

Framework for Approaching the Natural Resources, Environmental Protection, And Agriculture Budget

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SUMMARY

Budget Decisions for Environment-Related Programs Affected by State's Fiscal Challenges.

Consideration of the Governor's specific natural resources, environmental protection, and agriculture proposals must take place against the backdrop of the larger budget condition and context. The Governor's January budget proposal is roughly balanced—yet it is predicated on projections that state revenues will remain on their current trend and does not incorporate the risk of a stock market downturn, which we believe is elevated. Moreover, both the administration and our office project significant and persistent structural deficits undergirding the state's budget and threatening California's fiscal stability. This report is intended to help the Legislature consider how to approach funding its environment-related programs within this larger context.

Administration Clearly Used Judicious Approach in Crafting 2026-27 Environment Budget, but Even Justifiable Proposals Come With Trade-Offs. While we have concerns about the overall budget structure, the administration deserves credit for how it crafted its proposals for natural resources, environmental protection, and agriculture. Specifically, the Governor's budget contains a limited amount of new spending for these departments, and most of the proposals are primarily focused on responding to near-term risks. The Legislature may find it needs to approve some level of new expenditures—even from the General Fund—such as to address pressing health and safety concerns. However, in the context of a budget deficit, any new spending from the General Fund will essentially come at the expense of existing expenditures. While new spending proposals from special funds do not have a direct General Fund impact, in some cases the Legislature can use special funds to help address its budget problem, so we recommend using a discerning set of standards when evaluating all new spending proposals, regardless of fund source.

Recommended Framework for Approaching Environment Budget Decisions. In light of projected deficits and the need to balance new commitments against existing program obligations, we offer the following criteria the Legislature could use in reviewing the Governor's new environment-related spending proposals and in crafting its overall budget. (Within this report we provide examples of how the Legislature might apply these criteria to specific proposals.)

- ***Apply a Very High Bar When Approving New Proposals.*** Prioritize proposals that address critical health and safety concerns or other time-sensitive objectives.
- ***Reject Proposals That Fail to Meet This High Bar.*** Certain activities might merit consideration under different fiscal conditions, but do not address urgent needs and therefore do not meet the high bar for approval.
- ***Consider Modifying Proposals to Reduce Pressure on the General Fund.*** Explore options for alternative funding sources and consider funding priority proposals at a lower level.
- ***Take Steps to Address the Budget Condition.*** Evaluate whether recent augmentations and agreements still represent the state's highest priorities, begin the process of identifying potential additional budget solutions, and avoid adopting policies that will create additional out-year budget pressures.
- ***Ensure Remaining Expenditures Focus on the Most Important Activities.*** Consider revisiting the mix of remaining funding to ensure it supports the state's highest priorities.

INTRODUCTION

The backdrop against which the Legislature must consider 2026-27 funding levels for natural resources, environmental protection, and agriculture programs is somewhat ominous. The Governor's January budget proposal is roughly balanced—yet it is predicated on projections that state revenues will remain on their current trend and does not incorporate the risk of a stock market downturn, which we believe is elevated. Moreover, both the administration and our office project significant and persistent structural deficits undergirding the state's budget and threatening California's fiscal stability.

This report is intended to help the Legislature consider how to approach funding the state's environment-related programs within this larger context. This report has three main sections. We begin with a funding overview, detailing the funding levels the Governor proposes for departments within the California Natural Resources Agency (CNRA) and California Environmental Protection Agency (CalEPA),

as well as for the California Department of Food and Agriculture (CDFA). Next, we provide overarching comments and important considerations for the Legislature to keep in mind as it weighs the Governor's proposals for these departments. We then offer a framework for approaching environment-related budget decisions given the challenging fiscal circumstances—namely, how to evaluate the Governor's new spending proposals across CNRA, CalEPA, and CDFA within the context of a General Fund condition that is only precariously balanced in the near term and faces significant deficits in the coming years.

This report touches on many—though not all—of the Governor's budget proposals for these departments, in order to illustrate the approach the Legislature could take in crafting its budget. In addition, please see our two companion reports, [The 2026-27 Budget: Cap-and-Invest Expenditure Plan](#), and [The 2026-27 Budget: Proposition 4 Spending Plan](#), for a more detailed discussion of proposals from those specific funding sources.

FUNDING OVERVIEW

Budget Proposes Total of \$18.9 Billion for Natural Resources, Environmental Protection, and Agriculture Departments in 2026-27.

Figure 1, **Figure 2**, and **Figure 3** (on page 4) provide a summary of the Governor's proposed funding levels for departments within CNRA and CalEPA and for CDFA, respectively.

Decline in Overall Spending Proposed for the Budget Year. A common trend shown in all three figures is lower proposed spending for 2026-27 as compared to the current year—including a cumulative funding drop of nearly one-third for CNRA departments across the two years. A few key reasons explain these year-over-year changes. First, the 2024-25 and 2025-26 totals include significant one-time General Fund spending that the state dedicated for these departments a few years ago when it had surpluses. (The current-year

totals include some General Fund carried over from appropriations in prior years that departments are still in the process of spending.) Second, the 2025-26 amounts similarly include notably more one-time bond funds—reflecting \$1.3 billion more in total appropriated from Proposition 4 (2024) as compared to what is proposed in 2026-27, as well as funds carried over from other bonds (such as Proposition 68 [2018]) from appropriations made in prior years. Third, Figure 1 displays a sizeable year-to-year decline in federal funds for CNRA departments. The biggest component of this change is about \$675 million less for the California Energy Commission (CEC) in 2026-27, primarily due to a federal grant it received on a one-time basis in 2025-26 from the Grid Resilience and Innovation Partnership Program.

