

# California State Assembly



## Informational Hearing Agenda

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

Assemblymember Steve Bennett, Chair

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

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### Greenhouse Gas Reduction Fund Expenditures Oversight Hearing

- I. Opening Remarks and Introductions
- II. California's Current Greenhouse Gas Reduction Fund Investments and Future Options
  - Helen Kerstein, Principal Fiscal and Policy Analyst, Legislative Analyst's Office
  - Dr. Kyle Meng, Associate Professor, Bren School of Environmental Management and the Department of Economics, University of California, Santa Barbara
  - Dr. Danny Cullenward, Vice Chair of the California Independent Emissions Market Advisory Committee and Senior Fellow, Kleinman Center for Energy Policy, University of Pennsylvania
- III. Public Comment
- IV. Member Discussion

## Background

### History

California's Cap and Trade program was first authorized in 2006 (AB 32, Núñez). The program was intended to create a market based mechanism for the State to help reach its statutory greenhouse gas (GHG) emission target of returning to 1990 levels by 2020. The first auction of allowances was held on November 14, 2012. This legislation passed on a majority vote and thus the revenue was considered a fee and expenditures were tied to programs that reduced emissions. The Legislature first appropriated GGRF in 2014.

The program was reauthorized in 2017 (AB 398, E. Garcia) to extend the program until January 1, 2031 for emissions through December 31, 2030. This bill was passed with a two thirds vote, allowing the revenue to be considered a tax and thus allowing revenue to be spent however the Legislature decides. The current program is set to help the State reach its statutory GHG reduction target of at least 40 percent below the 1990 level by 2030. In 2022, AB 1279 (Muratsuchi) established a GHG goal of at least 85 percent below the 1990 level by 2045 and zero net carbon emissions by 2045, commonly known as carbon neutrality.

More background on the program can be found here:

[https://climatechange.policies.legislature.ca.gov/system/files/2025-02/final-background-document-jlcccp-hearing-2\\_26\\_25.pdf](https://climatechange.policies.legislature.ca.gov/system/files/2025-02/final-background-document-jlcccp-hearing-2_26_25.pdf).

### Revenue

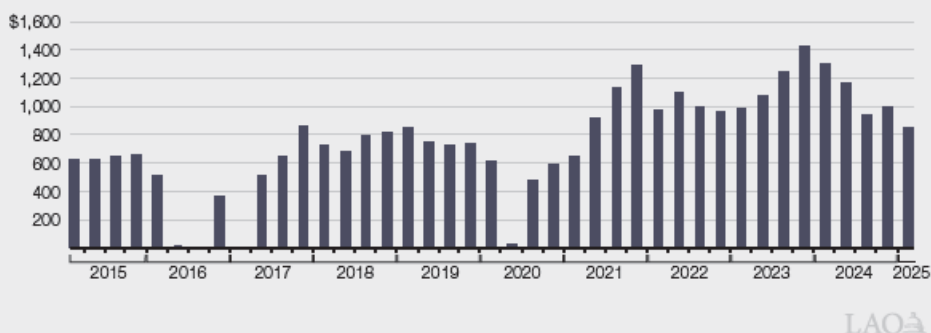
To date, Cap and Trade has generated \$32.2 billion for the Greenhouse Gas Reduction Fund (GGRF).

Revenue is generated during quarterly auctions typically held in February, May, August, and November. Under current regulations, the California Air Resources Board (CARB) sells about half of these allowances at quarterly auctions and the revenues are deposited into GGRF. (The remaining half of allowances are given away for free to electric utilities, natural gas suppliers, and industrial facilities.)

Auction revenue is volatile, as shown by the following chart by the Legislative Analyst's Office (LAO).

## Quarterly Cap-and-Trade Auction Revenue Has Fluctuated Over Time

(In Millions)



