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May 8, 2026

The Honorable Gavin Newsom

Governor, State of California
State Capitol, First Floor
Sacramento, CA 95814

RE: The Greenlining Institute's Updated 2026-2027 California Budget Priorities

Governor Newsom,

The Greenlining Institute (“Greenlining”), works toward a future where communities of color can build wealth, live in healthy places filled with economic opportunity, and are ready to meet the challenges posed by climate change. As a climate, economic, and racial equity organization, we are submitting the following comments on California’s 2026-2027 budget priorities, ahead of the Governor’s May Revise.

California’s affordability crisis has only become more pronounced since the January budget draft was first released. The cost of transportation, groceries, and essential goods for everyday Californians have continued to climb perilously as Trump’s war on Iran strangles the supply chain and alienates our nation on the world stage. These increased pressures only exacerbate the existing racial and economic inequities in how cost-of-living burdens are experienced, most severely impacting low income communities of color who can least afford it.

As the state grapples with the fallout from [H.R. 1](#), we understand that there is no shortage of priorities to fund. However, this is precisely the moment to double down on racial equity as a state, not back down. We forcefully urge California to prioritize the following funding allocations for critical climate, transportation, economic, and racial equity programs that directly support communities hit hardest by socio-economic and environmental challenges, resulting from both the current federal administration as well as the enduring legacy of redlining.

Prop 4

Support the \$149M Outlined in the January Budget Proposal from Prop 4 as One-Time Funding to Transformative Climate Communities (TCC) Program

Transformative Climate Communities (TCC) is a nationally-recognized program and proven model that translates community priorities into impactful neighborhood-scale climate projects that advance economic prosperity in communities most impacted by poverty and pollution.

The program fosters an integrative, collaborative approach to comprehensively address the needs of communities impacted by environmental pollution, and is [proving to be](#) one of California's most effective tools in supporting climate resilience in communities throughout the state – including rural and urban, incorporated and unincorporated communities in every region. TCC funds disadvantaged communities to plan, develop, and implement their priority suite of climate projects, like solar-powered affordable housing near transit, that reduce greenhouse gas emissions while facilitating other economic and community benefits.

Despite overwhelming support for the program from advocates and communities across California, the program was zeroed out from 2023-2024 and received only \$1M for technical assistance in 2025. We urge you to support the \$149M outlined in the January 10th Governor's Budget Proposal from Prop 4 to continue to advance equitable, holistic, and community-driven local climate solutions. This amount would enable the California Strategic Growth Council (SGC) to provide multiple implementation grants to communities, maintaining project momentum following several recent rounds of planning grants.

Since 2018, over \$424M has been awarded to 37 disadvantaged communities through 43 Planning and Implementation Grants and 4 Project Development Grants. Across the first five rounds of funding, TCC has yielded an impressive array of outcomes, from building 395 affordable housing units to planting 18,305 trees in communities across the state including Oakland, Stockton, Sacramento, Bakersfield, Ontario, and San Diego.

19 applicants have received planning – but not implementation – grants while Round 5 awardees only received funding for 3 of 15 planning grants. With federal cuts to key climate programs, \$149M is essential to holistically invest in climate mitigation and resilience in communities that need it most, and ensure that communities with vetted, shovel-ready plans can turn their transformative visions into reality.

Support the \$59.5M Outlined in the January Budget Proposal from Prop 4 as One-Time Funding to the Community Resilience Centers (CRC) Program

We support the Governor's January budget proposal to fully release \$59.5M – the remaining Prop 4 dollars for the Community Resilience Centers (CRC) program – in the 2026-2027 budget.

As the state experiences increasing extreme heat days, devastating wildfires, and atmospheric river storms, communities need resources to prepare and build resilience *immediately*. The CRC program funds the construction and upgrade of critical community facilities (e.g., libraries, health clinics, schools) to provide emergency support during disasters, while also providing

year-round services to boost community health, workforce, and other needs. It centers disadvantaged, low-income, Tribal, and unincorporated communities — the places with the least resources to plan, prepare, and recover from disasters.

This program has historically been hugely oversubscribed. In Round 1 (2024), there were 190 applications and only 24 grants awarded. Close to \$700M was requested with less than \$100M to distribute that year. With many applicants across the state gearing up to apply for Round 2 of the CRC program, it is critical that remaining Prop 4 dollars for CRC be released as soon as possible to get projects off the ground and to deliver resources to local organizations with implementation-ready plans.

Restore \$10M for the Regional Climate Collaboratives (RCC) Program

Dedicated capacity-building resources are critical for communities to achieve their climate resilience visions and to support the state in reaching climate targets and equity goals. The Regional Climate Collaboratives (RCC) program supports under-resourced communities to develop cross-sector collaboratives, plans, and expertise in order to successfully apply for climate funding. This program was oversubscribed by nearly 10 times during its first round, and only \$8.35M was awarded out of the \$66.6M requested.

