



## CA Legislature's Budget Update – January 2022

Governor Gavin Newsom submitted his **2022-23 State Budget proposal** to the Legislature on January 10, 2022 – a \$286 billion spending plan that estimates a \$45.7 billion surplus, of which \$20.6 billion is discretionary, \$16.1 billion is mandated by Proposition 98 for K-14 education, and \$9 billion is set aside for reserve and supplemental pension payments. The State Appropriations Limit (Gann Limit) is likely to be exceeded in both 2020-21 and 2021-22 by a total of \$2.6 billion, which will require additional funding to be directed to schools and taxpayer rebates. The administration will update the State Appropriations Limit numbers as part of the May Revision.

With the growth in revenue, the proposal reflects \$34.6 billion in total budgetary reserves. These reserves include: \$20.9 billion in the Proposition 2 Budget Stabilization Account (Rainy Day Fund), \$9.7 billion in the Public School System Stabilization Account, \$900 million in the Safety Net Reserve, and \$3.1 billion in the State's operating reserve. The Rainy Day Fund is now at its constitutional maximum (10 percent of General Fund revenues) requiring \$2.4 billion to be dedicated for infrastructure investments in 2022-23.

As always, the release of the governor's proposed spending plan marks the beginning of the subcommittee hearing season, and the surplus marks the beginning of the frenzy. Below are highlights of some of the governor's major proposals for the 2022-23 budget year. **Please feel free to contact me with any questions.**

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### **Housing & Homelessness**

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***Housing as a Climate Strategy:*** \$1 billion one-time General Fund over two years focused on accelerating development in downtown-oriented areas is proposed by the governor:

- \$500 million one-time General Fund (\$225 million in 2022-23, \$275 million in 2023-24) for the Infill Infrastructure Grant Program.
- \$300 million one-time General Fund (\$75 million in 2022-23, \$225 million in 2023-24) for the Affordable Housing and Sustainable Communities Program.
- \$100 million one-time General Fund (\$25 million in 2022-23, \$75 million in 2023-24) to expand affordable housing development and adaptive reuse opportunities on excess state lands.
- \$100 million one-time General Fund (\$50 million in 2022-23, \$50 million in 2023-24) for adaptive reuse incentive grants to remove cost impediments and accelerate residential conversions.

### ***Affordable Housing***

- \$500 million in Low-Income Housing Tax Credits.
- \$500 million one-time General Fund over two years to increase affordable housing options and help meet Regional Housing Needs Allocation (RHNA) goals:
  - \$200 million one-time General Fund (\$50 million in 2022-23, \$150 million in 2023-24) for loans to developers for mixed-income rental housing for households with incomes between 30% and 120% of the Area Median Income.
  - \$200 million one-time General Fund (\$50 million in 2022-23, \$150 million in 2023-24) for the Portfolio Reinvestment Program to preserve targeted units in downtown areas and preserve affordable housing stock.
  - \$100 million one-time General Fund (\$25 million in 2022-23, \$75 million in 2023-24) for the Mobilehome Park Rehabilitation and Resident Ownership Program.



**Homelessness:** In addition to the \$5.8 billion provided for homelessness included in the 2021-22 Budget Act for the 2022-23 budget year, the administration is proposing \$2 billion over two years to expand access to housing for individuals with complex behavioral health conditions living in encampments.

- \$1.5 billion General Fund over two years to the Behavioral Health Continuum Infrastructure Program for the purchase and installation of tiny homes and time-limited operational supports in the tiny homes or in other bridge housing settings.
- \$500 million one-time General Fund to invest in short and long-term rehousing for people living in encampments.

**Returning Home Well Program:** \$10.6 million General Fund annually for three years is proposed to continue the Returning Home Well Program which provides transitional housing to parolees at risk of housing insecurity or homelessness. The program has served more than 5,000 individuals since its establishment in 2020.

## **Pandemic Response**

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**Fighting COVID-19:** The budget proposes to invest an additional \$2.7 billion to accelerate vaccine distribution, boosters, statewide testing, and increase medical personnel to meet current and future surges. This includes an augmentation of \$1.4 billion in the current budget year and \$1.3 billion in 2022-23.