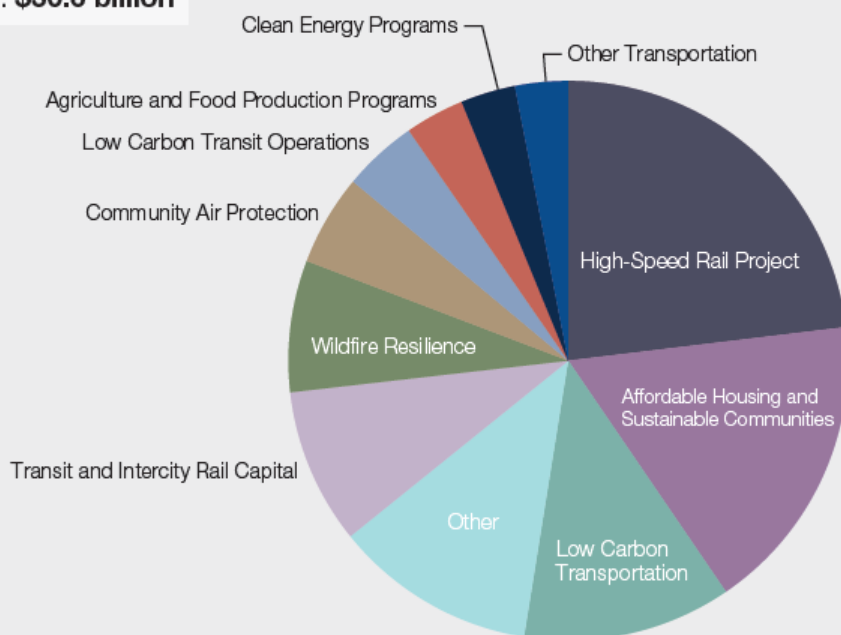
## Expenditures

Currently, statute continuously appropriates 65% of program revenues to various programs and allocates another roughly \$400 million per year. Any remaining revenue is considered discretionary funding and subject to annual appropriation through the Budget Act. The LAO's pie chart below visualizes the top funding categories:

## Cumulative Cap-and-Trade Spending by Area

2013-14 Through 2023-24

Total: **\$30.6 billion**



The statutory commitments consist of:

### Continuous Appropriations and Other Statutorily Required GGRF Appropriations

Program	Department	Appropriation Amount
High-speed rail project	HSRA	25 percent of annual revenues
Affordable Housing and Sustainable Communities Program	SGC	20 percent of annual revenues
TIRCP	CalSTA	10 percent of annual revenues
Low Carbon Transit Operations Program	Caltrans	5 percent of annual revenues
Healthy and resilient forest activities	CalFire	\$200 million
Safe and Affordable Drinking Water Program	SWRCB	5 percent of annual revenues (up to \$130 million)
Manufacturing tax credit	N/A	Roughly \$100-\$140 million
State Responsibility Area fee backfill	CalFire	Roughly \$70-\$90 million

GGRF = Greenhouse Gas Reduction Fund; HSRA = High-Speed Rail Authority; SGC = Strategic Growth Council; TIRCP = Transit and Intercity Rail Capital Program; CalSTA = California State Transportation Agency; Caltrans = California Department of Transportation; CalFire = California Department of Forestry and Fire Prevention; SWRCB = State Water Resources and Control Board; and N/A = not applicable.

When Cap and Trade was reauthorized via AB 398 (2017), it directed GGRF to backfill the State Responsibility Area fee and the manufacturing tax credit.

In 2019, SB 200 (Monning) continuously appropriated 5% of GGRF, capped at \$130 million) per year for the Safe and Affordable Drinking Water Program (SAFER). The bill created a backstop of General Fund if the GGRF did not meet the \$130 million commitment (but GGRF has been used as well).

The \$200 million annual commitment for wildfire prevention programs ends after 2028-29 unless extended by the Legislature. This was adopted in the Budget Act of 2021. This funding is considered “off the top” and is allocated before the continuous appropriations are calculated.

Additionally, the AB 617 (C. Garcia, 2017) established the Community Air Protection Program to enable local air districts and disadvantaged communities (known as DACs and determined by CalEnviroScreen per Health and Safety Code Section 39711) to develop local plans to reduce emissions in their communities and monitor local air pollution. This program has received \$1.8 billion from GGRF thus far, and is projected to receive \$250 million annually from the discretionary funding side.

The most significant funding category from the discretionary pot of GGRF is a suite of zero to low emission transportation programs through CARB and the California Energy Commission (CEC). These include vehicle incentive and charging infrastructure programs like the Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project (HVIP), Clean Cars For All, Clean Vehicle Rebate Project (CVRP), California Electric Vehicle Infrastructure Project (CALeVIP), and Funding Agricultural Replacement Measures for Emission Reductions (FARMER)

Other categories that receive discretionary GGRF include: sustainable agriculture, extreme heat, home energy efficiency retrofits, waste diversion and organic recycling, Clean Off Road Equipment Vouchers (CORE), and the Transformative Climate Communities program.

