notes that CARB has a roughly 15 percent vacancy rate (over permanent and limited term roles). Other CARB proposals in this agenda propose converting 57.5 limited term staff into permanent positions, but those positions are largely filled and have a below average vacancy rate of 3.4%. It is unclear why potential applicants are willing to take limited term positions in those areas, but not to implement this legislation.

Staff also notes that since this law was signed on September 16th, 2022, CARB's website only mentions hosting two unique public workshops; one on August 15, 2023 and one on February 27, 2025. Despite having 3 full-time staff working on implementing this legislation, CARB's website does not seem to indicate that they have implemented the legislation consistent with the various statutory deadlines in 2024 and 2025.

Staff notes that stakeholders have expressed concern with CARB's failure to adopt various statutory requirements, especially since this budget change proposal does not mention if or when they will be completed if this request is approved. Stakeholders have raised specific concerns with the lack of development of community protection policies required under the statute and have requested statutory changes with this budget change proposal to ensure the law is followed:

> *39741.1.(g): No state or local agency, including but not limited to air quality management districts, shall issue any permit for any carbon dioxide capture,*

removal, or sequestration project until rules are in effect to effectuate 39741.1(a)(3).

Members of this subcommittee may wish to opine on their comfortability with adopting the statutory amendment above to ensure that CARB is implementing the law before approving projects.

Members of this subcommittee may also with to ask:

- Can CARB provide an update on the work that has been completed to date to implement the bill?
- Does CARB anticipate fewer projects as a result of policy and tax incentive changes at the federal level?
- What is CARB's timeline for conducting a community protection rulemaking per Health and Safety Code 39741.1?
- What strategies could projects implement to limit co-pollutant emissions?
- Does CARB believe they need additional permitting authority to fully implement Health and Safety Code 39741.1?
- What role do local air districts have in implementing and overseeing rules created under Health and Safety Code 39741.1?

Staff Recommendation: Hold Open.

Issue 3: Cap and Trade Spending Plan

Last year, the Budget Act adopted a 5 year Greenhouse Gas Reduction Fund (GGRF) spending plan for the expected discretionary revenue. This equates to spending $4.8 billion from GGRF in 2025- 26, which includes $1.8 billion discretionary spending, $2.6 billion for continuous appropriations, $346 million for other existing statutory commitments, and it estimates GGRF would maintain a balance (also known as a reserve) of roughly $160 million at the end of 2025-26.

This spending plan includes one new proposal that will be further discussed at later hearings:

- Fund shifting $81 million from GGRF to the Motor Vehicle Account to address a structural deficit, which is partially funded by cutting $32 million in GGRF that was reserved for the Clean Energy Reliability Investment Plan (CERIP) in 2025-26.

This discretionary spending plan consists of:

Figure 2 **Discretionary Greenhouse Gas Reduction Fund Expenditure Plan as of 2024-25 Budget Act** *(In Millions)*

Program	Department	2024-25	2025-26	2026-27	2027-28	2028-29
Fund Shifts From General Fund		**$2,434**	**$1,504**	**$1,314**	**$1,089**	**$650**
Climate Packages		**$1,371**	**$1,051**	**$952**	**$989**	**—**
Drinking water/wastewater projects (Water)	SWRCB	$225	$30	—	—	—
Drayage trucks & infrastructure (ZEV)	CEC	157[a]	—	—	—	—
Flood projects (Water)	DWR	126	—	—	—	—
ZEV fueling infrastructure grants (ZEV)	CEC	120[a]	—	—	$99	—
Habitat restoration projects (NBA)	DWR	103	—	—	—	—
Streamflow Enhancement Program (Water)	WCB	101	—	—	—	—
Demand side grid support (Energy)	CEC	75	75	—	—	—
Clean trucks/buses/off-road equipment (ZEV)	CEC	71[a]	—	—	—	—
Protecting wildlife (NBA)	WCB	70	—	—	—	—
Emerging opportunities (ZEV)	CARB	53	—	—	—	—
Fire prevention grants (Wildfire)	CalFire	40	—	—	42	—
Transit buses & infrastructure (ZEV)	CEC	29[a]	—	—	—	—
Ocean protection activities (Coastal)	OPC	28	—	37	—	—
Extreme heat/community resilience (Extreme heat)	OPR	25	—	—	—	—
Equitable Building Decarbonization (Energy)	CEC	25	—	—	93	—
Long duration storage (Energy)	CEC	23[a]	26	—	—	—

Program	Department	2024-25	2025-26	2026-27	2027-28	2028-29
Carbon removal innovation (Energy)	CEC	20[a]	—	—	—	—
Prescribed fire pilot; monitoring & research (Wildfire)	CalFire	26	—	—	—	—
Wetlands restoration (NBA)	CDFW	17		—	—	—
Livestock methane reduction (Agriculture)	CDFA	17	7	—	—	—
Climate Action Corps (Community Resilience)	OPR	9	9	9	9	—
Salton Sea activities (Water)	DWR	7	—	—	—	—
ZEV programs (ZEV)	CEC	—	385	299	387	—
ZEV programs (ZEV)	CARB	—	215	301	213	—
Distributed Electricity Backup Assets (Energy)	CEC	—	200	180	—	—
Hydrogen grants (Energy)	CEC	5	34	—	—	—
Oroville pump storage (Energy)	DWR	—	30	100	100	—
Watershed climate resilience (Water)	WCB	—	15	—	—	—
Water recycling/groundwater cleanup (Water)	SWRCB	—	15	—	—	—
Tribal engagement (Wildfire)	CalFire	—	10	—	—	—
SWEEP (Water)	CDFA	—	—	21	—	—
Environmental justice grants (Community Resilience)	CalEPA	—	—	5	—	—
Unit fire prevention projects (Wildfire)	CalFire	—	—	—	26	—
Regional Forest and Fire Capacity (Wildfire)	DOC	—	—	—	20	—
Transportation and Other Environmental Programs		**$1,063**	**$453**	**$363**	**$100**	**$650**
Competitive and formula-based TIRCP	CalSTA	$958[a]	$368	$20	—	—
Vulnerable community toxic cleanup	DTSC	65	—	43	—	—
Diablo Canyon land conservation	Various	40	10	50	$50	—
CERIP	CEC	—	50	150	50	$650
Highways to Boulevards	Caltrans	—	25	50	—	—
Oil well plug/abandonment	DOC	—	—	50	—	—
Non-Fund Shifts		**$315**	**$278**	**$480**	**$710**	**$275**
AB 617—Community Air Protection	CARB	$250	$250	$250	$250	$250
Zero Emission Transit Capital Program	CalSTA	—	—	230	460	—
Salton Sea activities	Various	65	3	—	—	—
Community renewable energy	CPUC	—	25	—	—	25
Totals		**$2,750**	**$1,783**	**$1,794**	**$1,799**	**$925**

[a]Includes funding scored in 2023-24.