**COVID-19 Response Costs:** The administration estimates direct emergency response costs from 2019-20 through 2022-23 to be \$13.9 billion for the COVID-19 pandemic. Governor Newsom is seeking early action by the Legislature to allocate \$1.4 billion for COVID-19 pandemic response exceeding funding provided by the 2021-22 Budget Act. Additionally, he is pushing for legislation to modify the previous COVID-19 Supplemental Paid Sick Leave policy.

## **Climate Change**

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The 2022-23 governor's budget sets aside \$22.5 billion in one-time investments in the following climate sectors:

**Zero-Emission Vehicle (ZEV) Acceleration:** \$6.1 billion (\$3.5 billion General Fund, \$1.5 billion Proposition 98, \$676 million Greenhouse Gas Reduction Fund, and \$383 million Federal Funds) one-time targeted investments over the next five years to decarbonize California's vehicle sector. The 2022-23 budget includes:

- \$256 million for low-income consumer purchases of ZEV, and \$900 million to expand ZEV infrastructure access in low-income neighborhoods.
- \$935 million to add 1,000 zero-emission short-haul (drayage) trucks and 1,700 zero-emission transit buses, \$1.5 billion Proposition 98 to advance electric school buses, \$1.1 billion for zero-emission infrastructure, and \$400 million to enable port electrification.
- \$419 million to support transportation equity projects that increase access to zero-emission mobility in low-income communities.
- \$200 million to invest in pilot projects in high carbon-emitting sectors to help maintain California's role as the hub of ZEV market creation and innovation, creating economic development opportunities.

**Transportation:** \$9.1 billion one-time General Fund and bond funds over two years is included in the proposed budget for transportation programs that align with climate goals:

- \$750 million General Fund for active transportation projects that support carbon-free options including bicycle and pedestrian safety projects.
- \$4.2 billion Proposition 1A bond funds for High-Speed Rail, \$3.25 billion General Fund for transit and rail projects, and \$500 million General Fund for high-priority rail safety improvements.
- \$400 million General Fund for projects that support climate resiliency and reduce infrastructure risk.

**Clean Energy:** \$2 billion (\$2.035 billion General Fund over two years, \$1.5 million Energy



Resources Programs Account in 2022-23, \$2.6 million Public Utilities Commission Utilities Reimbursement Account ongoing) for a Clean Energy Investment Plan to spur innovation and deployment of new clean energy technologies designed to drive down consumer costs. Investments include:

- \$380 million General Fund over two years for long duration storage projects to support grid reliability and provide the state with additional energy storage options during periods of low renewable power availability.
- \$100 million General Fund in 2022-23 to advance the use and production of green hydrogen which is critical in achieving carbon neutrality.
- \$210 million General Fund over two years to provide a grant program for the purchase and deployment of advanced technologies and equipment to decarbonize this sector, focusing on reducing pollutants in disadvantaged communities.
- \$85 million General Fund in 2022-23 providing grants for California food producers to install energy efficiency and renewable energy technologies that will reduce operating costs and climate emissions.
- \$45 million to create the Offshore Wind Energy Deployment Facility Improvement Program to advance the capabilities of deploying offshore wind energy in federal waters off California.
- \$240 million General Fund over two years to address temperature issues at the Oroville Dam that will allow a pump-storage project to operate at greater capacity.
- \$7 million General Fund in 2022-23 to support improvements to energy modeling activities to determine what types of electricity generation resources need to be built to meet state clean energy goals.
- \$962.4 million General Fund over two years: \$622.4 million for a statewide low-income direct-install building retrofit program, \$300 million for consumer rebates for building upgrades, and \$40 million for the adoption of ultra-low-global warming potential refrigerants.

***Lithium Valley Development:*** Throughout the spring, the administration will work with the Legislature, the Lithium Valley Commission, and county and community partners to develop a model for revenue sharing and a fund that benefits Californians in regulating lithium extraction in the Imperial Valley.

