

California State Assembly



Informational Hearing Agenda

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

Assemblymember Steve Bennett, Chair

Tuesday, May 20, 2025
9:30 A.M. – State Capitol, Room 437

2025-26 May Revision Proposals

- I. **Legislative Analyst's Office Overview of the Governor's May Revision Proposals on Transportation, Climate Change, Natural Resources, Environmental Protection, and Energy**
 - Rachel Ehlers, Deputy Legislative Analyst, Legislative Analyst's Office
- II. **Presentation Calendar**
- III. **Member Discussion on Non-Presentation Items**
- IV. **Public Comment***

**Certain proposals as noted will have public comment after the presentation to enable dialogue on those items only, but the majority of public comment will be at the end of the hearing.*

This hearing may pause for a lunch break and resume in the afternoon.

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Items To Be Heard

Various

Issue 1: Delta Conveyance and Water Quality Control Plan Trailer Bills

The Administration's May Revision includes two trailer bills related to the Delta Conveyance Project.

1. Water Quality Control Plan California Environmental Quality Act (CEQA) Recirculation

- *What would the proposed trailer bill language do?*

The proposed trailer bill language would provide a Class 8 categorical exemption from the California Environmental Quality Act to actions taken to complete regional water quality control plans conducted by the State Water Resources Control Board and the 9 California regional water.

- *What is a Class 8 categorical exemption to CEQA?*

Class 8 consists of actions taken by regulatory agencies, as authorized by state or local ordinance, to assure the maintenance, restoration, enhancement, or protection of the environment where the regulatory process involves procedures for protection of the environment. Construction activities and relaxation of standards allowing environmental degradation are not included in this exemption.¹

By deeming certain actions taken by a regulatory agency Class 8, they are considered to have little to no significant environment impact and are not subject to full environmental review under CEQA.

- *What is a regional water quality control plan?*

Water quality control plans adopted by the State Water Board include the Ocean Plan and the Bay-Delta Plan. Each regional board also adopts their own water quality control plans, subject to State Water Board approval.

Water quality control plans identify the beneficial uses of California's waters, establish water quality objectives to reasonably protect those beneficial uses, and include a program of implementation to protect uses and implement objectives within plans' boundaries. Beneficial uses are the recognized uses of California waters, such as municipal and domestic water supply, agricultural water supply, industrial water supply, recreation, commercial fishing, and cold and warm habitat for fish and wildlife.

¹ Section 15308, page 310 of 2024 CEQA Statute Guidelines

https://www.califaep.org/docs/2024_CEQA_Statute_and_Guidelines_Handbook.pdf

- *What is the need for the trailer bill language?*

Water Quality Control Plans: (1) define beneficial uses; (2) set water quality objectives; and (3) guide how the state allocates and regulates water to protect those uses.

While the water quality control planning program has been certified by the Secretary of Natural Resources as a regulatory program is exempt from CEQA's requirement to prepare an environmental impact report, the Water Boards must currently still comply with the certified regulatory program requirements under CEQA.

According to the Administration, "Water Boards have found that compliance with the certified regulatory program requirements of CEQA presents a further significant obstacle to timely updates and adoption of water quality control plans.

Moreover, the Water Boards' additional actions to comply with CEQA and shield its decisions from CEQA challenges do not seem to yield additional environmental benefit, in part, because the water quality control planning actions already are intended to protect the environment.

Often the additional CEQA requirements create procedural and legal uncertainty that increases the costs, resources, and length of time necessary to adopt water quality control plan amendments. Sometimes, these delays can be years long, and prevent other environmental protection projects from proceeding.

For example, the State Water Board estimates that many years of delay in adopting the 2018 Bay-Delta Plan update and for the current update to the Sacramento River, Delta, and east tributaries arise from delay attributable to CEQA and to minimizing the legal risks associated with CEQA."

2. Delta Conveyance Project

- *What would the proposed trailer bill language do?*

The trailer bill would:

1) Exempt the Department of Water Resources from obtaining an appraisal or providing a written appraisal to the owner of real property to be acquired by the department for the acquisition of any easement, right-of-way, covenant, or other interest in real property related to the development of the State Water Project.

2) Exempt the acquisition of any real property by the Department of Water Resources from current law which requires that the Director of General Services approve any time the State plans to sell, lease, or give someone rights to use its land or buildings.

3) Require the State Water Resources Control Board to cancel a protest against approval of a permit to appropriate water if that protest fails to meet the specified requirements of

a protest; current law is permissive in allowing the Water Board the ability to cancel protests.

4) Authorizes the department to advance funding to an electric service provider or a publicly owned electric utility for necessary work associated with the latter provision.

5) Prohibits the repayment of any money or the value of any rights of way, labor, materials, or property until all bonds used to fund that part of the project have been fully made, and then, only repayment can occur only from revenue received from the operation of the project.

6) Clarifies that the Delta Conveyance Project is a part of the Feather River and Sacramento-San Joaquin Delta Diversion Projects.

7) States that all units of the Feather River and Sacramento-San Joaquin Delta Diversion Projects, including the Delta Conveyance Project, are not subject to the permit requirements in Article 4 of Chapter 6 of Part 2 of Division 2 of the Water Code (Application to Beneficial Use and Construction of Works) and Article 5 of Chapter 6 of Part 2 of Division 2 of the Water Code (Revocation of Permit).

8) Places specified streamlining requirements on any legal action or proceeding involving the Delta Conveyance Project, including a requirement to resolve, to the extent feasible an action or proceeding within 270 days of filing of the certified administrative record or certified record of proceedings with the court, as provided.

- *What is the need for the trailer bill language?*

According to the Administration, “The State Water Project supplies water to more than 27 million Californians, is the backbone of the state’s economy, and the service area it supports would qualify as the eighth largest economy in the world if it were its own nation. The importance of modernizing its infrastructure to address known changes to our climate. The Delta Conveyance Project is a vital climate change adaptation project that, after decades of development, study, planning and review, must move forward to ensure the long-term affordability of water for California’s residents and its economy. California must clear a path for innovation by unwinding overly complicated processes that create delay.

These proposals will streamline administrative processes for the Delta Conveyance Project and will significantly save time and cost to adapt the State Water Project to the effects of climate change and protect against earthquake risk. These actions preserve environmental protections while promoting efficiency and expediency. They will allow the state’s most important surface water supply and climate adaptation project to save years, and billions of dollars by avoiding delays.”

LAO Comments

Defer Without Prejudice and Consider Later. The Legislature has only a few weeks to review the May Revision and develop its own budget plan. Finalizing this year's budget plan involves challenging trade-offs that likely will impact service levels provided to Californians. As such, we recommend that the Legislature defer these two policy-driven May Revision proposals that have limited budget implications to later in the year (or beyond). Some of the proposed policy changes are quite significant and could have far-reaching impacts, and also are not urgently required in order to implement the budget that must be passed and signed by June 30. Delaying action on these proposals would allow the Legislature more time and capacity for sufficient consideration of their potential benefits, implications, and trade-offs.

Staff Comments

Staff recommends that public comment related to this item will be offered while the administration witnesses are present to enable further dialogue on this item.

In 2023, the Administration proposed a set of policies a part of the May Revision seeking to streamline various infrastructure projects. The Assembly Natural Resources Committee conducted an informational hearing on the infrastructure package. The following analysis is excerpted from the committee's agenda:

“Legislative Policy and Budget Committees Serve Two Distinct, Yet Important, Purposes.

The Legislature utilizes policy and budget committees in two distinct matters. The budget committees evaluate executive agencies and policy priorities based on the impact to the state's budget and track agencies' progress toward overall legislative priorities. The Legislature's policy committees are primarily focused on the merits of various policy proposals and their impacts on everyday Californians. Although somewhat time consuming, the policy committee process ensures that legislation is well-designed by the time it reaches the Governor's desk.

The Governor has expressed a desire that the Legislature include these streamlining proposals as “trailer bills” in the 2023-24 State Budget. As a whole, this package of bills represents significant policy changes in various areas. Considering these proposals late in the Budget process significantly limits transparency and public input. Hastily considering these proposals also increases the potential for creating unintended consequences while limiting the Legislature's ability to evaluate whether the proposals will actually lead to the positive impacts envisioned by this Administration.

Furthermore, while accelerating the development and construction of critical infrastructure is a laudable and shared goal, each of these proposals should be evaluated to determine whether it is necessary to take legislative action in June as part of the Budget, or if it is even necessary to undertake a truncated legislative process to consider these proposals through the remainder of this legislative year.”

Staff understands that this is not the first nor will be the last time an Administration in California will try use the budget process to pass significant policy changes. However, it is the Legislature's prerogative to determine whether the policy brought forward is of the urgency, importance, and aligned priority of its members to move it through the budget.

By focusing on process, staff does not intend to distract from the important policy questions and considerations members must contemplate when considering these trailer bill proposals. However, as the LAO noted in their comments, the Legislature has only a few weeks to review the May Revision and develop its own budget plan. Given the significance of these proposals, unless there is immediate and resounding consensus, staff concurs with the LAO and recommends deferring these two policy-driven May Revision proposals that have limited budget implications.

Questions:

1. How would the statutory changes that affect legal proceedings impact current legal proceedings related to the Delta Conveyance Project?
2. How would the proposed changes to the Water Board's water rights program, specifically the requirement to cancel a protest that does not meet the statutory requirements of a protest, affect current proceedings? Would this change take effect immediately?
3. Why is the trailer bill language for the CEQA exemption proposed for all state and regional water quality control plans and not just the Bay-Delta Water Quality Control Plan update? Do they all have a history of delays?
4. Will the proposed CEQA exemption be used for voluntary agreements? Without a CEQA alternatives analysis, how will the environmental impacts of voluntary agreements be compared to other regulatory approaches, such as unimpaired flow?

Staff Recommendation: Hold Open.