SWRCB = State Water Resources Control Board; ZEV = zero-emission vehicles; CEC = California Energy Commission; DWR = Department of Water Resources; NBA = nature-based activities; WCB = Wildlife Conservation Board; SWEEP = State

Program	Department	2024-25	2025-26	2026-27	2027-28	2028-29
Water Efficiency and Enhancement Program; CARB = California Air Resources Board; CalFire = California Department of Forestry and Fire Protection; OPC = Ocean Protection Council; OPR = Governor's Office of Planning and Research; CDFW = California Department of Fish and Wildlife; CDFA = California Department of Food and Agriculture; CalEPA = California Environmental Protection Agency; DOC = Department of Conservation; TIRCP = Transit and Intercity Rail Capital Program; CalSTA = California State Transportation Agency; DTSC = Department of Toxic Substances Control; CERIP = Clean Energy Reliability Investment Plan; Caltrans = California Department of Transportation; and CPUC = California Public Utilities Commission.						

Panel

This panel will include representatives from the California Air Resources Board, Department of Finance, and the Legislative Analysts' Office.

LAO Comments

The LAO's full report can be found here**:** https://lao.ca.gov/Publications/Report/4960.

Summary

The Governor proposes roughly $1.8 billion in discretionary cap-and-trade expenditures in 2025-26. The Governor's plan funds a number of programs and activities that were initially to be supported with the General Fund, but then were shifted to the Greenhouse Gas Reduction Fund (GGRF) through the 2024-25 budget process in order to address the multiyear budget problem.

Additionally, the Governor proposes two new fund shifts in the budget year to help reduce pressure on the Motor Vehicle Account (MVA), which faces insolvency in 2025-26 absent corrective action.

The LAO finds that while the proposed fund shifts present trade-offs, the Governor's GGRF proposal for 2025-26 largely adheres to the expenditure plan the Legislature agreed to as part of the 2024-25 budget package. However, GGRF revenues are subject to substantial uncertainty and are trending lower than forecasted as of the middle of the 2024-25 fiscal year. To the extent these somewhat lower revenue patterns persist, the Legislature may need to make modifications to the GGRF expenditure plan for 2025-26. Should they further weaken, modifications to 2024-25 GGRF spending may also be necessary. Moreover, to the extent that the General Fund condition worsens, the Legislature could be faced with making ongoing reductions to base programs. If that were to occur, the Legislature might want to consider using this fund source as a tool to help preserve its highest-priority activities—which may differ from those in the current plan. Accordingly, the LAO recommends that the Legislature closely monitor GGRF and General Fund revenues and be prepared to adjust expenditure plans as necessary.

Background

Past Two Budget Agreements Included Plans for Spending Out-Year Discretionary GGRF. The past two budget agreements—2023-24 and 2024-25—not only appropriated GGRF to discretionary programs for those respective budget years, but also included plans to dedicate a large share of out-year discretionary GGRF revenues for specific purposes. This contrasts with the historical practice of allocating funding on a year-by-year basis. As shown in Figure 2, the bulk of the agreed-upon planned GGRF spending would backfill reductions to expenditures that were previously planned to be made from the General Fund for a wide variety of activities. These actions were taken with the intent of sustaining previous multiyear spending commitments while achieving General Fund savings in response to the deficit and worsening budget condition.

Assessment

Governor's Proposal Maintains Agreed-Upon Expenditure Plan. The LAO finds the Governor's GGRF proposal to be largely consistent with the expenditure plan agreed to in 2024-25. (The one relatively small modification is related to the proposed fund shift for CERIP.) Assuming GGRF revenues are adequate and the Legislature's priorities remain unchanged, maintaining these previous spending plans is both reasonable and appropriate. However, should the budget condition or prioritization of potential activities change, the Legislature may want to revisit these intentions.

Using GGRF to Backfill MVA Comes With Trade-Offs. The proposed fund shifts come with notable trade-offs, as discussed in further detail in *The 2025-26 Budget: Transportation Proposals*. For example, a key advantage is that they allow the state to continue to keep MVA balanced in 2025-26 without raising vehicle fees or reducing service levels. However, some key disadvantages include that: (1) the amount shifted to Proposition 4 results in the bond funds; being used to sustain existing commitments rather than to enhance the state's climate efforts, (2) using unallocated projected discretionary GGRF revenues for this purpose means they are not available for other purposes; and (3) sustaining the proposed level of expenditures from GGRF in 2025-26 may be difficult if revenues fail to strengthen, as discussed below.

2024-25 GGRF Revenues Are Coming in Below Projections. The Department of Finance (DOF) estimates future GGRF revenues based on an average of actual allowance prices from auctions that occurred in the previous calendar year. In general, the LAO finds this methodology to be a reasonable approach. However, the past two auctions have reflected some weakening in allowance prices compared to the auctions that took place during the prior year. Specifically, DOF projected 2024-25 auction prices of about $38 per allowance, but actual prices at the first two quarterly auctions of the fiscal year were roughly $31. Accordingly, as shown in Figure 4, GGRF revenues in 2024-25 have been somewhat lower than the administration's projections last spring that formed the basis of the *2024-25 Budget Act's* GGRF spending package.

