

State Budget Memo: Significant Budget Adjustments for Climate Programs in 2024 May Revise

The report was developed through the **Alliance of Regional Collaboratives for Climate Adaptation (ARCCA)** with support from the **California Resilience Partnership (CRP)** in order to help California climate practitioners understand reductions and adjustments to key statewide climate-focused programs proposed in the Governor's recently released **May Revise**. Please note that this is version 1 of this report and what is reflected below is accurate to the greatest extent possible as of the date of this report's development, but might not reflect the latest available information. For the most accurate information possible on specific programs, we recommend reviewing resources developed and published directly by the State of California.

Budget

- I. In Governor Gavin Newsom's **May Revise** to the proposed state budget, the **Administration** pegged the state's deficit at \$44.9 billion for 2025-26, up from the \$38 billion forecast when the Governor released his original budget plan in January, and \$28.4 billion for 2026-27. Revenues have come in at \$7 billion under projections since January, leading the Governor to propose a \$288.1 billion budget compared to the budget last year of \$310.8 billion. To achieve a balanced budget for the next two years, the Governor would rely on a number of different elements. The state's rainy day fund would be the source for \$12.2 billion of a total of \$21.5 billion in reserve funds used to help reduce the deficit. Previously appropriated but unspent funding of \$19.1 billion, including \$700 million for housing, would be canceled. A total of \$13.7 billion would come from cuts to existing programs, including public health, college financial aid, and corrections. To largely preserve transit and climate programs, funding would be shifted from the general fund to the Greenhouse Gas Reduction Fund (GGRF). However, active transportation programs would be reduced by \$300 million in 2025-26 and \$99 million in 2026-27. Cuts to housing programs would include \$260 million to the Homeless Housing, Assistance and Prevention (HHAP) program, \$325 million to the Multifamily Housing Program, and eliminate all funding for adaptive reuse projects.

Earlier, the Governor and legislative leaders began work on approaches to reduce the state budget deficit. The Legislature approved **AB 106** which contains \$17.3 billion in budget

modifications to the 2022-23 and 2023-24 budgets and the Governor signed the bill. The bill does not contain any reductions or deferrals in housing or homeless programs at the insistence of the Assembly. Overall, the changes include the following:

- \$3.6 billion in spending reductions
- \$5.2 billion in new revenue and borrowing
- \$5.2 billion in delays and deferrals
- \$3.4 billion in shifts from the general fund to other funds.

Among other changes in resources and climate programs:

- \$88 million is cut from watershed climate resilience programs
- \$9.8 million is cut from the Regional Climate Collaboratives program. This program is administered through the California Strategic Growth Council (SGC) which is housed within the Office of Planning and Research (OPR)
- \$5 million is cut from the Climate Adaptation and Resilience Planning Grants program through OPR.

Among the changes in energy and utilities programs:

- \$23.5 million is cut from the Drayage Trucks and Infrastructure Pilot Project
- \$22 million is cut from the Industrial Decarbonization program
- \$7.3 million is cut from the Zero Emission Vehicles Manufacturing Grants program.

Between Governor Gavin Newsom's January budget proposal and his May Revise, **climate programs** have been targeted for \$6.1 billion in cuts. If adopted, those cuts plus the reductions approved last year would amount to a 17% downsizing of the \$54.3 billion agreed to between the Legislature and Governor in 2022.

According to the January Proposed Budget and the May Revise, the following are the figures for climate-related categories (not all categories listed):

Category	GF Reduction	Amount Remaining	Percent Remaining
Drought/ Water Resilience	\$1,476 b	\$6,638 b	76%
Forest Resilience	\$145 m	\$2,622 b	93%

Extreme Heat	\$135 m	\$269 m	41%
Nature Based Solutions	\$40 m	\$1,370 b	88%
Coastal Resilience	\$459 m	\$652 m	50%
Community Resilience	\$90 m	\$1,247 b	67%
Sustainable Agriculture	\$34 m	\$1,018 b	89%
Zero Emission Vehicles	\$4 m	\$9,664 b	96%
Transportation	\$823 m	\$12,997 b	94%
Energy	\$1,494 b	\$5,489 b	69%

(Percent remaining column includes reductions made in the 2023-24 Budget Act.)