Various

Issue 2: Cap and Trade Reauthorization and Funding Plan

The May Revision cuts all previously approved Greenhouse Gas Reduction Fund (GGRF) discretionary expenditures from 2025-26 through 2028-29 which include:

Program	Dept.	2025-26	2026-27	2027-28	2028-29
Drinking water/wastewater projects (Water)	SWRCB	\$30	—	—	—
ZEV fueling infrastructure grants (ZEV)	CEC	—	—	\$99	—
Demand side grid support (Energy)	CEC	75	—	—	—
Fire prevention grants (Wildfire)	CalFire	—	—	42	—
Ocean protection activities (Coastal)	OPC	—	37	—	—
Equitable Building Decarbonization (Energy)	CEC	—	—	93	—
Long duration storage (Energy)	CEC	26	—	—	—
Livestock methane reduction (Agriculture)	CDFA	7	—	—	—
Climate Action Corps (Community Resilience)	LCI	9	9	9	—
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	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	CalEPA	—	5	—	—
Unit fire prevention projects (Wildfire)	CalFire	—	—	26	—
Regional Forest and Fire Capacity (Wildfire)	DOC	—	—	20	—
Competitive and formula-based TIRCP (SB 125)	CalSTA	\$368	\$20	—	—
Vulnerable community toxic cleanup	DTSC	—	43	—	—
Diablo Canyon land conservation	Various	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
Zero Emission Transit Capital Program (SB 125)	CalSTA	—	230	460	—
Salton Sea activities	Various	3	—	—	—
Community Solar	CPUC	25	—	—	25
Totals		\$1,783	\$1,794	\$1,799	\$925

The proposal also retains an \$81 million fund shift from GGRF to the Motor Vehicle Account in 2025-26.

The May Revision proposes trailer bill to:

- Extend the sunset of Cap and Trade from 2030 to 2045;
- Rename the program Cap and Invest;
- Provide regulatory flexibility to lower allowed offsets below 6 percent; and
- Repeal the requirement that emissions reductions from the program be additional to other emissions reductions mandated by law after 2045.

The May Revision also states the following priorities with reauthorization:

- Beginning in 2025-26, fund shift \$1.54 billion for CalFIRE baseline operations from General Fund to Greenhouse Gas Reduction Fund (GGRF) annually from the discretionary pot. This grows close to \$1.9 billion by 2029-30, with a General Fund backstop if GGRF revenue does not fulfil this expenditure;
- Extend the California Climate Credit that lowers utility bills by providing free allowances to utilities; and
- Continuously appropriates at least \$1 billion annually to the High Speed Rail project to enable private financing.

Panel

This panel will feature representatives from the Department of Finance, California Air Resources Board, CalFIRE, CalTrans, California State Transportation Agency, and the Legislative Analyst's Office.

LAO Comments

The Legislative Analyst's Office has provided the following remarks:

LAO Bottom Line: We recommend the Legislature—after taking as much time as it needs to adequately deliberate—modify the Governor's proposal, as relevant, to provide additional statutory direction to ensure that legislative priorities are reflected as part of the cap-and-trade reauthorization.

Governor's Proposal

Governor Proposes Budget Trailer Legislation to Extend Current Design of Cap-and-Trade Program Through 2045. The Governor proposes budget trailer legislation to extend the cap-and-trade program from 2030 through 2045. The proposal generally would maintain the same statutory guidance. The main exception is that the Governor proposes to specify that the share of compliance obligations that can be met with offsets is capped at *up to* 6 percent rather than being fixed at 6 percent (as is the case under current law from 2026 through 2030).

LAO Comments

Proposal Would Continue Existing Approach of Deferring Most Decisions on Program Design to the California Air Resources Board (CARB). The Governor's proposal would maintain the historical approach of giving CARB broad discretion over how to design the cap-and-trade program. Additionally, by making the limit on offset usage up to 6 percent rather than a fixed 6 percent, the language would also allow CARB some additional flexibility—beyond what is in current law—to set the offset limit lower than the designated level.

Providing Statutory Direction in Key Areas Would Help Ensure Legislature's Policy Priorities Are Reflected. As we discuss in greater detail in our May 2025 report, [Assessing California's Climate Policies: Cap-and-Trade Reauthorization](#), we recommend the Legislature weigh in—through providing additional statutory direction to CARB—on any areas it deems to be of particular importance and for which it has specific preferences. This would help ensure that decisions reflect legislative policy priorities. Our report highlights a variety of options for modifying the cap-and-trade program depending on legislative policy priorities, including through changing the design of the program and/or directing the use of the value of the program's allowances.

Proposal Does Not Need to Be Considered By Budget Deadline; Legislature Should Take the Time it Needs to Think Through Complicated and High-Stakes Decisions. In general, should the Legislature want to continue the cap-and-trade program, doing so well ahead of the current statutory sunset date of 2030 would enhance program certainty. However, the Legislature still has significant flexibility regarding when to act. The proposed extension does not need to be considered alongside the budget that the Legislature adopts in June. Instead, the Legislature could take additional time to deliberate on the Governor's proposal and other available options over the coming months. The Legislature's decisions around the program are high stakes, as they could shape the program for many years to come and have significant implications for various legislative priorities such as GHG reductions and affordability. We recommend the Legislature take the time it needs to weigh its policy choices before deciding on whether and how to reauthorize the program.

GGRF Expenditure Plan

LAO Bottom Line: In crafting the GGRF expenditure plan, we recommend that the Legislature: (1) ensure its legislative priorities are reflected; (2) minimize the use of continuous appropriations; (3) give serious consideration to using GGRF to help solve

the budget problem and preserve highest priority activities; (4) defer decisions on high-speed rail funding until additional information is provided to inform legislative decision-making; and (5) provide statutory direction for high-speed rail to ensure that legislative priorities are reflected and any potential future securitization is consistent with legislative intent.

Governor's Proposal

The Governor's May Revision GGRF spending proposal includes the following major components:

- ***Shifts At Least \$1.5 Billion of CalFire's Budget to GGRF on Ongoing Basis.*** The proposal shifts the portions of the CalFire's budget related to fire control, fire prevention, and resource management—currently totaling \$1.54 billion, rising to \$1.86 billion by 2028-29, and likely growing more in future years—from the General Fund to GGRF for a like amount of General Fund savings. The proposal includes language that would allow the Department of Finance to backfill with General Fund should GGRF fall short of the levels necessary to fund these programs in any given year.
- ***Eliminates Planned Discretionary Spending.*** To “make room” for the CalFire proposal within available GGRF resources, the Governor's proposed language eliminates all planned discretionary GGRF spending (that is, the portions that are not currently required by statute) totaling about \$1.8 billion. The planned reductions affect multiyear spending plans included in prior budget agreements for activities such as the AB 617 community air protection program, support for local transit agencies, and various zero emission vehicle programs. Representatives from the administration have indicated the Governor wants to determine future funding allocations for both discretionary and statutory GGRF-funded programs through negotiations.
- ***Maintains One-Time Motor Vehicle Account (MVA) Fund Shift Proposal from January.*** The proposal continues to provide \$81 million from GGRF to support CARB activities typically funded by MVA on a one-time basis in 2025-26 to help backfill for a shortfall in that account.
- ***Expresses Intent to Negotiate with Legislature on All GGRF Expenditures, Articulates High-Speed Rail as Continued Funding Priority.*** The Governor does not propose any specific statutory changes to modify the current law governing continuous appropriations or other statutory allocations of GGRF. However, the administration indicates that it views all of the existing allocations as pending negotiation with the Legislature. Additionally, the Governor has indicated a priority that any new spending plan include at least \$1 billion per year annually for the high-speed rail project. (Under current law, the high-speed rail program receives roughly 25 percent of GGRF revenues.)

LAO Comments

Important for Expenditure Plan to Reflect Legislative Priorities, Including on an Ongoing Basis. GGRF is a key mechanism for the Legislature to support its climate, environmental, and budget priorities. The amount of revenues available in the fund could become even more robust in future years, particularly if the program is reauthorized and allowance prices increase. Accordingly, we recommend the Legislature ensure its decisions around its GGRF expenditure plan—especially any statutory allocations or other ongoing commitments of GGRF—reflect its policy priorities under a variety of allowance price scenarios. For example, as we discussed in our recent report, to the extent that affordability is a key priority for the Legislature—particularly in the event that allowance prices and consumer price impacts increase—it could use GGRF to provide rebates to households or offset ratepayer costs.

Recommend Legislature Be Sparing in its Use of Continuous Appropriations, as They Limit Legislative Oversight and Flexibility. Continuous appropriations provide affected programs with greater funding certainty, as they are not subject to annual funding decisions through the budget process. However, this budgeting approach also comes with significant downsides. Specifically, continuous appropriations: (1) reduce legislative oversight by eliminating a natural opportunity for the Legislature to regularly review and revisit the allocations through the annual budget process; and (2) make it more challenging for the Legislature to flexibly respond to evolving priorities and budget conditions. Accordingly, we recommend the Legislature only use continuous appropriations in limited instances.

Using GGRF as a Budget Solution to Help Preserve Highest Priority Activities Is Worth Serious Consideration. Given the deteriorating General Fund condition, we think it makes sense to use GGRF to offset some General Fund costs. Since the passage of AB 398 in 2017 (with a two-thirds vote of both houses of the Legislature), GGRF is considered akin to a tax. As such, it is a flexible funding source that can be used to help meet the state's most important activities (similar to the General Fund). Using GGRF to achieve budget solutions is not without trade-offs, as it results in a need to reprioritize the use of GGRF and make reductions to previously planned expenditures from the fund. However, these trade-offs are present throughout the budget. Moreover, if the Legislature does not use GGRF to help address the state's budget problems, it will be faced with making even greater reductions to General Fund-supported programs or increasing revenues by a like amount. Given funding limitations, we recommend the Legislature focus both General Fund and GGRF on its highest priorities across the entire state budget.

Legislature Has Other Options for Using GGRF as a Budget Solution. The Legislature could modify the Governor's CalFire proposal to achieve at least the same amount of General Fund savings based on its priorities and overall budget plan. For example, the Legislature could offset CalFire costs for a designated period of time while the General Fund needs the relief, such as for one year or a few years, rather than on an ongoing basis. The Legislature also could fund a larger share of CalFire's budget with GGRF, or choose to pay for a range of other costs that currently are supported by the General Fund—not just related to CalFire—with GGRF instead or in addition to the Governor's proposal.

If Legislature Elects to Offset CalFire General Fund Costs, Recommend Adding Reporting Language To Enhance Transparency. If the Legislature decides to proceed with the Governor’s proposal to shift CalFire funding to GGRF, we recommend it include language requiring the administration to report to the Joint Legislative Budget Committee if and when GGRF is not adequate to cover CalFire’s costs and a General Fund backfill is triggered. Such language—which could be “after-the-fact” to avoid operational impacts—would help improve transparency and legislative awareness of budgetary impacts.

Staff Comments

The High-Speed Rail portions will be heard separately.

Staff notes that the focus on specific and increasing dollar figures and not percentages that automatically adjust with the revenue, could limit the ability of the GGRF to invest in other programs that may be of higher priority for the Legislature.

