



April 4, 2024

The Honorable Gavin Newsom
Governor, State of California
1021 "O" Street, Suite 9000
Sacramento, CA 95814

The Honorable Mike McGuire
President pro Tempore, California State Senate
1021 "O" Street, Suite 8610
Sacramento, CA 95814

The Honorable Robert Rivas
Speaker, California State Assembly
State Capitol, Room 219
Sacramento, CA 95814

Re: Climate Budget Defense Coalition Comments on the 2024-2025 State Budget proposal and the need to invest in clean air

Dear Governor Newsom, pro tem McGuire and Speaker Rivas:

We understand that California is facing a very challenging budget year. While California is no stranger to boom-and-bust budgets, recent times have been exceptionally volatile while the funding needs for mitigating and adapting to climate change continue to grow.

While state resources are increasingly strained, this does not change the science or physical impacts of climate change or negate California's need to meet its climate commitments and clean air obligations. It's especially important to protect the clean air and equity priorities in the climate budget that will save lives and reduce health harms and costs, especially to vulnerable communities throughout the state.

Despite California's climate leadership, our state is [projected to miss our 2030 greenhouse gas reduction targets by seventeen years](#). Further, [multiple air basins in California fail](#) to meet National Ambient Air Quality Standards (NAAQS), with our most populated areas being in either "serious" or "extreme" non-attainment. The [American Lung Association's](#) most recent "State of the Air" report found that over 9 in 10 people in California live in a community impacted by unhealthy levels of ozone and/or particle pollution. Failure to demonstrate a viable pathway to meeting air quality standards risks draconian federal sanctions, such as no drive days, limits on ports and industrial operations, and a loss of federal highway funding and local control over air quality policy.

The original \$54 billion climate package was a collection of investments over a range of sectors appropriately reflecting the wide range of climate impacts and necessary mitigations and represented the first necessary investment in protecting people's health and well-being, including investments that focus on equity and clean air. It is also important to remember that clean transportation investments, in particular, are not just "nice to haves." With a majority of California's greenhouse gasses and health-harming pollutants coming from the transportation sector, smart investment in equitable solutions for clean vehicles, charging, sustainable housing and land use, and transit and active transportation infrastructure are critical to preserve.

Air pollution burdens are not shared equally in California. Instead, pollution is concentrated in low-income and disadvantaged communities, which are often impacted by multiple emissions sources. Further, pollution-burdened rural communities are often overlooked for private and public investments. As a result, Californians who live in these vulnerable communities are sicker, living shorter lives, and experiencing a degraded quality of life. [If particulate pollution was reduced to background levels](#), the California Air Resources Board (CARB) projects 7,200 additional lives would be saved, and thousands of hospitalizations and emergency room visits avoided.

Considering this, we urge California to Invest in Clean Air. To this end, we believe the 2024-2025 state budget should include the following:

- **Avoid further delays and cuts to clean transportation:** Currently, the proposed budget would delay zero emission vehicle (ZEV) and ZEV infrastructure funding until the 2027-2028 budget year. These delays are essentially cuts, given that the promise for future funding is purely aspirational, and will put the state even further off course of fulfilling the \$10 billion ZEV package, as well as delaying the emission reductions needed to meet our climate and air quality commitments. There is also nothing to guarantee that a future Governor or legislature honors this commitment.

