

ENVIRONMENTAL PROTECTION

The California Environmental Protection Agency's programs promote the state's economic vitality in a sustainable manner by reducing greenhouse gas emissions, enhancing environmental quality, and protecting public health.

The Secretary coordinates the state's regulatory programs and provides fair and consistent enforcement of environmental law. The May Revision includes \$3.9 billion (\$42 million General Fund, \$3.8 billion special funds, and \$18.3 million bond funds) for programs included in this Agency.

The impacts of climate change and environmental pollution continue to be an urgent threat to the environment and vulnerable populations. For these reasons, the May Revision continues to prioritize the state's limited resources on emergency preparedness and protecting vulnerable populations.

CAP AND TRADE EXPENDITURE PLAN

The Governor's Budget proposed a \$965 million Cap and Trade Expenditure Plan, which continued support for several existing ongoing programs while prioritizing community air protection, where emissions have a disproportionate impact on disadvantaged populations in both urban and rural communities.

In light of current economic conditions, there is significant uncertainty surrounding the amount of Cap and Trade proceeds that will be generated in the upcoming auctions, which could result in lower auction proceeds than previously estimated as statewide emissions of greenhouse gases have decreased significantly.

The May Revision maintains the Governor's Budget Cap and Trade Expenditure Plan, and establishes a "pay-as-you-go" budget mechanism to authorize budget act expenditures based on actual proceeds received at each quarterly auction. This proposed budget mechanism will prioritize initial auction proceeds for the following programs:

- Air Quality in Disadvantaged Communities: AB 617 Community Air Protection Program and agricultural diesel emission reduction.
- Forest Health and Fire Prevention, including implementation of the requirements of Chapter 391, Statutes 2019 (AB 38).
- Safe and Affordable Drinking Water.

Departments would be directed to prioritize non-discretionary costs, such as salaries and wages, and any remaining auction proceeds would be allocated to other programs proportionally.

DEPARTMENT OF TOXIC SUBSTANCES CONTROL REFORM

The May Revision maintains the Administration's commitment to governance and fiscal reform for the Department of Toxic Substances Control.

Over the course of the past year, the Administration has developed a vision for the future of the department through stakeholder engagement, input from members and committees of the Legislature, and three public workshops conducted in Sacramento, Bakersfield and Los Angeles.

In response to the public processes, the Governor's Budget proposed a comprehensive reform package that: (1) creates a board structure to provide transparency of departmental decision making and additional policy guidance, and (2) reforms the fee setting processes to appropriately fund the activities of the Department.

GOVERNANCE

The May Revision maintains the proposal to establish a new Board of Environmental Safety to enhance the department's management structure, reflecting stakeholder input and addressing longstanding concerns about the department. Specifically, the new five-member Board will:

- Set and review fees through a public process;
- Provide an appeal forum for permit decisions; and
- Provide strategic guidance for the department director on key issues, including the hazardous waste permitting process and prioritization of site cleanup. The Board will also have an independent ombudsperson to serve as an impartial resource to the public for the evaluation of suggested actions the department should undertake.

FISCAL REFORM

The May Revision also maintains the proposal to establish a sustainable funding source to enable the Department to meet its statutory requirements, as well as eliminate the need for a General Fund backfill in future years. This proposal is comprised of three elements:

- Fee Authority—Statutory changes to authorize the Board to go through a public fee-setting process, with spending levels subject to the budget process. This will create fiscal stability into the future as circumstances change.
- Hazardous Waste Fee Restructure—Statutory language that will streamline the existing fee structure to provide the Board with the ability to set fees through a public process to distribute the cost of managing hazardous waste more equitably and support the polluter-pays principle.
- Toxic Substances Control Account—Statutory changes to authorize the Board to adjust the Environmental Fee through a public process.

CLIMATE RESILIENCE

The state is not in a fiscal position to expand programs given the drastic budget impacts of the COVID-19 Recession. The following proposal is withdrawn from the Governor's Budget:

- Climate Catalyst Fund—\$250 million General Fund

Since the Governor's Budget was released, climate leaders both inside and outside the Administration have identified more than 700 climate-related projects seeking more than \$5.8 billion in near-term capitalization. These include projects in transportation emission reduction, sustainable agriculture and forestry, circular economy, and clean power market expansion. While budget realities preclude the use of General Fund to provide low-interest loans and loan guarantees for these projects, the Administration remains committed to leveraging private capital to support a Climate Catalyst Fund.

OTHER ADJUSTMENTS

DEPARTMENT OF TOXIC SUBSTANCES CONTROL

To reduce costs, the May Revision proposes fund shifts as follows:

- Funding from the Air Pollution Control Fund—\$59 million in expenditures from the General Fund to Air Pollution Control Fund penalty revenues on a one-time basis.
- Stringfellow Superfund Site—\$5.5 million in expenditures from the General Fund to existing special funds specifically dedicated for this purpose.

The state is not in a fiscal position to expand programs given the drastic budget impacts of the COVID-19 Recession. The following proposal is withdrawn from the Governor's Budget:

- New Clean up at Orphan Sites—\$4.2 million General Fund.

STATE WATER RESOURCES CONTROL BOARD

To reduce costs, the May Revision proposes a fund shift as follows:

- Funding from the Air Pollution Control Fund—\$24 million in expenditures from the General Fund to Air Pollution Control Fund penalty revenues on a one-time basis.

OFFICE OF ENVIRONMENTAL HEALTH HAZARD ASSESSMENT

The state is not in a fiscal position to expand programs given the drastic budget impacts of the COVID-19 Recession. The following proposal is withdrawn from the Governor's Budget:

- Evaluating Unassessed Chemicals Using Precision Prevention Methodologies—\$6 million General Fund