Staff notes that this proposal is silent on continuing the following existing continuous appropriations:

- 20 percent for Affordable Housing and Sustainable Communities
- 10 percent for Transit and Intercity Rail Capital Program
- 5 percent for Low Carbon Transit Operations Program
- \$200 million for wildfire prevention programs
- 5 percent, up to \$130 million annually, for Safe and Affordable Drinking Water
- Manufacturing Tax Credit for electric utilities and agriculture businesses
- State Fire Responsibility Area fee backfill

Staff notes the current uncertainty of future funding and that reductions in funding for some of these categories could be harmful. A few of these areas have program funding that has been preapproved for years into the future, like the Transit and Intercity Rail Capital Program. Additionally, the May Revision cuts significant transit and affordable housing funding due to the General Fund deficit, at a time when California’s transit agencies are facing deficits and California faces a housing affordability crisis.

Staff recommends approving the CalFIRE fund shift, but only on a temporary basis, in order to return GGRF to funding climate related programs in the future. This is especially needed since CalFIRE needs certainty of funding, and this fund shift outside of a deficit year would complicate the annual budget.

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

- Many of the programs in the four year discretionary GGRF plan that you are now proposing to eliminate are funds that were previously appropriated and delayed due to the deficit. Were any of these programs already awarded and committed to projects?
 - If so, how much, and from which programs?
- Which existing continuous appropriations have already committed program funds into the future? How much per program?

CalFIRE

- How does this proposal interact with the Emergency Fund? Is that the mechanism the Department will use if there is not enough funding in GGRF to support the Department's needs?
- Was there a reason the Fire Control and Fire Prevention subprograms were chosen for the fund shift?
- Why is this fund shift ongoing despite GGRF being a volatile revenue source that should ramp down and eventually cease to exist? Will this permanently reduce funding that is typically reserved for climate programs?

California Air Resources Board:

- Why is existing law, related to additionality of emissions reductions from Cap and Trade and other regulations, no longer needed after 2045?

Staff Recommendation: Hold open.

2665 High-Speed Rail Authority

Issue 3: High-Speed Rail Update and Cap and Trade Reauthorization

As part of Cap and Trade Reauthorization, the Governor proposes to shift the current 25 percent continuous appropriation from the Greenhouse Gas Reduction Fund for High-Speed Rail to an annual continuous appropriation of at least \$1 billion annually.

The administration states that this is to establish a stable and predictable funding stream, which will enable the High-Speed Rail Authority to plan with greater certainty and deliver the project more efficiently. A guaranteed minimum funding level will also improve the project's ability to attract private capital and leverage additional funds upfront, which will accelerate project delivery, lower long-term costs, and increase flexibility through alternative delivery methods.

Panel

This panel will feature representatives from the High-Speed Rail Authority, Office of the Inspector General for High-Speed Rail, the Department of Finance, and the Legislative Analyst's Office.

LAO Comments

The Legislative Analyst's Office has provided the following assessment of this proposal:

Governor's Proposal

Expresses Intent to Negotiate with Legislature on All GGRF Expenditures, Articulates High-Speed Rail as Continued Funding Priority. The Governor does not propose any specific statutory changes to modify the current law governing continuous appropriations or other statutory allocations of GGRF. However, the administration indicates that it views all of the existing allocations as pending negotiation with the Legislature. Additionally, the Governor has indicated a priority that any new spending plan include at least \$1 billion per year annually for the high-speed rail project. (Under current law, the high-speed rail program receives roughly 25 percent of GGRF revenues.)

Recommendation

Recommend Deferring Action on High-Speed Rail Funding Until Legislature Has Sufficient Information on Project Status and Detail on Plan for Borrowing Against GGRF. We have identified a number of concerns with the administration's stated intent to continue funding the high-speed rail project beyond 2030 with at least \$1 billion annually. Specifically:

- ***Key Cost and Plan Information Still Missing.*** Under existing statute, the High-Speed Rail Authority (HSRA) was supposed to provide a Project Update Report by March 1 including updated costs and schedule. As outlined in an [April 2025 report](#) by the High-

Speed Rail Office of the Inspector General (HSRA OIG), HSRA did not meet some of these statutory requirements. Absent complete information, the Legislature faces difficulty in determining how best to proceed with the project, including how much funding to provide and the specific scope and time line that additional funding might achieve.

- ***Project Has Significant Funding Gap for Merced-to-Bakersfield Segment.*** As highlighted in an [October 2024 report](#) by the HSRA OIG, HSRA needs to secure funds to meet most of its identified funding gap for the Merced-to-Bakersfield portion of the project before June 2026 to avoid negative impacts on its schedule. Based on recent information we have reviewed from HSRA, we estimate this funding gap has grown to roughly \$10 billion (assuming the project retains its federal funding and \$1 billion annually from GGRF through 2030).
- ***HSRA Has Indicated Need to Securitize GGRF Revenues But Has Not Shared Plan for How to do So.*** To address its near-term funding need, HSRA likely would need to borrow against future cap-and-trade revenues. However, HSRA has not yet outlined a clear plan for how it would borrow against these revenues, nor has it proposed specific statutory or other changes that would be sufficient to enable securitization through traditional means. HSRA's plan for securitization—including what specific statutory changes or secondary source of repayment (beyond GGRF), if any, would be necessary, as well as the anticipated costs associated with such borrowing—will be important for the Legislature to understand prior to proceeding with providing additional funding for the project.

In light of these concerns, we recommend deferring action on whether and how much GGRF to provide to high-speed rail until HSRA provides clear information that allows the Legislature to understand the costs and status of the project and options available for moving forward, as well as its specific plan for borrowing against GGRF. We also recommend that should the Legislature ultimately extend HSRA's funding beyond 2030, it provide statutory direction to ensure that legislative priorities for the project are reflected and that any potential future securitization is consistent with legislative intent.

Staff Comments

Members of this subcommittee may wish to ask:

- The proposal requests “at least” \$1 billion annually. Would this be “off the top” (before percentage continuous appropriations are calculated)?
 - When would the High-Speed Rail Authority receive more than \$1 billion?
- Assuming this proposal appropriates \$20 billion over the next 20 years, what project accomplishments will this fund?

Staff Recommendation: Hold open.

3900 California Air Resources Board

Issue 4: Regulatory Fee Authority Trailer Bill

The May Revision withdraws a Governor's Budget trailer bill that would have provided broad authority to establish fees to cover regulatory costs and instead authorizes the Board to establish fees to cover reasonable regulatory costs, with adjustments for inflation, for the following categories:

- Transport Refrigeration Unit Regulation
- Commercial Harbor Craft Regulation

The language can be found here: <https://trailerbill.dof.ca.gov/public/trailerBill/pdf/1182>.

Panel

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

Staff Comments

Members of this subcommittee may wish to ask:

- What amount and frequency of fees does the Board envision will be needed to cover regulatory costs for these two regulations?

Staff Recommendation: Hold open.

Various**Issue 5: Various Trailer Bills: Department of Parks and Recreation, Department of Motor Vehicles, and LA 2028 Olympics Streamlining**

The Administration proposes two trailers bills for the Department of Parks and Recreation, and a streamlining proposal in preparation for the LA 2028 Olympics. As of writing this agenda, the Administration has not posted draft or actual proposed language for these proposals. On the Department of Finance's website, these three trailer bill proposals are titled as follows:

1. Leasing Authority
2. California Indian Heritage Center Support Organization
3. LA 2028 Olympics Streamlining
4. State to State

Staff Comments

Because this is the Subcommittee's last hearing before taking final action on the budget, staff recommends a brief presentation on the above-mentioned trailer bill proposals, even if they are technical and/or non-substantive in nature. The LA 2028 Olympics streamlining trailer bill is being heard in other subcommittees, but because the details of the proposal are unknown, staff included this proposal in today's agenda in case it addresses issues within this subcommittee's jurisdiction.

2740 Department of Motor Vehicles

Issue 6: Digital Experience Platform Project Fee Trailer Bill

The May Revision proposes trailer bill language to reestablish the \$1 Business Partner Automation (BPA) system improvement fee which ended on December 31, 2023, to December 31, 2028, or when the DMV director determines that sufficient funds have been received.

The language can be found here: <https://trailerbill.dof.ca.gov/public/trailerBill/pdf/1251>.

Background

With the adoption of the 2018 Budget Act, Vehicle Code section 1685 allowed the department to collect a BPA system improvement fee of \$1 from private industry partners that sunset on December 31, 2023. The prior sunset date was based on the department's estimated system improvement costs for the Front-End Sustainability Project but was then shifted to the Digital eXperience Platform (DXP) project. DMV's modernization efforts have exceeded prior estimates and, therefore, DMV requests authority to collect the remaining proportionate share of the department-wide system improvements from private industry partners.

This fee is intended to collect the business partners' proportionate share of the department-wide system improvements.

DXP is a multi-year information technology project that replaces obsolete Occupational Licensing, Control Cashier, Vehicle Registration (VR), Driver License and Identification Cards, and Customer Flow Management systems. The upgraded system will be flexible to meet changing business processes and legislative mandates.

The DXP VR phase is scheduled to be completed by the end of calendar year 2025. With the implementation of the DXP VR, the DMV will be positioned to decommission some of the legacy systems, thereby reducing the department's mainframe footprint and associated risks.

Extending the sunset date of the BPA system improvement fee will alleviate additional cost pressures on the Motor Vehicle Account.

Panel

This panel will feature representatives from the Department of Finance, Department of Motor Vehicles, and the Legislative Analyst's Office.

Staff Comments

Staff recommends that public comment related to this item will be offered while the administration witnesses are present to enable further dialogue on this item.

Staff Recommendation: Hold open.

3360 California Energy Commission

Issue 7: Alternative Fee Structure for the Power Plant Licensing and Compliance Programs Trailer Bill

The May Revision proposes statutory changes to the fee structure for power plants sited by the California Energy Commission due to recent legislation increasing the complexity of permitting certain categories of power plants.

The trailer bill requires a person submitting an Application For Certification (AFC) to submit with the application a nonrefundable deposit of \$750,000 and requires the applicant to pay all costs incurred by the Energy Commission in processing the application. The bill would require the Energy Commission to provide invoices for additional fees, at least annually, for the actual costs incurred by the Energy Commission in excess of the deposit. The bill would increase the annual fee to \$70,000 for each year the facility retains its certification. The petition fee is nonrefundable.