Additionally, statute requires that 35% of California Climate Investments be allocated to disadvantaged communities, low-income communities and low-income households, collectively referred to as priority populations. As of May 2024, 75% (about \$8.5 billion) of implemented California Climate Investments project funding is benefiting priority populations, greatly exceeding statutory requirements (High-Speed Rail expenditures are not included in these calculations).

Lastly, the GGRF currently supports \$117 million in baseline operations per year, which is typically staffing and resources for state agencies.

### **Program Descriptions**

***High-Speed Rail.*** Funding for the Statewide High-Speed Rail project in development to connect San Francisco and Los Angeles and eventually, Sacramento to San Diego. As of November 2024, the project has received \$7.4 billion and is focusing in building an all-electric, dual track system between Merced to Bakersfield. Nearly all the environment clearance has been completed. Estimated cumulative greenhouse gas (GHG) Well-to-Wheels emissions avoided from the California High-Speed Rail project is up to 142.6 million metric tons of carbon dioxide equivalents (MTCO<sub>2</sub>e) over its first 50 years of operating life, as detailed in the Table 4.0 of the [2024 California High-Speed Rail Sustainability Report](#).

***Affordable Housing and Sustainable Communities Program: California Strategic Growth Council (SGC).*** Funds affordable housing loans and other capital grants for housing-related infrastructure, sustainable transportation infrastructure, transportation-related amenities, and related programs through a competitive statewide program. As of November 30, 2023:

- \$4,478.8 million allocated (\$5.6 billion as of November 2024)
- \$1,932.9 million implemented
- \$1,672.0 million benefiting priority populations
- 3,590,596 MTCO<sub>2</sub>e estimated GHG emissions reductions (\$538 per MTCO<sub>2</sub>e)
- 140 projects implemented
- 12,946 units under contract (as of May 2024).

***Transit and Intercity Rail Capital Program: California State Transportation Agency.*** Provides competitive funds for capital improvements that modernize California's intercity rail, bus, ferry, and rail transit systems. The investments seek to: reduce GHGs, expand and improve transit service to increase ridership, integrate the rail service of the state's various rail operations including integration with the high-speed rail system, and improve transit safety. Statute requires at least 25 percent of available funding to projects that provide a direct, meaningful, and assured benefit to disadvantaged communities. As of November 30, 2023:

- \$2,508.0 million allocated (\$3.8 billion as of November 2024)
- \$1,694.3 million implemented
- \$1,600.4 million benefiting priority populations
- 23,458,701 MTCO<sub>2</sub>e estimated GHG emissions reductions (\$72 per MTCO<sub>2</sub>e)
- 245 projects implemented.

**Low Carbon Transit Operations Program (LCTOP): CalTrans.** Provides operating and capital assistance for transit agencies to reduce GHGs and improve mobility, with a priority on serving disadvantaged communities. This funding is formula based and not competitive. Approved projects in LCTOP support new or expanded bus or rail services, expand intermodal transit facilities, and may include equipment acquisition, fueling, maintenance and other costs to operate those services or facilities, with each project reducing GHGs. For agencies whose service area includes disadvantaged communities, at least 50 percent of the total moneys received shall be expended on projects that will benefit disadvantaged communities. As of November 30, 2024:

- \$1.4 billion allocated
- \$1,228.4 million implemented
- \$1,144.6 million benefiting priority populations
- 7,446,613 MTCO<sub>2</sub>e estimated GHG emissions reductions (\$165 per MTCO<sub>2</sub>e)
- 1,123 projects implemented.

**Safe and Affordable Drinking Water Program: State Water Resources Control Board (SAFER).** This program provides solutions to water systems, especially those serving disadvantaged communities, to address both their short- and long-term drinking water needs. The funding can be used for a broad range of activities for communities and water systems, including emergency water supplies, technical assistance, actions to consolidate water systems, planning support, funding for capital construction projects, and direct operations and maintenance support. As of November 30, 2023:

- \$603.8 million allocated (\$733 million as of November 2024)
- \$161.1 million implemented
- \$159.4 million benefiting priority populations
- 80 projects implemented
- At least \$18.3 million benefiting low-income households
- At least 7,556 low-income households benefiting from projects
- Since 2019, approximately 900,000 more Californians have gained access to safe, affordable drinking water, reducing the number of people without access to safe drinking water from 1.6 million to 700,000.