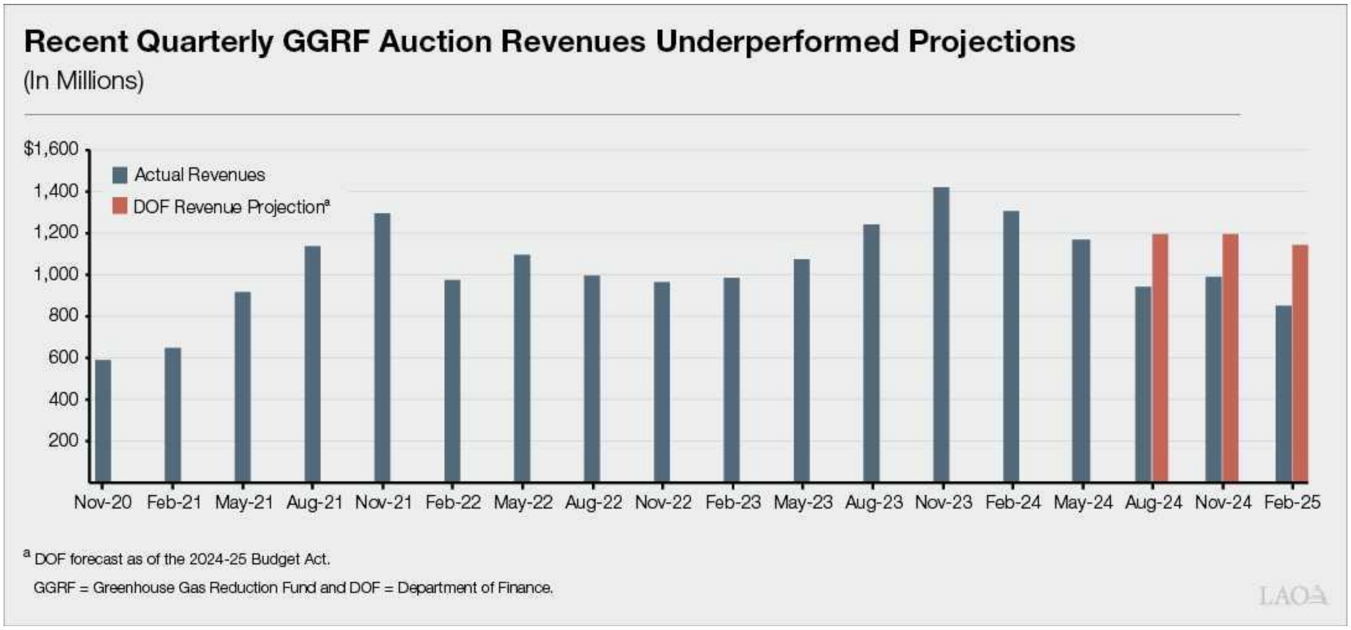

Figure 4 - **Staff notes that this chart was updated since publication to reflect the February Auction.*

If Revenue Trends Continue at Modest Decline, Planned Current-Year Expenditures Likely Still Feasible… Two auctions remain in the 2024-25 fiscal year—February and May. The LAO estimates that even if allowance prices continue to trail the *2024-25 Budget Act's* assumptions, if they remain at comparable levels to the past two auctions (roughly $31), GGRF likely will be able to continue to support the expenditures that currently are planned for 2024-25. This is in part because many of the continuous appropriations are calculated as a percentage of GGRF revenues and thus automatically adjust downward when revenues decline. However, should allowance prices decline more steeply than occurred in the August and November 2024 auctions, modifications to planned expenditures for 2024-25 could potentially be necessary. DOF could address such a circumstance through Control Section 15.14 of the annual budget act, which provides a mechanism for DOF to make midyear reductions if auction revenues are insufficient to support discretionary GGRF spending at the budgeted levels.

…But Revisiting GGRF Spending Plan for 2025-26 Could Be Necessary Depending on February and May Auction Results. If the somewhat lower allowance prices that the state has experienced over the past two auctions persist into 2025-26, the LAO estimates that revenues may not be sufficient to fund existing statutory commitments and the budget-year spending plan agreed to in the 2024-25 budget package. Specifically, the LAO estimates that if the allowance prices seen at the past two auctions persist throughout 2025-26, in adopting the final budget plan the Legislature and Governor would need to reduce the Governor's proposed 2025-26 expenditures by nearly $200 million to prevent a negative fund balance for GGRF at the end of the fiscal year. Since GGRF revenues are subject to substantial uncertainty, as discussed in greater detail below, revenues could be notably higher or lower than recent trends. Further declines in revenues compared to what has been the case thus far would necessitate additional reductions to planned expenditures, whereas increases in revenues could potentially result in additional monies becoming available for discretionary purposes.

Substantial and Increasing Degree of Uncertainty Around GGRF Revenues. Predicting how the cap-and-trade market will behave and forecasting corresponding GGRF revenues are always subject to some uncertainty. However, a couple of factors may contribute to more uncertainty than usual for this exercise over the next several years. The Legislature may want to keep these uncertainties in mind as it makes its GGRF budgeting decisions. In particular:

- ***CARB Considering Cap-and-Trade Program Changes.*** CARB has indicated that it intends to begin a rulemaking process for potential amendments to the cap-and-trade program that would influence allowance prices. These include potential changes to the number of allowances the state makes available and the allocation of those allowances.
- ***2030 Expiration of Statutory Authorization.*** Before the Legislature last extended the statutory authorization for the cap-and-trade program in 2017, revenues from GGRF began to decline due to investor uncertainty about the status of the program. Should considerable uncertainty about the fate of the program exist as its next statutory end-date approaches (2030), a similar downward pressure on revenues could emerge.
- ***Linkage With Washington State.*** CARB has indicated that it is discussing linking California's cap-and-trade program with the program in Washington state. Such action could affect allowance prices in both states as they come into alignment.

Revisiting Spending Plan Also Could Make Sense if Budget Condition Worsens. As of January 2025, both our office and DOF projected that the state's General Fund will be roughly balanced in 2025-26 under the Governor's budget proposal. However, various factors could change over the coming months that could affect the condition of the state's General Fund. For example, if the costs of responding to and recovering from the January 2025 wildfires that affected the Los Angeles region are higher than anticipated or state revenues come in lower than projected, the state's budget condition could worsen. Additionally, our office and DOF project out-year deficits of over $10 billion annually over the next few years. To the extent the state's budget condition weakens in the coming months, the Legislature could consider modifying its GGRF spending plan. For example, if revenue declines result in the state facing a large budget problem that necessitates cuts to ongoing programs, the Legislature could consider forestalling those reductions by redirecting GGRF to help sustain higher-priority activities.

Recommendations

Monitor Auctions and General Fund Condition Over Coming Months. Given the growing uncertainty around cap-and-trade revenues, the LAO recommends the Legislature continue to closely monitor quarterly auctions to assess how revenues are materializing. To the extent that revenues from the February and May 2025 auctions deviate from projections, the 2025-26 GGRF spending levels may not be able to support the plans included in the 2024-25 budget agreement.

Additionally, the LAO recommends that the Legislature consider updated information on the condition of the General Fund as it becomes available over the coming months before it finalizes its GGRF spending plan. In the event that the General Fund condition deteriorates notably, the Legislature could consider redirecting GGRF as a tool to help sustain its highest-priority activities.

Adopt GGRF Spending Plan Consistent With Legislative Priorities. Ultimately, once the picture is clearer regarding GGRF revenues as well as the General Fund condition, the LAO recommends the Legislature adopt a GGRF expenditure plan that is consistent with its intent and priorities. This will include assessing strategies for supporting the MVA and the programs that account historically has supported, and the degree to which the Legislature is comfortable with the trade-offs associated with the Governor's proposed fund shifts.

Staff Comments

Staff notes that this subcommittee plans to hold an oversight hearing on April 30th regarding Cap and Trade expenditures as it relates to future discussions regarding reauthorizing the Cap and Trade program. This will focus heavily on continuous appropriations, whereas this agenda item focuses on the 2025-26 discretionary spending plan.

