AGENDA

ASSEMBLY BUDGET COMMITTEE NO. 3 RESOURCES AND TRANSPORTATION

ASSEMBLYMEMBER RICHARD BLOOM, CHAIR

WEDNESDAY, MAY 17

9:30 A.M. - STATE CAPITOL, ROOM 444

ITEMS FOR VOTE-ONLY

ITEMS TO BE HEARD

ITEMS FOR VOTE-ONLY

2660 CALTRANS

VOTE-ONLY ISSUE 1: TOLL BRIDGE MAINTENANCE

The Governor's Budget requests an increase of up to $24.5 million in State Highway Account (SHA) reimbursement authority for the Bay Area Toll Bridge (BATA) maintenance work upon execution of a revised Memorandum of Understanding (MOU).

BACKGROUND

BATA assumed funding responsibility for maintenance of the seven Bay Bridges in 1998. AB 144 (Hancock, Chapter 71, Statutes of 2005) amended this responsibility and requires maintenance of each of the Bay Area state-owned toll bridges to be funded by BATA *upon the completion of seismic work*. According to Caltrans, all the retrofit work is completed and Caltrans and BATA agree in concept that the reimbursement authority must be raised and negotiations have begun for a new services agreement and MOU.

Under the current reimbursement agreement, BATA provides roughly $10 million in reimbursements to Caltrans that does not cover the cost of all of the maintenance work required for the toll bridges. Caltrans estimates the cost of doing all of the work needed to provide proper preventative and routine maintenance for all the bridges is $34.4 million. As a result, Caltrans is seeking an increase in BATA reimbursements of $24.5 million. Some of the work that Caltrans is proposing to seek reimbursement from BATA for is for services that Caltrans has not sought reimbursement for in the past, such as tow services ($8.2 million annually) and security surveillance camera repairs and upgrades ($100,000 annually).

STAFF COMMENTS

The increase in reimbursement that Caltrans is seeking from BATA is significant and includes services that were not included in the past. In addition, according to Caltrans, BATA may not agree to reimburse maintenance costs until the Toll Bridge Seismic program is officially closed, rather than when the seismic opening date was achieved. As a result, the negotiations may be contentious. The initial plan from Caltrans was submitted to BATA on March 30th. This is currently being negotiated and it is very unlikely the negotiations will be completed in time to include this in the June 15th budget. Staff recommends rejection and direct Caltrans to come back with a proposal next year after an agreement has been negotiated.

Staff Recommendation: Reject the Proposal

VOTE-ONLY ISSUE 2: SUSTAINABILITY PROGRAM AND ZERO EMISSION VEHICLE INFRASTRUCTURE

The Governor's budget requests provisional language to provide initial funding of up to $20 million State Highway Account funds (matched with up to $20 million federal funds) for its zero-emission vehicle (ZEV) project.

BACKGROUND

The Governor's 2016 ZEV Action Plan lists actions for state agencies to take to aid ZEV market growth. From this plan, Caltrans took direction to install 30 new EV charging stations at public locations (such as rest areas and roadside stops) by December 2018. Caltrans has redirected staff from other workload (such as the development of construction projects for the state highway system) to work on this project.

Under the Governor's proposal, the state would use State Highway Account funds to install 30 public DC fast charging units across the state. The total cost could range from roughly $30 million to $90 million with the cost at each location ranging from $1.1 to $3.8 million (including a cost of approximately $500,000 per station). In some locations, such as public rest stops, the state would pay for the electricity used at these stations and in other locations it may charge for the electricity; however, this is unlikely to be a source of significant revenue.