SGC was preparing to announce Round 2 awardees of this critical capacity-building program in early 2024 when the program budget was suddenly eliminated. Communities had already invested significant time, energy, and resources into preparing and submitting RCC grant applications, making the abrupt cancellation especially harmful as funding was poised to reach them.

As the state continues to deploy historic levels of climate investment, it is essential to maintain and expand capacity-building support so that historically underinvested, climate-vulnerable communities and tribes have the tools to access public funding and scale projects. Restoring the \$9.8 million in RCC funding previously cut from this program is critical to ensure these communities are not left behind and can fully benefit from current and future investment opportunities.

Greenhouse Gas Reduction Fund (GGRF)

As rulemaking for the recently reauthorized Cap-and-Invest program proceeds, it is clear that GGRF revenues may be in a precarious, severely diminished state in years to come. Greenlining and 44 other environmental and community organizations identified critical amendments needed to avoid this [in this letter](#). *We wish to be clear: if GGRF revenues falter, severely disadvantaged communities across the state have the most to lose, as “Tier 3” programs under [SB 840](#) (e.g., SAFER water, transit, air quality, affordable housing) will be the first programs to*

go unfunded when revenues fall short. This precarious funding and regulatory landscape is already threatening to deprioritize the needs of disadvantaged communities. While Cap-and-Invest – and thereby the future of GGRF revenues for critical climate programs – are actively being shaped, we uplift the following budget requests for FY 26-27:

Support for Senate’s Budget Proposal to Restore \$1B GGRF Funds For Legislative Discretion

We support the Senate Democrats’ [Foundation for the Future budget plan](#) to honor the original legislative intent of SB 840 and restore \$1B of discretionary GGRF funding. Specifically, this funding should be invested in climate priorities, as is the intent of Cap-and-Invest. GGRF dollars are generated from pollution in environmental justice communities and must be reinvested towards mitigating climate impacts and reducing emissions in those same communities. GGRF must not be treated as a back-up for the General Fund; it must fulfill its purpose to reduce greenhouse gas emissions and prioritize disadvantaged communities.

Incorporate Equity Parameters for Proposed Light-Duty Zero-Emission Vehicle (ZEV) Incentive Program

We appreciated Governor Newsom’s support for ZEVs when proposing a new light-duty incentive program in the January budget. However, we emphasize the need to prioritize funds for equity-centered programs, rather than a mass-market program. In March, Greenlining and the Charge Ahead California campaign submitted a [letter](#) signed by a diverse coalition of 18 organizations recommending specific equity parameters for the proposed light-duty incentive program, should it move forward. While battling federal cuts on numerous essential fronts, we urge the state to be prudent and target limited dollars towards filling known equity gaps.

Provide At Least \$950M to Meet the Need for Clean Transportation

Accessible clean transportation is a lifeline for low-income and disadvantaged communities, which continue to face disproportionate financial, health, and pollution burdens. While we recognize the ongoing fiscal constraints that limit the ability to fully fund programs this year, we urge the state to meet the needs of these critical programs to the greatest extent possible.

In alignment with CARB’s [projected funding needs](#), we renew our request to fund California’s equity-centered clean transportation incentive programs. We were pleased to see the Assembly Democrats’ [Road Map to a Responsible and Compassionate Budget](#) plan affirm their commitment to meaningful investments in cleaner trucks and buses and mitigating the health impacts of pollution. We support prioritizing on- and off-road medium- and heavy-duty electrification through providing:

- \$450M for the Clean Truck and Bus Voucher Incentive Project (HVIP)
- \$200M for the Clean Off-Road Equipment Voucher Incentive Project (CORE)
- \$100M for Sustainable Heavy-Duty Initiatives for Future Technology (SHIFT)

Prioritizing these programs will help address pollution-related health disparities in formerly redlined communities located near freight corridors and reduce the disproportionately high emissions from heavy-duty trucks.

Additionally, we support funding for the Community-Based Plans-Sustainable Community Strategies (CBP-SCS) programs:

- Clean Mobility Options (CMO)
- Sustainable Transportation Equity Project (STEP)
- Clean Mobility in Schools (CMIS)

We specifically uplift [CARB's projected need](#) of \$200M for CMO, which funds critical community-led initiatives that build resilience and reduce emissions in priority populations.

We also support funding for the Zero-Emission School Bus and Infrastructure (ZESBI) program and the Zero-Emission Truck Loan Pilot Project. ZESBI prioritizes small and rural school districts and local educational agencies serving low-income and disadvantaged communities, helping them meet the requirements of [AB 579 \(Ting, 2023\)](#), which requires that beginning in 2035 all newly purchased or contracted school buses be zero-emission.