Some notable reductions included in the categories above are:

Zero Emission Vehicles

- \$38.1 million reduction in general fund (GF) for various programs
- \$475.3 million in shifts from GF to Greenhouse Gas Reduction Fund (GGRF) for 2024-25
- \$600 million delay in GGRF funds from 2024-25 to 2027-28

Transportation

- \$300 million in GF reduction for active transportation in 2025-26 and \$99 million reduction in 2026-27
- \$1 billion in GF for formula Transit and Intercity Rail Capital Program (TIRCP) delayed from 2024-25 to 2025-26, leaving \$1 billion for \$1 billion for 2024-25

Water

- \$88.4 million GF reversion and \$350 million reduction over next two years for watershed and climate resilience programs

- \$20.6 million in GF for the State Water Efficiency and Enhancement Program (SWEEP) shifted to GGRF and delayed from 2023-24 to 2024-25
- \$31.3 million GF for existing multi-benefit flood risk reduction projects in the Central Valley included
- \$65.2 million GF for Salton Sea restoration included

Wildfire and Forest Resilience

- \$100.7 million in GF funding reduction including \$27.7 million for Conservancy Project Implementation in High-Risk Regions

Nature Based Solutions

- \$5 million in GF reduction for Resources Conservation Investment Strategies

Extreme Heat and Community Resilience

- \$95 million in GF reduction for Extreme Heat and Community Resilience program and shift of \$70 million from GF to GGRF with delay to 2024-25
- \$25 million in GF for Regional Climate Resilience Program reverted from 2023-24 and \$50 million reduction in 2024-25
- \$9.8 million in GF for Regional Climate Collaboratives Program reverted
- \$5 million in GF for Climate Adaptation and Resilience Planning grants reverted

Coastal Resilience

- \$220.9 million in GF for Sea Level Rise reverted
- \$171.1 million in GF for Coastal Protection and Adaptation reverted

Housing

- \$200 million in GF for Infill Infrastructure Grant Program (GGRF) reverted
- \$127.5 million in GF for adaptive reuse reverted (eliminates program)
- \$300 million in GF for Regional Early Action Planning grants (REAP 2.0) reverted
- \$250 million in GF for Multifamily Housing Program (MHP) reverted
- \$500 million in Low Income Housing Tax Credits (LIHTC) not included
- \$1 billion in GF for Homeless Housing, Assistance, and Prevention program (HHAP) not included

- II. On May 30, the Assembly Budget Committee adopted a counter proposal developed by legislative leaders to the Governor's proposal. The legislative plan would include \$46.9 billion in 2024-25 and \$29.3 billion in 2025-26 in budget

balancing actions to reach a balanced budget in both years. Among the elements to reach that goal, \$10.6 billion in 2024-25 and \$7.8 billion in 2025-26 in additional revenues would be included.

Some specific items included in the Legislature’s plan are:

Zero Emission Vehicles

- \$143.9 million in GF for Fueling Infrastructure Grants for EV charging and hydrogen refueling reduction
- \$20 million in GF for Equitable At-Home Charging reduction
- \$80.8 million in GF for Drayage Trucks and Infrastructure reduction
- \$137.8 million in GF for Clean Trucks, Buses, and Off Road Equipment Infrastructure for EV charging and hydrogen refueling reduction

Transportation

- \$600 million in GF for active transportation reduction but shift to State Highway Account
- \$148 million in GF for competitive TIRCP retained but delayed
- \$680 million in GF for Zero Emission Transit Capital Program delayed
- \$500 million in GF for formula TIRCP delayed in addition to Governor’s proposed budget

Water

- \$1.4 million in GF reduction for drought proofing conveyance and Sustainable Groundwater Management Act (SGMA) implementation
- \$31.3 million in GF for existing multi-benefit flood risk reduction projects in the Central Valley included
- \$500 million in GF for water storage in 2025-26 reduction
- \$5.7 million in GF for multi-benefit land repurposing projects reduction
- \$20.6 million in GF for SWEEP reduction and reject transfer to GGRF

Nature Based Solutions

- \$42 million in GF for Nature Based Solutions reduction and reject transfer of funding to GGRF

Extreme Heat and Community Resilience

- \$5 million in GF for Environmental Justice Action Grants reduction but shift to GGRF

- \$40.1 million in GF for Extreme Heat and Community Resilience reduction but shift to GGRF, remaining \$70 million in GF reduction
- \$10 million in GF for Climate Adaptation and Resilience Planning Grants reduction
- \$75 million in GF for Regional Climate Resilience reduction
- \$9.4 million in GF for Climate Action Corps reduction and reject transfer to GGRF

Coastal Resilience

- 171.1 million in GF for Coastal Protection and Adaptation reduction, but restoration of \$37 million from GGRF
- \$220.9 million in GF for Sea Level Rise reduction

Housing

- \$1 billion in GF for HHAP included
- 260 million in GF for HHAP Supplemental Funding reverted
- \$500 million in tax credits for the LIHTC included

III. Process

The Legislature must approve a Budget in Chief by June 15 and send it to the Governor in order to avoid having the salary of the members cut off. The budget to be approved by the Legislature must be in print by June 12 in order to satisfy procedural requirements. The Governor must sign the Budget in Chief into law by June 30. Between now and then, the Legislative leaders and the Governor will negotiate over their differences in the budget in order to reach agreement.

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