Since the Governor's plan was developed, many sources of funding for nonresidential EV charging infrastructure have become available. The main sources are:

Source	Description	Funding
California Energy Commission	Grants for EV infrastructure.	$17 million
Investor Owned Utilities	PG&E, SCE, and SDGE had pilot projects approved by the California Public Utilities Commission in 2016 to develop charging stations and filed additional plans for more extensive programs in early 2017.	Over $800 million
Volkswagen (VW) Settlement Funds from the 2.0-Liter Partial Consent Decree entered by the U.S. District Court for the Northern District of California on October 25, 2016	VW is investing $800 million over the next 10 years on ZEV infrastructure, education, and access activities. In the first funding cycle, about $120 million will fund the installation of charging infrastructure that will consist of (1) approximately 350 community charging stations ($45 million) and (2) a long distance highway network ($75 million) with 50+ charging stations along high-traffic corridors between cities. There is consideration for infrastructure in areas such as state parks. Over 400 stations will be operational by mid-2019.	$120 million (2017 through mid-2019)

STAFF COMMENTS

Both the public and private sector are currently making large investments in EV and ZEV charging infrastructure in the state. These investments will help to develop a charging network making driving electric vehicles across the state more of a reality. Because State Highway Account funds are limited and the state's transportation infrastructure needs are so great, it is critical that Caltrans look to other sources of funding and ensure that the cost of building these stations at rest areas is kept to a minimum. The cost of Caltrans' current proposal seems high when recent literature states that the average cost of a public fast charging station ranges from between $50,000 to $100,000 per station.

Staff recommends the Committee adopt the following language provisional language and reject the Administration's proposed provisional language.

> *The Department of Transportation may expend up to $20 million in state funds (matched with up to $20 million federal funds) on zero emission vehicle charging infrastructure upon authorization of the Department of Finance (DOF). The DOF may authorize (the expenditure of funds from the proposed sources) not less than 30 days after notification has been provided to the Joint Legislative Budget Committee, or whatever lesser time after that notification the chair of the joint committee, or his or her designee, may determine. The notification shall include an explanation of the sources of funding that were pursued to fund EV and ZEV charging infrastructure, why the proposed source was selected, and why other identified sources were not selected.*

Staff Recommendation: Adopt the provisional language shown above and reject the Administration's proposed provisional language.

2740 DEPARTMENT OF MOTOR VEHICLES

VOTE-ONLY ISSUE 3: DRIVERS' LICENSE ELIGIBILITY (AB 60)

The Governor's budget requests $8.6 million and 91 ongoing positions in fiscal year 2017-18 for continued program costs related to the implementation of AB 60 (Alejo, Chapter 524, Statutes of 2013).

BACKGROUND

Assembly Bill 60 requires that DMV accept driver license applications from California residents who are unable to submit satisfactory proof of legal presence in the US (such as a social security number), provided they meet all other application requirements and provide proof of identify and residency. AB 60 licenses look the same as other California driver licenses, except for annotation on the upper right portion of the license. California residents with an AB 60 license can use the license to operate a vehicle on California roadways and as identification for state or local purposes. AB 60 licenses are not a valid form of identification for federal purposes, such as to verify identity in order to board a commercial air flight.

The Legislature has provided temporary funding and positions since 2014-15 to the department. Currently, these resources consist of $14.8 million and 258 positions, that expire on July 1, 2017. DMV began accepting driver license applications from undocumented Californians on January 2, 2015 and through April 2017 has issued more than 881,000 driver licenses and 1.025 million individuals have applied for an AB 60 license.

The number of applications anticipated on an ongoing basis was revisited at the time the preparation of the May Revision and the request reflects the most recent anticipated workload estimates.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 4: PERIMETER SECURITY FENCES

The Governor's budget requests $3.95 million from the Motor Vehicle Account to fund the design and construction of fences at nine state-owned DMV field office locations. The DMV also requests BBL to extend the encumbrance period to June 30, 2019 in the event that some projects require more than a year to complete design.

BACKGROUND

Of the 170 DMV facilities with field office activities, 66 report a regular problem with afterhours trespassing, with 18 of those offices reporting serious and ongoing health and safety concerns resulting from these activities. For the nine selected locations, perimeter fencing will prevent unauthorized after-hours access to DMV facilities and will better protect employees and customers. The nine offices needing critical and immediate resolution to these issues are included in this proposal, and the nine remaining offices will be proposed for funding in 2018-19. At each office, the fencing would be designed to blend in with the existing landscaping. This type of fencing is currently in place at numerous DMV facilities.