Figure 1

Natural Resources Expenditures Summary

(Dollars in Millions)

	2024-25 Actual	2025-26 Estimated	2026-27 Proposed
Totals	\$16,363	\$18,395	\$12,812
By Department			
Forestry and Fire Protection ^a	\$5,174	\$4,719	\$5,018
Water Resources ^b	3,811	4,407	2,652
Energy Commission	2,825	1,422	431
General obligation bond debt service	1,315	1,564	1,720
Parks and Recreation	936	1,979	840
Fish and Wildlife	757	719	677
Wildlife Conservation Board	273	876	224
Conservation	231	402	339
Coastal Conservancy	230	577	93
Natural Resources Agency	219	765	178
Conservation Corps	181	216	213
State Lands Commission	70	73	47
Other resources programs ^c	342	674	379
By Funding Source			
General Fund	\$7,641	\$6,741	\$4,905
Special funds	6,757	6,344	5,853
Federal funds	1,155	1,235	424
Bond funds	810	4,074	1,631

^a Includes reimbursements the department receives from work it does on behalf of other entities.^b Includes funding from contractors of the State Water Project that is continuously appropriated to the department.^c Includes state conservancies, the California Coastal Commission, and other departments.

Figure 2

Environmental Protection Expenditures Summary

(Dollars in Millions)

	2024-25 Actual	2025-26 Estimated	2026-27 Proposed
Totals	\$6,031	\$5,950	\$5,460
By Department			
Water Resources Control Board	\$2,054	\$2,157	\$1,737
CalRecycle	2,003	2,086	1,957
Air Resources Board	1,356	1,002	1,147
Toxic Substances Control	448	504	427
Pesticide Regulation	143	168	163
Other departments ^a	27	32	29
By Funding Source			
Special funds	\$4,859	\$4,603	\$4,413
Federal funds	531	624	635
General Fund	445	271	115
Bond funds	196	452	297

^a Includes the Environmental Protection Agency, Office of Environmental Health Hazard Assessment, and general obligation bond debt service.

CalRecycle = California Department of Resources Recycling and Recovery.

Totals for Some Departments Include Reductions From Position Eliminations That the Legislature Has Not Approved.

The Governor's budget reflects funding reductions for certain departments from permanently eliminating vacant positions. This is related to actions taken through Budget Control Section 4.12 in the 2024-25 and 2025-26 budget agreements, which we summarize in our webpost, [The 2025-26 Spending Plan: Other Provisions](#). However, the Legislature has **not concurred** with **some** of these position eliminations. As such, some of the funding totals displayed in the figures reflect reductions in both 2025-26 and 2026-27 to which the Legislature has not consented. This includes \$11.3 million annually for the Department of Toxic Substances Control (DTSC), \$11.2 million annually for the Department of Fish and Wildlife (CDFW), and \$8.6 million annually for the Department of Parks and Recreation (Parks), among others. Please see our forthcoming publication, *The 2026-27 Budget: Proposed Elimination of State Environmental Positions*, for a more in-depth discussion of this issue.

Figure 3

California Department of Food and Agriculture Expenditures Summary

(Dollars in Millions)

	2024-25 Actual	2025-26 Estimated	2026-27 Proposed
General Fund	\$300	\$233	\$214
Special funds	269	248	211
Federal funds	151	133	132
Bond funds	1	171	76
Totals	\$721	\$785	\$633

OVERARCHING COMMENTS

Governor's Overall Budget Approach Raises Serious Concerns. Consideration of the Governor's specific natural resources, environmental protection, and agriculture proposals must take place against the backdrop of the larger budget condition and context. As we discuss in our recent publications, [The 2026-27 Budget: Overview of the Governor's Budget](#) and [California's Strong Revenue Trends Mask Looming Budget Risk](#), our office has identified three major concerns with the Governor's overall budget approach.

- **Stock Market Poses Serious Risk to Revenues.** While the administration acknowledges the risk of a market downturn, it stops short of incorporating the possibility of one into its revenue estimates. Several historically reliable signs suggest the market is overheated and at a high risk of reversing course in the next year or so. With a heightened possibility of a market downturn—and resulting drop in income tax revenues—adopting the administration's revenue assumption would put the state on precarious footing. Further amplifying this precariousness, even under the administration's revenues, the budget is only roughly balanced in 2026-27.
- **Multiyear Budget Deficits Alarming.** Both our office and the administration expect the state to face multiyear deficits, with estimates

ranging from \$20 billion to \$35 billion annually. These chronic deficits have persisted even as the state's economy and revenues have grown and the Legislature has adopted solutions totaling more than \$125 billion to address budget problems over the past four years, underscoring that the problem is structural rather than cyclical.

- **Governor's Budget Does Not Materially Address These Challenges.** While the Governor has acknowledged both the downside risk to the state's revenue picture and the multiyear deficits, the proposed budget does not include material actions to address either challenge. Rather, the administration indicates it will propose a revised budget that begins to solve the out-year problems as part of the May Revision. However, such a delay would force the Legislature to either accept solutions that have not received sufficient public discussion or defer action even more.

Addressing Structural Deficits Will Be Very Challenging. A particularly daunting characteristic of the budget problem now facing the Legislature is that it has already taken a number of steps to address funding shortfalls in recent years using tools that are now largely unavailable or less feasible. In the environment area, for example, the Legislature was able to reduce spending by scaling back one-time augmentations that had been

provided or planned through “climate packages” adopted when the state was benefiting from pandemic-era General Fund surpluses. Eliminating planned one-time spending generally is less disruptive than cutting support for base, ongoing programs. However, nearly all of this one-time funding has now been spent or committed to specific projects and thus cannot easily be pulled back. As such, bringing ongoing General Fund expenditures back into balance with revenues likely will involve even more difficult decisions and trade-offs, such as reducing existing ongoing activities and/or raising revenues by increasing taxes and fees.