Staff also notes that only CARB and the CEC are present today, and recommends asking more detailed question for departments that are not present today at those respective hearings (or at a later open issues hearing).

Staff notes that the February Auction raised $851 million for the Greenhouse Gas Reduction Fund, which continues the downward revenue trend that the Legislative Analysts' Office outlines. The Budget Act requires 25% of appropriations be held until the final auction in the event that revenues are less than expected and would be proportionally cut. This final auction is scheduled for May.

Members may wish to opine if this suite of programs matches their priorities for funding this year or if they would fund other programs.

Staff Recommendation: Informational, no action necessary.

3900 California Air Resources Board
3360 California Energy Commission

Issue 4: Zero Emission Vehicle Spending Plan

Over the past few budget cycles, the Budget Act adopted the following investments in Zero-Emission Vehicles with a combination of General Fund, Greenhouse Gas Reduction Fund, and some federal funds:

	Totals	**2,451**	**2,118**	**1,003**	**350**	**676**	**906**	**1,159**	**8,664.5**	**86.99%**
Dept.	**Program**	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**2025-26**	**2026-27**	**2027-28**	**Total**	
CARB	Charter Boats Compliance	-	60	-	-	20	-	20	**100**	**100%**
CARB	Clean Cars 4 All & Other Equity Projects	150	381	80	-	-	-	45	**656**	**100%**
CARB	Clean Trucks, Buses and Off-Road Equipment (HVIP/CORE)	500	600	-	-	-	-	-	**1,100**	**100%**
CEC	Clean Trucks, Buses and Off-Road Equipment (HVIP/CORE)	89.9	-	216.3	-	89	-	137	**532.2**	**79%**
CARB	Clean Vehicle Rebate Project	525	-	-	-	-	-	-	**525**	**100%**
CARB/ CalSTA	Community-Based Plans/ Sustainable Community Strategies	-	-	60	-	100	79	100	**339**	**100%**
CARB	Drayage Trucks & Infrastructure	157	75	80	-	48	37	48	**445**	**100%**
CEC	Drayage Trucks & Infrastructure	28.3	-	242	-	50	49	50	**419.3**	**84%**
CARB	Drayage Trucks & Infrastructure Pilot Project	25.8	-	-	-	-	-	-	**25.8**	**65%**
CEC	Drayage Trucks & Infrastructure Pilot Project	15.7	-	-	-	-	-	-	**15.7**	**63%**
CARB	Emerging Opportunities	-	-	-	53	47	-	-	**100**	**100%**
CEC	Emerging Opportunities	46.7	-	-	-	46	-	-	**92.7**	**93%**
CEC	Equitable At-home Charging	-	-	100	-	60	40	80	**280**	**93%**
CARB	Near-Zero Heavy Duty Trucks	45	-	-	-	-	-	-	**45**	**100%**
CARB	Ports	-	-	-	-	-	185	-	**185**	**74%**

CEC	Ports	-	-	-	-	-	130	-	**130**	**87%**
CARB	School Buses & Infrastructure	130	510	-	-	-	-	-	**640**	**42%**
CEC	School Buses & Infrastructure	20	140	-	-	-	-	-	**160**	**38%**
CARB	Transit Buses & Infrastructure	70	70	-	-	-	-	-	**140**	**27%**
CEC	Transit Buses & Infrastructure	30	1.5	28.5	-	-	-	-	**60**	**26%**
CalSTA	Transit Buses & Infrastructure Flex	-	-	-	220	-	230	460	**910**	**100%**
CalSTA	Transportation Package ZEV	407	77	77	77	76	76	-	**790**	**100%**
GO-BIZ	ZEV Consumer Awareness	5.0	-	-	-	-	-	-	**5**	**100%**
CEC	ZEV Fueling Infrastructure Grants	81.5	86.5	119.5	-	140	80	219	**726.1**	**83%**
CEC	ZEV Manufacturing Grants	125	117.8	-	-	-	-	-	**242.8**	**97%**

The percentages retained relate to comparisons to the funding amounts originally adopted in the 2021 and 2022 Budget Acts.

This ZEV package was one time discretionary dollars, and does not represent the total spending on ZEVs as some items are funded by special funds as well as private investments and utility expenditures.

The Governor's Budget proposes to cut $500 million for zero emission school buses in 2025-26 from the Air Resources Board and the Energy Commission, which is already reflected in this chart.

Panel

This panel will include representatives from the California Air Resources Board, California Energy Commission, Department of Finance, and the Legislative Analyst's Office.

Staff Comments

Staff notes that while the Governor's Budget proposes to cut $500 million for zero emission school buses from this package, this funding is Proposition 98 funding and thus is the jurisdiction of Subcommittee No. 3 on Education Finance.

Staff notes that funding for two popular programs have run out of funding or might run out this fiscal year:

- Funding for competitive programs that fund zero emission medium, heavy duty vehicles like buses, trucks, and off road equipment known as the HVIP and CORE programs have been committed and are not slated for new funds through 2027-28. Staff notes that this competitive program does have some end use specific allocations including: school buses, transit buses, ports, and drayage trucks, however many of these programs are also slowing down investments. While the appropriations in previous years were much higher than normal, staff recommends some level of funding for the competitive HVIP and CORE programs this year. Staff also notes that CARB recently announced a settlement agreement that could be used to appropriate roughly $130 million for HVIP.

- Some of the local air district based Clean Cars For All programs will likely run out of funding this year and are not slated for new funds until 2027-28. Members of this subcommittee may wish to consider appropriating new funds for this purpose or redirecting previously allocated but unspent equity investments from other programs or regions of the state that have never had a local program.

Members of this subcommittee may wish to ask:

CARB:

- The Ebike program recently opened with a $3 million pilot. How much money does CARB still have to offer as incentives for this program? Were any lessons learned from this pilot?

- What is the status of implementing the Zero-Emission Assurance Project that was funded in 2022?

- Can you tell us what the Community-Based Plans/ Sustainable Community Strategies program will fund?

- CARB has $40 million set aside for labor costs from the administrative share from various programs in the ZEV package to spend over the next four years. Why is more of this funding not being redirected to incentive programs?

CEC:

- How is the state ensuring that state and ratepayer funded chargers are reliable?

- Have you adopted regulations to implement AB 2061 (Chapter 345, Statutes of 2022) consistent with the deadline of January 1, 2024 to adopt reporting standards, and the January 1, 2025 deadline to assess the uptime reliability of state and ratepayer funded chargers?

CEC and CARB:

- Can you tell us what the Emerging Opportunities program will fund?
    - Have the funds for 2025-26 already been committed?

  - How does this differ from the Charter Boats Compliance program?