#### ***Climate Health***

- \$25 million one-time General Fund for a grant program to develop regional Climate and Health Resilience Plans (as referenced in the HHS section above).
- \$10 million ongoing General Fund to track emerging or intensified climate-sensitive health impacts and diseases (as referenced in the HHS section above).
- \$350 million one-time General Fund for community health workers (as referenced in the HHS section above).
- \$30 million one-time Greenhouse Gas Reduction Fund for real-time pollution monitoring in disadvantaged communities.

***Climate Schools and Research:*** The budget includes funding to develop career pathways for students to enter technology and climate-related fields, as well as infrastructure investments that reduce emissions, improve student health, and lower costs over the long term. Investments include:

- \$185 million one-time General Fund for climate initiatives at the University of California: \$100 million for climate research grants, \$50 million for regional climate innovation incubators, and \$35 million for climate workforce development and training hubs.
- \$20 million one-time General Fund for a grant to Carnegie Science to support 200 researchers focused on climate resilience.
- \$83 million one-time General Fund for the construction of the California State University (CSU) Bakersfield Energy Innovation Center.
- \$1.5 billion one-time Proposition 98 to support electric school buses (see ZEV Acceleration section above).
- \$50 million one-time General Fund for facilities upgrades at the CSU University Farms, providing a career pathway in climate resilience, food processing, and water and natural resources management.
- \$30 million one-time and \$3 million ongoing General Fund to expand the Farm to School Program's investments through integrated nutrition education and healthy food access.



**Climate Jobs and Opportunity:** \$465 million one-time General Fund over three years is proposed to continue expanding workforce strategies to reach climate goals:

- \$200 million one-time General Fund over two years to plug orphan or idle wells.
- \$15 million one-time General Fund to support a workforce training pilot to train displaced oil and gas workers in remediating legacy oil infrastructure.
- \$50 million one-time General Fund for a pilot support fund to address the needs of oil and gas workers facing displacement.
- \$110 million General Fund over three years for a Goods Movement Training Center in the Port of Los Angeles.
- \$60 million General Fund over three years to restart the Low Carbon Economy Workforce grant program.
- \$30 million one-time General Fund over two years to support community colleges and vocational training programs to train, develop, and certify forestry professionals.
- \$250 million General Fund per year for three years for companies headquartered in California working to mitigate climate change.
- \$100 million General Fund per year for three years to develop green energy technologies.

### **Wildfires**

- \$1.2 billion (\$800 million General Fund and \$400 million Greenhouse Gas Reduction Fund) one-time funding over the course of two years is included in the budget for forest health and fire prevention, broken down as follows: \$582 million for forest landscape, \$382 million for fuel breaks, \$110 million for regional investments, \$44 million for community protections, \$44 million for economic stimulus in the forest sector, \$38 million for new technology, and \$13 million for new positions and action plans as it relates to the new Office of Wildfire Technology.
- \$648 million for fire prevention: \$400 million to CAL FIRE for wildfire response and \$248 million for new firefighting equipment such as helitanks and fire crews.

**Drought:** \$750 million one-time General Fund to support drought resilience and response is contained in the budget:

- \$500 million for immediate drought support: \$180 million for water conservation programs, \$145 million for urban and small community drought relief, \$75 million for fish and wildlife protection, \$40 million for land repurposing, \$30 million for groundwater recharge projects, \$20 million for on-farm water conservation, and \$10 million in drought relief for small farmers.
- The remaining \$250 million is set aside for drought contingency support.

### **Extreme Heat**

- \$100 million is included in the budget to expand tree canopy and green infrastructure projects.
- \$25 million to reduce the impacts of extreme heat.
- \$25 million to support vulnerable residents experiencing extreme heat, wildfires, power outages, flooding, and other emergency situations related to the climate crisis.
- \$25 million for low-income weatherization upgrade programs.

**Nature-Based Solutions:** The governor's budget proposal includes \$382 million associated with investments supporting immediate drought response and long-term water resilience for natural systems, improved resilience of the State's forests and wetlands, expanding outdoor access, and protection for the ocean and California's coasts through restoration projects and improved community planning, among other things. Additionally, this helps reach California's goal of conserving 30 percent of the State's lands and coastal waters by 2030 (30x30).