**Manufacturing Tax Credit: California Department of Tax and Fee Administration.** Per AB 398 (E. Garcia, 2017) the GGRF backfills the General Fund for lost tax revenue as a result of extending the manufacturing partial sales and use tax exemption to electric utilities and agriculture business activities. The tax credit is found in Section 6377.1 of the Revenue and Taxation Code. The tax credit resulted in the following amounts per year:

- \$152.7 million in 2024, with \$144.3 million for electric utilities and \$8.3 million for agricultural business
- \$130.7 million in 2023, with \$123.5 million for electric utilities and \$7.1 million for agricultural business.

**State Responsibility Area Fee Backfill: CalFire.** Per AB 398 (E. Garcia, 2017) the GGRF backfills CalFire for lost fee revenue from suspending the State Responsibility Area Fire Prevention Fees authorized under Section 4213 of the Public Resources Code. Owners of habitable structures in the State's Responsibility Area (SRA) were responsible for paying an

annual fee for firefighting services from CalFire. The SRA is the area of the state where the State of California is financially responsible for the prevention and suppression of wildfires. The SRA does not include lands within incorporated city boundaries or federally owned land. The SRA map can be found here: <https://bof.fire.ca.gov/projects-and-programs/state-responsibility-area-viewer/>. The most recent fee amount was \$152.33 per habitable structure located within the SRA for the period July 1, 2013 through June 30, 2017. If the habitable structure was also within the boundaries of a local agency that provides fire protection services, the property owner received a \$35.00 reduction for each habitable structure. Approximately 98% of habitable structures in the SRA are covered by a local fire protection agency resulting in most bills amounting to \$117.33 per habitable structure. This backfill totals \$84.3 million in 2025.

**Healthy and Resilient Forests: CalFire.** Funds a suite of wildfire prevention and forest health programs including: (1) Wildfire Prevention Grants- Funds hazardous fuels removal, wildfire prevention planning, wildfire prevention education, and wildfire prevention research with an emphasis on improving public health and safety; (2) Forest Health- Grants to regionally based partners and collaboratives for landscape-scale reforestation, fuels reduction, pest management, prescribed fire, and forest biomass utilization; and (3) Urban and Community Forestry- Urban forest expansion, management, and improvement, and utilization of urban tree waste for wood products and bioenergy.

### **Expenditure Plans**

Typically, the discretionary funding from GGRF is adopted annually through the Budget Act. In 2024, the Budget Act adopted a five year GGRF spending plan, committing funds through fiscal year 2028-29. While the Legislature can adjust these commitments, these funds are claimed through 2027-28, roughly halfway committed through 2028-29, and unspent in 2029-30.

The five year plan is here (dollars in millions):

Program	Dept.	2024-25	2025-26	2026-27	2027-28	2028-29
Drinking water/wastewater projects (Water)	SWRCB	\$225	\$30	—	—	—
Drayage trucks & infrastructure (ZEV)	CEC	157 <sup>a</sup>	—	—	—	—
Flood projects (Water)	DWR	126	—	—	—	—
ZEV fueling infrastructure grants (ZEV)	CEC	120 <sup>a</sup>	—	—	\$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 <sup>a</sup>	—	—	—	—
Protecting wildlife (NBA)	WCB	70	—	—	—	—
Emerging opportunities (ZEV)	CARB	53	—	—	—	—
Fire prevention grants (Wildfire)	CalFire	40	—	—	42	—
Transit buses & infrastructure (ZEV)	CEC	29 <sup>a</sup>	—	—	—	—
Ocean protection activities (Coastal)	OPC	28	—	37	—	—
Extreme heat/community resilience (Extreme heat)	OPR	25	—	—	—	—