- Can you tell us how the funding for Ports will be used for?

Staff Recommendation: Informational, no action necessary.

3900 California Air Resources Board

Issue 5: E15 Fuel Specification

The Governor's Budget requests $2.3 million in ongoing funding from the Air Pollution Control Fund (APCF) for 10.0 permanent positions to complete the regulatory process to authorize the use of motor vehicle fuels with up to 15% ethanol blending (E15) and conduct ongoing program implementation enabling the use of E15 fuels in California. This request is one element of CARB's efforts to respond to Governor Gavin Newsom's October 2024 letter requesting that CARB expedite the evaluation of E15 for use in the state.

CARB notes that its existing regulatory process takes 2 to 5 years to complete.

After this proposal was put forward, a federal executive order on January 20, 2025 declared, "The Administrator of the Environmental Protection Agency, after consultation with, and concurrence by, the Secretary of Energy, shall consider issuing emergency fuel waivers to allow the year-round sale of E15 gasoline to meet any projected temporary shortfalls in the supply of gasoline across the Nation."

Panel

This panel will include representatives from the California Air Resources Board, Department of Finance, and the Legislative Analysts' Office.

LAO Comments

Background

Current Regulations in California Allow for 10 Percent Ethanol Blending in Gasoline. California statute provides authority for CARB to issue regulations for motor vehicle fuel specifications, among other areas. Under this authority, CARB has established regulations that authorize the use of up to 10 percent ethanol in gasoline (a blend known as E10). CARB reports that virtually all gasoline currently sold in California is E10.

Since U.S. EPA Waiver Issued, Other States Have Approved Use of E15. Starting in 2010, U.S. EPA has issued various waivers for the adoption of up to 15 percent ethanol in gasoline (known as E15) for 2001 and newer conventional vehicles. (The use of E15 is not authorized for older vehicles, motorcycles, lawnmowers and other types of off-road equipment, delivery trucks, or other types of heavy-duty vehicles.) Since the adoption of those waivers, all other states besides California have authorized the sale of E15. However, according to the U.S. Department of Energy, E15 only is available at roughly 3,000 gas stations across 31 states (roughly 2 percent of gas stations that sell fuel to the public), and E10 continues to be the standard blend nationwide.

Statute Requires Certain Steps Prior to Establishment of Regulations Governing Motor Fuel Specifications. Existing statute requires CARB to undertake specific actions prior to establishing regulations governing motor fuel specifications. For example, CARB must conduct certain analyses, including an evaluation of the environmental impacts of the proposed policy change known as a "multimedia evaluation." CARB reports that a multimedia evaluation includes three main steps (referred to as tiers) that generally involve the following activities: (1) Tier I: summarizing existing research and identifying knowledge gaps; (2) Tier II: conducting experiments to fill the identified knowledge gaps; and (3) Tier III: preparing a final report summarizing the existing and new research and providing findings and conclusions. According to CARB, completing a multimedia evaluation typically takes two to five years. Statute further requires that the multimedia evaluation be approved by the California Environmental Policy Council, which is an entity composed of the heads of seven state environmental protection-related agencies.

CARB Is Undertaking a Process to Consider Allowing E15. CARB indicates that it initiated a multimedia evaluation for E15 in 2018 and finalized the Tier I analysis in 2020. The department has not yet completed Tier II or Tier III but anticipates finishing these remaining steps by summer 2025. Once complete, CARB will use the multimedia evaluation process to determine whether to move forward with developing a regulation to authorize the use of E15 in California.

Governor Issued Directive to CARB Related to E15. In October 2024, Governor Newsom sent a letter to CARB directing the department to expedite its actions related to E15. In that letter, the Governor also indicated that the administration "welcomes a partnership" with the Legislature in 2025 to consider necessary statutory changes and funding that would further expedite CARB's consideration of authorizing the use of E15 in California.

Governor's Proposal

Governor Proposes Ongoing $2.3 Million to Support Development and Implementation of E15 Regulation. The Governor's budget proposes providing $2.3 million on an ongoing basis from APCF and ten positions to complete the regulatory process related to E15, as well as to conduct ongoing program implementation and enforcement of future E15 regulations.

Assessment

Potential Trade-Offs Associated With Shift to E15. Recent reports have highlighted various potential trade-offs associated with E15. For example, in August 2024, the California Energy Commission issued a *Transportation Fuels Assessment* that found that E15 likely would reduce gasoline prices and may present fewer environmental harms than E10. However, the analysis also noted that shifting to E15 could result in a loss of fuel economy of roughly 1 percent, that fueling equipment and some vehicles may lack the capability of operating with E15, and that more analysis is necessary to understand the pollution impacts.

Premature to Provide Ongoing Funding for Program Given Uncertain Outcome of Regulatory Process. To the extent that expediting the development of E15 regulations is a priority for the Legislature, providing resources to support that activity in the near term is reasonable. However, authorizing ongoing funding for CARB positions to support the implementation of the policy now—as the Governor is proposing—would be premature at this time for two reasons. First, whether CARB ultimately will pursue and adopt E15 regulations is uncertain, given that the multimedia evaluation has not yet been completed. Notably, while CARB indicates that thus far its analyses have not identified major environmental or public health concerns associated with E15, it cannot forecast the ultimate outcome of any regulatory process or board action. Second, the program's staffing needs are subject to change as the policy moves from regulation development to implementation and enforcement. Initially, CARB proposes to use the requested staff to complete development of the E15 regulation to bring to the board for consideration by summer 2026. (The department indicates the process likely would take until late 2027 absent the proposed additional resources.) After the regulation has been adopted, CARB indicates that it would use the additional staff for associated implementation and enforcement activities. However, the staff expertise required for regulation development likely would differ from that for implementation and enforcement, potentially resulting in differences in both the number of personnel needed as well as their respective duties.

Modifying Proposal to Provide Limited-Term Funding Would Better Align With Known Workload, but Would Come With Trade-Offs. Because future E15-related workload still is uncertain, a stronger justification exists for modifying the proposal to provide limited-term resources to complete the regulatory process. The Legislature could then revisit the need for and level of ongoing positions and funding once more is known about future implementation and enforcement needs. However, such an approach has associated trade-offs. The administration has indicated that activities which are funded on a limited-term basis present some challenges. For example, attracting and retaining qualified staff to complete activities supported with limited-term funding can be more difficult since associated positions generally provide less stability for employees. This challenge can lead the administration to request ongoing funding and positions even when workload is short term in nature or subject to substantial uncertainty—as the LAO believes is the case with the E15 regulation development and future workload. Yet a key drawback to this approach is that it obligates the state to hire and maintain permanent staff—and support their associated future pension benefits—even when they may no longer be needed or justified after the short-term workload they were brought on to complete has ended. In the case of the E15 proposal, despite the trade-offs involved, the LAO finds that providing limited-term funding to be more appropriate than ongoing support in light of: (1) the uncertainty regarding whether the policy will be implemented; and (2) if it is ultimately implemented, the changing resource needs as the program moves from regulatory development to implementation.