- **Shift state and federal transportation dollars to restore funding for clean transportation:** Instead of funding projects that work against our climate and air quality priorities, transportation funding should prioritize projects that provide clean mobility and reduce the emissions causing air pollution and climate change. We strongly support the Senate proposal to preserve Active Transportation Program funding—this can also be done by allocating State Highway Account funds to reduce general fund impacts. The budget should also reject proposed cuts to the Infill Infrastructure grant program (\$200 million), the Regional Early Action Planning (REAP) 2.0 grant program (\$300 million), and the Multifamily Housing Program (\$250 million). To the extent possible, the Transit and Intercity Rail Capital Program (TIRCP) should be backfilled from the State Highway Account (SHA) rather than the Greenhouse Gas Reduction Fund (GGRF). That could free up as much as \$365 million in GGRF revenues to restore cuts to heavy-duty ZEVs and ZEV infrastructure as well as transportation equity projects that provide clean mobility to low-income Californians. Furthermore, as much as 50 percent of the billions of dollars allocated to California in federal surface transportation formula funding through the National Highway Performance Program could be transferred to more flexible programs like the Congestion Mitigation / Air Quality Program to backfill heavy-duty ZEV investments.
- **Cut fossil fuel subsidies:** While we appreciate the Governor’s proposal to cut fossil fuel subsidies, much more can be done, as the large oil companies benefit from other, larger tax breaks that sap the state budget while contributing to air pollution and climate change. Reviewing current tax expenditures that benefit polluting industries should be considered as a potential new source of funding for climate investments needed to meet the state’s ambitious climate goals and a responsible way to ensure smaller State revenues are well targeted. Specifically, we should prevent the oil and gas industry from claiming the Water’s Edge tax expenditure, a tax utilized in most states, which allows businesses to exclude income and factors of non-US affiliates when calculating their income in California. The total amount of State General Funds savings derived from excluding oil and gas companies is currently unknown but the Administration should request that the Franchise Tax Board do a revenue estimate of eliminating this tax break for the oil and gas industry. The Franchise Tax Board should also advise the best way to collect the information necessary to implement the elimination of Water’s Edge tax break for oil and gas companies given the complexities of the organization and industry categorization of multi-national corporations.
- **California must focus its climate investments on equity-centered programs that directly address the needs of disadvantaged and low-income communities:** With limited state resources, it is even more important to prioritize communities with the greatest pollution burdens and the highest barriers to clean transportation. To ensure that our most vulnerable Californians benefit from limited dollars, California should invest *at least* 80% of climate investments in low-income and disadvantaged communities.
- **Restore critical funding to ensure California can build the capacity of vulnerable communities to protect themselves from climate change and poor air quality:** In the last two budget cycles the Regional Climate Collaboratives program, the Transformative


Climate Communities program and Community Resilience Centers program were all cut. These programs build the capacity of under-resourced communities to access state and federal climate funding, mitigate and make the investments needed in California's most impacted neighborhoods and adapt to the impacts of climate change. Restoring these relatively small investments would help communities bring additional resources to the state to reduce their pollution burden. As such, we respectfully request the following allocations to the Strategic Growth Council: \$160 million previously allocated to Community Resilience Centers, \$200 million for the Transformative Climate Communities program, and \$9.8 million to the Regional Climate Collaborative program.

- **California's climate investment programs must pay more attention to low-income and disadvantaged communities:** In addition to having their own barriers to clean transportation, rural communities are often overlooked for both public and private investment. Public charging and fueling stations tend to be concentrated near major roadways and in high-traffic areas. Additionally, infrastructure reliability remains a major challenge. To overcome this, local leaders and community-based organizations have created innovative clean transportation and charging programs on their own. California should support and set aside funding for such efforts.
- **California's clean transportation programs need a stable, dedicated funding source:** California's usual clean transportation funding sources are subject to boom-and-bust cycles, are overextended or are limited in how much they can raise and how they can be allocated. Air quality investments need a dedicated funding stream, such as a future climate bond. Additionally, California needs to aggressively pursue federal funding to **supplement** state investments in clean transportation.
- **Protect the Equitable Building Decarbonization (EBD) Program,** which is a vital part of the state's clean air safety net, and is one of the best tools we have to provide relief to households facing indoor air pollution, skyrocketing energy bills, extreme heat, and unhealthy living environments by funding whole home retrofits to increase energy efficiency and provide the latest in high-efficiency electric heating and cooling. Gutting funding for this crucial program would prevent the state from delivering indoor environmental justice to low-income households and people of color. California's leadership must show their commitment to environmental justice, clean up our air, protect people from extreme heat and rising energy costs by restoring and maintaining \$922 million previously allocated to the EBD Program.


Thank you for your consideration. We understand that many hard budget decisions are ahead and while cuts may be necessary to balance this year's budget- the legislature and the administration need a longer-term plan to deal with ongoing climate mitigation and adaptation needs (another section of Hwy 1 just fell into the ocean this weekend). We understand that declining revenues make new investments difficult but we must be mindful of existing appropriations and their alignment or incongruence with California climate leadership.

Before cutting any critical climate investments, we urge you to first cut investments that are actively making the climate challenge worse such as the oil and gas subsidies and highway widening and other investments such as in the State Highway Account not aligned with our climate goals. In the meantime, it's critical that the state maintain investments that have direct impacts on public health and well-being and demonstrate California's dedication to climate leadership. Failure to invest in clean air today will result in significant costs and risks in the future, with the most vulnerable Californians being most at risk for health and economic impacts. The whipsaw impact of changes in climate funding also stymies private investment which we will need to ensure our State climate goals are met.

Sincerely,



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