Administration Clearly Used Judicious Approach in Crafting 2026-27 Environment Proposals. While we have concerns about the overall budget structure, the administration deserves credit for how it crafted its proposals for natural resources, environmental protection, and agriculture. Specifically, as we discuss below, the Governor’s budget contains a limited amount of new spending for these departments, and most of the proposals are primarily focused on pressing health and safety concerns. The administration clearly crafted these proposals with careful consideration of the budget condition in mind and by using a discerning set of standards. That said, the Legislature may choose to set its “bar” for approving funding for new activities at a different level—either because of differing priorities, or by necessity based on its overall strategy to address the evolving budget condition.

Even Proposals With Strong Justifications Come With Trade-Offs. The Legislature may find it needs to approve some level of new expenditures—even from the General Fund—such as to address pressing health and safety concerns. However, in the context of a budget deficit, any new spending from the General Fund will essentially come at the expense of existing expenditures. That is, particularly in the case of new ongoing expenditures, the state ultimately will need to “make room” for new spending by reducing expenditures elsewhere in the budget or by raising new revenues. Even relatively minor new General Fund expenditures—especially those that are ongoing—will exacerbate out-year structural deficits.

We suggest the Legislature keep this larger context in mind as it weighs the merits of each new proposal.

Special Fund Proposals May Have Unique Considerations... As highlighted in Figure 1 and Figure 2, the General Fund is not the main source of support for most CNRA and CalEPA departments. In contrast, many of these departments are primarily supported by special funds (along with bonds and federal funds). Correspondingly, some of the Governor’s new spending proposals for these departments are from other fund sources and therefore would not have a direct impact on the General Fund condition. As such, the Legislature may want to apply a somewhat different lens when considering such proposals. For example, a proposal might fund a regulatory activity using a special fund that is structured specifically to ensure fee-payers help support the regulation and mitigation of their industry’s environmental impacts. Such a proposal might be worthy of approving not only because it protects health and safety, but also because it avoids burdening the General Fund and follows the “polluter pays” principle. Similarly, spending proposals from Proposition 4 implement the will of the voters and will not have major immediate General Fund implications. (The General Fund eventually will need to pay for the debt service on bond spending over the course of the next few decades.)

...However, Bar for New Spending Should Be High Regardless of Fund Source. In some cases, the Legislature can use special funds to help address its budget problem and ensure its highest priorities are supported. For example, as we discuss in our companion publication, [*The 2026-27 Budget: Cap-and-Invest Expenditure Plan*](#), the Legislature has the option of using monies from the Greenhouse Gas Reduction Fund (GGRF) flexibly to support any purpose. As such, GGRF could be thought of akin to the General Fund and therefore should similarly be targeted for the state’s highest priorities (whether within the environmental sector or other policy areas). Depending on their balances and constraints, certain other special funds also can be tools to help address the budget deficit, such as by providing loans to the General Fund or taking on expenditures previously funded by

the General Fund. To help avoid precluding these potential options, we recommend the Legislature apply a high bar to all new spending proposals, even if they do not come from the General Fund.

Strong Rationale for Taking Near-Term Steps to Prepare Budget Contingencies. We urge the Legislature to start addressing the budget's structural imbalance during this budget cycle. Starting now, before a crisis is at the state's doorstep, would enable the Legislature to take a more thoughtful approach to rebalancing the state's commitments, including soliciting public input and weighing trade-offs and potential consequences of options being considered. Moreover, approaching the structural deficit in increments would allow

the Legislature to ensure that solutions ultimately improve the state's fiscal position as intended and allow for time to identify whether subsequent action is necessary. Being proactive about identifying preferred strategies also can help position the Legislature to respond quickly if needed. For example, if the state's revenue outlook worsens during the budget year, the Legislature may need to consider adopting solutions in the middle of the fiscal year, without the benefit of the typical annual budget deliberation time frame and process. Taking steps to prepare early can help situate the Legislature for this potential, including developing detailed plans for how it will respond if or when the need arises.

RECOMMENDED FRAMEWORK FOR APPROACHING ENVIRONMENT BUDGET DECISIONS

Below, we offer a framework for approaching environment budget decisions in today's challenging fiscal circumstances—namely, how to evaluate the Governor's new spending proposals across CNRA, CalEPA, and CDFA in the context of a General Fund condition that is only precariously balanced in the near term and faces significant deficits in the coming years. **Figure 4** summarizes the main components of this framework.

Although the Governor's overall approach to new CNRA, CalEPA, and CDFA spending is relatively restrained given the state's current fiscal outlook,

the budget nevertheless proposes a number of new or expanded activities for these departments. In our view, the Legislature should apply a very high bar to such proposals, particularly in light of projected deficits and the need to balance new commitments against existing program obligations. To that end, we offer criteria the Legislature could use in reviewing these proposals. While the Legislature could select—and indeed may prefer—other criteria, the framework we suggest is intended to help differentiate proposals that address pressing, near-term needs from those that are potentially

Figure 4

Recommended Framework for Approaching Environment Budget Decisions

Apply a Very High Bar When Approving New Proposals

- Prioritize proposals that meet critical health and safety concerns or other time-sensitive objectives.

Reject Proposals That Fail to Meet This High Bar

Consider Modifying Proposals to Reduce Pressure on the General Fund

- Explore options for alternative funding sources.
- Consider funding priority proposals at a lower level.

Take Steps to Address the Budget Condition

- Evaluate whether recent augmentations and agreements still represent the state's highest priorities.
- Begin the process of identifying potential additional budget solutions.
- Avoid adopting policies that will create additional out-year budget pressures.

Ensure Remaining Expenditures Focus on the Most Important Activities

- Consider revisiting the mix of remaining funding to ensure it supports the state's highest priorities.

less urgent, even when the latter might advance important policy objectives. We offer examples of proposals in the Governor's budget for which we find a rationale that could justify approval, as well as some that we believe fail to reach this high threshold. We also highlight ways the Legislature could consider modifying certain proposals—such as by shifting their fund source or downsizing their scope—if it finds a compelling rationale for their support but is constrained by the General Fund condition. (Given their number, we do not discuss every environment-related proposal from the Governor's budget. Rather, we highlight some of the larger funding requests that we feel are helpful in illustrating our recommended framework. To the degree we have specific comments for the Legislature on other proposals, we will discuss them in separate publications.)