Recommendation

Modify Proposal to Provide Proposed Funding for Positions on a Two-Year, Limited-Term Basis. The LAO recommends providing the requested funding for positions on a two-year, limited-term basis rather than on an ongoing basis. To the extent CARB's multimedia evaluation ultimately supports the development of an E15 regulation, this modified action would provide funding for the development of such a regulation. Should the regulatory process culminate in the adoption of an E15 regulation, CARB could request the requisite amount of ongoing funding for the appropriate number and classifications of permanent positions to implement and enforce the regulation as part of a future budget request. The department will be in a better position to assess the level of this ongoing workload once the regulatory process is complete.

Staff Comments

Members of this subcommittee may wish to ask:

- If the Legislature approves permanent staff, and ultimately, CARB's regulatory process decides to maintain E10, what would happen to the permanent staff?

Staff Recommendation: Hold open.

Issue 6: Permanent Regulatory Staff

The Governor's Budget contains multiple requests for permanent staffing for regulations:

1) Conversion of Limited-Term to Permanent Positions for Advanced Clean Fleets and Zero-Emission Airport Shuttle Regulations

The Governor's Budget requests permanent position authority for 32.5 limited term (LT) positions beginning 2025-26 and $5.8 million in ongoing funding authority starting in 2026-27 from the Air Pollution Control Fund (APCF) to implement the approved Advanced Clean Fleets (ACF) and Zero-Emission Airport Shuttle (ZEAS) regulations. These LT positions were approved in the 2023-24 Zero-Emission Vehicle (ZEV) Portfolio proposal and appropriated in the Budget Act of 2023 (Chapter 12, Statutes of 2023).

2) Implementation and Enforcement of Zero-Emission Forklift Regulation

The Governor's Budget requests $3.5 million from the Air Pollution Control Fund (APCF) for 17.0 permanent staff positions to support policy implementation and enforcement to meet the statutory requirements outlined in the newly adopted Zero-Emission Forklift Regulation (Cal. Code Regs, title 13, § 3000-3011 et seq.). CARB requests 1.0 Air Resources Supervisor, 3.0 Air Resources Engineers, 7.0 Air Pollution Specialists, 3.0 Air Resource Technicians, 1.0 Information Technology Specialist II, 1.0 Attorney III, and 1.0 Associate Governmental Program Analyst. The requested staff would assist an expected large number of regulated entities new to CARB fleet regulations, conduct enforcement investigations, provide information technology support for an updated reporting system, and furnish legal counsel for the newly adopted regulation.

Panel

This panel will include representatives from the California Air Resources Board, Department of Finance, and the Legislative Analysts' Office.

LAO Comments

Background

Legislature Has Delegated CARB Broad Authority to Establish Air Quality and Climate Regulations. Existing statute directs CARB to adopt regulations that are technologically feasible and cost-effective to achieve federal air quality standards and state GHG emission reduction goals. In pursuit of these objectives, CARB has undertaken many actions, including adopting recent regulations such as:

- ***ZEF.*** Requires fleets to phase out the operation of the majority of their Large Spark-Ignition (LSI) powered forklift equipment and prohibits fleets from adding new LSI forklifts after specified cut-off dates.

- ***ACF.*** Requires three types of medium- and heavy-duty vehicle fleets in California to transition to ZEVs according to specified schedules. These include drayage fleets that serve ports and railyards, state and local government fleets, and "high-priority" fleets (fleets of entities that have $50 million or more in gross annual revenue or 50 or more vehicles). The regulation further specifies that manufacturers may sell only zero-emission medium- and heavy-duty vehicles in California starting in 2036.
- ***ZEAS.*** Requires airport shuttle operators to begin adding zero-emission shuttles to their fleets in 2027 and to fully transition to ZEVs by 2036.

Federal Waivers Required for Many of CARB's Regulations. In order to avoid a patchwork of differing state-level regulatory requirements from developing across the country, federal law generally preempts state governments from adopting their own air pollutant emissions standards for new motor vehicles and new motor vehicle engines. Currently, however, federal law includes an exemption specifically for California which allows the state to apply to U.S. EPA for waivers from federal preemption. To date, California has applied for and received over 100 waivers for a variety of air quality and vehicle-related regulations.

Governor's Proposals

The Governor's budget includes two proposals to provide CARB with ongoing resources in order to implement regulations aimed at improving air quality and reducing GHG emissions:

- ***ZEF.*** $3.5 million on an ongoing basis from APCF and 17 positions to support the implementation and enforcement of CARB's recently adopted ZEF regulations.
- ***ACF and ZEAS.*** $5.8 million on an ongoing basis from APCF starting in 2026-27 and the conversion of 32.5 limited-term positions to permanent positions in 2025-26 to implement CARB's recently adopted ACF and ZEAS regulations.

Assessment

Lack of Federal Waivers Prevents California From Enforcing Most Components of ZEF, ACF, and ZEAS Regulations. Because they represent unique state-level vehicle standards, under federal law, CARB must secure federal waivers to enforce the ZEAS and ZEF regulations, as well as most of the ACF regulation. While CARB secured a waiver for the ZEAS regulation in 2023, it has not done so for its ZEF and ACF regulations. Accordingly, while CARB can enforce the ZEAS regulation and certain portions of the ACF regulation, it does not have authority to enforce most of the ACF regulation or any of the ZEF regulation. Moreover, signals from the new federal administration suggest it is not likely to grant California additional waivers and may even attempt to rescind already-approved waivers. For example, on January 20, 2025, President Trump signed an Executive Order stating that it is the policy of the United States to eliminate the "electric vehicle mandate" and to terminate, "where appropriate, state emissions waivers that function to limit sales of gasoline-powered automobiles." Accordingly, CARB is unlikely to be able to enforce the ZEF regulation or most of the ACF regulation for at least the next four years.

Given Lack of Enforcement Authority, Re-Evaluation of Approach Could Make Sense. Together, the Governor's two proposals would provide nearly 50 positions and over $9 million annually from APCF to implement all three regulations. This proposed use of APCF funds comes with trade-offs, as they could otherwise be used to support a variety of other types of regulations and programs that also would help the state meet its climate goals and air pollution standards. As such, the Legislature will want to give careful consideration to which activities it believes will be most cost-effective at achieving the state's objectives. CARB contends that implementing the ZEF and ACF regulations is an important step in helping the state achieve its climate goals and meet air quality standards. However, absent the authority to enforce the bulk of these regulations, the state will likely need to step back and consider whether to shift efforts and resources towards alternative strategies to achieve GHG and air quality goals.