The language can be found here: <https://trailerbill.dof.ca.gov/public/trailerBill/pdf/1254>.

Background

The California Energy Commission (CEC) has exclusive authority to license thermal plants 50 Megawatt (MW) or larger, exempt certain small thermal power plants from its jurisdiction, and certify eligible renewable energy generation and energy storage (Opt-in Certification) and Department of Water Resources energy facilities.

Laws governing these authorities can be found in:

- Application for Certification and Small Power Plant Exemption: Public Resources Code, Division 15, Chapter 6, sections 25500-25543; California Code of Regulations, Title 20, Division 2, Chapter 5.
- Opt-in Certification: Public Resources Code, Division 15, Chapter 6.2, sections 25545-25545.13; California Code of Regulations, Title 20, Division 2, Chapter 5.
- DWR facility certification: Public Resources Code, Division 15, Chapter 8.9, sections 25794-25794.10; California Code of Regulations, Title 20, Division 2, Chapter 5.

The power plant licensing, certification, siting, and enforcement workload activities are funded by the Energy Facility Licensing and Compliance Fund (EFLCF, Fund 3062). Fund 3062 primarily receives its revenue from two sets of fees: (1) one-time permitting fees, and (2) annual compliance fees for power plant monitoring and inspections that have already been granted a license. The AFC fee levels are set in statute and include both a base fee as well as a per-MW charge based on the size of the proposed facility. This fee is adjusted annually for inflation.

Provisions in Chapter 61, Statutes of 2022 (Assembly Bill (AB) 205) linked the Opt-in permit application fee to the existing Application for Certification (AFC) fee structure. However, compared to the AFC process, the Opt-in licensing process creates significantly more workload

for CEC staff condensed into a shorter timeframe. The AFC, Opt-in, and annual compliance fee provisions no longer result in an appropriate funding structure for the CEC's licensing and compliance program.

Current statute, Public Resources Code 25806, requires applicants to submit an application fee with a one-time base fee plus a per-megawatt fee based on gross generating capacity or per megawatt hour of gross energy storage capacity, as applicable. Current statute also requires a person who receives certification of a site and a related facility to pay an annual fee of approximately \$35,000.

The proposed trailer bill would replace the current fee structure for AFC's and Opt-In Applications from an application fee and megawatt fee to a reimbursement fee for actual costs. Transitioning to a fee-for-service structure will align the AFC and Opt-in Process with the Small Power Plant Exemption process in which the fee revenues align with the actual cost of processing applications.

Panel

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

Staff Comments

Staff recommends that public comment related to this item will be offered while the administration witnesses are present to enable further dialogue on this item.

Staff Recommendation: Hold open.

Issue 8: Emergency Reliability, Load Flexibility and Demand Reduction/ CalSHAPE Trailer Bill

A May Revision trailer bill would expedite the date, at which unawarded funds from the CalSHAPE program will be reverted back to investor owned utilities to fund other programs, from December 1, 2026 to July 1, 2025.

The funds would be returned to each investor owned utility and used to reduce ratepayer charges that support the Emergency Load Reduction Program established in Decision 21-03-056 (March 25, 2021), Decision Directing Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company to Take Actions to Prepare for Potential Extreme Weather in the Summers of 2021 and 2022, or any other existing utility emergency grid reliability, load flexibility, or demand reduction program.

The language can be found here: <https://trailerbill.dof.ca.gov/public/trailerBill/pdf/1253>.

Background

AB 841 (Chapter 372, Statutes of 2020, Ting) created the California Schools Healthy Air, Plumbing, and Efficiency Program (CalSHAPE) with unspent energy efficiency dollars from 2021-23 from the State's largest investor-owned utilities (IOUs), Pacific Gas and Electric, Southern California Edison, San Diego Gas and Electric, and SoCal Gas. The statute was passed as an urgent energy efficiency measure during the COVID-19 Pandemic with the intent to help schools improve air quality, save energy, create jobs, and support schools in underserved communities. It provides two grant programs – plumbing and ventilation:

- The plumbing program provides funding for local educational agencies (LEA) and state agencies to replace aging and water inefficient plumbing fixtures and appliances with water-conserving plumbing fixtures and appliances.
- The ventilation program provides funding for LEA to assess, maintain, repair, and replace ventilation systems in schools.

Funding

IOUs transferred \$993.8 million in funding to the CEC for the CalSHAPE Program. The California Budget Act of 2022 also allocated \$20 million to the Ventilation Program from the Greenhouse Gas Reduction Fund (GGRF). The total program funding is \$1.014 billion with approximately \$983 million available for grants and up to \$31 million to be used for administrative activity.

Total ratepayer funds collected but not awarded (As of April 4, 2025): \$217 million remaining funds

- \$23 million – Administration for the Duration of the Program (\$8 million has already been expended)
- \$111 million – Plumbing Program Incentives
- \$83 million – Ventilation Program Incentives

Remaining Incentive Budget by IOU and Program			
IOU	Plumbing	Ventilation	Remaining Incentive Funds
PGE	\$24,722,583.80	\$477,553.61	\$25,200,137.41
SCE	\$53,831,110.30	\$15,376,480.36	\$69,207,590.66
SDG&E	\$32,656,515.80	\$67,100,300.82	\$99,756,816.62
SCG	\$70,670.32	\$1,935.15	\$72,605.47
GGRF	\$0.00	\$21,418.40	\$21,418.40
Total	\$111,280,880.22	\$82,977,688.34	\$194,258,568.56

On June 28, 2024, the Ventilation Program application deadline was accelerated from July 31 to July 1, 2024. 64 partial applications (\$15 million) were started in the online portal during the final funding period but were not submitted by the accelerated deadline, July 1, 2024.

Impact

- The CEC awarded approximately \$789 million, or 89 percent of the total program budget, in grants to 647 LEAs, two California State University campuses, and one community college.
- This will support 1,114 projects at 4,917 sites -- 49 percent of all school sites in the state.
- These projects will lead to an estimated 3,303 MTCO₂e in greenhouse gas emissions reductions and an estimated 65 percent reduction in water usage.
- Approximately 45 percent of the grant funds were awarded to schools in underserved communities.
- Approximately \$194 million in grant funds were not encumbered (according to CEC in May 2025).

Panel

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

Staff Comments

Staff notes that the most recent awards were finalized on October 31, 2024 and are required to complete work by October 31, 2026, so funds can be swept before December 1, 2026 under this trailer bill. Staff notes that two years is a short encumbrance and liquidation deadline, especially for schools who usually have limited time windows to complete construction and may face unexpected delays, like delays from unpredictable tariffs. The Budget Act frequently grants encumbrance extensions, for example, the CEC is requesting a reappropriation from 2014 for funds that are not liquidated yet.

Members of this subcommittee may wish to ask:

- This background on this item notes \$194 million is unspent and is expected to be returned to investor owned utilities, however, a few months ago, the CEC indicated that the amount of unspent funds was \$23 million higher when factoring in unspent administrative costs. Does CEC have \$23 million of unspent administrative funds, and if so, do they plan to keep these funds instead of returning them to utilities/ratepayers?
- Last year, AB 3121 (Petrie-Norris) proposed this, but required funds go back onto residential customer bills in the form of a bill credit. Why does this proposal not refund these costs to ratepayers?
- Will these funds increase spending for demand reduction programs by the IOUs or prevent ratepayer funds from being collected? Have rate increases for the summer not already been approved? How will you ensure that these funds will lower ratepayer costs?
- Why not direct the funds to the Demand Side Grid Support program instead of utilities directly?

Staff Recommendation: Hold open.

Various

Issue 9: Climate Bond Prop. 4 Implementation

The May Revision includes adjustments to the Governor's Budget proposed Prop. 4 spending plan. The proposal includes requests for: (1) a limited number of adjustments to the Governor's Budget Expenditure Plan, including technical changes to reflect wildfire and forest resilience funding appropriated in Early Action; (2) 79.5 permanent positions to implement the Climate Bond; and (3) \$1,997,000 in 2025-26 for statewide bond activities across various departments. Adjustments to Governor's Budget Multi-Year Expenditure Plan

The Administration proposes several adjustments to the multi-year expenditure plan proposed in the 2025-26 Governor's Budget. Specific adjustments proposed for 2025-26 include:

- **Land Use and Climate Innovation**—Acceleration of \$500,000 in 2025-26 for technical assistance for the Transformative Climate Communities Program. Providing this funding will allow LCI to hire technical assistance providers for guideline development, application development and application technical assistance to prospective applicants. These services are critical to the successful awarding of Transformative Climate Communities Program funds in 2026-27 as proposed in the Governor's Budget.
- **Salton Sea Conservancy**—Appropriation of \$1.6 million in 2025-26, \$3.2 million in 2026-27, \$3.9 million in 2027-28, and \$1.2 million in 2028-29 to establish the Salton Sea Conservancy.
- **California Conservation Corps**—Inclusion of budget bill language to specify that funds shall be available to certified community conservation corps. This change is necessary to provide clarification on the intended recipients of the funding.
- **Sacramento-San Joaquin Delta Conservancy**—Acceleration of \$4 million in 2025-26 to fund projects that reduce the risks of climate change impacts on natural resources, including a time-sensitive land acquisition. Without this augmentation, some projects could be disrupted and may not continue if funding is unavailable in 2025-26.
- **Department of Parks and Recreation**—Inclusion of budget bill language for the Stewardship of State-Owned Lands Program to exempt Parks from competitive bidding for the procurement of or contracting with vendors for forest health, fire prevention, fuels reduction, vegetation management, or environmental review, consistent with prior practice. This language is necessary to allow consistency with other funding that supports similar activities. This will minimize disruptions resulting from the transition of program funding from the General Fund to the Climate Bond.
- **Department of Water Resources: Stream Gages**—Acceleration of \$7.9 million in 2025-26 to continue existing efforts related to stream gages. Expediting the implementation of a grant program is crucial to fund agencies for the installation and maintenance of stream gages through June 2030 (a five-year initiative).

