

Dec. 10, 2025

Subject: **Transformative Climate Communities Program (TCC): Round 5 Proposition 4 Regulations**
Reporting Period: October – December 2025
Staff Lead: Amar Azucena Cid, Deputy Director of Community Investments and Planning, and Nicole Cartwright, TCC Program Manager

Recommended Action

Adopt an emergency regulation package to implement Proposition 4 funding for the Transformative Climate Communities (TCC) Program, submit to the Office of Administrative Law, and delegate authority to the Council Chair, Executive Director, and Chief Deputy Executive Director to make necessary changes for Office of Administrative Law approval.

Findings and Resolution

Staff recommends that the Council adopt the following findings:

“Based on the accompanying staff report, SGC hereby finds that:

1. The proposed action is consistent with the purposes of Part 4 of Division 44 of the Public Resources Code, the Transformative Climate Communities Program;
2. The proposed action is consistent with Public Resources Code section 90135(e)(1), which authorizes the adoption of program guidelines and selection criteria for Proposition 4 grants through the emergency regulation process; and
3. The proposed action is not a ‘project’ that triggers the California Environmental Quality Act (CEQA) pursuant to Public Resources Code section 21068 and Title 14 of the California Code of Regulations section 15378.”

Staff further recommends that the Council adopt the following resolution pursuant to Section 75240 *et seq.* of the Public Resources Code:

“SGC hereby adopts the proposed emergency regulations to implement Proposition 4, the 2024 Climate Bond and submit the emergency regulation package to the Office of Administrative Law. The proposed emergency regulations together with the Finding of Emergency and Notice of Emergency Rulemaking Action, Form 399, and Form 400 are approved and adopted by the Council for submission to the Office of Administrative Law. The Chair, Executive Director, and Chief Deputy Executive Director of the Council are each hereby authorized and directed to take such actions, including making or



CALIFORNIA STRATEGIC
GROWTH COUNCIL

causing to be made such changes to the regulations as may be required for approval thereof by the Office of Administrative Law, and to execute and deliver any and all documents that they may deem necessary or advisable in order to effectuate the purposes of this resolution."

Background

About the TCC Program

On Sept. 14, 2016, Governor Brown signed AB 2722 (Burke), which created the TCC Program, administered by the SGC, in partnership with the Department of Conservation (DOC) and other State agencies. The TCC Program furthers the purposes of AB 32 (Nunez, Chapter 488, Statutes of 2006) and AB 2722 (Burke, Chapter 371, Statutes of 2016) by funding projects that reduce greenhouse gas (GHG) emissions through the development and implementation of neighborhood-level transformative climate community plans that include multiple, coordinated projects that provide local economic, environmental, and health benefits to disadvantaged communities and reduce GHG emissions. TCC Rounds 1-3 were funded by the GHG Reduction Fund, an account established to receive Cap-and-Trade auction proceeds and direct them towards GHG reducing projects through the California Climate Investments program. For Rounds 4 and 5, funding of the TCC program was provided through the General Fund's Climate Budget.

In 2023, a portion of the TCC budget was reverted due to the general state budget reduction. The tentative TCC Round 6 funding was completely cut from the general fund. In an effort to leverage anticipated federal funding, TCC utilized some funding to create the Connecting Communities strategy. This strategy provided technical assistance support to SGC portfolio of applicants, focusing on TCC-awarded and non-awarded applicants in applying for the U.S. Environmental Protection Agency (EPA) Community Change Grant, a program modeled off TCC.

In November 2024, California voters passed Proposition 4, a \$10 billion General Obligation Bond called the Safe Drinking Water, Wildfire Prevention, Drought Preparedness, and Clean Air Bond Act of 2024. It is also commonly known as the "Climate Bond." This bond will provide funding to support TCC's Round 6 work through projects that "provide local economic, environmental, and health benefits, and improve the resilience of priority populations."

Background on the Round 5 Application Process

The Council adopted Round 5 TCC Program Guidelines (Guidelines) on Feb. 28, 2023. SGC released the Notice of Funding Availability (NOFA) to the public on March 8, 2023. SGC published an updated NOFA on July 12, 2023, to correct the listed time zone. Application Pre-Proposals for Implementation Grants were due May 1, 2023. For all grant types, applicants submitted Final Round 5 applications by Aug. 1, 2023. The NOFA made \$99.2 million available for three Implementation Grant awards at \$29.5 million each, multiple Project Development Grant awards up to \$5 million each, and three Planning Grant awards at \$300,000 each.

Application Review Process

All applications were evaluated through a multi-stage review process that included reviews by both TCC Program Staff and an Interagency Review Panel. Program Staff included staff from the SGC and DOC. Implementation Grant reviews also included a GHG Emissions Reduction score based on calculations completed by staff from the California Air Resources Board.

Round 5 Implementation Awards

SGC awarded four implementation grants on Dec. 14, 2023. Program Staff recommended approving reduced award amounts to four of the six applications due to close scoring and the opportunity to secure additional funds through the EPA Community Change Grant with support from Connecting Communities. The SGC required awarded applicants to address issues identified during the application review, budget reduction, and Post-Award Consultation Process, prior to executing grant agreements. These four applicants scored very closely, and there were limited opportunities for future TCC Rounds due to the budget. Therefore, to maximize the impact on California communities, the Program Staff recommended awarding \$22,125,000 to each of the top four applicants instead of the anticipated \$29.5 million each that they had in their final project proposals. Program Staff supported awarded applicants in revising their proposals to match the reduced award amount based on project or plan conditions and through a participatory process. Program Staff, in partnership with SGC's Connecting Communities program, also supported interested TCC Implementation applicants applying for additional funds through the EPA Community Change Grant. This service was also provided to the two unawarded applicants.