### **Coastal Resilience**

- \$350 million is proposed for coastal wetland protection and restoration, and projects that build coastal resilience.
- \$50 million for projects that protect and restore healthy ocean and coastal ecosystems.



## **Community Resilience**

- \$165 million is included in the budget for the Transformative Climate Communities Program to support catalytic projects in the most disadvantaged communities of California.
- \$135 million to provide direct investment in communities through capacity building grants, regional adaptation, and resilience projects.
- \$4.7 million ongoing to the California Climate Action Corps for service positions, volunteer opportunities, or individual action.

**Climate Smart Agriculture:** \$417 million is proposed by the governor to provide critical support for farmers and ranchers as they continue to work towards the State's climate goals:

- \$150 million for the Funding Agricultural Replacement Measures for Emission Reductions Program (FARMER) to support the replacement of equipment used in agricultural operations.
- \$85 million for the Healthy Soils Program to provide grants for on-farm conservation management practices designed to sequester carbon within the soil.
- \$48 million for livestock methane reduction programs.
- \$25 million to the Climate Catalyst Fund to support Climate Smart Agriculture loans.
- \$22 million to fund technical assistance grants for the development of conservation and carbon sequestration plans.
- \$15 million to implement the Pollinator Habitat Program in partnership with private landowners and federal, state, and local entities.

**Circular Economy:** A \$65 million investment (from General Fund and special funds) is included in the budget to support California's goals to reduce short-lived climate pollutants, including advancing organic waste infrastructure, edible food recovery, and non-organic waste recycling.

## **Emergency Response**

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**Department of Forestry and Fire Protection:** The budget includes \$3.7 billion (\$2.7 billion General Fund) to provide 10,049 positions for CAL FIRE, for surge capacity and relief. The budget also sets aside an additional \$400 million General Fund on an ongoing basis to improve the health and wellness of CAL FIRE firefighters (see Wildfires section above).

**Wildfire and Forest Resilience Strategy:** The Budget proposes an additional \$1.2 billion over two years as part of a \$2.7 billion four-year investment to support critical wildfire resilience programs:

- \$482 million to enhance wildfire resilience across California's diverse landscapes by thinning forests, replanting trees, expanding grazing, and utilizing prescribed fire.
- \$100 million to help recover critical watersheds burned in catastrophic wildfires.
- \$382 million for CAL FIRE and the California Conservations Corps to complete strategic fuel breaks projects over the next several years.
- \$44 million for the California Governor's Office of Emergency Services (Cal OES), CAL FIRE, and the UC Fire Advisors program to improve defensible space and retrofits to "harden" homes and communities against wildfires.
- \$110 million for targeted regional investments that will include technical support to develop cross-jurisdictional regional plans.
- \$38 million to support rigorous monitoring and science-based management necessary to achieve effective, long-term forest health and restoration.
- \$44 million to expand the wood product supply chain and workforce preparedness in the wildfire resilience sector.
- \$12.6 million General Fund (\$9.9 million ongoing) focused primarily on implementation of the Wildfire and Forest Resilience Action Plan, and identifying areas of the state as moderate and high fire hazard severity zones for enhanced coordination.

- \$1.8 million General Fund (\$1.7 million ongoing) to establish the Office of Wildfire Technology Research and Development within CAL FIRE (as mandated by SB 109, Chapter 239, Statutes of 2021) to research emerging wildfire mitigation technology.

**Firefighting Surge Capacity:** The budget includes \$248.4 million for additional fire engines, fire suppression ground equipment, and fire crews:

- \$45 million General Fund annually for three years to secure ten additional helicopters.
- \$99 million General Fund in 2022-23 and \$11.7 million ongoing to purchase four additional Fire Hawk helicopters to support 24/7 operations.
- \$35.8 million General Fund in 2022-23 and \$2.8 million ongoing for surge capacity bulldozers and fire engines.
- \$68.6 million General Fund in 2022-23 and \$81.3 million ongoing to increase the overall number of permanent hand crews available.

**Critical Infrastructure Improvements:** The budget includes \$175.2 million (\$119.7 million General Fund and \$55.5 million Public Buildings Construction Fund) as part of a planned \$1.1 billion (\$429.5 million General Fund and \$671 million Public Buildings Construction Fund) over the next five years for the continuation and addition of critical major capital outlay projects statewide.