- **Department of Water Resources: Tribal Funding for Groundwater Storage/Banking/Recharge & Instream Flow**—Acceleration of \$10 million in 2025-26 for groundwater programs to reflect the anticipated need for tribal groundwater programs in response to tribal consultations seeking additional tribal funding due to limited available federal funding.
- **Department of Community Services and Development**—Acceleration of \$230,000 in state operations funding in 2025-26 and \$9.2 million in local assistance funding in 2026-27 for the Low-Income Weatherization Program Farmworker Housing Component. Updated projections from the Department of Community Services and Development show an increased rate of production related to current resources and demonstrate the need to accelerate the Program's procurement timeline to 2025-26 to limit gaps in service delivery for farmworker households.
- **California Energy Commission: Clean Energy Reliability Investment Plan Program**—Net-zero technical change compared to the Governor's Budget to provide \$50 million in Climate Bond funding for the Distributed Electricity Backup Assets as part of the Clean Energy Reliability Investment Plan Program instead of the Demand Side Grid Support Program.
- **California Energy Commission: Offshore Wind Program**—Addition of technical budget bill language to facilitate the use of Climate Bond funding to support awards made through CEC's Offshore Wind Waterfront Facility Improvement Program.
- **Acceleration of Wildfire & Forest Resilience Funding**—Adjustment of \$181.1 million to reflect the acceleration of various allocations appropriated in Chapter 2, Statutes of 2025 (AB 100) – Early Action. AB 100 appropriated \$171.1 million to the Sierra Nevada Conservancy, California Tahoe Conservancy, Santa Monica Mountains Conservancy, State Coastal Conservancy, San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy, and San Diego River Conservancy for watershed improvement and wildfire resilience activities consistent with Section 91520 of the Climate Bond. AB 100 also appropriated \$10 million to CAL FIRE to fund training center infrastructure for a fire resiliency center for the Karuk Tribe consistent with Section 91520(e) of the Climate Bond.

Climate Bond Implementation Positions

As part of its evaluation of positions needed to effectively implement the Climate Bond, the Administration considered existing positions that departments will redirect or partially fund with Climate Bond funding over the lifetime of the bond.

The Climate Bond will drive additional workload for programmatic and administrative support staff across departments, though much of this workload will be supported by existing positions. Although many of the allocations in the Climate Bond will fund existing programs, these programs have been funded on a one-time/limited-term basis in recent years, and departments have generally not received permanent positions for them. Similarly, while Climate Bond funding

is temporary in nature, these programs are anticipated to be implemented over several years and require permanent position authority for effective implementation.

The Administration will not request General Fund to support these positions once Climate Bond funding is exhausted; departments may transition permanent positions to other fund sources or abolish positions once bond activities have ceased. With these considerations in mind, the Administration requests 79.5 new, permanent positions across the following departments to implement the Climate Bond:

BU	Department	New Positions
0540	Natural Resources Agency	6
0650	Land Use& Climate Innovation	4
0690	Office of Emergency Services	4
3125	California Tahoe Conservancy	1
3340	California Conservation Corps	1
3360	California Energy Commission	11.5
3480	Department of Conservation	13
3600	Department of Fish and Wildlife	12
3640	Wildlife Conservation Board	5
3790	Department of Parks & Recreation	10
3860	Department of Water Resources	3
8570	Department of Food & Agriculture	9
Total Positions		79.5

Staff Comments

Members of the Subcommittee may wish to ask the following questions:

1. The Administration is now proposing to allocate \$50 million for the Distributed Electricity Backup Assets (DEBA) Program instead of the Demand Side Grid Support (DSGS) Program. Why the change? How will the Administration prioritize this funding since stakeholders were expecting \$380 million for this new program?

Staff Recommendation: Hold Open.

Issue 10: Departments' Operational Efficiencies and Vacancy Sweeps Update

The 2024-25 budget package included two control sections—Control Section (CS) 4.05 and Control Section 4.12—that aimed to identify and implement efficiencies across nearly all state entities to produce ongoing budgetary savings without adverse effects on state services.

Both control sections established statewide administrative exercises led by the Department of Finance to:

1. **Identify efficiencies** (state efficiencies are cost reduction actions including reorganizations, eliminations of boards and commissions, the cancellation or postponement of information technology projects, reduced staff travel etc.)
2. **Eliminate vacant positions and related funding**

For Control Section 4.05, the 2024-25 enacted budget assumed General Fund savings of \$2.2 billion in 2024-25 and \$2.8 billion ongoing beginning in 2025-26 to reduce General Fund state operations expenditures by up to 7.95 percent. For Control Section 4.12, the 2024-25 budget assumed savings of \$1.5 billion (\$762.5 million General Fund) resulting from about 10,000 authorized positions being vacant in 2024-25.

The budget specified that the Department of Finance would propose, as part of the Governor's 2025-26 budget proposal, the permanent elimination of vacant positions and associated funding to make the assumed savings ongoing beginning in 2025-26.

Department of Finance has shared official savings numbers with the Legislature and specific positions that were swept under CS 4.05 and 4.12. This information can be found in the separate attachment titled Sections 4.05 and 4.12 Reductions Summary.

Staff Comments

Members of the Subcommittee may wish to ask the following questions:

1. What are the major changes related to the vacancy sweeps and efficiencies cuts? What savings were achieved and where?
2. It looks like the savings the Administration achieved were from special funds in many instances, not general fund (Environmental License Plate fund, waste discharge permit fund etc.). Can you explain how those savings relieve pressure off the General Fund, particularly fee revenue dedicated to a specific purpose?

Staff recommendation: Hold Open.

Issue 11: Various Salton Sea Proposals

The May Revision includes various augmentations related to the Salton Sea including:

- Chaptered Legislation: Salton Sea Conservancy (SB 583)
 - Includes 15 permanent positions, \$9.9 million Proposition 4, and ongoing Salton Sea Lithium Fund (SSLF) for the establishment and operation of the Salton Sea Conservancy. Specifically, this request consists of \$1.6 million Prop 4 and 4 positions in 2025-26; \$3.2 million Prop 4 and 6 positions in 2026-27; \$3.9 Prop 4 and 4 positions in 2027-28; \$1.2 million Prop 4, \$2.8 million SSLF, and 1 position in 2028-29; and \$3.1 million SSLF in 2029-2030 and ongoing.
- Department of Water Resources, High Priority Project Funding for Salton Sea Restoration Projects
 - Includes a total of \$178 million of Federal Trust Fund Authority for fiscal years (FY) 2025-2029 from the Department of Interior's funding in the Inflation Reduction Act for aquatic and wetland habitat projects required on the Water Board's Stipulated Order 2017-0134; also provides \$11 million of State Reimbursement Authority for 2025-26.
- Under the Governor's Cap-and-Invest proposal, the Administration proposes to cut all previously appropriated discretionary funding, and instead uses those funds to pay for CalFire operations. One of the previous appropriations in the budget year that would be reduced is \$3 million for Salton Sea restoration activities.

Staff Comments

Members of the Subcommittee may wish to ask the following questions:

1. Can the Administration explain how these proposals interact with each other?
2. What will the impact be of the \$3 million reduction as part of the Administration's GGRF discretionary spending plan?
3. Is there a risk of losing Federal Funding? Why or why not?
4. Can the Administration provide an update on the Salton Sea Lithium Fund?

Staff Recommendation: Hold Open.

3960 Department of Toxic Substances Control

Issue 12: Exide: Repurpose Facility Closure and Cleanup Funding

The May Revision includes a fund shift of \$35 million General Fund to the Lead-Acid Battery Cleanup Fund for the cleanup of residential properties with lead contamination near the former Exide lead-acid battery recycling facility in Vernon, CA.

This proposal also includes provisional language to allow flexibility to spend those funds on residential cleanup or facility remediation related to the Exide Facility cleanup.

Additionally, the proposal includes a request to reappropriate \$1.2 million General Fund and \$1 million Lead-Acid Battery Cleanup Fund Exide litigation to pay for ongoing storage of physical evidence related to the ongoing Exide cost recovery litigation.

Exide Facility Cleanup. The Exide Facility cleanup started with a Corrective Action Consent Order in 2002 with DTSC requiring Exide to investigate and clean up releases from their facility operations. In March 2015, Exide permanently ceased its recycling operations at the facility. The former Exide facility thereafter commenced closure pursuant to a Closure Plan and Final Environmental Impact Report approved by DTSC in December 2016. The 2021 Budget Act included \$132 million General Fund for remediation efforts at the facility. The four-year encumbrance period for that appropriation will expire on June 30, 2025. Without the \$75 million appropriation to replace the expiring funds, DTSC will not have funds to continue this work.

National Priorities List Superfund Listing. On July 1, 2022, the state formally requested that the former Exide facility in Vernon, and surrounding communities, be added to the U.S. EPA National Priorities List (NPL) known as Superfund, which could potentially provide millions of federal dollars for cleanup activities and help expedite the remainder of the Exide cleanup. The U.S. EPA conducted an inspection in 2023 to determine the site's eligibility for placement on the NPL, and in September 2024, U.S. EPA announced the proposed addition of the Exide Technologies – Vernon site to the NPL. However, the Superfund cleanup process is a complex, multi-phase process that takes several years to finalize. If Exide is listed as a Superfund site (a final decision is anticipated by the end of 2025), U.S. EPA will be in a position to provide additional funding for the development of remedial investigations, feasibility studies, and cleanup activities at the Exide Facility. If this occurs, there is likely to be a balance of state funds provided for the cleanup of the Exide Facility that remains unused.

At the same time, DTSC's funding to clean up residences in the neighborhoods surrounding the Exide Facility will be exhausted by December 2025. As of December 2024, DTSC oversaw the cleanup of over 5,650 properties with the highest lead concentrations and greatest exposure risk in these neighborhoods. DTSC anticipates approximately 3,000 residential properties remain to be cleaned with a representative lead concentration level above 80 parts per million.

LAO Comments

Approve Proposal. We recommend the Legislature approve this proposal for a few reasons. First, the proposed fund shift to the Lead-Acid Battery Cleanup Fund (LABCF) provides relief to the General Fund. Second, LABCF is an appropriate source for this fund shift given that it has sufficient reserves and has previously supported Exide cleanup efforts. Third, the proposal repurposes previously approved funds in a way that targets the highest priorities related to Exide.

Staff Comments

The Subcommittee members may wish to ask the following questions:

1. What would funding in the Lead-Acid Battery Cleanup fund be used for if not Exide Facility cleanup? In other words, is there work that will no longer be done because the funds in this special fund will now be diverted for residential cleanup around Exide?

Staff Recommendation: Hold Open.

8570 Department of Food and Agriculture

Issue 13: Animal and Human Health Emergency Infrastructure

The May Revision includes a request for:

- \$6.085 million General Fund (GF), and \$5 million Federal Trust Fund (FF) 2025-26,
- \$5.4 million GF and \$5 million FF in 2026-27,
- \$5.4 million GF and \$5 million FF in 2027-28, and
- \$5.29 million GF, \$5 million FF, and \$147,000 Department of Food and Agriculture Fund (Ag Fund) in 2028-29 and ongoing.