Staff Recommendation: Approve as Budgeted

3360 CALIFORNIA ENERGY COMMISSION

VOTE-ONLY ISSUE 5: ONE-TIME EXPENDITURE AUTHORITY FOR UNSPENT PIER NATURAL GAS FUNDS

The Energy Commission requests approval for one-time expenditure authority of $5.9 million in unspent funds from the Public Interest Research, Development and Demonstration (PIER) Natural Gas Subaccount for research efforts.

BACKGROUND

Natural gas research catalyzes innovation to reduce energy use in natural gas using appliances, industrial processes, solar water heating, combined heat and power, renewable natural gas, and to make natural gas operations safer by improving overall pipeline operations. The 2017-18 research will focus on natural gas safety, responding to climate impacts of the natural gas system, and responding to the California drought.

At the request of the CPUC, in its Natural Gas Research and Development Program – Proposed Program Plan and Funding Request for Fiscal Year 2016-17, the Energy Commission identified $5.9 million in unspent accumulated PIER Natural Gas Subaccount funds resulting from projects that came in under budget. These funds can no longer be applied to a new agreement because they have either exceeded the two-year encumbrance period or the additional four-year liquidation period. Additionally, because the Energy Commission pays agreements after the work is completed, some of these unspent funds are the result of accrued interest for approved agreements awaiting an invoice. The use of these supplemental funds will be for the following research and 10 percent for program administration:

- Natural gas infrastructure safety and integrity.
- Long-term role and impact of natural gas in a carbon constrained context.
- Water heating of existing buildings to demonstrate the cost-effective retrofit solutions.

STAFF COMMENTS

This item was held open from the Subcommittee #3 hearing on April 26th to allow for the CPUC to hear and vote on this item at its business meeting. On April 27th the CPUC approved the Natural Gas Supplemental Budget Plan.

Staff Recommendation: Approve as Budgeted

VOTE-ONLY ISSUE 6: EXPANSION OF SOLAR EQUIPMENT LISTING (SB 1)

The Governor's budget requests $3.0 permanent positions and $196,000 from the Renewable Resource Trust Fund to maintain, update, and expand the official listings of solar energy system equipment receiving ratepayer-funded incentives.

BACKGROUND

In addition to establishing a framework for CPUC's California Solar Initiative, SB 1 (Murray, Chapter 132, Statutes of 2006) requires the Energy Commission to adopt guidelines for solar energy systems receiving ratepayer-funded incentives at a publicly noticed meeting. The bill prohibits ratepayer-funded incentives from being made for a solar energy system that does not meet the eligibility criteria. The bill requires the Energy Commission to make certain information available to the public, to provide assistance to builders and contractors, and to conduct random audits of solar energy systems to evaluate their operational performance. To do this, the Energy Commission has established a process under which manufacturers of photovoltaic modules, inverters, meters, and other solar equipment apply for listing their equipment on official lists that identify their equipment as incentive-eligible.

This proposal would shift maintenance of the lists from consultants to state staff, in addition to expanding services. Staff would be responsible for maintaining current lists, conducting technical reviews, and implementing process improvement and efficiencies, as well as, expanded requirements and certifications.

STAFF COMMENT

At the Subcommittee #3 hearing on April 26th the Energy Commission's discussed that it has considered charging users of these lists a minor fee to cover the costs of developing these lists and to make this change statue would need to be enacted.

Staff Recommendation: Approve as Budgeted

8660 CALIFORNIA PUBLIC UTILITIES COMMISSION (CPUC)

VOTE-ONLY ISSUE 7: OFFICE OF GOVERNMENTAL AFFAIRS

The Governor's budget requests 2.0 positions and $227,000 from the Public Utilities Commission Utilities Reimbursement Account for the Office of Governmental Affairs.

BACKGROUND

This item was heard in Subcommittee #3 on April 26th along with a package of CPUC reform proposals. At the time, there was a misunderstanding about what these staff would be doing. Since that hearing, additional information has been provided to subcommittee staff and staff now recommends approval of these positions which will help to better ensure good communication between the CPUC and the legislature.

