

Stakeholders Budget Debrief
CalEPA, CNRA, CDFA
May 14th, 2020

California Agriculture Secretary Karen Ross, California Environmental Protection Agency Secretary Jared Blumenfeld, California Natural Resources Agency Secretary Wade Crowfoot and directors of multiple departments and boards. Representatives from the Department of Finance will also be available.

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Administration's May Revise proposes a balanced budget, but does not propose across the board cuts, rather sets priorities.

- Additional \$90 million in enhanced CalFire wildfire management
- Balanced budget through
 - Drawing down budget reserves
 - transferring/borrowing from special funds
 - Leveraging Federal funds, setting plans if federal funds do not materialize
 - Removing new programs included in January's proposal
- Withdrawing Climate Catalyst Fund
- Removing AB 209 Outdoor Equity Program for state parks
- Still committed to supporting local community's sustainable transition to groundwater use
- Shifting \$59 million from General Fund for Air Pollution Control Fund
- Shifting \$67 (?) million from Prop 68 for State Parks
- Baseline reductions in budget that would be triggered
 - \$30 million ongoing base reductions to state parks beginning in budget year + 1
 - \$33 million reduction Dept Fish and Wildlife
 - **\$18.9million HCFW reallocation to Biodiversity...**
- **Administration is no longer sponsoring a climate resilience bond due to consequences of future debt service (SBC has emailed Elizabeth Williamson to see if any additional clarification is available - i.e. is the door left open for a bond that is not sponsored by the Administration?)**

Secretary Blumenfeld:

- Most important thing is working collaboratively with stakeholders and with each other at the State; need to adapt and be resilient.

- Even during the fiscal crisis, CA committed to maintaining its core values, including combatting climate change in an equitable way; committed to goal of gaining carbon neutrality by 2045
- Focused on recovering in a way that is inclusive, equitable, and green
- Welcome solutions and ideas from stakeholders that wouldn't necessarily rely on state funding, but could leverage other sources of funding like private capital
- Highlights
 - Dept of Toxic Substance Control: continuing comprehensive reform package and want to work together to get that reform done, this is critical,
 - Don't have the luxury to have the General Fund continue to sponsor, need fiscal solution
 - Safe and Affordable Drinking Water Fund: Gov is committed to keeping the funding level for this fund; goal is to have a plan for the funding and an expenditure plan for the year ahead to make sure the promises made to those who lack clean water are met.
 - New River: \$28 million going to make sure that project gets completed (this is the full funding level), help for EJ community
 - Tijuana River project will utilize federal funding earned in US/Mexico deal
 - Greenhouse Gas Reduction Fund;
 - Gov Proposing Cap & Trade Expenditure Plan
 - Historically clean incentive programs have been funded by auction proceeds, in light of current economic conditions, there is uncertainty in future auction proceeds. State emissions have decreased, which is the goal of the program, but so decreases the demand of purchasing allowances, reducing funding.
 - Will have to make hard funding decisions
 - Will be outcome focused
 - Focused on enhancing emergency preparedness and protecting vulnerable populations
 - Can't promise or project what will happen, but will know what is available as the auctions occur on a quarterly basis
 - Pay as you go prioritization
 - Forest health and fire mitigation
 - Safe and Affordable Drinking Water Fund
 - Farm Program
 - AB 617

Secretary Wade Crowfoot:

- Three priorities: climate resilience, protecting biodiversity, enabling outdoor access for all - have had to make tough decisions, but these priorities do not change
- 60% increase in wildfire from this time last year
 - Retain major investment in relief investment in firefighting force, supporting CalFIRE forces
 - Investments in technology to give the tools needed to fight fires on the ground in real time
- 3% of CA has burned in last three years
- Water: continued investments:

- Implementing Governor's Water Resilience Portfolio, including important flood investments, 10 new positions within their agency to make progress on improving air quality and habitat at the Salton Sea (local), getting Prop 68 funding for North Lake Project at Salton Sea
- Local implementation of SGMA: not able to propose the one time expenditure planned in January, working to expedite \$120 m of Prop 68 funding
 - Focused on what can be done to ensure full and fair implementation of SGMA
- Energy Resilience, CA Energy
 - \$50 million dollars for charging stations for electric vehicles
 - BUILD Program - building low emissions development, aim to bring more near-zero emissions technology into our homes
 - Focused on strengthening oversight of oil and gas production
- Biodiversity: Fish and Wildlife
 - Increased funding for DFW has been championed, remains a major priority of Sec. Crowfoot
 - May Revise includes important funding for initiatives such as expanding the scope and scale of restoration work, including over a million acres that DFW manages
 - Did have to pull back one time funding investments, including \$19 million in funding for biodiversity and new legislative initiatives
 - Does maintain transfer to Biodiversity Protection Fund from WCF...
 - Proposed \$33 million cut will be triggered if federal funding is not generated
- Improving Access to Parks and Outdoor Space:
 - Focused on careful reopening of parks on a regionalized basis
 - Monitoring impacts of what the restricted access has meant to Parks budget, looking to address revenue shortfall at a future date
 - Parks for All initiative - some of that funding remains, including \$6 million to improve facilities specifically in urban areas, \$5 million to establish a new state park, \$5 million of bond funding to make purchases of parcels next to parks that are ready to be purchased to improve existing parks system.
 - Need to withdraw Outdoor Equity Grants Program
 - In next budget year, \$30 million ongoing general fund cut to State Parks if federal funding does not come through
- Commitment to deepening partnerships with tribes continues
 - Committed to building Indian Heritage Center in Sacramento, shifting \$95 million that had been allocated to that to the general fund, leaving enough to continue development
 - Maintaining commitment to Truth and Healing Council
 - Maintaining commitment to institutionalizing broader, deeper, environmental justice, equity and access through two new positions
- Thankful for interagency collaboration, reiterates importance