For 29.0 permanent positions to effectively respond to current and continued threats to animal and human health due to outbreaks of various animal health diseases including strains of the Highly Pathogenic Avian Influenza (Bird Flu) in California.

Since 2015, California has experienced larger and more severe introductions of Bird Flu every year as the virus mutates and jumps from wild birds to domestic poultry, with migrating waterfowl serving as a natural reservoir. Since 2022, Bird Flu alone has resulted in the death or euthanasia of approximately 23.5 million poultry in California, along with extensive disease control efforts to safely restock farms, including testing, quarantine, permitting, and decontamination.

In March 2024, the first U.S. detection of Bird Flu in cattle was confirmed in Texas and by August 2024, the virus was confirmed in a dairy herd in California. This virus causes widespread illness in dairy animals and is easily transmitted between livestock and poultry premises. Since the initial detection, 751 dairy farms and 73 poultry premises in California have become infected, resulting in the loss of approximately 10 million egg-laying hens, 70 percent of the state's total. In coordination with the United States Department of Agriculture (USDA), CDFA has organized a cross-agency response to help control the spread of disease. On December 18, 2024, Governor Newsom declared a State of Emergency to enhance response efforts.

To support emergencies such as the current Bird Flu outbreak, CDFA has a limited number of response specialists placed strategically around the state. These positions work closely with animal owners, private veterinarians, and the California Animal Health and Food Safety Laboratory System to detect disease introductions. The need for immediate detection is particularly true for viruses that are carried in large animal populations or animals in close contact with humans because of rapid replication, the higher risk of mutation, and the viruses' ability to cause public health threats.

During the 2024 Bird Flu outbreak, it has become apparent that the infrastructure to meet the mission critical work is inadequate. Additional specialized staffing and resources are needed to diagnose and address new and emerging viruses and other pathogens in animals. It takes time to train these staff because the duties are highly specialized and much of the workload is in response to high-consequence events like Bird Flu, which, if performed incorrectly, have significant public health consequences. For these functions, the need cannot be met by hiring temporary staff that have not been trained or redirecting staff from other critical functions. In

California, this type of specialized resource does not exist at the local level, therefore, the responsibility falls entirely on CDFA.

Fortunately, the USDA often provides surge capacity to augment the state's response, but as the frequency of epidemics across the country have increased, California is unable to obtain the resources needed from the USDA. Furthermore, USDA first responders are only deployed into California for three-week rotations. An outbreak can take several months to years of sustained effort to control, and the constant turnover of USDA support staff leads to an inconsistent effort which prevents the state from providing the necessary support for disease control to impacted communities.

LAO Comments

Modify Proposal. While the proposal likely would have some public benefits, the Legislature is in the position of assessing this programmatic expansion within the context of the current budget conditions. To reduce budget pressures, we recommend the Legislature: (1) approve the federally funded portions of the proposal (\$5 million ongoing); and (2) reject the General Fund portions (\$6.1 million in 2025-26 and roughly \$5 million ongoing). Based on our understanding, state funds are not required to access the federal funding included in this proposal. Although this modified approach would result in fewer activities than proposed, it still would enable the state to improve its capacity to monitor, detect, and respond to animal disease outbreaks.

Staff Comments

Members of the Subcommittee may wish to ask the following questions:

1. What positions are funded by federal funds versus state funds in this proposal?
2. How would workload capacity be affected at the Department if the Legislature moved forward with the LAO's recommendation?

Staff Recommendation: Hold Open.

CLIMATE CHANGE AND ENVIRONMENT

California Air Resources Board

- Eliminates annual funding for the Community Air Protection Program for reducing emissions in disadvantaged communities under AB 617, which equals \$250 million annually from the Greenhouse Gas Reduction Fund.
- Cuts \$729 million for zero-emission vehicles, with \$215 million from 2025-26, \$301 million from 2026-27, and \$213 million from 2027-28. This includes Clean Cars 4 All and other equity programs, drayage trucks, Emerging Opportunities, Charter Boats Compliance, Community-Based Plans, and Ports.
- Converts 3.0 limited-term positions to permanent, resulting in \$666,000 Greenhouse Gas Reduction Fund starting in 2026-27 and ongoing to fulfill statutorily required duties related to the California Climate Investments programs.
- Authorizes 8 new attorney positions, costing \$1.89 million annually ongoing from the Air Pollution Control Fund to defend California's environmental laws and programs that advance the state's climate, water, public health and overall environmental priorities in response to increased federal legal challenges.
- Reappropriates 17 prior appropriations including, \$105 million for methane satellites and technical assistance from Greenhouse Gas Reduction Fund from the 2022 Budget Act to be available for encumbrance or expenditure until June 30, 2029, \$58 million from Greenhouse Gas Reduction Fund for advanced technology and demonstration projects, and others.
- Extends the Cap and Trade program from 2030 to 2045 and renames the program to "Cap and Invest."
- Authorizes the establishment of reasonable fees to cover the regulatory costs to implement the Transport Refrigeration Unit Regulation and the Commercial Harbor Craft Regulation.

CAL FIRE

- Fund shifts \$1.54 billion in 2025-26 for CalFire operations from General Fund to Greenhouse Gas Reduction Fund (GGRF) on an ongoing basis, which grows to \$1.9 billion in 2029-30; the proposal includes a General Fund backstop in the event that auction proceeds fall below projected revenues.
- Includes 35 reappropriations and 27 reversions to align existing appropriations with current capital outlay project schedules for various projects under CAL FIRE; this proposal includes \$120.333 million of reversions (\$84.678 million General Fund and

\$35.655 million bond funds). This includes a reduction of \$32 million for the acquisition of property for a new CAL FIRE training center.

- Cuts \$42 million for local fire prevention grants in 2027-28 per the updated GGRF discretionary spending plan.
- Cuts \$10 million for Wildfire Tribal Engagement per the updated GGRF discretionary spending plan.
- Cuts \$26 million for Unit wildfire prevention projects in 2027-28 per the updated GGRF discretionary spending plan.
- Includes a supplemental appropriation of \$8,830,000 Public Building Construction Fund for the construction phase of the Baker Forest Fire Station: Replace Facility project, located in Tehama County.
- Includes a supplemental appropriation of \$3,564,000 General Fund for the preliminary plans phase of the Hollister Air Attack Base/Bear Valley Helitack Base: Relocate Facilities project, located in San Benito County.
- Includes a supplemental appropriation of \$2,233,000 General Fund for the working drawings phase of the Shasta Trinity Unit Headquarters / Northern Operations: Relocate Facility project, located in Shasta County.
- Includes supplemental appropriation of \$307,000 General Fund for the construction phase of the Statewide: Construct Communication Facilities, Phase III project, located in various counties.

Department of Water Resources

- Includes \$4 million Proposition 68 funds to be used for Acquisition and Working Drawings, instead of construction, for the Cache Creek Channel Levee Rehabilitation Project.
- Provides the reversion and new appropriation of \$209,000 in Local Assistance Proposition 68 funds to support the six regions that constitute the Regional Flood Management Program.
- Includes \$12.5 million General Fund for state operations to support and manage United States Army Corps of Engineers (USACE) and Urban Flood Risk Reduction (UFRR) projects during FY 2025-26.
 - **LAO Comments: *Approve Proposal.*** The Governor proposes providing \$16.5 million General Fund for state operations associated with federal USACE projects (\$12.5 million) and for the state share of cost for the Yolo Bypass study conducted by USACE (\$4 million). Although these represents additional General Fund costs, we recommend approval because funding helps draw down significant federal

funds, supports projects/study already in process and conducted in collaboration with the U.S. Army Corps of Engineers, and addresses core public safety issues.

- Includes \$4 million (\$2 million per year in 2025-26 and 2026-27) General Fund for the state contribution to the US Army Corps of Engineers (USACE) Yolo Bypass Comprehensive Study to help secure hundreds of millions in federal funding for public safety and environmental restoration within the Yolo Bypass and greater Sacramento region.
- Includes trailer bill language to amend the frequency of the Department's official publication of the occurrence and nature of groundwater in California, *California's Groundwater* (Bulletin 118), from every 5 years to every 10 years.
 - Additional information: To allow the public to have access to the most current groundwater information without having to wait five years, the Department developed the CalGWLive website. CalGW Live is continually updated and will remain continually updated under this proposal. The foundation of the bulletin is built on information captured in CalGW Live. Therefore, the public will not lose access to that information on the website.

Department of Toxic Substances Control

- Cuts \$43 million for the Cleanup in Vulnerable Communities Initiative in 2026-27 per the updated GGRF discretionary spending plan.
- Includes an increase of \$475,000 in expenditure authority for the State Certified Program Agency (SCUPA) Account beginning in 2025-26 and ongoing and includes an elimination of \$150,000 in reimbursement authority as it is not utilized.
- Includes \$837,000 Hazardous Waste Control Account (HWCA) in 2025-26 and ongoing, and \$1,719,000 Toxic Substances Control Account (TSCA) in 2025-26, and \$1,619,000 in 2026-27 and annually thereafter and 9.0 permanent positions to support implementation of the exemption review and reporting penalty assessment processes required by newly adopted regulations, as authorized by Chapter 73, Statutes of 2024 (SB 156).
- Provides expenditure authority of \$2 million from the Hazardous Waste Control Account (HWCA) in 2025-26 with a two-year encumbrance period in order to fund legal services contracts for the Santa Susana Field Laboratory (SSFL) litigation.

California Public Utilities Commission

- Cuts \$33 million General Fund from the Community Solar program from 2023, \$25 million Greenhouse Gas Reduction Fund in 2025-26, and \$25 million Greenhouse Gas Reduction Fund in 2027-28.
- Provides \$528,031,000 for fiscal year 2025-26 from the Universal LifeLine Telephone Service Trust Administrative Committee Fund (0471) to provide low-income California households with basic, high-quality wireless and wireline services at affordable rates in accordance with the Public Utilities (Pub. Util.) Code section 871 et seq. This is an increase of \$85,721,000 from the January proposal.
- Appropriates \$3.7 million Public Utilities Commission Utilities Reimbursement Account (PUCURA) in 2025-26 and 2026-27 and \$2.9 million ongoing and 12 positions in 2027-28 to support compliance and enforcement of safety standard for large-scale, electric grid connected battery energy storage systems.
- Extends the California Climate Credit bill subsidy provided by Cap and Trade.

