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August 20, 2026

To: Democratic Senators

From: Senator Laird, Chair of Committee on Budget and Fiscal Review
Senator Reyes, Chair of Budget Subcommittee #2

RE: Senate GGRF Plan

Due to actions of the Administration's Air Resources Board and other factors, available Greenhouse Gas Reduction Funds (GGRF) are significantly less than expected when the Cap and Invest agreement was made last year.

As a result, under the Administration's budget proposal – which the Assembly has generally supported – only \$250 million is available for legislative priorities (rather than the expected \$1 billion) and only \$378 million is available for "Tier Three" Programs.

During the June budget deliberations, the Senate made clear this was not adequate or acceptable and instead put an alternative plan into SB 1216 as a placeholder until a GGRF spending plan could be further negotiated in August.

Neither the Administration, nor the Assembly, have offered a meaningful counter-proposal or engagement on alternatives to the Administration's original proposal.

Therefore, rather than joining the Assembly and simply approving the Administration's inadequate proposal, we have now developed a much stronger spending GGRF Plan for 2026-27.

As outlined below, the Senate GGRF Plan provides a total of \$1.128 billion in allocations, including:

- \$750 million for Legislative priorities (up from the proposed \$250 million).
- \$378 million estimated baseline funding for “Tier Three” Programs.
- Straight forward trailer bill provisions.

Senate \$1.128 Billion GGRF Plan

Total Proposed Discretionary Allocation within Tier 2: \$750 million

- **\$230 million** for SB 125 transit funding.
- **\$160 million** for the Low Carbon Transit Operations Program (LCTOP).
- **\$150 million** for SB 901 Forest Health & Vegetation Management.
- **\$125 million** for the Affordable Housing and Sustainable Communities (AHSC).
- **\$55 million** for the Safe & Affordable Drinking Water (SAFER) Program.
- **\$20 million** for AB 617 Community Air Protection Program.
- **\$10 million** for Funding Agricultural Replacement Measures for Emission Reductions (FARMER) Program.

Estimated Baseline Funding to Tier 3 Programs: \$378 million

(Based on anticipated auction revenues per the Department of Finance)

- **\$107 million** for the AHSC Affordable Housing Allocation (additional funding may be available from the November housing bond).
- **\$76 million** for the Transit and Intercity Rail Capital Program (TIRCP).
- **\$48 million** for the AB 617 Community Air Protection Program.
- **\$46 million** for the AHSC Sustainable Communities Allocation.
- **\$38 million** for LCTOP.
- **\$38 million** for SB 901 Forest Health & Vegetation Management.
- **\$25 million** for the SAFER Program.

Proposed Trailer Bill Language:

- Implement the Climate Bureau.
- Include interest income in the SB 840 calculation beginning in 2027-28.
- Cap and Sunset Manufacturing Decarbonization Incentive, and prohibit any new allowances outside of the cap, consistent with SB 1216 subdivision (e).

Summary of Anticipated Program Totals:
(in millions)

Program/ Purpose	Tier 2 Funds	Tier 3 Funds	Other Funds	Total:	Notes/Details
SB 125 transit funding	230	0		230	Consistent with SB 125 funding plan
Low Carbon Transit Operations Program (LCTOP)	160	38		198	Consistent with SB 840 amount
SB 901 Forest Health & Vegetation Management	150	38		188	Close to the SB 840 amount of \$200 million
Affordable Housing and Sustainable Communities	125	46		171	Specify \$70 million for Sustainable Agricultural Land Conservation (SALC)
Safe & Affordable Drinking Water (SAFER) Program	55	25	100	180	Includes at least \$100 million Prop 4, totaling \$180 million for drinking water
AB 617 Community Air Protection Program	20	48	150	218	Plus \$150 million General Fund appropriated in June, approx. 87% of the SB 840 amount. Of this total, specify \$20 million to communities implementing Community Emission Reduction Plans (CERPs)
Funding Agricultural Replacement Measures for Emission Reduction (FARMER)	10	0		10	
AHSC Affordable Housing Allocation		107		107	Additional funding may be available from the November housing bond
Transit and Intercity Rail Capital Program (TIRCP)		76		76	
Totals: (In Millions)	\$750	\$378	\$250	\$1,378	

How the Senate Plan is Funded:

- The Senate Plan provides \$500 million more in GGRF allocations in 2026-27 than proposed by the Administration.
- The Senate Plan accomplishes this by smoothing the CalFire Backfill between the 2026-27 and 2027-28 budget years.
 - The June Budget Agreement reflected \$1.25 billion CalFire Backfill in 2026-27 and \$500 million CalFire Backfill in 2027-28.
 - Under the Senate Plan, these amounts are adjusted to \$750 million in 2026-27 and \$1 billion in 2027-28.
 - Therefore, the same level of General Fund relief over the two fiscal years, but more available for other GGRF allocations in 2026-27.
- The Senate expects to work to end, reduce, or at least further delay the CalFire Backfill during next year's budget deliberations to help strengthen the GGRF for 2027-28.
- The Senate Plan makes corresponding adjustments to the General Fund Surplus Set-Aside Account to ensure the Special Fund for Economic Uncertainties (Regular Reserve) maintains the same level as the June budget at \$4.5 billion in 2026-27 and \$450 million in 2027-28, thus maintaining the agreement for the budget to be balanced through 2027-28.

(in millions)

		2026-27	2027-28
June Budget			
	GGRF CalFire Backfill	1,250	500
	Surplus Set-aside Account	-6,388	6,388
	SFEU (regular reserve)	4,500	403
Under Senate Plan			
	GGRF CalFire Backfill	750	1,000
	Surplus Set-Aside Account	-5,888	5,888
	Final SFEU	4,500	403