Additionally, we discuss steps the Legislature could take to reduce pressure on the General Fund, beyond just through the lens of considering the Governor's new 2026-27 proposals. Finally, after it has identified what level of funding its budget can support, we suggest the Legislature think about revisiting the mix of how those resources are dedicated to prioritize the most important activities.

Apply a Very High Bar When Approving New Proposals

Prioritize Proposals That Address Critical Health and Safety Concerns or Other Time-Sensitive Objectives. In the context of a budget deficit, every dollar of new spending essentially comes at the expense of a previously identified priority and requires finding a commensurate level of solution somewhere within the budget. (This is true even under the Governor's higher revenue projections, as the administration's proposal includes actions to free up capacity for new spending proposals, including creating a settle-up obligation for schools and community colleges and suspending a transfer to the state's rainy day fund.) Given the serious budget challenges facing the state, we suggest the Legislature apply a high bar to its review of new spending proposals and be very selective in approving any of them. In our view, proposals merit consideration of budget-year funding

when they address a documented, significant, near-term health and safety risk that potentially cannot be managed without additional resources, and/or conditions that could lead to irreversible implications if not funded. While other proposals also might warrant consideration because they offer longer-term or protective health and safety benefits, they may not require immediate funding in the context of current budgetary constraints. Based on our assessment, we find evidence that a number of the Governor's proposals address issues where additional resources might be needed to avoid higher future costs and/or serious harm. Some examples include the following.

- ***CDFW: Nutria Eradication Program.***

The budget proposes \$8.2 million in 2026-27 and \$8 million in 2027-28 and ongoing from the General Fund, along with one position, to support CDFW's existing nutria eradication program. An invasive species that have been spreading in California since being detected in 2017, nutria carry pathogens and parasites that pose risks to human and animal health, damage flood-protection levees and water conveyance infrastructure with their burrowing behavior, destroy crops, degrade native vegetation, and contaminate water supplies. The Governor's proposal would backfill expiring one-time funding and expand the program. Providing this funding likely would prevent future higher state costs as nutria reproduce rapidly and unchecked populations can lead to expanding infestations.

- ***Department of Water Resources (DWR): Dam Safety Program Operations.***

The budget proposes \$1.4 million in ongoing funding from the Dam Safety Fund to support enforcement-related activities, travel costs, and new and increased information technology costs in the Dam Safety Program. Following the Oroville Dam spillway incident in 2017, legislation increased both DWR's enforcement authority and dam inspection requirements. Without the additional funding, DWR would have less capacity to implement current law and ensure dam owners are following rules designed to protect people and property from dam failures.

- **DWR: Urban Flood Risk Reduction.**

The budget proposes \$12.5 million (\$8.7 million General Fund and \$3.8 million Proposition 4) on a one-time basis to support state operations associated with high-priority flood management projects conducted in collaboration with the U.S. Army Corps of Engineers. Absent this funding, the state would be unable to complete required project support activities (such as planning, monitoring, inspection, and close-out), placing significant federal flood funding at risk. Because Proposition 4 funding is limited to state operations associated with bond-funded flood projects, General Fund support is needed to cover the remaining costs.

- **DWR: River Forecasting and Snow Survey Resources.** The budget proposes \$9.5 million ongoing from the General Fund and 15 positions to replace critical river forecasting and snow survey activities that previously were conducted by the federal government. Reductions in federal staffing and capacity are leading to gaps in vital information that the state and local entities use to forecast water supply and floods, provide 24-hour flood-emergency response, and manage reservoirs.

- **State Water Resources Control Board (SWRCB): Responding to Changes in Clean Water Act Protections.** The budget proposes \$2.6 million ongoing from the Waste Discharge Permit Fund, along with 12 positions, to mitigate impacts stemming from a U.S. Supreme Court decision. That decision (*Sackett v. U.S. Environmental Protection Agency*) narrowed federal Clean Water Act protections, thereby indirectly shifting regulatory responsibilities for certain bodies of water to the state under state law. The additional funding and positions would allow the board to issue and enforce permits protecting water quality and public health—including limiting the discharge of pollutants into waters of the state—without redirecting staff from other critical programs. The Legislature could consider making complementary changes to statute to make the state program more efficient.

- **California Department of Forestry and Fire Protection (CalFire): Fixed-Wing Aircraft Mechanic and Pilot Contract Increases.**

The budget proposes \$66.5 million General Fund in 2026-27 and increasing amounts in subsequent years, growing to \$74.2 million ongoing in 2030-31, for CalFire to cover the increased costs of its air tanker and command center aircraft mechanic and pilot contracts. Without this funding, CalFire would not be able to use its air tanker and command center aircraft to respond to wildfires. Fewer aircraft available to respond to more frequent and severe wildfires in the state likely would increase the risk of harm to communities and their residents and increase the future costs of wildfire recovery.

- **CalFire: Capital Outlay Projects.** CalFire proposes \$294.6 million (\$47.1 million from the General Fund and \$247.5 million in lease revenue bonds) in 2026-27 to acquire, plan, and construct 12 capital outlay projects. Once completed, the projects would relocate, repair, or replace facilities with significant health and safety deficiencies. Addressing these deficiencies likely would improve the health and safety of CalFire personnel as well as support the state's wildfire response capacity through, for example, improved equipment maintenance and operational efficiency.