Staff Recommendation: Rescind the Prior Action to Reject These Positions and Approve as Budgeted.

VOTE-ONLY ISSUE 8: OFFICE OF RATEPAYER ADVOCATES (ORA) CLIMATE CHANGE INITIATIVES

The Governor's budget requests 8.0 positions and $890,000 from the Public Utilities Commission Office of Ratepayer Advocates Account (PUCORA), to perform climate change work associated with CPUC, California Air Resources Board (CARB), and California Independent System Operator (CAISO).

BACKGROUND

AB 327 (Perea, Chapter 611, Statutes of 2013), SB 626 (Kehoe, Chapter 355, Statutes of 2009), and SB 350 (De León, Chapter 547, Statutes of 2015) are resulting in expanded workload at ORA. The requested positions would work on the following:

<u>AB 327 – Distributed Resource Plans (DRP) / Integrated Distributed Energy Resources (IDER) Workload.</u> Three positions are being requested for this workload for the following reasons. ORA staff actively participate in both the DRP and the IDER proceedings as well as an industry-led working group that runs in parallel with the Commission's proceedings. Existing staff have been working overtime to fulfill these duties. Staff also need to evaluate the DER interconnection process, which is the focus of another Commission proceeding. One position would work on the distribution/transmission interface. All three positions will need to identify and study potential impacts and find ways to make this new paradigm work to ensure they are efficient and cost-effective.

SB 626 (and SB 350 Transportation Electrification) Workload. Two positions are being requested to work on transportation electrification (TE). Per SB 626, the three largest utilities (PG&E, SCE and SDG&E) filed proposals, which were approved in 2016, for electric vehicle (EV) pilot programs. These pilot programs focus on constructing infrastructure to facilitate increased purchase of light duty electric vehicles. The utilities currently are implementing the pilot programs and during this period ORA staff participate in each utility's EV advisory board. The requested positions will also work on three future TE applications.

SB 350 Workload. Three positions are being requested to work on SB 350-related work. One position would work on activities related to implementation of the newly established target of 50 percent renewables by 2030. The second position would work on GHG-related activities. ORA focuses its GHG reduction work primarily in: 1) annual utility Energy Resource and Recovery Account forecast and compliance proceedings, 2) the natural gas Cap and Trade proceeding, 3) the IRP proceeding, 4) CARB proceedings related to Cap and Trade, and 5) CAISO GHG initiatives. This position would participate in the activities described in #3, #4, and #5 above. The third position is being requested to work on transmission planning-related activities.

STAFF COMMENTS

This item was heard on April 26th and held open.

The workload justification provided by ORA in early February provided justification for 5.6 staff for this workload. In late April, ORA provided additional hourly workload that indicates 8.0 positions are necessary. However, ORA has not provided any explanation of why the workload data to support the request has changed since February. Staff recommends approval of 6.0 positions to conform with the Senate action on this item.

Staff Recommendation: Approve funding for 6.0 of the 8.0 positions. (Approve 2.0 Utility Engineers, 2.0 Public Utilities Regulatory Analyst (PURA) V and 2.0 PURA I.

VOTE-ONLY ISSUE 9: ORA—ESTABLISH COMMUNICATIONS OFFICE

The Governor's budget requests 2.0 permanent, full-time positions and $299,000 from the PUCORA to establish a communications office.

BACKGROUND

According to ORA, its existing resources are inadequate to effectively communicate with the media, public, and others; establish a public presence; and make ORA's fact-based analyses, recommendations and assistance across industry areas accessible beyond its written pleadings to all interested parties, such as the media, public, CPUC stakeholders and others. In addition, CPUC states this request responds to the renewed interest in ORA's activities from the media, public and other stakeholders as a result of Governor Brown's February 2016 appointment of a new, permanent ORA Director.

STAFF COMMENTS

This item was heard on April 26th and held open.

ORA asserts it needs these positions to attend public hearings, workshops, and community forums and then incorporate this information into ORA work products. The staff would also collaborate with other governmental departments. These activities do not appear to be consistent with ORA's mission which is "to obtain the lowest possible rate for service consistent with reliable and safe service levels." Staff recommends rejection of this proposal.