**Office of Emergency Services (OES):** \$2 billion (\$541.1 million General Fund) and 1,507 positions for Cal OES is included in the budget proposal.

**Strengthening California's Emergency Response Capacity and Capabilities:** \$61.9 million (\$61.6 million General Fund) is proposed to address the more frequent, complicated, and often simultaneous emergencies and disasters involving numerous counties and regions across the state:

- \$30 million to establish the Fire Integrated Real-time Intelligence System (FIRIS) program modernizing all hazard response and mutual aid system responders through technology.
- \$11.2 million General Fund in 2022-23 and \$10.9 million ongoing to enhance the California State Fire and Rescue Mutual Aid System's fire fleet.
- \$10 million ongoing General Fund to state entities for costs incurred for mission tasking that were not covered under a governor's state of emergency.
- \$5.8 million (\$5.5 million General Fund) and 20 positions to enhance Cal OES's regional response capacity and partnerships with local governments and other stakeholders.
- \$4.9 million ongoing General Fund to improve Cal OES's core operations and expand disaster logistics capabilities.

#### **Emergency Preparedness Infrastructure**

- \$17.1 million ongoing General Fund to support research and development of the California Earthquake Early Warning Program.
- \$11.6 million General Fund to complete a renovated State Operations Center (SOC) at the Cal OES facility in Sacramento and enhanced site security renovations.

## **Natural Resources**

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The governor's proposed budget includes total funding of \$11.2 billion (\$8.8 billion General Fund, \$1.8 billion special funds, \$610.8 million bond funds) for programs within the Natural Resources Agency.

**Department of Parks and Recreation:** \$756.9 million for the Outdoors for All Initiative:

- \$50 million one-time General Fund for the California Cultural and Art Installation in Parks Program that tells the story of California's valuable cultural and historical heritage and resources.
- \$50 million one-time General Fund for future State Parks infrastructure projects to increase equitable access to state parks.

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- \$9.8 million one-time General Fund to support California Native Americans' engagement and interpretation in state parks.

## Environmental Protection

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\$6 billion (\$1.2 billion General Fund, \$4.4 billion special funds, \$372 million federal funds, and \$14.5 million bond funds) is included in the governor's proposal for programs within the California Environmental Protection Agency.

**Air Resources Board:** \$946 million Greenhouse Gas Reduction Fund is included for the following activities that address climate change:

- \$676 million as part of a \$6.1 billion five-year investment to expand zero-emission vehicle adoption (see ZEV Acceleration section above) building upon last year's \$3.9 billion investment for a total of \$10 billion over six years.
- \$240 million to support the Community Air Protection Program ([AB 617, Chapter 136, Statutes of 2017](#)), which reduces emissions in communities with disproportionate exposure to air pollution through targeted air monitoring.
- \$30 million to deploy real-time pollution monitoring in disadvantaged communities (see Climate Health section above).
- \$7.6 million Air Pollution Control Fund for the Air Resources Board to continue implementing the Heavy-Duty Vehicle Inspection and Maintenance Program ([SB 210, Chapter 298, Statutes of 2019](#)).
- \$1.8 million Air Pollution Control Fund ongoing for four positions to establish the new Office of Racial Equity at the Air Resources Board.

**Department of Toxic Substances Control (DTSC):** The governor proposes a total of \$49.5 million (various special funds) in 2022-23 and \$50.8 million (various special funds) ongoing to address areas identified as high risk as part of the Cleanup in Vulnerable Communities Initiative.