For example, a modified approach could rely more on: (1) other regulations or activities that are covered under existing waivers; and/or (2) activities that are unlikely to require federal waivers, such as financial incentive programs, programs that assess varied fee levels based on a vehicle's emissions, or indirect source rules. (Indirect source rules are regulations that address air pollution from mobile sources that are indirectly associated with a facility. For example, they could require the operator of a warehouse to offset the emissions from the trucks that use its facility.) These types of modified approaches likely would come with trade-offs—including related to costs, expected amounts of emission reductions, and impacts on regulated industries—that would be important for the Legislature to weigh prior to deciding how to move forward.

Lack of Information on State Operations and Vacancy Reductions Complicates Legislative Decision-Making. At the same time that CARB is requesting additional positions to implement these new regulations, the administration is in the process of making reductions that could affect other programs and/or regulations aimed at helping the state meet its climate goals and air pollution standards. Specifically, as mentioned above, the administration currently is in the process of implementing two reductions across nearly all state departments—one aimed at achieving ongoing General Fund state operations savings of up to 7.95 percent beginning in 2024-25 and another aimed at capturing additional savings from permanently eliminating vacant positions regardless of their funding source. As of this writing, CARB has provided minimal details on how these reductions will be implemented across the department. Absent such information, the Legislature has no way to assess how these reductions will affect other existing programs or regulations that might help the state meet its air quality standards and GHG-reduction goals or other key legislative priorities. This complicates the Legislature's efforts to assess whether the proposed new positions are the highest priorities for limited funding, or whether funding might more effectively be used to help maintain support for existing priority programs and regulation implementation.

Recommendations

Direct CARB to Report at Budget Hearings on Potential Approaches to Meeting Goals Given Lack of Waivers. In light of the lack of federal waivers for the ZEF and ACF regulations and resulting limitations on the state's regulatory enforcement abilities, the LAO recommends the Legislature direct CARB to provide information at spring budget hearings on the various types of alternative approaches that the state could explore to meet its climate goals and air quality standards, as well as the associated advantages and disadvantages. This would give the Legislature more information about the types of strategies that it could consider for helping the state meet its goals.

Direct CARB to Report at Budget Hearings on Plans for State Operations and Vacancy Reduction Savings. The LAO recommends that the Legislature direct CARB to provide a detailed report at budget hearings on its plans for the state operations and vacancy reduction savings, including identifying the specific personnel, contracts, and programs that will be affected. The LAO further recommends that the Legislature direct CARB to provide information on any anticipated programmatic impacts of the proposed reductions. Such information is key to enabling the Legislature to better assess (1) how the changes may impact the state's ability to meet its GHG reduction goals and air pollution standards, (2) whether the changes are consistent with legislative priorities, and (3) how to prioritize the Governor's new proposed position and funding augmentations against a broader context of department-wide resources. (Our recent report, *The 2025-26 Budget: State Departments' Operational Efficiencies [Control Sections 4.05 and 4.12]*, provides a framework with some questions the Legislature could ask the administration regarding the impacts of these reductions.)

Direct Implementation Resources Toward Priority Activities. The LAO recommends the Legislature incorporate information that CARB provides at budget hearings—including on alternative options for meeting the state's air pollution standards and GHG emission reduction targets, as well as planned reductions associated with state operations and vacant positions—into its decisions regarding whether to fund the proposed positions to support the ZEF, ACF, and ZEAS regulations. The Legislature could then use this information to more fully evaluate how any additional funding and positions could be used to achieve state goals most cost-effectively. To the extent the administration is not able to provide adequate information to inform legislative decision-making within the time frame of the spring budget hearings, the Legislature could consider rejecting the proposals without prejudice and directing the administration to provide further information prior to requesting ongoing funding at a later date.

Staff Recommendation: Hold open.

Non-Presentation Items

3900 California Air Resources Board

Issue 7: Conversion of Limited-Term to Permanent Positions for Incentives Portfolio

The Governor's Budget requests position authority to convert 25.0 limited term (LT) positions to permanent positions before they expire. These positions were administratively created in the Budget Act of 2022 (Chapter 43, 45, 249, Statutes of 2022) and Assembly Bill (AB) 211 (Chapter 574, Statutes of 2022) to support CARB's expanding incentives portfolio. Converting these positions to permanent will be at no additional cost to the State, and no additional funding authority is needed.

Staff Comments

Staff notes that this proposal is similar to issue 6, but is related to incentive programs, not regulations. Staff notes that this proposal is phase 2 of converting these staff from limited term to permanent (phase 1 was 11 personnel years [PYs]) and phase 3 is expected to be 15 more PYs. These conversions are revenue neutral due to administrative overhead carveouts from previous one time appropriations for incentive programs of roughly 10 percent. In the future (or retroactively), members of this subcommittee may wish to limit administrative overhead to establish programs to 5 percent.

Staff Recommendation: Approve as budgeted when the Subcommittee takes action.

Issue 8: Mobile Source Laboratory Equipment Support and Maintenance Staffing and Trailer Bill

The Governor's Budget requests $8.0 million in ongoing funding starting in 2025-26 from the Certification and Compliance Fund (CCF) for the CARB mobile source laboratory located in Riverside, which is key to investigating and proving when manufacturers violate emissions standards; $6.5 million of the total request will support cost increases in maintenance, service, and training contracts; equipment procurements; and laboratory supplies. CARB also requests an additional $1.5 million ongoing, starting in 2025-26, to refresh and replace laboratory equipment beyond its useful life. This funding would be fully supported by an annual transfer of first, onboard diagnostic deficiency fines paid by manufacturers during the certification process on a yearly basis, and second, from mobile source enforcement settlement penalties deposited in the Air Pollution Control Fund (APCF) for 2025-26 and 2026-27 until the CCF is sufficiently robust to support the allocation.

This includes statutory authority to shift On-Board Diagnostic (OBD) deficiency penalties from enforcement penalties to compliance fee. Currently, manufacturers pay between $5 and $10 million dollars annually in deficiency fines. This trailer bill would clarify that these deficiency fines should be considered compliance fees. Integrating deficiencies into the OBD regulatory and certification fee framework will result in this fund stream being shifted to the CCF, which will help ensure the CCF can support the proposed $8 million annual allocation to support laboratory operations. CARB assumes no increase in revenue from this proposal.

The text can be found here: https://trailerbill.dof.ca.gov/public/trailerBill/pdf/1181.