Program	Dept.	2024-25	2025-26	2026-27	2027-28	2028-29
Equitable Building Decarbonization (Energy)	CEC	25	—	—	93	—
Long duration storage (Energy)	CEC	23 <sup>a</sup>	26	—	—	—
Carbon removal innovation (Energy)	CEC	20 <sup>a</sup>	—	—	—	—
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)	LCI	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	—
Competitive and formula-based TIRCP	CalSTA	\$958 <sup>a</sup>	\$368	\$20	—	—
Vulnerable community toxic cleanup	DTSC	65	—	43	—	—
Diablo Canyon land conservation	Various	40	10	50	\$50	—
Clean Energy Reliability Investment Plan	CEC	—	50	150	50	\$650
Highways to Boulevards	Caltrans	—	25	50	—	—
Oil well plug/abandonment	DOC	—	—	50	—	—
AB 617—Community Air Protection	CARB	\$250	\$250	\$250	\$250	\$250
Zero Emission Transit Capital Program (SB 125)	CalSTA	—	—	230	460	—
Salton Sea activities	Various	65	3	—	—	—
Community renewable energy	CPUC	—	25	—	—	25
<b>Totals</b>		<b>\$2,750</b>	<b>\$1,783</b>	<b>\$1,794</b>	<b>\$1,799</b>	<b>\$925</b>

<sup>a</sup>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 Water Efficiency and Enhancement Program; CARB = California Air Resources Board; CalFire = California Department of Forestry and Fire Protection; OPC = Ocean Protection Council; LCI = Governor's Office of Land Use and Climate Innovation; 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

For visualization, the LAO has developed the Governor's Proposed 2025-26 Cap-and-Trade Expenditure Plan below (*in millions*):

	Department	Proposed in 2025-26 Budget
<b>Continuous Appropriations<sup>a</sup></b>		<b>\$2,576</b>
High-speed rail project	HSRA	\$936
Affordable Housing and Sustainable Communities Program	SGC	749
TIRCP	CalSTA	374
Healthy and resilient forests activities	CalFire	200
Low Carbon Transit Operations Program	CalTrans	187
Safe and Affordable Drinking Water Program	SWRCB	130
<b>Other Existing Statutory Commitments</b>		<b>\$346</b>
Manufacturing tax credit	N/A	\$141
Baseline operations	Various	117
State Responsibility Area fee backfill	CalFire	88
<b>Discretionary Appropriations</b>		<b>\$1,832</b>
<b>2024-25 Budget Agreement</b>		<b>\$1,783</b>
<b>New Proposals</b>		<b>\$49</b>
Motor Vehicle Account offset	CARB	\$81
CERIP	CEC	-32 <sup>b</sup>
<b>Total</b>		<b>\$4,754</b>
<sup>a</sup> Based on Governor's revenue assumption of \$4.2 billion in 2025-26. <sup>b</sup> Governor proposes shifting \$32 million of planned spending on CERIP from GGRF to Proposition 4.  HSRA = High-Speed Rail Authority; SGC = Strategic Growth Council; TIRCP = Transit and Intercity Rail Capital Program; CalSTA = California State Transportation Agency; CalFire = California Department of Forestry and Fire Prevention; SWRCB = State Water Resources and Control Board; N/A = not applicable; CARB = California Air Resources Board; CERIP = Clean Energy Reliability Investment Plan; and CEC = California Energy Commission.		

## Reporting

The State documents the California Climate Investments on their website here:

<https://www.caclimateinvestments.ca.gov/>.

Specific project data can be sorted by category, department, priority populations, Legislative districts, and other categories here:

<https://experience.arcgis.com/experience/3ab9207fa18a4597bd4c52eccd570b6c>.

The 2024 annual report can be found here: [https://ww2.arb.ca.gov/sites/default/files/auction-proceeds/ccl\\_annual\\_report\\_2024.pdf](https://ww2.arb.ca.gov/sites/default/files/auction-proceeds/ccl_annual_report_2024.pdf) and a data dashboard here: <https://www.caclimateinvestments.ca.gov/ccl-data-dashboard>.

A May 2024 Mid-Year report ([https://ww2.arb.ca.gov/sites/default/files/2024-12/2024-CCI-Mid-Year\\_Update.pdf](https://ww2.arb.ca.gov/sites/default/files/2024-12/2024-CCI-Mid-Year_Update.pdf)) documents \$11.6 billion from GGRF with expected GHG reductions of 112.8 million metric tons of carbon dioxide equivalent over project lifetimes, so roughly \$102.8 per metric ton. This \$11.6 billion constitutes programs that were fully implemented and reported project outcomes by May 2024, excluding High-Speed Rail. Subsequent reports will continue to document outcomes from more recently appropriated and implemented funding. The 2025 annual report will be published soon. Outcomes include:

- 584,440 individual projects
- 12,946 affordable housing units
- 234,239 urban trees planted
- 1,248 transit projects funded
- 422,657 rebates for zero-emission and plug-in hybrid vehicles
- 967,985 acres of land conservation and restoration.