- **Department of Conservation (DOC): Earthquake Monitoring.** The budget proposes \$2.1 million in 2026-27 and \$1.9 million in each of the subsequent three years from the Strong Motion Instrumentation and Seismic Hazard Mapping Fund to purchase equipment and add ten permanent positions to DOC's California Strong Motion Instrumentation Program. Through the earthquake monitoring network, the state keeps the earthquake early warning system operational and identifies weaknesses in critical infrastructure, which also helps inform building design and codes. However, this network currently has a maintenance backlog, including defunct seismic monitors and not enough field technicians to repair or replace them. This proposal is important to maintaining the state's capacity for structural

integrity monitoring at critical locations, such as bridges, dams, tunnels, and hospitals, and mitigating public safety risks and higher disaster recovery costs that could result from earthquakes.

- **Various: Landfill Support, Response, and Enforcement.** The budget proposes \$5.1 million ongoing from various special funds to support DTSC, the California Department of Resources Recycling and Recovery, CalEPA, and SWRCB in addressing subsurface elevated temperature (SET) events at landfills. (SET events are subsurface reactions that increase temperatures within landfills, which can potentially damage liners and gas collection systems and pose risks to the environment and nearby communities.) The funding and positions would address additional workload related to two active SET events occurring in the state; enhance overall state oversight; and update regulations to strengthen monitoring, response, and enforcement for future SET events. Ensuring regulatory agencies have sufficient capacity to manage current incidents and to prevent and address future events would improve protections for human health and the environment. Additionally, the proposal uses dedicated special funds consisting of fees charged on industry to support regulatory activities such as these.
- **CDFW: Salmon Hatcheries and Restoration Program.** The budget proposes \$5 million in 2026-27 and \$5.4 million ongoing thereafter from the General Fund, along with three positions, for CDFW to operate two salmon hatcheries and conduct associated monitoring and research. These activities support spring-run Chinook salmon (a threatened species under state and federal laws) and fall-run Chinook salmon (a species that has experienced long-term declines and is integral to the state's commercial fisheries). Proposition 4 bond funding is supporting these activities in 2025-26, but does not provide a long-term funding source. Without ongoing funding, CDFW would be unable to supplement natural production with hatchery releases, increasing extinction risk for spring-run Chinook and further constraining fall-run populations.

Reject Proposals That Fail to Meet This High Bar

The Governor's budget includes a few proposals that do not address critical health and safety issues or pressing near-term problems. Under different fiscal conditions, these activities might merit consideration because they advance various policy objectives, such as expanding public access to state parks or reducing greenhouse gas emissions. However, based on our assessment, these proposals do not address urgent needs or mitigate near-term risks. Given the state's current budget condition and the limited capacity for supporting new commitments, we recommend that the Legislature reject the following proposals.

- **CDFA: Enteric Methane Reduction Incentives.** The budget includes \$23 million one-time General Fund in 2026-27 for an incentive program to be administered by CDFA to reduce enteric methane emissions from the state's dairy and livestock industries. Funding for this program was deferred from 2023-24 to 2026-27 as a budget solution adopted as part of the *2024-25 Budget Act*. However, the state's budget condition has not materially improved, similar funding for other programs approved through past climate packages has been eliminated or reduced, this program does not address pressing health and safety needs, and program implementation is still in the planning stages and not yet underway.
- **CDFA: Farm to School Program.** CDFA proposes \$24.6 million General Fund and ten positions in 2026-27 (as well as a similar amount ongoing) to support the Farm to School Program along with other related food system programs. This program provides grants to educational agencies, food producers, and other organizations and partnerships to increase the amount of locally grown and produced foods in schools. While the program does appear to provide some benefits to farmers, schools, and students, it does not meet a critical health and safety concern or a pressing time-sensitive objective. Moreover, the state and federal governments provide a total of close to \$5 billion annually for school nutrition programs, and over the past few

years the state has allocated supplemental funds to schools in order to improve their ability to provide more healthy meals, procure California-grown foods, and incorporate more freshly prepared foods. (Given these investments in school nutrition, the Legislature also could explore whether some of the farm to school activities could potentially be supported by monies the state must provide to schools to comply with Proposition 98 constitutional requirements.)

- **Parks: Library Pass Program.** The budget proposes \$6.8 million General Fund on an ongoing basis for the Library Pass Program, which distributes 33,000 park passes to more than 1,100 library branches statewide. While the program does facilitate Californians' access to parks, it does not meet a pressing health and safety need. Moreover, the state already funds a number of other free state parks pass programs, including for lower-income residents who may face more barriers to access.
- **California Air Resources Board (CARB): Zero-Emission Vehicle (ZEV) Incentive Program.** The budget proposes \$200 million on a one-time basis (\$115 million from GGRF and \$85 million from the Air Pollution Control Fund [APCF]) to create a new incentive program for light-duty vehicles. The administration indicates that the impetus for this new program is to partially replace a federal incentive program that was discontinued in September 2025. While providing additional funding for light-duty ZEVs could help encourage their adoption, we find a few reasons against its approval, such as: (1) it does not meet an urgent or critical need, given the time horizon over which the public likely will phase in purchases of new ZEVs; (2) the state does not have the obligation or resources to backfill all changes in federal commitments; (3) it could result in potential duplication and complication, given the state already has existing programs aimed at subsidizing the purchase of light-duty ZEVs; and (4) key details on the proposed program's structure—such as duration and incentive

amounts—are lacking, making assessing its merits and trade-offs difficult. (We plan to discuss this proposal in greater detail in a forthcoming publication, *The 2026-27 Budget: Proposed Zero-Emission Vehicle Incentive Program*.)

Consider Modifying Proposals to Reduce Pressure on the General Fund

The Legislature may find itself in a position of having a compelling rationale for approving some of the Governor's proposals—such as to respond to time-sensitive health or safety concerns—but finding it challenging to do so given the budget condition. Below, we identify two ways the Legislature could modify proposals such that it could provide at least some level of support to pursue what it finds to be worthwhile objectives while still accommodating the state's fiscal limitations. These include supporting activities with alternative funding sources and/or providing a lower level of funding than that proposed by the Governor. We also highlight examples and potential trade-offs for each of these strategies.