Staff Recommendation: Reject the Proposal

ITEMS TO BE HEARD

0540 NATURAL RESOURCES AGENCY

ISSUE 1: NATURAL RESOURCES AND PARKS PRESERVATION FUND

A May Revision proposal requests trailer bill language to establish the Natural Resources and Parks Preservation Fund and to transfer $65 million previously appropriated General Fund into the fund the first year. This fund is intended to provide an alternative to bond funding and will allow the Administration and the Legislature to make strategic investments where they are needed each fiscal year. The amount transferred and the programs to which the funds will be directed will be determined through the annual budget process.

BACKGROUND

Bond measures have been a main funding source for projects throughout the Natural Resource Agency for almost two decades. However, a reliance on bond funding has not always been the case. In fact, prior to 2000, bond funding was modest. There were only $4 billion in combined bond measures between 1976 and 1996. Then the shift to bond funding started in 2000 when there were $4 billion in bond measures in that year alone. From 2000 to 2014, California voters authorized $26.7 billion from seven bond measures. This new influx of funding shows the voters' strong support for programs that focused on water, flood, parks, habitat, land preservation, climate change and coastal issues. In fact, the average percentage of yes votes for these seven measures was 61 percent.

Bond measures have some clear advantages because they can dedicate a specific amount of funding for a subject area (water, parks, flood, etc.) or entity or location of interest (department, conservancy, etc.). In addition, bond funding allows the state to make significant investments and to spread the payments over time. It would have been difficult to make the substantial investments in land acquisitions over the last 16 years (1.2 million acres in fee title and 950,000 in easements) without having bond measures to fund them. It also would have been difficult to make any significant outlays overall due to the constant boom and bust cycle of budgets in the first decade of the 2000s. Despite these advantages, disadvantages also exist. For example:

- Bonds are approved for specific areas/subjects that may not align with the current need.
- Bonds come with limitations on how they can be spent.
- Bonds are expensive and cost the state more than double the initial amount over 30 years.

- Bond funds require more extensive tracking and reporting due to the bond statutes, GO Bond Law and Federal Tax Law.
- Bond funds require at least 2 percent of each measure for the cost of oversight, auditing, bond issuance costs, tracking and reporting.
- Debt payments can limit the amount of General Fund available for baseline natural resources programs. In fact, the shift to bond funding over the last 18 years raised the annual GO bond debt payments for the agency from $190 million in 1998 to $1.04 billion in the current year.

Given these disadvantages, the Administration is proposing to shift to a "pay as you go" system where a specific amount of funding in the budget each year is transferred from the General Fund to the Natural Resources and Parks Preservation Fund that is dedicated for these purposes. Through a BCP each fall, the Secretary will propose the amount that would go to a category or multiple categories of programs based on current needs. Natural resources programs previously funded by bond measures generally fall into the following categories: 1) Water/Flood, 2) Parks-State and Local, 3) Forestry-Rural, Urban and Working Forests, 4) Land Preservation-Wild and Working Lands, 5) Habitat- Aquatic and On-land, Preservation and Restoration, or 6) Climate Adaptation.

In the first year $65 million of unencumbered General Fund for deferred maintenance provided to the Department of Parks and Recreation in the Budget Acts of 2015 and 2016 will be reverted back to the General Fund, which will facilitate a transfer of $65 million to the Natural Resources and Parks Preservation Fund. This proposal requests an appropriation of $65 million from this new fund to Parks to invest in deferred maintenance projects.

LAO COMMENTS

The LAO recommends rejecting this proposal without prejudice to be reconsidered in greater detail during the full budget process next year. There may be merit in the Legislature considering the creation of a process for future funding of parks and natural resources infrastructure projects. However, the establishment of this new fund is not urgent, and we have a number of questions regarding the proposal, both with regarding the budget year and ongoing funding. Specifically, it is unclear why such a significant amount of state parks deferred maintenance funding has not yet been encumbered, what future funding levels and sources would be, and how projects or programs would be selected.