Karen Ross: CDFA

- Sustainable Groundwater Management Act
 - \$20 million was for CDFA Climate Smart Agriculture Program included in \$60 million reduction, but will continue to benefit from past investments that will continue to increase resiliency
- Water Resiliency Portfolio, important indicator of where we need to go in the future
- Cap and Trade
 - Climate Smart Agriculture Programs = if we meet the Cap and Trade proceeds
- For all climate smart programs, need to work with stakeholder community and look for other grant programs and other partners who are committed to climate smart agriculture
- New proposals:
 - CalCannabis Program
 - \$2.7 million in federal authority for planning, coordination, execution to utilize sterile insect technique to tackle moth pest (native orange worm?)
 - Fee based certification program for Prop 12 to ensure animal care
 - Importance of Fair Grounds; have already experienced revenue loss of \$98 million, losses will continue, many fairs do not have reserves to carry them through
 - \$40.3 million in budget to support fairs
 - Eliminate \$2.25 million for CalExpo planning process, but CalExpo included in \$40.3 million in May Revise
 - Realigning state relationship with fairs
 - Fresno/Merced Future of Food Innovation Initiative: had proposed \$33 million, being modified to \$2 million to continue planning and community engagement process to realize 10-year plan
 - Farm to School grant program is sustained in May Revise, to more strongly connect to local production systems and expand food access and nutrition

Q: AB 617 program: Air Districts program implementation - same funding amounts assuming Cap and Trade revenues are there to fund them?

- A: Important to keep in mind pay as you go, incentives are in the top tier for pay as you go, implementation is not.
- Two pots of GGRF funding - about 65% is continuous appropriation, so whatever amount comes in, 65% would go to appropriations

Q: GGRF: How much is currently in the fund? Of that, how much is anticipated to be allocated in the 2021 fiscal year?

- Clarifying that the May auction relates to this fiscal year, not the next fiscal year (assuming low proceeds). After the four identified buckets are filled, will get remainder of budget.
- Challenge the premise that there are existing

Q: Center for Biological Diversity: Sec. Crowfoot, CalGEM enforcement, understand that the positions listed would be paid by a per barrel oil fee and not the general fund, could we expand on why those positions would be eliminated?

- Confirm CalGEM is funded through barrel fees, Gov will be working with a furlough program to reduce state salaries by 10% = not appropriate time to significantly expand government within special funds or general funds.

- Remain committed to filling the vacancies

Q: Kim Delfino: CDFW budget - when are we going to see the BCPs associated, the details will influence stakeholder feelings; also, is the \$18.9 million an augmentation to the \$33 million reduction? Confusing.

- Going to be posting BTPs today

Q: Since you're proposing to have this cut triggered by federal funding, would be very helpful to understand the specific cuts proposed so that we understand where you'll be relying on federal funding to backfill.

- Going to take the questions offline to answer directly, its complicated arithmetic
- Q: Proposed Biodiversity Fund: will that trigger different budget trailer bill language as related to HCF, or will original budget trail language that sunsets out HCF...
- Are proposing additional trailer bill language to make this a current ongoing transfer, so instead of going to HCF this will go to Biodiversity Fund
- So going to eliminate the ten year sunset that was agreed to last year?
- That is correct.

Q: How did theFarmer program get selected over Healthy Soils?

- To the extent that we are able to fulfill Pay as You Go obligations, then things beyond that, including Healthy Soils, can be funded. So they're not being cut, it's a prioritization.

Q: CA League of Conservation Voters: Melissa Romero: Looking at major cuts to environmental protections and climate investments, what is the administrations plan to prepare for climate impacts?

- One of the things you'll notice is that we are taking on an all of the above strategy, mitigation has been work done in the past, resiliency and adaptation are needed going forward
- GGRF was never contemplated as being the silver bullet
- Going to look at a whole suite of things that are being discussed in the Governor's office, what are things that have fees attached to them that can help progress innovation
- Silver lining: GHG emissions are significantly down as a result of stay at home orders
- Will be looking for opportunities to keep VMT down economy wide, how do we broaden that arsenal
- Will redouble our efforts, are not pairing down commitments, just need innovation and different market mechanisms
- Don't want to sugar coat it, this is a very tough budget.
- Ambition is strong, we managed to make progress on environmental policy through past recessions. Will require creativity and partnerships.
- Creative IPM solutions will be a focus