March 4, 2026

The Honorable Eloise Gomez Reyes
Chair, Senate Budget Subcommittee No. 2
1020 N. Street, Room 502
Sacramento, CA 95814

The Honorable Steve Bennett
Chair, Assembly Budget Subcommittee No. 4
State Capitol, Room 447
Sacramento, CA 95814

RE: <u>Budget Subcommittees No. 2 and No. 4 related to Climate, Resources, Environmental Protection, and Energy: 2026-27 Proposed January Budget</u>

Dear Senator Reyes and Assemblymember Bennett,

The League of California Cities (Cal Cities) is pleased to share our perspectives on the climate, resources, environmental protection, and energy budget items as proposed in the Governor's 2026-27 Proposed January Budget, including the $3.77 billion from the Greenhouse Gas Reduction Fund (GGRF) and $2.1 billion from the 2024 climate bond (Prop. 4).

Cities continue to face climate change impacts including intensifying wildfires, floods, extreme heat, sea-level rise, and other natural disasters. At the same time, cities do not have the fiscal capacity on their own to bear the rising emergency response and recovery costs associated with climate change impacts and disasters. Cal Cities believes it is therefore imperative to support local governments in their efforts to plan, prepare, and adapt to the impacts of climate change which will reduce future costs, safeguard lives and property, and protect local and regional economies important to a strong state economy.

<u>Cap-and-Invest Program: Greenhouse Gas Reduction Fund (GGRF)</u>
Through the reauthorization of the Cap-and-Invest negotiations last year, Cal Cities strongly advocated that the GGRF framework focus on programs and infrastructure projects that reduce greenhouse gas emissions and support that state's climate goals. Cal Cities believes that municipalities working diligently to meet state climate mandates should be prioritized among limited state resources to incentive local climate resilience efforts. **Within the proposed budget's GGRF framework, Cal Cities supports the need to fully fund the affordable housing and sustainable communities program ($800 million) and healthy and resilient forests funding ($200 million).**

Cal Cities believes the following are cost-effective investments for the state to make this year:

- **Organic Waste Diversion:** Cal Cities requests **$29 million in a budget appropriation**, from the GGRF or another appropriate source, to provide local assistance on organic waste diversion and edible food recovery programs to support compliance with SB 1383 (2016). Over the past ten years, CalRecycle's organics grant programs have been oversubscribed by twice the amount that has been available to be awarded. Specifically, the edible food recovery and organic waste local assistance programs on average have been funded at approximately $29 million per year. By, at a minimum, continuing this amount of investment will ensure that the statewide targets are achievable to reduce methane emissions by diverting organic waste from landfills.

- **Clean Fleet Investments:** Cal Cities supports the request of **$100 million in a budget appropriation**, from the GGRF or another appropriate source, to accelerate deployment of ultra-low NOx clean-combustion heavy-duty trucks statewide. Local governments—particularly those operating refuse collection and wastewater treatment fleets—face mounting costs to comply with air-quality mandates while maintaining essential public services. These fleets often run heavy-duty trucks on fixed routes in disadvantaged communities, making them prime candidates for ultra-low NOx technology. Without state incentives, cities and counties will be forced to either absorb higher compliance costs or defer fleet upgrades, risking penalties and service disruptions. By supporting cleaner combustion trucks now, the Legislature can help municipalities avoid millions in future regulatory fines and infrastructure retrofits, while delivering immediate health and climate benefits to the communities they serve.

- **Climate Safe Infrastructure**: Cal Cities requests **$100 million in a budget appropriation,** from the GGRF or another appropriate source, to ensure that planning and adaptation efforts are prioritized to protect and prevent damage to critical infrastructure threatened by climate impacts, including sea level rise and catastrophic flooding, which can often be exacerbated in earthquake fault zones. Such investments align with state-mandated plans developed by local governments and could lessen potential recovery costs from such climate change impacts.

<u>Proposition 4: The Climate Bond</u>
Cal Cities is appreciative of the Legislature's leadership in championing the passage and first allocation of Prop. 4 last year. Prop. 4 was intended to provide new dedicated funding through a multi-year allocation plan for climate resiliency projects, in addition to what the state and local governments have already invested to build resilience in communities impacted by climate change. We believe that the Prop. 4 funding should be administered as expeditiously as possible. **Cal Cities supports the need to include an exemption from the Administration Procedures Act (APA), consistent with AB 35 (Alavarez), to provide assurances that these critical resources will be administered as efficiently as possible.**

Cal Cities specifically requests the following amounts to be increased in the Prop. 4 budget allocation, compared to the proposed budget:

- Safe drinking water funding, including no less than $30 million dedicated for **PFAS remediation projects** ($173 million)
- **Water conservation** funding must be increased from $1 million to $75 million
- **Coastal and flood management funding** for developed shorelines must be increased from $2 million to $100 million

Cal Cities continues to support the following priorities as key investments in Prop. 4 this year:

- Water Resilience:
- Repairs to existing water conveyance projects to improve water supply reliability ($68.8 million) and flood management and control ($232 million)
- Stormwater management ($39 million), Water recycling and reuse ($78 million), and
- Wildfire Resilience: Local wildfire prevention funding ($58 million), home hardening investments ($19.2 million), and wildfire risk reduction related to electricity transmission ($15.2 million)
- Coastal Resilience: Sea level rise mitigation ($26 million)
- Extreme Heat: Transformative climate communities ($137.4 million), community resilience centers ($55.3 million), and urban forestry ($22.8 million).
- Parks: Outdoor access to parks, and safe neighborhood parks ($35 million)
- Clean Energy: Off-shore wind and clean energy transmission investments ($322 million)

Thank you for your consideration of this request. Cal Cities looks forward to continuing to work with you to ensure both Prop. 4 and GGRF funding is successfully administered to support the needs of cities in the years to come. If you have any follow up questions, please contact Legislative Advocate Melissa Sparks-Kranz at msparkskranz@calcities.org or 916-658-8232.

Sincerely,

Melissa J. Sparks-Kranz

Melissa Sparks-Kranz
Legislative Advocate
League of California Cities

Damon Conklin
Legislative Advocate
League of California Cities

cc: Members, Senate Budget Subcommittee No. 2
Members, Assembly Budget Subcommittee No. 4