STAFF COMMENTS

The Subcommittee may wish to ask the following questions:

- What purpose does the fund itself serve? Why not just make “investments” directly from the General Fund especially as this is a one-time appropriation?
- How will proposed funding amounts and categories / programs be determined by the administration each year? Should such a “pay as you go” account be limited

to the Department of Parks? Unless the account is for investments broader than Parks, why should Resources Agency administer the account rather than the Department of Parks?

- Why does parks have such a significant amount of unencumbered deferred maintenance funding given the enormous deferred maintenance need?
- Does this really reflect a new "investment" if we're just reverting and transferring funds that were already appropriated for this purpose?
- Many past bond measures have included significant amounts for local assistance. Does the administration envision using this fund to provide similar local assistance resources?
- Does the administration envision using the fund for some large-scale projects that will take many years or mostly smaller scale projects and maintenance?

Staff Recommendation: Hold Open

3885 DELTA STEWARDSHIP COUNCIL

ISSUE 2: DELTA STEWARDSHIP COUNCIL TRAILER BILL LANGUAGE

The Governor proposes trailer bill language to extend the term limit of the Chairperson position at the Delta Protection Commission from four years to eight years.

BACKGROUND

The Delta Reform Act established the Delta Stewardship Council in 2009. The Council was created to advance the state's coequal goals for the Delta – a more reliable statewide water supply and a healthy and protected ecosystem, both achieved in a manner that protects and enhances the unique characteristics of the Delta as an evolving place. The Council is tasked with developing an enforceable long-term sustainable management plan for the Delta to ensure coordinated action at the federal, state, and local levels. The Delta Plan, adopted in 2013, includes both regulatory policies and non-binding recommendations.

The Council is comprised of seven voting members and advised by a 10-member board of nationally and internationally renowned scientists. Four members are appointed by the Governor, one member is appointed by the Senate Rules Committee, the Speaker of the Assembly appoints one member, and one member serves as the Chairperson of the Delta Protection Commission.

The Chairperson of the Delta Protection Commission serve as a member of the council for the period during which he or she holds the position as commission chairperson, which is four years.

STAFF COMMENTS

Whether to extend the term of the Delta Protection Commission Chairperson from four to eight years is a policy question. The Subcommittee may wish to ask the Administration how this request relates to the budget.

Staff Recommendation: Hold Open

8600 CALIFORNIA PUBLIC UTILITIES COMMISSION

ISSUE 3: ENERGY EFFICIENCY PROGRAMS' FINANCIAL INCENTIVES FOR HEALTHY CORNER STORES

BACKGROUND

One of the biggest problems with providing fresh produce is the high cost of refrigeration and the high-cost of replacing non-energy efficient refrigeration according to owners of small "mom and pop" or corner stores. Sometimes these commercial refrigerators can cost up to $10,000 to replace.

Two counties--San Francisco and Los Angeles—have programs that promotes the consumption of healthy, fresh, and affordable food in low-income neighborhoods by encouraging small corner stores to become health food retailers while increasing their long-term sustainability and strengthening community cohesion. This program could serve as a model for eliminating food deserts in disadvantaged communities.

One of the obstacles to the success of this program is the cost of refrigeration. A wide variety of public-purpose-funded energy efficiency programs are administered by the state's Investor Owned Utilities. Under the Statewide Customized Offering for Business Program, Pacific Gas and Electric (PG&E), Southern California Edison (SCE), Southern California Gas (SoCal Gas), and San Diego Gas and Electric (SDG&E), and Southwest Gas Corporation (SWG) offer financial incentives for efficiency upgrades that may include lighting, air conditioning, refrigeration, motors, variable speed drives, and natural gas equipment, as well as controls, building shell retrofits and demand reduction measures. Payments (up to 50 percent of the total project cost) are based on fixed incentive rates for actual energy savings (kWh and/or therms) and peak electric demand (kW) reduction achieved in the first year after implementation.

Despite these programs being available, there appear to be barriers to corner stores accessing these funds.

