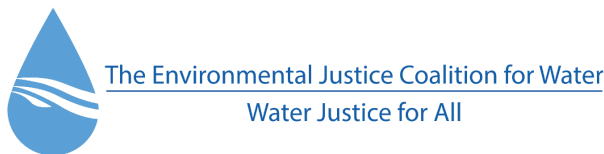


VOTE SOLAR



June 24, 2024

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

The Honorable Robert Rivas
Speaker, California State Assembly
State Capitol, P.O. Box 942849
Sacramento, CA 94249-0029

The Honorable Mike McGuire
President Pro Tempore, California State Senate
1021 O Street, Suite 8518
Sacramento, CA 95814

Dear Governor Newsom, Speaker Rivas, and Pro Tem McGuire,

We appreciate your efforts to complete a state budget in a very difficult year with a staggering deficit to address. There is no doubt that there will be some clean-up to do later in the session and an opportunity to invest the higher-than-expected additional revenues that the state has received in the last month in programs and policies that restore climate, equity, and clean air priorities. Despite our best efforts, the climate crisis has significantly worsened in the last two years, but our state is investing less to address it. **California needs to develop long-term, stable funding to address the climate crisis.**

As significant as reaching a deal on the budget is, we all know that the deficit this year is just the beginning. The Department of Finance has forecast operating budget deficits for the next three years. It is imperative that the administration and legislature come up with a plan to provide more stable funding for climate and clean air programs, rather than relying on the state General Fund with its cyclic boom and busts. Cutting or delaying funding to existing programs thwarts the private investment in the market so badly needed to make progress and leaves potential program participants confused and discouraged.

At the same time, funding needs for mitigating and adapting to climate change continue to grow. The drivers and impacts of climate change do not pause because the state is facing a budget deficit. Additional funding is critical to the state's ability to reach its climate goals as outlined in the 2022 Scoping Plan. We, therefore, urge policymakers to create a **sustainable financing plan**, explore additional revenue sources that can be deployed to address the climate crisis, and protect vulnerable communities through the ups and downs of annual revenue cycles.

The Greenhouse Gas Reduction Fund (GGRF) was raided in this year's budget to fund existing programs in the future. We fear that this program may be over-leveraged and before relying on it going forward, the LAO, DOF or CARB should do an analysis of whether this program can absorb the \$5 billion in expenditures that have been shifted into it over the next 5 years.

Here are our recommendations for what the state can do to develop a sustainable financing plan to finance climate solutions at the scale required:

- 1) The state should eliminate any unnecessary and harmful state subsidies and tax giveaways. One such program is the Water's Edge tax break. Water's Edge Election is a tax loophole that allows multinational corporations to opt out of state income taxes by designating income as coming from elsewhere, avoiding taxation on in-state operations as a percentage of global income. A 2021 [paper](#) authored by staff of the Multistate Tax Commission referred to Water's Edge as a "domestic tax shelter." The exemption for oil and gas companies is likely costing California hundreds of millions, perhaps billions of dollars.

We request that you pass a budget trailer bill this session asking the Franchise Tax Board to do an analysis of what Water's Edge and the Research and Development Tax credit are costing the state, so that policymakers have the information they need next year to eliminate this give away to oil and gas corporations.

- 2) Pass a robust climate bond. It is an absolute necessity that we give citizens a chance to vote for critical climate resilience and climate equity investments, especially given the impact of state budget cuts and deferrals on climate programs. The bond, while not a panacea, will be an important resource for addressing some of the most critical climate threats and opportunities. The education bond must also be climate-aligned.
- 3) Call a joint hearing on long-term stable funding for climate priorities commensurate with the state's legally mandated goals. Environmental justice communities bear the brunt of pollution and lack the investments to cope with extreme climate events. We should prioritize funding for programs that benefit environmental justice communities, low-income communities, and communities of color. The state should ensure that its investments are both leveraging federal funds when they are available and filling the gaps when there are no federal funds to address critical identified needs in California. Longer-term ideas including polluter pays mechanisms that could produce revenue over decades should be considered.
- 4) As we re-envision our state's comprehensive greenhouse gas emissions reduction programs, we must ensure that necessary reforms to existing programs create the resources and regulations required to tackle the monumental task before us.
- 5) Require that all state agency spending plans must be aligned with climate targets.

We understand that providing stable funding for climate priorities through 2045 is a huge challenge, but Californian's health and well being, and future prosperity depend on it. As you have done in the past, we are confident that you can lead the world in solving this key funding issue to address the climate crisis at the speed and scale necessary.

Sincerely,

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Environment California

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The Climate Center

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