Background:

CARB's OBD program is a critical component of vehicle and engine emission standards, working to notify the vehicle/engine operator when the engine is not operating properly and needs to be repaired. A "check engine" light is the most well-known portion of this system. The OBD program is incredibly complex and sometimes manufacturers disclose issues in their system which cannot be fixed before vehicles are offered for sale. In these cases, CARB has offered deficiency fines on a limited basis, to settle non-compliance through an enforcement process, and payable to the APCF.

The benefit to the regulated entity is that it will mean they will not have prior enforcement actions stemming from OBD deficiencies (Under Health and Safety Code section 43024, CARB considers certain factors, such as prior non-compliances), so converting it to a compliance fee provides a benefit to the regulated entity.

Staff Comments

CARB staff states that this proposal will have no material effect on fee payers, fees will not increase nor will new entities need to pay these fees. As such, staff views this proposal as technical and recommends approval.

Staff Recommendation: Adopt trailer bill and approve as budgeted when the Subcommittee takes action.

Issue 9: California Environmental Protection Agency Chaptered Legislation Proposals

The Governor's budget requests $120,000 in Fiscal Year (FY) 2025-2026 from the Cost of Implementation Account for consulting and professional services for Analysis of Industrial Sources of Emissions in order to implement SB 941 (Skinner, 2024).

Policy Committee Analysis from last year states: This bill requires the Air Resources Board (ARB), in the next update to its climate change scoping plan, to include a discussion of the availability of zero-emission alternatives to industrial sources of greenhouse gas (GHG) emissions.

Appropriations Committee Analysis states: ARB reports approximately $150,000 in costs from the Cost of Implementation Account to contract for a study, but notes that this bill's implementation timeline does not align with when additional resources would be available to ARB – FY 2025-2026 at the earliest.

Staff Recommendation: Approve as budgeted when the Subcommittee takes action.

Issue 10: California Environmental Protection Agency (CalEPA) Bond and Technical Adjustments

The Governor's Budget requests the following technical adjustments:

#	Title	Item	Description
1	Embodied Carbon Emissions (AB 2446) Encumbrance Date Extension	3900-490	Reappropriate $2,000,000 Cost of Implementation Account from the 2022 Budget Act, and $2 million Cost of Implementation Account from the 2023 Budget Act, related to the implementation of Chapter 352 of the Statutes of 2022 (AB 2446), and to be available for encumbrance or expenditure until June 30, 2027.
2	Reappropriation for the Fiscal Year 2022-23 Administrative Draw Dollars for Various ZEV Incentive Programs	3900-491	Reappropriate $5,900,000 General Fund and $6,760,000 Greenhouse Gas Reduction Fund from the 2022 Budget Act related to the administration of various incentive programs, and $2,200,000 Greenhouse Gas Reduction Fund from the 2022 Budget Act related to the administration of incentive and community air protection programs, and to be available for encumbrance or expenditure until June 30, 2027.
3	Reappropriation for the Fiscal Year 2022-23 Administrative Draw Dollars for the Carl Moyer Air Quality Standards Attainment Program	3900-492	Reappropriate $6,300,000 Air Pollution Control Fund from the 2022 Budget Act, related to the administration of the Carl Moyer Air Quality Standards Attainment Program, and to be available for encumbrance or expenditure until June 30, 2028.
4	Reappropriation for the Fiscal Year 2022-23 Administrative Draw Dollars for Prop. 98 ZEV School Bus Incentive Program	3900-493	Reappropriate $10,000,000 General Fund from the 2022 Budget Act related to the implementation of Zero Emission School Buses administered through the Hybrid and Zero Emission Truck and Voucher Incentive Project and funded by Proposition 98 General Funds and to be available for encumbrance or expenditure until June 30, 2029.

Staff Recommendation: Approve as budgeted when the Subcommittee takes action.

Issue 11: Cap and Trade Administrative Services (WCI, Inc.)

The Governor's Budget requests $1.0 million in 2025-26 and $2.0 million per year on an ongoing basis starting in 2026-27 from the Cost of Implementation Account (COIA) as an incremental increase to the current baseline budget for contract services from the Western Climate Initiative, Inc. (WCI, Inc.). WCI, Inc. provides critical services for the operation of California's Cap-and-Trade Program through a service contract. This request ensures the continuation of administrative and technical services, which are critical to continuing the operation of the Cap-and-Trade Program and achieving the resulting greenhouse gas (GHG) emissions reduction.

Staff Recommendation: Approve as budgeted when the Subcommittee takes action.

Issue 12: Right Sizing of IT Procurement, Contracting, and Business Technology Management

The Governor's Budget requests 2.0 permanent ongoing positions and $439,000 from various funds in 2025-26, and 2.0 additional permanent positions and $840,000 from various funds in 2026- 27 and ongoing. These requested resources will strengthen and mature the overall information technology (IT) procurement, contracting, business technology management, and contract management units. This includes addressing workload capacity issues, updating policies and procedures, addressing deficiencies with asset management, and mitigating risks and incidents within our IT Project Portfolio Management Office (PPMO).

Staff Recommendation: Approve as budgeted when the Subcommittee takes action.

3360 California Energy Commission

Issue 13: Reappropriation and Technical Adjustment Proposal

The Governor's Budget requests for reappropriations to continue implementation of existing authorized programs.

These can be found in sections 3360-491 and 3360-492 of the Budget Act of 2025, here: https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202520260AB227

Staff Recommendation: Approve as Budgeted when the Subcommittee takes action.

Issue 14: Chapter 52, Statutes of 2023 (SB 123), Technical Fix

The Governor's Budget requests statutory language to fix a drafting error from SB 123 (Chapter 52, Statutes of 2023) that meant to provide the Chair of the California Energy Commission with a 5 percent raise each year over three fiscal years in addition to raises under existing law, but the trailer bill was drafted in the wrong code section.

This language can be found here: https://trailerbill.dof.ca.gov/public/trailerBill/pdf/1198

Staff Recommendation: Adopt trailer bill when the Subcommittee takes action.

3355 Office of Energy Infrastructure Safety

Issue 15: Enforcement of the Dig Safe Law

The Governor's Budget requests 7.0 positions and $1,333,000 Safe Energy Infrastructure and Excavation Fund (SEIEF) in fiscal year 2025-26 and ongoing. This proposal will allow the Department to meet its public safety mission by addressing Energy Safety's Underground Safety Board's ongoing and unmet needs associated with the operational alignment of Chapter 809, Statutes of 2016 (SB 661); Chapter 307, Statues of 2020 (SB 865); associated legislation; its partnership in pipeline safety regulatory responsibilities with the Pipeline and Hazardous Materials Safety Administration (PHMSA); excavation safety outreach; and education, as mandated.

Staff Recommendation: Approve as Budgeted when the Subcommittee takes action.

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.