STAFF COMMENTS

To help better understand the barriers to corner stores accessing financial incentives through energy efficiency programs, staff recommends that the Committee provide funding for 1.0 position for two years and adopt placeholder trailer bill language that requires CPUC to study the two counties programs and corner stores use of the IUO's EE programs. The CPUC would also be required to provide a report and to make recommendations about how to increase the use of this source of funding in order to improve corner stores ability to provide fresh food. This report would be due by July 1,

2018. Following the completion of this report, the staff would work on implementation of the recommendations and establishing metrics to evaluate the utilization of the EE programs by corner stores and the efficacy of the two counties' programs in helping to ensure residents in disadvantages communities have access to fresh food.

Staff Recommendation: Adopt Placeholder Trailer Bill Language and Provide Funding for Two Years for 1.0 Position.

3900 AIR RESOURCES BOARD

ISSUE 4: 2017-18 CAP AND TRADE PROPOSAL

The Governor's budget proposes to spend $2.2 billion in cap and trade auction revenue on activities intended to reduce GHGs. However, $1.3 billion would only be spent after the Legislature enacted—with a two-thirds urgency vote—legislation extending ARB's authority to operate a cap and trade program beyond 2020.

The Administration also proposes trailer bill language that would limit the applicability of certain restrictions regarding awarding grant funds to projects that reduce methane emissions from livestock manure management operations and dairy manure management operations using digester technology, as specified.

BACKGROUND

The figure below shows the $2.2 billion expenditure plan by category of activity.

2017 18 Cap and Trade Expenditure Plan

(Dollars in Millions)

Investment Category	*Department*	*Program*	*Amount*
Continuous Appropriation	High Speed Rail Authority	High Speed Rail Project	$375
	State Transit Assistance	Low Carbon Transit Operations	$75
	Transportation Agency	Transit and Intercity Rail Capital Program	$150
	Strategic Growth Council	Affordable Housing and Sustainable Communities Program	$300
Transportation Package	Transportation Agency	Transit and Intercity Rail Capital Program	$500
	Caltrans	Active Transportation	
50 Percent Reduction in Petroleum Use	Air Resources Board	Low Carbon Transportation	$363
Transformational Climate Communities	Strategic Growth Council	Transformative Climate Communities	$142
		Technical Assistance & Outreach	
Short Lived Climate Pollutants	Air Resources Board	Black Carbon Woodsmoke	$95
	Cal Recycle	Waste Diversion	
	Department of Food and Agriculture	Dairy Digesters	
Carbon Sequestration	CAL FIRE	Healthy Forests	$127.5
		Urban Forestry	
	Department of Food and Agriculture	Climate Smart Agriculture - Healthy Soils	
	Natural Resources Agency	Urban Greening	
Energy Efficiency/ Renewable Energy	Department of Community Services and Development	Energy Efficiency Upgrades/ Weatherization	$27.5
	Department of Food and Agriculture	State Water Efficiency and Enhancement Program	
	Total		**$2,155**

STAFF COMMENTS

The Assembly believes a thoughtful extension to the existing Cap and Trade program should be adopted this year, and that this could be accomplished as part of the budget agreement. This following budget action provides the Assembly's version of Cap and Trade, which will be further refined in forthcoming the Budget Conference Committee process:

- Adopt placeholder trailer bill language, reflecting the progress made with AB 378, to establish a market-based mechanism for greenhouse gas emission reductions beyond 2020 based on the following principles:

    1. Ensure that efforts to reduce greenhouse gas emission are not achieved at the expense of increasing levels of other types of pollution, particularly in low income and disadvantaged communities.

    2. Use a transparent process to establish new program requirements and regulations involving stakeholders, including environmental justice groups and industry representatives.

    3. Align climate and air quality programs to prioritize and promote strategies that deliver criteria, toxic, and greenhouse gas emission reductions simultaneously.

- State that it is the Legislature's intent to establish a framework for an expenditure plan later in 2017 that will reflect the framework of the final negotiated agreement. Until that time, do not appropriate programmatic funding.

- Provide only bare-bones funding for support staff in various state departments currently working on the cap-and trade program to "keep the lights on".

Staff Recommendation: Adopt the budget actions presented above.