High-Speed Rail reports economic impact can be found here: <https://hsr.ca.gov/programs/economic-investment/>. As of June 2024, it states:

- 109,000 job years created
- \$8.3 billion in labor income
- \$21.8 billion in economic output.

### **Affordability and the California Climate Credit**

While not on the expenditure side of GGRF, the current Cap and Trade regulations provide free allowances to electric and natural gas utilities that are used to lower California utility bills. This equals 38% of allowances in the history of the program to date.

As of March 2025, \$17 billion in auction proceeds have gone to investor-owned utilities (IOUs) and \$2.5 billion has gone to publicly owned utilities (POUs) and electric coops.

For investor owned utilities, 85% of these proceeds are required to be automatically applied as a credit on customer bills twice per year (typically in April and October) via the California Climate Credit. The California Climate Credit has returned more than \$14 billion to IOU ratepayers, averaging \$1,120 per household since 2014. In 2025, a residential household in the Pacific Gas and Electric territory will receive \$183.49 if they have a mixed fuel home. Small businesses and emissions-intensive trade-exposed customers also receive a credit. In addition to the California Climate Credit, 15% of IOU auction proceeds are set aside for clean energy and energy efficiency programs.

POUs and coops have more flexibility with how they use their free allowances, including for compliance, energy efficiency, renewable energy, or customer programs. In addition to auction proceeds, \$3.18 billion in allowances were deposited for compliance between 2013-2023.

**Staff Comments****How Does Cap and Trade Reauthorization Impact the Budget?**

Statutory or regulatory changes to the Cap and Trade program can significantly change the GGRF revenue available to the Legislature to appropriate, by either decreasing it or increasing it. This will impact the dollar amount that the continuous appropriations receive. The Legislature could also allocate all GGRF revenue continuously and end the annual appropriation of discretionary funds. Alternately, the Legislature could direct funding to state agencies to allocate as they see fit.

Additionally, the Legislature could decide when any funding decisions take effect. Will funding commitments start in 2030 or 2031 when the “extension period” begins, or would the Legislature like to alter funding commitments as soon as this year? As noted above, the discretionary GGRF revenue has largely been accounted for until 2029-30. Altering funding commitments before the 2030 extension period could impact these commitments.

**What Should GGRF Fund?**

When the program was originally created, the auction proceeds were a fee and expenditures were required to be related to reducing emissions. When the program was reauthorized in 2017, the proceeds became a tax and thus enabled the Legislature to appropriate GGRF for any purpose. The Legislature has tried to keep expenditures focused on reducing emissions and addressing climate change.

As the Legislature considers reauthorizing the program, this subcommittee may wish to consider if the funds should be used solely or mostly for reducing emissions, lowering costs to Californians, adapting to a changing climate by investing in wildfire, extreme heat, flood, or sea level rise programs, or as general revenue.

There has been an increased focus on electric rate affordability and the ability for Cap and Trade program design and GGRF to lower rates. While future GGRF revenue and policies on utility allowances have not been determined yet, the full value of these in 2025 is roughly \$6.4-7.4 billion. That is \$2.4 billion for proceeds from utility allowances and \$4-\$5 billion for the entire state auction revenue for GGRF, which is unpredictable. The Public Advocate’s Office estimated that the cost of public purpose programs in 2023 was \$2.1 billion. These could be funded by Cap and Trade by eliminating the California Climate Credit or directing all discretionary GGRF revenue to cover the public purpose programs. An analysis from the Assembly Utilities and Energy Committee found “assuming ratepayer-funded wildfire mitigation continues at the \$5 billion per year level, as indications from SDG&E territory suggest, the state would need to dedicate every penny of GGRF to IOU wildfire mitigation. Such an action would save ratepayers about \$20/month, but lose every (natural) resource, transportation, and housing priority currently funded by GGRF.” GGRF revenue is highly volatile and may result in annual cuts to energy programs or subsidies to the extent the programs are moved off of utility bills and onto GGRF.