California Energy Commission

- Swaps \$50 million Proposition 4 bond funding for the Distributed Electricity Backup Assets program instead of the Demand Side Grid Support Program.
- Authorizes 11.5 permanent positions, funded by Proposition 4 bond funds until funds run out, to implement the Offshore Wind program. This includes converting 4 existing positions and 7 new positions. This equals \$2.2 million annually.
- Cuts \$42.8 million General Fund for the Offshore Wind infrastructure program from 2022.
- Eliminates \$99 million Greenhouse Gas Reduction Fund in 2027-28 for zero-emission vehicle fueling infrastructure.
- Cuts \$75 million Greenhouse Gas Reduction Fund in 2025-26 for the Demand Side Grid Support program.
- Eliminates \$93 million Greenhouse Gas Reduction Fund in 2027-28 for equitable building decarbonization.
- Cuts \$26 million Greenhouse Gas Reduction Fund (GGRF) in 2025-26 for Long Duration Energy Storage.
- Cuts \$1.07 billion for zero-emission vehicle infrastructure, with \$385 million from 2025-26, \$299 million from 2026-27, and \$387 million from 2027-28. This includes the Clean Trucks, Buses and Off-Road Equipment program, drayage trucks, Emerging Opportunities, Equitable At-home Charging, and Ports.

- Eliminates \$380 million GGRF for the Distributed Electricity Backup Assets program, with \$200 million in 2025-26 and \$180 million in 2026-27.
- Cuts \$34 million Greenhouse Gas Reduction Fund (GGRF) in 2025-26 for Hydrogen grants.
- Eliminates set aside funding for the Clean Energy Reliability Investment Plan and the Diablo Canyon land conservation and economic development program. This includes \$960 million at May Revision that was planned for 2025-26 through 2028-29.
- Revises the Clean Transportation Program statute to remove the restriction that only public entities or not-for-profit technology entities can administer block grants on behalf of the Clean Transportation Program, as well as clarify that zero-emission vehicle infrastructure may be funded under block grants or incentive programs.
- Amends statute to expedite the date at which unawarded funds from the CalSHAPE program will be reverted back to investor owned utilities to fund other programs, from December 1, 2026 to July 1, 2025.
- Amends the Application for Certification fee schedule to authorize the fees to be based on incurred costs.
- Extends the sunset of the Electric Program Investment Charge (EPIC) from July 1, 2025 to January 1, 2031 and authorizes Department of Finance to adjust funding authorizations as desired to reflect inflationary increases.
- Allocates \$1.9 million Energy Facility Licensing and Compliance Fund and 9 positions through 2028-29 to support the California Energy Commission's Opt-in clean energy and advanced manufacturing permitting program. Additionally, proposes statutory changes to project application fee structure.
- Provides \$71,010,000 in Federal Trust Fund expenditure authority to administer three federal awards authorized as part of the federal Infrastructure Investment and Jobs Act (IIJA) of 2021 and \$12,000,000 reimbursement authority to supplement an existing federal program. The CEC received awards for the Community Energy Reliability and Resilience Investment (CERRI), Resilient and Efficient Codes Implementation (RECI), the Grid Resilience and Innovation Partnerships (GRIP) programs, and pledges from three entities to supplement the Charging and Fueling Infrastructure federal program funded via the California Department of Transportation that will be funded in fiscal year 2025-26.

CalRecycle

- Includes \$45 million one-time from various special funds in 2025-26 to implement the CalRecycle Integrated Information System (CRIIS) project.

Department of Food and Agriculture

- Cuts \$7 million for the Livestock Methane Reduction program per the updated GGRF discretionary spending plan.
- Cuts \$21 million from the State Water Efficiency Enhancement Program in 2026-27 per the updated GGRF discretionary spending plan.
- Includes \$6.085 million General Fund (GF), and \$5 million Federal Trust Fund (FF) 2025-26, \$5.4 million GF and \$5 million FF in 2026-27, \$5.4 million GF and \$5 million FF in 2027-28, and \$5.29 million GF, \$5 million FF, and \$147,000 Department of Food and Agriculture Fund (Ag Fund) in 2028-29 and ongoing and 29.0 permanent positions to effectively respond to current and continued threats to animal and human health due to outbreaks of various animal health diseases including strains of the Highly Pathogenic Avian Influenza (Bird Flu) in California.
- Provides \$1.5 million Department of Food and Agriculture Fund (Ag Fund) authority in 2025-26 and 2026-27, and \$900,000 in 2027-28 and ongoing to address increased research costs, to implement activities identified in the Sustainable Pest Management (SPM) Roadmap, and to perform increased consultative work for the Department of Pesticide Regulation (DPR), as required by Assembly Bill (AB) 2113 (Chapter 60, Statutes of 2024).
- Includes reappropriations of various one-time funds increased reimbursement authority of \$132,000 in 2025-26 and ongoing, which includes a rescheduling of \$226,000 Department of Food and Agriculture Fund (Ag Fund) reimbursement authority to the General Fund and will provide sufficient budgetary authority to complete various projects and administer existing and new grant awards; also includes a language-only Item to effectuate the Governor's Budget proposal, Dairy Marketing Branch and Milk Pooling Branch Remaining Milk Producer/Processor Assessments.
- Includes \$353,000 General Fund in Fiscal Year 2025-26 for the Preliminary Plans phase for repair and replacement of the Meadowview Biological Control Program office and laboratory facilities.
- Includes a \$1.37 million reappropriation of the Acquisition and Preliminary Plans funding for the Needles Border Protection Station relocation project, located in San Bernardino County.

Wildlife Conservation Board

- Cuts \$15 million for watershed climate resilience per the updated GGRF discretionary spending plan.

State Water Resources Control Board

- Cuts \$30 million for drinking water/ wastewater projects per the updated GGRF spending plan.
- Cuts \$15 million for water recycling/ groundwater cleanup per the updated GGRF spending plan.
- Includes \$2,720,000 ongoing and 12.0 permanent positions from the Safe Drinking Water Account to carry out the public small water system (SWS) regulatory program for Monterey County (County). The County's local primacy agency delegation will be terminated and regulation of SWSs will be returned to the state in September 2025.
- Includes \$23 million one-time from the Petroleum Underground Storage Tank Financing Account (PUSTFA) to provide sufficient expenditure authority to meet current funding demand for the removal or replacement of petroleum underground storage tanks; this also includes statutory changes in trailer bill to enable administrative efficiencies that allow tank owners to begin projects while waiting for a final funding agreement to be executed.

Coastal Conservancy

- Includes an appropriation of \$10,725,000 from the Violation Remediation Account, a subaccount of the State Coastal Conservancy Fund (Fund 0565), and \$12 million in reimbursements from Fund 0565 to fund coastal resource enhancement and public access projects statewide. Funds are requested to be available for encumbrance or expenditure through June 30, 2027 given the multi-year nature of projects.

Department of Parks and Recreation

- Includes \$1,922,000 in reimbursement authority in fiscal year 2025-26 to the State Parks and Recreation Fund (SPRF) for the construction phase of the Mount Diablo State Park (SP): Visitor Center.
- Includes various adjustments to the Harbors and Watercraft Revolving Fund (HWRF). Adjustments include aligning revenues and expenditures by temporarily decreasing Boating Safety and Enforcement Aid (BSEFA) Grants to baseline funding of \$8.1 million set in 1996-97, removing \$1.75 million annual baseline funding for the Abandoned Watercraft Abatement Fund (AWAF), reducing support allocations by a total of \$1.5 million, reducing baseline funding for Quagga Zebra Mussel Infestation Prevention Grants by \$1 million, and transfers of \$3.9 million from the AWAF and \$6.3 million from the Public Beach Restoration Fund (PBRF) back to the HWRF.
 - **LAO Comments: *Approve Proposal, Add BBL.*** The proposed reductions and transfers are needed to address a long-standing structural imbalance in this fund. The Legislature has addressed the shortfall in recent years through one-time

General Fund transfers, but given the budget condition, that approach is not a good option this year. The Governor's proposal is only intended to be temporary (two years) so an ongoing solution still will be needed in the future. We recommend the Legislature also add provisional budget language similar to what was included in the 2021 Budget Act to require that the administration submit a proposal for a long-term solution including new fee revenue as part of the January 2026 budget to allow the Legislature sufficient time to review and deliberate before further action is needed.

- Includes \$750,000 in reimbursement authority in fiscal year 2025-26 to the State Parks and Recreation Fund (SPRF) for the preliminary plans phase of the Silver Strand State Beach (SB): Low-Cost Accommodations project.
- Includes various reappropriations and extension of liquidations for existing capital outlay projects.
- Includes trailer bill language to authorize the Department to conduct national criminal history background checks to align with FBI best practices.

San Francisco Bay Conservation and Development Commission

- Includes \$500,000 Bay Fill Clean-up and Abatement Fund in 2025-26 and \$55,000 ongoing to procure and establish a modern, comprehensive digital regulatory management system to manage and track permits and permit applications, as well as receive permits and permit fees online.
- Includes trailer bill language to clarify that the funding of enforcement, technology, services, programs, and personnel that directly support the Commission's cleanup or abatement actions are authorized uses of the Fund.

San Joaquin River Conservancy

- Includes an additional \$260,000 in 2025-26, and ongoing, from the San Joaquin River Conservancy Fund (SJRCF) for staff to fulfill legislative directives and the Administration's priorities of Access for All.

Sierra Nevada Conservancy

- Provides ongoing reimbursement authority of \$1 million for local assistance under the Sierra Nevada Conservancy Fund (Fund 8120).

California Environmental Protection Agency

- Cuts \$5 million for Environmental Justice Grants in 2026-27 per the updated GGRF discretionary spending plan.

California Natural Resources Agency

- Includes \$346,000 from Proposition 68 and 2.0 positions, in addition to funding for consulting services to make system improvements needed to track statewide Prop. 68 requirements and deliver the necessary outcomes and mapping reporting related to Prop. 68 expenditure per bond accountability requirements.
- Cuts \$37 million for ocean protection activities in 2026-27 per the updated GGRF discretionary spending plan.