## Administration of Justice

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**Retail Theft:** \$356 million General Fund over three years (\$132 million in 2022-23) is proposed:

- \$85 million annually through 2024-25 for competitive grants administered by the BSCC for local law enforcement to combat organized retail crime.
- \$10 million annually through 2024-25 for competitive grants to local District Attorneys to create retail theft prosecution teams.
- \$6 million in 2022-23 (a total of \$15 million annually) for the California Highway Patrol to expand and make permanent its Organized Retail Theft Taskforce and work with local law enforcement in the Bay Area, Sacramento, San Joaquin Valley, Los Angeles, and San Diego regions.
- \$6 million annually through 2024-25 and \$500,000 ongoing for the Department of Justice (DOJ) to support regional task forces combating organized retail theft and prosecute cases spanning multiple jurisdictions.
- \$5 million for the DOJ to continue anti-crime task forces including High Impact Investigation Teams, Los Angeles interagency efforts, and task forces to combat human trafficking and gangs.
- \$20 million one-time for grants to small businesses that have been the victim of or suffered damage caused during a retail theft.

### Guns and Drugs

- \$25 million one-time General Fund for a competitive grant program supporting local gun buyback programs.
- \$20 million one-time General Fund to expand the Military Department's drug interdiction efforts in four High Intensity Drug Trafficking Areas in California.
- \$2 million ongoing General Fund to support the Firearm Violence Research Center at UC Davis.

**Community Corrections Performance Incentive Grant:** \$115 million one-time General Fund is included in the governor's budget for [SB 678, Chapter 608, Statutes of 2009](#).



### ***Bureau of Firearms***

- \$5.2 million one-time Dealer Record of Sale (DROS) Special Account is proposed in the governor's budget to continue planning and development of combining and modernizing firearms tracking systems.
- \$2.3 million (\$6,000 General Fund and \$2.3 million DROS Special Account) in 2022-23, increasing to \$3.5 million in 2023-24, and \$973,000 to implement modifications to the DOJ's firearms database for firearm transfers.
- \$223,000 ongoing General Fund for the accelerated implementation and workload for firearm precursor parts legislation - [AB 879, Chapter 730, Statutes of 2019](#).
- \$327,000 General Fund in 2022-23, and \$306,000 ongoing to analyze and report local law enforcement agency illegal firearm information to the DOJ.

***Integrated Substance Use Disorder Treatment Program (ISUDT):*** \$126.6 million General Fund in 2022-23 and \$162.5 million ongoing is proposed to expand the ISUDT Program to treat individuals with substance use disorders.

***Judgeships:*** \$42.6 million General Fund in 2022-23 and \$42.3 million ongoing for 23 additional superior court judgeships allocated based on the Judicial Council's 2020 Judicial Needs Assessment is contained in the budget proposal.

***Remote Access to Court Proceedings:*** \$33.2 million General Fund in 2022-23 and 2023-24 and \$1.6 million ongoing to implement and support remote access to courtroom proceedings as required by [AB 716, Chapter 526, Statutes of 2021](#) is included in the budget proposal.

### **Labor and Workforce Development**

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***Expanding the Care Economy:*** \$1.7 billion over three years to create opportunities to recruit, train, hire, and advance the health and human services workforce is proposed in Governor Newsom's budget.

- \$350 million General Fund for 25,000 new community health workers by 2025 (as mentioned in the HHS section above);
- \$340 million General Fund for High Road Training Partnerships;
- \$270 million General Fund to increase nurses and health care workers;
- \$210 million General Fund for social work training, stipends, and scholarships;
- \$130 million one-time Proposition 98 General Fund for healthcare vocational pathways for English learners;
- \$120 million General Fund for psychiatric workforce;
- \$90 million General Fund for the Employment Training Panel to support job entry and career advancement for health and human services workers (\$40 million for social worker training);
- \$60 million General Fund for scholarships and loan repayment programs in healthcare and social work for multilingual applicants;
- \$60 million General Fund to expand Emergency Medical Technicians;
- \$26 million for opioid treatment providers;
- \$20 million one-time General Fund for reproductive health care providers (as mentioned in the HHS section above);
- \$12 million one-time General Fund for Tribal Health Programs (as mentioned in the HHS section above); and
- \$3 million General Fund for the Workforce Education and Training Council to research best practices and strategies to build the healthcare workforce.

***Employment Development Department:*** \$133.9 million (\$121.2 million General Fund) is proposed to continue supporting EDD's development of IT systems, improve service, and prevent fraud.