Explore Options for Alternative Funding Sources. The Legislature could consider supporting some of the Governor's proposals using funding sources other than the General Fund. Shifting fund sources could allow the Legislature to advance at least some of its intended objectives while limiting additional pressure on the General Fund. Pursuing this approach, however, would involve a number of trade-offs. For example, funding activities through new or higher fees would shift costs to the individuals or entities paying those fees. In addition, replacing General Fund support with fee-supported special funds could reduce flexibility and introduce specific statutory or programmatic conditions, potentially requiring changes to the scope or mix of which proposed activities could be implemented. Moreover, alternative funding sources may not be available at the same level as the Governor proposes and their use could require redirecting resources from other activities and priorities. Below are several examples of how the Legislature could consider applying this approach.

- **CalFire: Defensible Space Inspector**

Resources. The budget proposes \$6.2 million General Fund and 19 positions in 2026-27 (and a similar amount ongoing), along with 12 new positions to be funded by CalFire's existing GGRF allocation, for the department to perform defensible space inspections of parcels within the State Responsibility Area (SRA) once every three years. Without these resources, CalFire expects it could perform only about half of these inspections. Fewer inspections could mean fewer parcels have defensible space around their structures, increasing the risk of damage during a wildfire. However, the Legislature could support this activity while lessening the General Fund impacts by funding more or all of these positions out of CalFire's existing GGRF allocation in lieu of using General Fund. Alternatively or in addition, the Legislature could consider reinstating the SRA fee to help cover these costs. Moreover, the Legislature may want to approve funding these positions on a one-time rather than ongoing basis, as forthcoming state regulations to strengthen defensible space requirements likely will increase the amount of time required to complete each inspection, triggering a rationale for revisiting the program's staff and structure in the coming years.

- **Exposition Park (Expo Park): California Science Center Staffing.**

The budget proposes \$9.3 million General Fund and 31 positions (and a similar amount ongoing) to open the Samuel Oschin Air and Space Museum, a significant new addition to the Science Center in Expo Park recently constructed largely using private funds. The proposal would provide administrative, curatorial, maintenance, and support staff to operate the new museum in 2026. Adequate staffing for the museum will allow it to open to the public on time and with the appropriate maintenance, especially as the number of visitors to Expo Park increases in advance of the 2028 Olympic and Paralympic Games in Los Angeles. However, the Legislature could consider whether at least some funding to

operate and staff the new museum could come from sources other than General Fund, such as admission fees (which the museum currently does not charge), higher parking fees, and/or private funds.

- **DTSC: Exide Residential Cleanup.**

The budget proposes \$70 million in both 2026-27 and 2027-28—\$20 million from the Lead-Acid Battery Cleanup Fund and \$50 million from the General Fund as a loan to the Toxic Substances Control Account (TSCA)—to support DTSC in cleaning up additional residential properties impacted by lead-contaminated soil linked to the former Exide facility in the City of Vernon. The proposed funding would support the cleanup of approximately 1,000 properties (about 500 per year), though DTSC estimates that about 2,100 properties still would require remediation thereafter. Given the ongoing public health risks posed by lead-contaminated soil to residents in the surrounding communities, the state has a strong interest in advancing cleanup efforts. However, the Legislature could consider shifting a portion of activities from the proposed General Fund loan to the environmental fee (a tiered charge on statewide businesses with 100 or more employees) that supports TSCA. (We note that this change would not limit DTSC's current efforts to pursue potentially responsible parties for cost recovery—the primary mechanism that would, if successful, help reimburse General Fund loans and special fund expenditures for Exide residential cleanup.) While such a shift would reduce pressure on the General Fund, it would require the Board of Environmental Safety to raise the environmental fee, with the magnitude of the increase depending on the amount of costs that are shifted. (The Legislature also could free up General Fund resources by providing a smaller loan relative to the Governor. However, a key trade-off of downscaling this proposal would be fewer residential properties being remediated and prolonging pollution burden impacts for affected households.)

Consider Funding Priority Proposals at a Lower Level. Several of the Governor’s proposals involve activities that can be scaled up or down, with the level of funding determining the scope of work that can be undertaken. Providing less funding in 2026-27 would still allow the Legislature to make progress toward its intended objectives, albeit at a lower level and slower pace. Clearly, such a choice would involve trade-offs, including lower levels of service, fewer public health and safety improvements, and less risk mitigation. We discuss some options and resulting implications related to the Governor’s budget proposals below.

- **DWR: Delta Levees Program Mitigation.**

The budget proposes \$14 million one time from the General Fund for required habitat mitigation projects associated with Sacramento-San Joaquin Delta levee projects. State law requires mitigation when a project disturbs or destroys habitat. Without mitigation funding, DWR’s ability to proceed with levee maintenance projects may be delayed, putting Delta communities—and vital state water supply infrastructure—at risk of flooding from levee failure. However, up to \$3 million of the proposed amount is to buy mitigation credits, yet the administration indicates that credits currently are not available for purchase. Therefore, we recommend the Legislature reduce the proposal to \$11 million since \$3 million may not be urgently needed or used.

- **California Conservation Corps (CCC):**

Hand Crew Resources. CCC proposes \$11.7 million General Fund and 49 positions in 2026-27 (as well as a similar amount ongoing) for its hand crews to operate on a daily, year-round schedule consistent with CalFire’s hand crew requirements. This augmentation would help offset a declining number of hand crews staffed by incarcerated individuals and help provide relief to existing CCC hand crews, allowing them to maintain their current capacity even when some members are temporarily unavailable due to injury or illness. However, the Legislature could consider downsizing the proposal by prioritizing funding for positions that provide staffing relief to existing hand crews to reduce their attrition and burnout.