Grant Type	Lead Applicant	Requested Amount	Recommended Award Amount (Dec 2023)	Unfunded – proposed award (Dec 2025)
Implementation	The Energy Coalition (City of Pomona)	\$29,500,000	\$22,125,000	\$7,375,000
Implementation	City of Coachella	\$29,500,000	\$22,125,000	\$7,375,000
Implementation	San Diego Foundation	\$29,500,000	\$22,125,000	\$7,375,000
Implementation	City of Bakersfield	\$29,484,224	\$22,125,000	\$7,359,224
TOTAL		\$117,984,224	\$88,500,000	\$29,484,224

Post Award Challenges and Justification

Grants were all executed a year or more after awards were made, a longer than normal timeline that resulted in part from the need to re-scope projects to fit the reduced budget. Additionally, all four implementation awardees and one non-awardee worked with the Connecting Communities consultant during that time to apply for the EPA Community Change

Grant. Two TCC grantees and one TCC non-awarded grantee were successful in receiving an award and two were pending review and or appeal process. With the change in federal administration, the Community Change Grants have been revoked, and our grantees have lost a collective \$40 million dollars.

Given the drastic change in the availability of federal funding, the strengths of the original TCC proposals, and the funding available from the Climate Bond SGC staff would like to fund the full original requested amount for the four awarded Round 5 applications. The award will meet the criteria of the Climate Bond as all projects are eligible according to the California Natural Resources Agencies' "Delivering a Successful Climate Bond: Requirements and Best Practices to Implement Proposition 4". These funds will support projects that make a real, lasting difference in the lives of people and communities across California, benefiting disadvantaged, severely disadvantaged, and vulnerable communities.

This action will also allow SGC to get Climate Bond funding allocated and out into our communities at a quicker pace. TCC Round 6 will have approximately \$100 million remaining for the next award cycle in spring/summer 2027.

Emergency Regulations Summary

On Nov. 5, 2024, California voters approved the Safe Drinking Water, Wildfire Prevention, Drought Preparedness, and Clean Air Bond Act of 2024, also known as the 2024 Climate Bond or Proposition 4 (Public Resources Code sections 90000 to 95015). The TCC Program was allocated \$150 million through Prop. 4 for projects that provide local economic, environmental, and health benefits, and improve the resilience of priority populations (Public Resources Code section 92520).

In 2025 the California Legislature adopted Assembly Bill (AB) 149 (Chapter 106, Statutes of 2025), which added section 90135 subd. (e)(1) to the Public Resources Code, which states "a regulation for the purpose of developing and adopting program guidelines and selection criteria needed to effectuate or implement the programs" under Prop. 4 may be adopted through the emergency regulation process with the Office of Administrative Law. To comply with AB 149, staff developed an emergency regulation package implementing Prop. 4 for approval by the Council. The emergency rulemaking provides regulatory clarity to support implementation and allocation of these bond funds, including how SGC will select eligible and priority projects.

The processes established by these emergency regulations clarify existing process of TCC project selection and grant administration and therefore will not have an impact on staff time or any other administrative fiscal impact.

The emergency regulation package was posted online on Dec. 4, 2025, prior to the Dec. 10, 2025, Council Meeting. If approved by the Council, the package will then be transmitted to Office of Administrative Law, which has ten business days to approve or disapprove the

emergency regulations. The public may comment on the emergency regulation package by submitting comments to OAL, as described in the Finding of Emergency and Notice of Emergency Rulemaking Action (Exhibit A). SGC staff may be required to work with Office of Administrative Law to remedy any defects during the Office's review or any required resubmission process. Because finalization of emergency regulations may require modifications to the package as proposed to the Council, staff also request the Council delegate authority to the Council Chair, Executive Director, and Chief Deputy Executive Director to make any required changes and/or resubmit the emergency regulation package until SGC receives approval for its emergency regulations by the Office of Administrative Law.

Staff Recommendation

Staff recommend that SGC approve this action as proposed, and delegate authority to the Council Chair, Executive Director, and Chief Deputy Executive Director to make necessary changes for Office of Administrative Law approval.

Consistency with Existing Law

The proposed activities under this action are consistent with the Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006 (Proposition 84) which established the Council in Public Resources Code sections 75120 *et seq.* and its purpose to "fund the development and implementation of neighborhood-level transformative climate community plans that include multiple, coordinated greenhouse gas emissions reduction projects that provide local economic, environmental, and health benefits to disadvantaged communities" through the TCC Program, pursuant Public Resources Code section 75240.

Compliance with the California Environmental Quality Act (CEQA)

The proposed action is not a "project" that triggers the California Environmental Quality Act (CEQA) pursuant to Public Resources Code section 21065 and Title 14 of the California Code of Regulations section 15378.

Additional Attachments

Attachment A: Finding of Emergency and Notice of Emergency Rulemaking Action

Attachment B: Form 400. Proposed Regulations

Attachment C: Form 399. Economic and Fiscal Impact Statement

Attachment D: Form 399. Fiscal Impact Statement on State Government