**Unemployment Insurance Debt:** California owes \$19.4 billion to the federal government for unemployment insurance debt. The governor is proposing \$3 billion General Fund over two years to begin paying down that debt, in addition to \$470.1 million one-time General Fund to pay interest on the debt.

## Transportation

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The governor's budget proposes almost \$15 billion for transportation programs and projects that align with climate goals, advance public health and equity, and competitively position the State to pursue significant federal investment through the Infrastructure Investment and Jobs Act and other federal funding programs. These investments would support climate resiliency and reduce risks from climate impacts, advance projects statewide to improve rail and transit connectivity between state and local/regional services, and enhance safety and access for bicyclists and pedestrians.

**SB 1 Implementation:** Caltrans continues to use the substantial increase in transportation revenues provided through [SB 1, Chapter 5, Statutes of 2017](#), to address the backlog of maintenance and repairs on the state highway system, with a focus on “fix it first” projects.

### **Federal Infrastructure Investment and Jobs Act (IIJA)**

- California is estimated to receive almost \$40 billion of formula-based transportation funding over the next five years for various programs:
  - Existing surface transportation, safety, and highway performance apportioned programs;
  - A new bridge replacement, rehabilitation, preservation, protection, and construction program;
  - A new program that will support the expansion of an electric vehicle (EV) charging network;
  - A new program to advance transportation infrastructure solutions that reduce greenhouse gas emissions;
  - A new program to help states improve resiliency of transportation infrastructure; and
  - Improving public transportation options across the state.
- A \$1.8 billion increase in 2021-22 and \$1.9 billion increase in 2022-23 to base Federal Highway Administration transportation funding levels, with an additional funding increase by \$385 million in 2021-22 and \$423 million in 2022-23 for Federal Transit Administration base transit funding.
- The IIJA also includes over \$100 billion in new competitive grants or augmentations to existing grant programs nationwide over five years for a variety of highway, safety, transit, rail, energy, and other activities.

**State Transportation Infrastructure Package:** The budget invests an additional \$9.1 billion related to ZEV efforts (see ZEV Acceleration section above):

- \$4.2 billion to complete electrified high-speed rail construction in the Central Valley.
- \$2 billion to invest in high-priority transit and rail infrastructure projects.
- \$1.25 billion to Southern California transit and rail projects focusing on mobility and greenhouse gas reduction.
- \$750 million to transform the State’s active transportation networks: \$500 million for Active Transportation Program projects, \$150 million to establish the Reconnecting Communities: Highways to Boulevards Pilot Program, and \$100 million for bicycle and pedestrian safety projects (see Transportation section above).
- \$500 million for critical safety improvements in high priority grade separation projects.
- \$400 million for state and local climate adaptation projects that support climate resiliency.

**Supply Chain Resilience and Port Infrastructure Investments:** The budget proposes \$2.3 billion for supply chain investments, including \$1.2 billion for port, freight, and goods movement infrastructure and \$1.1 billion for related areas such as workforce training and ZEV equipment and infrastructure in the supply chain.

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- \$1.2 billion for port-related high-priority projects that increase goods movement capacity on rail and roadways.
  - \$875 million for zero-emission port equipment and infrastructure.
  - \$110 million for a training campus, to support workforce resilience in the face of supply chain disruption.
  - \$40 million to enhance California's capacity to issue Commercial Driver's Licenses.
  - \$30 million for the Governor's Office of Business and Economic Development (GO-Biz) to provide funding for operational and process improvements at the ports.

**Clean California Initiative:** The Budget proposes \$100 million General Fund to continue the Clean California Local Grant Program providing grants to cities, counties, transit agencies, tribal governments and other government agencies to beautify their communities.

**Relief to California Consumers:** The budget proposes to forego the annual inflation adjustment to the per gallon fuel excise tax rate scheduled to occur on July 1, 2022. The annual inflation adjustment will be resumed by 2023-24.

## General Government

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**Broadband:** The governor's budget proposal did not contain new funding or policy pertaining to broadband, however noted that the California Public Utilities Commission plans to make last-mile project grants available this year using both state and federal funding.