Providing less funding and fewer positions would mean sustaining the existing, more limited hand crew availability during five months of the calendar year. (The Legislature also might consider whether some portion of crew operations could qualify for federal or other reimbursement, such as from work on fuels reduction projects.)

- **CCC: Greenwood Residential Center**

Staffing. The budget proposes \$12.3 million (\$6.8 million General Fund and \$5.5 million in reimbursements) and 24 positions in 2026-27 (and a similar amount ongoing) to open the Greenwood Residential Center in El Dorado County. Since 2018-19, the Legislature has approved a total of over \$73.5 million to plan and construct this new facility. CCC would use the proposed funds to hire (1) 100 new Corpsmembers dedicated to conservation work, including fire prevention and suppression activities (but not hand crews); (2) 19 on-site personnel to support daily operations at the residential center; and (3) 5 headquarters staff to help manage increased administrative workload. The Legislature has a couple of ways it could consider downsizing the scope and cost of this proposal. One option would be to fund and hire some amount lower than the proposed 100 new Corpsmembers. For example, CCC could allow some existing Corpsmembers to transfer to the Greenwood Residential Center instead of expanding the overall statewide corps through hiring so many new Corpsmembers. Alternatively, for greater savings the Legislature could postpone opening the residential center for a set amount of time in recognition of the budget condition. However, delaying opening and staffing the new center would mean that comparatively less conservation—including wildfire prevention—work would be undertaken.

- **Expo Park: Site Improvements and**

Utility Replacement. Expo Park proposes \$96.5 million one time (\$76 million General Fund and \$20.5 million from the Exposition Park Improvement Fund) to repair the sidewalk curbs, streets, and walkways in the park ahead of the 2028 Olympic and Paralympic Games.

The number of visitors to the park is expected to significantly increase over the next several years and its hardscape is currently deficient, which increases risks of both safety hazards and, consequently, litigation against the state. The proposal prioritizes improvements in high-traffic areas to mitigate this risk and improve public access to newly opening museums and sport facilities which will be used for high-profile international events. Given the budget condition, the Legislature could consider providing less General Fund and downscaling the amount of work to be completed at the park. A key trade-off of funding fewer improvements is that fewer safety risks would be addressed.

- **Various: California Sixth Climate Change Assessment (CCCA6).** The budget proposes \$9.9 million over five years from GGRF for the Governor's Office of Land Use and Climate Innovation, CNRA, and CEC to jointly produce CCCA6. This climate research is required by law to be completed every five years pursuant to Chapter 136 of 2020 (SB 1320, Stern) and provides data and information that state agencies and local governments use to inform their planning and programmatic decisions. In light of policy changes at the federal level, CCCA6 could help fill in key climate knowledge gaps and relieve other state and local agencies of the task of producing their own data. The absence of such information could lead to inconsistent climate assumptions, plans, and policies across agencies. However, the Legislature could scale down some of the proposed elements, such as the amount dedicated to research grants. This approach would ease pressure on GGRF and, because of the flexibility around how that fund can be used, therefore free up more resources to potentially help the General Fund. A key trade-off of providing less funding is that the topical and geographic scope of the assessment would also be narrowed as a result. (The Legislature could also explore whether other resources, such as climate research funding that was previously provided to the University of California system, could help support this assessment.)

Take Steps to Address the Budget Condition

Given the fiscal challenges facing the state, the Legislature may need to take additional actions within the environment-related section of the budget beyond just considering the proposals included in the Governor's budget. Below, we discuss three approaches the Legislature could pursue to help address its overall budget condition.

Evaluate Whether Recent Augmentations and Agreements Still Represent Highest Priorities.

Given the difficult choices it faces in crafting this year's budget, the Legislature may wish to reassess whether recent augmentations and previous agreements continue to reflect its highest priorities. Often, discontinuing or scaling back new activities that are still in the process of expanding or being implemented can be done without too much disruption. To the extent the Legislature identifies areas of previously approved spending that could be reduced, delayed, or eliminated, doing so could free up resources to help address the budget shortfall and/or to redirect toward more pressing concerns. For example, the Legislature could consider reducing funding for existing commitments to enable it to support some of the new health and safety-related proposals described above. Some of the recent augmentations the Legislature could consider pausing or rolling back include the following.

- **CalFire: Conversion of Seasonal to Permanent Firefighters.** The 2025-26 Budget Act appropriated \$39 million General Fund to begin to transition seasonal firefighters to a permanent classification. Budget bill language also stated the Legislature's intent to appropriate \$78 million General Fund in 2026-27 and ongoing for this purpose, and to eventually transition all seasonal firefighters to a permanent classification (subject to future funding and legislation). The Legislature could evaluate whether this transition and service expansion remain among its highest priorities, or whether it would rather focus funding on sustaining existing programs.

- Cap-and-Invest Commitments.** Given its size and legal flexibility, GGRF can serve as an important budget tool to help it fund its highest-priority activities across the entire state budget. As we discuss in greater detail in our publication, *The 2026-27 Budget: Cap-and-Invest Expenditure Plan*, the Legislature has committed large portions of GGRF in 2026-27 and out-years through the passage of recent legislation, including Chapter 121 of 2025 (SB 840, Limón). Given this, using GGRF as a budget tool would necessitate reexamining existing commitments—including discretionary and statutory allocations—to make sure they continue to reflect the Legislature’s highest priorities. If any of the existing GGRF commitments are for lower-priority activities than programs at risk of being defunded, the Legislature could reallocate some of this funding.
- Implementing Recently Enacted Legislation.** The Legislature could review some of the legislation it approved last year that would begin to take effect upon an appropriation in 2026-27. If some of these activities do not currently represent the Legislature’s highest priorities in light of the budget condition and difficult choices ahead, it could consider delaying implementation to a future year or, if appropriate, repealing the legislation. For example, the Legislature could reject the Governor’s proposed budget augmentations to implement newly enacted legislation, which would result in some budget savings, and it could, if necessary, adopt new statute specifying delayed time frames or scaled back requirements. Depending on the activity, such actions might be less disruptive than having to reduce an existing program, or than beginning implementation and then having to pause it in the next year or two due to worsening budget conditions.