Staff believes that lowering electric rates can help the state reach its climate goals, as many of the State’s emission reduction strategies are based on electrifying different sectors (like

transportation and buildings). If the Legislature would like to direct more Cap and Trade revenue to lowering rates, staff recommends using the funds to drive down utility costs by funding capital investments. This could have a greater impact on rates than just a \$1 for \$1 transfer. This concept will be tested with the transmission financing program via Proposition 4 and the federal GRIP 2 grant.

### **Revisiting Continuous Appropriations and Statutory Commitments**

Members of the Legislature should take the opportunity to assess if the continuous appropriations currently funded by GGRF are still their top priorities and if they would like to see them continue if the program is reauthorized.

While these funding commitments can be amended at any time, continuous appropriations do not come before the Legislature via the annual Budget Act and thus may be seen as having less public scrutiny. Additionally, policy bills altering programs with continuous appropriations often require a two-thirds vote to amend (unless they are a budget trailer bill). This can limit the Legislature's ability to reform these programs in the future. For these reasons, staff recommends the Legislature be judicious in keeping or adding continuous appropriations.

Members of this subcommittee should consider if the continuously appropriated programs are still priorities, if the percentage of funding is the correct amount, how future funding will be used, or if programmatic reforms are needed.

If the Legislature decides to remove (or lower) an existing continuous appropriation, the General Fund likely will not be able to support these expenditures in the short term, so Members should expect the program to go unfunded or underfunded compared to the current GGRF dollars. It is possible that the Legislature could fund these programs later, but not at the consistency that a continuous appropriation provides.

Members may wish to establish a floor or cap of funding instead of (or in addition to) a percentage, like the SAFER program. GGRF revenues have grown significantly in recent years, which has increased funding for these programs, possibly above what the Legislature planned. Additionally, revenues declined, as we have seen during the COVID 19 pandemic and when the program was nearing the last statutory sunset deadline. The Legislature could create a minimum floor appropriation in these circumstances (not to exceed revenue).

Members may wish to add new continuous appropriations. Members may want to consider converting the existing wildfire prevention funding and AB 617 (2017) Community Air Protection Program for disadvantaged communities to continuous appropriations.

Staff recommends only creating continuous appropriations for proven programs that the Legislature does not anticipate needing to amend or reform in the near term. Staff recommends ensuring that these programs are defined in statute and appropriating funds to specifically named programs, not broad categories.

Alternately, the Legislature could statutorily dedicate a percentage, or fixed dollar amount, of funding to specific categories, but subject to appropriation via the annual Budget Act to ensure continued public and Legislative oversight. Staff believes this would be helpful for zero-emission

vehicle incentives and infrastructure programs. Staff believes ensuring dedicated and predictable funding for this area would be helpful, but does not believe that the current programs warrant autopilot funding since the market is constantly changing. Committing to funding, but requiring it to be subject to appropriation would allow the Legislature to alter rebate amounts or focus programs on different sectors and priority communities when needed without ceding all authority to the State agencies implementing these programs.

### **Request for Future Dollars**

Staff has seen the following requests for new GGRF dollars:

- Provide Sustained Zero-Emission Vehicle and Infrastructure Funding through GGRF Set Aside
- 8.8% continuous appropriation or \$350 million annually for Equitable Building Decarbonization
- 3.75% continuous appropriation or \$150 million annually for Community Resilience Centers
- 3.75% continuous appropriation or \$150 million annually for Transformative Climate Communities
- 3.75% continuous appropriation for Urban and Community Forestry
- 3.75% continuous appropriation for Urban Greening
- 1% for independent program evaluation
- 15% continuous appropriation to advance agricultural climate solutions and ensure food affordability
- Ensure that high-speed rail expenditures invest in local rail projects that can provide connectivity and utility now, and, provide increase funding for transit capital and operations needs
- Securitize \$10 billion dollars over the next three years to rebuild of climate-vulnerable infrastructure in Los Angeles, and accelerate the transition to zero emissions heavy duty trucks, school and transit buses, and associated charging infrastructure, along with shared mobility solutions for disadvantaged communities prior to the Los Angeles 2028 Olympics.

Staff has seen the following requests to maintain existing continuous appropriations:

- 5% for SAFER
- Transit funding (TIRCP and LCTOP).

### **Questions**

Members of this subcommittee may wish to ask the following questions:

#### **LAO**

- Stakeholders have suggested securitizing future GGRF revenues to enable us to spend funds now. Do you have any cost estimates of how much this would cost to finance or any benefits or downsides we should consider?

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.