California must also continue to expand low- and no-interest financing for small fleets and owner-operators transitioning to zero-emission vehicles and infrastructure. Limited access to capital and uncertainty around new technologies remain significant barriers for small businesses seeking to adopt clean vehicles. The ZE Truck Loan Pilot Project is a critical opportunity for the state to better understand and address these challenges while accelerating equitable deployment of zero-emission transportation.

Community Investments

Provide \$50M for the California Investment & Innovation Program (Cal IIP)

We urge the State to renew Cal IIP with a one-time \$50M investment over three years in the 2026–2027 budget to sustain and scale its proven impact. Cal IIP is critical because it equips trusted Community Development Financial Institutions (CDFIs) with flexible capital to reach communities underserved by traditional finance, leverage up to \$400M in additional private and philanthropic investment, and deliver measurable outcomes in job creation, small business growth, and affordable housing. With the constant threat of federal cuts to the CDFI Fund, it has never been more important to fund Cal IIP to ensure California communities still have access to these critical institutions.

Provide \$4M for the California State Bank Commission (AB 2243)

We request \$4M in budget support to establish the California State Bank Commission as required under the passage of AB 2243 (Haney, Kalra). The state spends nearly [\\$8 billion each year](#) in debt service, [of which half](#), roughly \$4 billion, is interest paid to private lenders. In a deficit year, California cannot afford preventable interest, fees, and delays that drive up the cost of delivering public priorities. AB 2243 addresses that challenge by establishing a California State Bank Commission to evaluate financing tools that can keep more public dollars circulating within California communities while improving how public projects are financed. In a deficit year with uncertain federal support ahead, California should identify practical ways that a state-owned depository bank could give the state more direct control over financing its priorities. The Commission and State Bank Plan give the Legislature the analysis needed to evaluate the next phase of this effort.

Based on prior [legislative analyses of similar proposals](#), we request \$4 million to support this effort, including: \$2 million to retain an independent consultant to conduct the required market analysis; approximately \$1.5 million for two to three limited-term staff to support the Commission's work, including coordinating the analysis, staffing public hearings, conducting outreach, and assisting with the development of the final report; and \$500,000 for administrative, information technology, facilities, travel, and media support needed to convene public hearings and ensure public participation.

Funding Support for the Department for Financial Protection and Innovation (DFPI)

We support the Governor's budget proposal to continue funding the implementation of the California Consumer Financial Protection Law (CCFPL) by the Department for Financial Protection and Innovation through 2030. As the Trump administration rolls back the 2023 Community Reinvestment Act rules, eliminates longstanding federal regulations, and attempts to defund the CFPB entirely, the role of the DFPI for California consumers has never been greater. In addition to filling the federal void, recent legislation has given the Department a broad list of additional duties that are crucial for the well-being of Californians: registering and supervising debt collectors, PACE (home-improvement finance) companies, digital financial asset (crypto) companies, and student loan servicers, among others.

Racial Equity

Funding Support for Implementation of California Racial Equity Framework

In fulfillment of Executive Order N-16-22, the California Racial Equity Commission recently completed its landmark [Racial Equity Framework](#), providing a clear roadmap for California state government to actualize racial equity. Ensuring that key priorities of the Framework are properly funded will be key for effective implementation.

We specifically call attention first to [Priority 4: Infrastructure to Help Create a California Where](#)

[All Can Thrive](#) and the importance of funding *Strategy 1: A Statewide Office of Racial Equity* which will establish the imperative infrastructure for the framework's implementation.

Second, implementing a robust statewide budget equity process, per [Priority 3: Understanding Budgets and How They Impact Communities](#), is critical for ensuring the state's budget serves all communities.

Lastly, it is critical to implement [Priority 2: Gathering and Using Information and Data to Serve all Californians Successfully](#) in order to evaluate and track the advancement of statewide equity goals that are data-centered and transparent.

With worsening economic conditions and no relief in sight, we urge you to prioritize investments that provide direct and meaningful benefits to disadvantaged communities bearing the brunt of financial and environmental harms. We appreciate your commitment to improving the lives of our most vulnerable and look forward to the opportunity to work together in pursuit of a more equitable and resilient future for all.

Sincerely,

Max Vargas

President and CEO

The Greenlining Institute

Kirin Kumar

Vice President of Policy

The Greenlining Institute

CC:

Honorable Robert Rivas, Speaker; California State Assembly

Honorable Monique Limón, President pro Tempore; California State Senate

Honorable Jesse Gabriel, Chair; Assembly Committee on Budget

Honorable John Laird, Chair; Senate Committee on Budget & Fiscal Review

Honorable Steve Bennett, Chair; Assembly Budget Subcommittee No. 4

Honorable Sharon Quirk-Silva, Chair; Assembly Budget Subcommittee No. 5

Honorable Eloise Gómez-Reyes, Chair; Senate Budget Subcommittee No. 2

Honorable Melissa Hurtado, Chair; Senate Budget Subcommittee No. 4

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