Begin the Process of Identifying Potential Additional Budget Solutions. Given projections of significant budget deficits in the out-years as well as downside risks associated with budget-year revenue forecasts, we recommend the Legislature use the spring budget process—including budget

subcommittee hearings—to begin identifying potential additional budget solutions. These options could include further limitations on new spending, reducing previously approved augmentations and existing funding, or adopting new or higher fees or charges. Some approaches—particularly raising new revenues—could require lead time to design and implement. Accordingly, starting these discussions and planning efforts now would increase the likelihood that any resulting fiscal benefits could be realized more quickly and when needed.

Avoid Adopting Policies That Will Create Additional Out-Year Budget Pressures.

We recommend the Legislature exercise caution when considering policies that would add new ongoing state spending commitments. Even policies with relatively modest budget-year costs can grow over time, limiting future budgetary flexibility and exacerbating the state’s structural imbalance. As a result, avoiding approval of policies and proposals that would increase out-year spending until the state’s fiscal outlook improves would be prudent. Below are two examples for the Legislature to consider.

- CalFire: Further Reductions to Duty Week Through Collective Bargaining Process.***

In 2024-25, the state began to reduce its firefighter duty week from a 72-hour workweek to a 66-hour workweek, consistent with a 2022 memorandum of understanding (MOU) between the state and the CalFire firefighters’ union. In July 2025, an amendment to the MOU stipulated that the state agreed to include a 56-hour workweek in the 2027 successor MOU negotiations. While this amendment does not yet obligate the state to make further workweek reductions, it does create a real possibility of additional policy changes that could increase annual General Fund costs by hundreds of millions of dollars. In light of the budget condition, we suggest the Legislature carefully weigh the implications of any further reductions to the firefighter duty week before approving agreements from upcoming MOU negotiations, especially if it does not have specific estimates of the fiscal effects and time line to implement a 56-hour workweek.

- **New Legislation With Fiscal Impacts.**

As the Legislature considers policy bills in the environment, natural resources, and agriculture policy committees, it may wish to carefully assess whether proposed policies with fiscal impacts are essential under current conditions. While this is always an important factor the Legislature weighs through the appropriations committees, the forecasted out-year budget deficits should raise the bar even higher for expanding state costs through new legislation.

Ensure Remaining Expenditures Focus on the Most Important Activities

Consider Revisiting Mix of Remaining Funding to Ensure it Supports the State's Highest Priorities.

In times of budget surplus, the state is able to dedicate new funding to create or expand a broad array of priority activities. However, when the budget is facing a deficit, not every desired activity can be supported, and certain worthwhile activities likely will have to be defunded. As such, in tandem with making budget reductions, we recommend the Legislature identify which activities are most important to receive remaining funding. Specifically, to the degree the Legislature is concerned that particular activities are not receiving adequate levels of support to meet its most important objectives within the overall levels of funding its budget can accommodate, it could take another look at existing program structures and funding allocations and potentially change the mix. This could include targeting funding to support communities that are most vulnerable or at risk, or activities that focus on the most time-sensitive pressing concerns. Some examples might include the following.

- **Wildfire Resilience Funding.** Over the past several years, the Legislature has made significant investments in wildfire resilience ranging from fire prevention projects to forest health programs to home hardening grants.

If the budget condition means that less overall funding is available for wildfire resilience going forward, the Legislature likely will want to look across its various funding sources—including GGRF and Proposition 4—and suite of programs to ensure its highest-priority activities are being supported. This could mean redirecting and refocusing remaining funding. For example, this could mean shifting some funding from forest resilience activities to defensible space maintenance and home hardening improvements. It could also mean targeting funding for the most vulnerable communities facing high wildfire risk that may not be able to improve their resilience without state assistance.

- **ZEV Funding.** The state has various existing funding sources that it uses to support ZEV and other clean transportation programs, such as (1) revenue collected from vehicle-related taxes pursuant to Chapter 319 of 2023 (AB 126, Reyes), (2) Low Carbon Fuel Standard program credits allocated through CARB regulations, and (3) settlement monies that are deposited into APCF. The Legislature could look holistically at these existing revenue sources to determine whether they are funding the highest-priority ZEV-related activities, and, if not, take action to reallocate funding accordingly. For example, this could include looking at the amounts dedicated to vehicle adoption activities as compared to charging infrastructure, or considering a different mix between light-duty and heavy-duty vehicle programs.
- **Hino Motors Settlement Funds.** The administration proposes to use \$96 million in settlement funds flowing into the APCF for various specific purposes. The Legislature could consider whether the proposed uses of these funds represent its highest priorities or if it would prefer to reallocate them to other priorities that fit within the legally allowable uses.

CONCLUSION

The Legislature is facing difficult budget decisions this year. California has numerous goals and challenges in the environmental space—including pursuing its ambitious greenhouse gas reduction goals; reducing the health and safety risks posed by climate impacts such as heat, wildfires, and floods; protecting vulnerable communities burdened by pollution; and preserving the state’s biodiversity in the face of warming temperatures and changing climactic conditions. Yet while the state continues its efforts to make progress on these objectives, it does so within the context of significant budget challenges that will force it to grapple with difficult decisions about preserving other core services upon which

Californians depend—such as education, health care, social services, and public safety. Moreover, the Legislature must make these choices within an uncertain and evolving economic backdrop and while responding to changing policies and reduced funding support from the federal government. A key task before the Legislature is to identify the state’s most important priorities that can be supported by the level of available resources—which likely will require a scaling back of some worthwhile and important activities. The challenge is daunting. However, failing to confront the fiscal realities and delaying action for too long could make the choices and trade-offs even more difficult.

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