### California Arts Council

- \$30 million one-time General Fund over three years to support 14 existing cultural districts and expand the cultural districts program.
- \$173,000 ongoing General Fund to support the California Poet Laureate, California Youth Poet Laureate, and provide outreach and technical assistance to counties for literary arts programs.
- \$50 million one-time for the Department of Parks and Recreation to create new California Cultural and Art Installations in the Parks Program for state and local parks.

**Cannabis:** \$13.6 million Cannabis Tax Fund in 2022-23 is included in the budget proposal for the following initiatives:

- \$5.5 million for a unified licensing system;
- \$2 million to develop a data warehouse; and
- \$6.1 million to launch a consumer awareness campaign to assist the public in identifying licensed, legal operators and products.

The administration stated its intent to develop a local government grant program in opening up legal retail access as well as expressed support for cannabis tax reform to help stabilize the legal market.

**Cannabis Tax Fund:** \$594.9 million a decrease of \$34.2 million from the current fiscal year, is estimated for 2022-23 in the Cannabis Tax Fund:

- \$356.9 million for education, prevention, and treatment of youth substance use disorders and school retention;
- \$119 million for clean-up, remediation, and enforcement of environmental impacts created by illegal cannabis cultivation; and
- \$119 million for public safety activities.



## Economic Growth & Job Creation

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The administration includes a number of proposals in the budget aimed at economic growth and job creation.

**Net Operating Losses:** \$5.5 billion in 2022-23 is included in the governor's proposal to restore the use of net operating losses and business tax credits.

**Innovation Headquarters Tax Credit:** \$250 million has been allocated annually for three years for a tax credit Administered by the Franchise Tax Board, beginning in 2022 for companies investing in activities and technologies mitigating climate change that are headquartered in California.

**Green Energy Tax Credit:** \$100 million annually for three years is proposed for a tax credit to fund pre-development costs for electric vehicle manufacturing and infrastructure; geothermal, lithium extraction, and battery manufacturing; long-duration storage; addressing methane emissions; and hydrogen technologies to reduce the use of natural gas. If the business becomes profitable, a share of profits would be repaid to the State.

**Elective Pass-Through Entity Tax:** Statutory changes are proposed to assist California businesses in participating in an elective tax and credit program designed to allow certain business owners to fully deduct on their federal tax returns the California taxes they pay on pass-through business income. The administration is requesting statutory changes prior to the March 15, 2022 tax filing and payment deadline for pass-through business entities.

**State Small Business Credit Initiative:** California will receive \$1.2 billion through the American Rescue Plan Act of 2021. \$1 billion will support the Capital Access Program for Small Business, California Capital Access Program Collateral Support at California Pollution Control Finance Authority, and the Small Business Loan Guarantee Program. \$200 million will establish a Venture Capital Program at IBank for underrepresented venture capital managers, underserved entrepreneurs and business owners, socio-economically disadvantaged areas, and climate equity and climate justice. The application for funding through the State Small Business Credit Initiative was released December 10 and is due by February 11, 2022.

**California Small Business COVID-19 Relief Grant Program:** \$150 million General Fund in 2022-23 is included in the budget proposal for grants of up to \$25,000 to small businesses and nonprofits.

**California Innovation Hubs and Entrepreneurship Grants:** The administration proposes reestablishing the program as Accelerate CA: Inclusive Innovation Hubs Program and includes \$20 million General Fund over four years to establish Hubs in three additional regions and provide grants of up to \$100,000 for new businesses incubated at each of the hubs. The grants are aimed and encouraging science and technology-based business creation in underserved communities.

**Small Business Technical Assistance Programs:** A \$6 million augmentation to the program is included in the governor's budget in 2022-23, as well as \$23 million ongoing General Fund ongoing to provide business consulting and training services to historically underserved businesses groups.

**Capital Infusion Program:** \$3 million ongoing General Fund beginning in 2023-24 is proposed to continue the program which provides one-on-one business consulting to assist small businesses in accessing capital.

**Fee Waivers for New Businesses:** \$39.8 million one-time General Fund is proposed to waive state filing fees for new businesses between July 1, 2022 and June 30, 2023.

**Tourism Recovery:** \$45 million one-time General Fund is provided in the budget to support media recovery campaigns for the travel and tourism industry.