Office of Land Use and Climate Innovation

- Cuts \$9 million ongoing for Climate Action Corps per the updated GGRF discretionary spending plan.
- Withdraws Governor's Budget Proposal to transfer the California Education Learning Lab from LCI to the California Government Operations Agency (GovOps) and instead eliminates the program over two years.
 - **LAO Recommendation: Approve Governor's proposal but also capture additional General Fund savings by eliminating** \$250,000 the Governor would continue spending in 2025-26. As we discussed in our publications in 2018 and 2022, we have found CELL to be duplicative with other activities and initiatives undertaken by the higher education segments. Particularly given the budget condition and proposed reductions to core higher education programs, we find the Governor's proposed elimination of this program to be justified. However, we do not see a compelling rationale for retaining \$250,000 in 2025-26. The administration explains that the funding is to provide a "soft landing" for the program to wind down and support the lab's Director for one final year. In the context of the budget condition and the significant budget reductions to core state programs and services the Legislature is considering, we do not find providing a full additional year of funding for a staff member to administer a program that no longer exists to be a high priority for General Fund spending.
- Includes \$3.35 million in ongoing reimbursement authority to provide administrative support to the newly established Governor's Office of Service and Community Engagement (GO Serve); includes \$2.9 million in Federal Trust Fund authority to support federal grant work of the Military Affairs team; and includes an encumbrance extension of existing funding for the CEQAnet project until June 30, 2027, to continue modernization efforts.
- Includes trailer bill language to allow the Office to change the definition of 'vulnerable communities,' included in the latest Integrated Climate Adaptation and Resilience Program Technical Advisory Council resource guide to serve as the operating definition of vulnerable communities without future statutory changes.

- Includes trailer bill language to allow the Office to use the same submittal process for General Plan Annual Progress Reports used by the Department of Housing and Community Development; includes APA exemption.

Tahoe Conservancy

- Includes \$400,000 Environmental License Plate Fund one-time for the Department of General Services cost rate structure change.
- Includes a supplemental appropriation of \$591,000 from the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Fund (Proposition 68) to cover increased costs reflected in an updated working drawings estimate of the Lake Tahoe Blvd Demolition and Site Stabilization Project.
- Includes \$479,000 from the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Fund (Proposition 68) and \$271,000 from the Water Security, Clean Drinking Water, Coastal and Beach Protection Fund (Proposition 50) for various minor capital outlay projects on Conservancy land.
- Includes \$5.6 million for the acquisition of lands in environmentally sensitive or significant resource areas. The requested funding is comprised of:
 - \$1.3 million of California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access For All Fund (Proposition 68)
 - \$4.3 million of reimbursement authority to the California Environmental License Plate Fund
 - Reversion of \$1.3 million Proposition 68 local assistance from the 2019 Budget.
- Includes \$500,000 from the California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access for All Fund (Proposition 68) to study restoration and recreation needs and complete environmental review for the Upper Truckee Marsh South Project.
- Includes \$200,000 from the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Fund (Proposition 84) for the Van Sickle Bi-State Park Safety and Equitable Access Improvements Project (Project).

California Conservation Corps

- Includes \$3.5 million Collins-Dugan Reimbursement Account one-time in fiscal year 2025-26 to repair dormitory 7 that was damaged by the Airport Fire at the existing Los Piños Center located in Orange County, which was built in 1966.

Department of Conservation

- Cuts \$20 million from the Regional Forest and Fire Capacity Program in 2027-28 per the updated GGRF discretionary spending plan.

- Cuts \$50 million for plugging and abandoning oil wells in 2026-27 per the updated GGRF discretionary spending plan.
- Includes annual ongoing appropriation of \$1 million Oil and Gas Environmental Remediation Account, an increase of \$950,000 to the existing \$50,000 annual appropriation, to remediate wells that pose a danger to life, health, water quality, wildlife or natural resources; also includes budget bill language that would authorize the Department of Finance to augment the appropriation if it concurs with a finding by the Department and Division that expenditures above that amount are necessary to prevent or respond to a danger to life, health, water quality, wildlife, or natural resources.

Various

- Cuts \$3 million for activities related to the restoration of the Salton Sea per the updated GGRF discretionary spending plan.
- Includes requests for appropriations and reappropriations from various bonds, reversions, reversions with associated new appropriations, and other non-bond technical adjustments to continue implementation of existing authorized programs under the California Natural Resources Agency.
- Includes additional requests for various bond appropriations; technical adjustments; reappropriations; and baseline adjustments to continue implementation of previously authorized programs under the California Environmental Protection Agency.
- Provides resources to support increased rental costs at the newly renovated Gregory Bateson Building. The California Natural Resources Agency (CNRA), the Department of Fish and Wildlife (DFW), the Department of Conservation (DOC) and the Department of Water Resources (DWR) request an increase of \$3.276 million in 2025-26, \$3.394 million in 2026-27, and \$3.777 million annually beginning in 2027-28 across various fund sources for this purpose.
- California Environmental Protection Agency (CalEPA), the California Air Resources Board (CARB), and the State Water Resources Board (Water Board) request \$2,988,000 from various special funds and 12.0 permanent positions in 2025-26 and ongoing to defend California's environmental laws and programs that advance the state's climate, water, public health and overall environmental priorities in response to increased federal legal challenges.
 - **LAO Comment: *Modify Proposal.*** The Governor proposes \$3 million ongoing (from various special funds) and 12 positions to respond to federal legal challenges. We recommend instead providing funding on a limited-term basis (no more than 4 years), since the requested resources largely are aimed at responding to the current federal administration and workload may change under a new administration.

TRANSPORTATION

High Speed Rail Authority

- Provides at least \$1 billion annually from Greenhouse Gas Reduction Fund to enable private capital, as part of Cap and Trade Invest reauthorization.

Department of Motor Vehicles (DMV)

- Appropriates \$53.1 million Motor Vehicle Account (MVA) one-time and 90 temporary positions in 2025-26 to complete the vehicle registration phase of the Digital experience Platform (DXP) project.
- Funds \$10 million one-time Motor Vehicle Account in fiscal year 2025-26 to begin the planning phase of the S2S project, which allows DMV to upload its driver license and identification card data to the American Association of Motor Vehicle Administrators electronic verification and history exchange. This is required to prevent identification fraud and maintain REAL ID compliance with the federal Department of Homeland Security.
- Provides \$4.9 million and 19.4 permanent positions in 2025-26 and \$3.5 million and 19.4 permanent positions in 2026-27 and ongoing from the Truck Emission Check Fund (TECF) to support post-implementation information technology enhancements and ongoing workload activities associated with Chapter 298, Statutes of 2019 (SB 210, Leyva).
- Appropriates \$2 million from the General Fund in 2025-26 and ongoing, for maintenance and operation (M&O) activities associated with the completed IT project that complies with the requirements of AB 796 (Berman, Chapter 314, Statutes of 2021) regarding the California New Motor Voter Program.
- Delays implementation of SB 287 (Grove, Chapter 610, Statutes of 2022) from January 1, 2027, to January 1, 2029. This bill authorizes a driver to tow a 10,000 to 15,000-pound gooseneck trailer with a noncommercial Class C license for recreational purposes, provided they had successfully completed a knowledge exam.
- Eliminates the existing January 1, 2027, delayed operative date of AB 1800 (Low, Chapter 952, Statutes of 2022), and instead authorizes DMV and the National Marrow Donor Registry to establish an implementation timeline as part of the required memorandum of understanding.
- Reestablishes the \$1 Business Partner Automation system improvement fee which ended on December 31, 2023, to December 31, 2028, or when the DMV director determines that sufficient funds have been received.
- Amends Vehicle Code Section 1653.5 related to privacy of driver information.

- Extends the Statewide Ignition Interlock Device (IID) Pilot Program from January 1, 2026 until January 1, 2033.
- Reappropriates prior funds for the El Centro: Field Office Replacement project.

Department of Transportation (CalTrans)

- Appropriates \$27,709,000 in operating expenses in Public Transportation Account funds for the maintenance and overhaul of passenger rail equipment for Fiscal Year (FY) 2025-26.
- Cuts \$75 million GGRF for the Highways to Boulevards program, with \$25 million in 2025-26, and \$50 million in 2026-27.
- References leveraging and facilitating the acquisition of appropriate local or specialized resources for the 2026 World Cup with the California Governor's Office of Emergency Services (CalOES) and the Host Committee via statutory changes.
- Appropriates \$17.6 million one-time from the State Highway Account in 2025-26 and 92 positions to plan and design a seamless transportation network that supports the Los Angeles 2028 Olympics and Paralympics Games.
- Provides various technical adjustments, reappropriations, and increases to federal funding authority.

California Highway Patrol

- Authorizes \$3.469 million Federal Trust Fund in 2025-26 to begin planning the California Crash Data System Modernization (CalCrash) IT project.
- Allocates \$3.4 million General Fund for the construction phase of the Leviathan Peak site of the California Highway Patrol Enhanced Radio System: Replace Tower and Vault project.
- Provides a net increase of \$2,299,000 Public Buildings Construction Fund (Lease Revenue) for the performance criteria phase of five area office replacement projects. This include: Redding, Los Banos, Antelope Valley, Barstow, and Porterville.
- Funds \$4.9 million in 2025-26 from the Motor Vehicle Account to address violent crimes occurring on state highways through a Highway Violence Task Force.
- Provides \$13.360 million Federal Trust Fund in 2025-26 and 2026-27 for federal grants awarded from the Federal Motor Carrier Safety Administration for increased commercial vehicle inspections, personnel, and enforcement activities.
- Allocates \$4,400,000 General Fund for the acquisition phase of the Humboldt Area Office

Replacement and Los Banos Area Office Replacement projects.

- Shifts \$7 million from Motor Vehicle Account to General Fund for Lease Revenue Bond repayment for the Hayward and El Centro Office Replacements.

Board of Pilot Commissioners for the Bays of San Francisco, San Pablo, and Suisun

- Appropriates \$2,095,238 in 2025-26, \$229,448 in 2026-27 and \$117,000 in 2027-28 ongoing from the Board of Pilot Commissioners' Special Fund to begin an information technology (IT) project to modernize the business operations of the Board.

California State Transportation Agency (CalSTA)

- Cuts \$1.07 billion GGRF from SB 125 Transit Flex funding that funded capital projects, operations, and zero-emission buses. This includes \$368 million in 2025-26, \$250 million in 2026-27, and \$460 million in 2027-28.
- Provides \$871,000 (\$801,000 in Federal Fund and \$70,000 in various State Funds), three 3-year limited-term positions (without position authority), and three permanent positions for 2025-26 and ongoing. These resources will support the increase in workload related to additional federal grants issued to CalSTA by the National Highway Traffic Safety Administration.