2016-17 Legislative Budget Conference Committee
SB 826 (Leno)

Resources, Transportation and Energy Agenda

Round 1

Phil Y. Ting, Chair

Room 4202
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June 2016

2016-17 Cap-and-Trade Expenditure Packages

(In Millions)

	Governor	Senate	Assembly
Continuous Appropriations[a]	**$1,200**	**$1,200**	**$1,200**
High speed rail	500	500	500
Affordable housing and sustainable communities	400	400	400
Transit and intercity rail capital	200	200	200
State transit assistance	100	100	100
Transportation	**$1,025**	**$520**	**$1,050**
Low carbon vehicles	460	460	485
Transit and intercity rail capital	400	—	400
Low carbon road or active transportation program	100	—	100
Biofuel production subsidies	40	40	40
Biofuel facilities capital support	25	20	25
Carbon Sequestration	**$280**	**$235**	**$280**
Healthy forests	150	25	150
Wetland and watershed restoration	60	60	60
Urban forestry	30	30	30
Green infrastructure	20	100	20
Carbon sequestration in soils	20	20	20
Energy Efficiency and Renewable Energy	**$200**	**$230**	**$170**
Low-income energy efficiency and solar	75	75	45
UC and CSU energy efficiency	60	60	60
Energy efficiency for state buildings	30	30	30
I-Bank energy financing program	20	50	20
Conservation Corps energy efficiency	15	15	15

(Continued)

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2016-17 Cap-and-Trade Expenditure Packages *(Continued)*

	Governor	Senate	Assembly
Short-Lived Climate Pollutants	**$195**	**$50**	**$195**
Waste diversion	100	50	100
Wood stove replacement	40	—	40
Dairy digesters	35	—	35
Refrigeration unit replacements	20	—	20
Local Climate Programs	**$100**	**$400**	**$100**
Water Efficiency	**$90**	**$50**	**$90**
Water efficiency technology	30	5	30
Agricultural water efficiency	20	15	20
Rebates for water efficient appliances	30	5	30
Residential, commercial, and/or institutional water efficiency	10	25	10
Other	**—**	**$3**	**$5**
Community outreach to disadvantaged communities	—	3	—
Local government technical assistance	—	—	4
Green small business program	—	—	1
Totals	**$3,090**	**$2,688**	**$3,090**

[a] Continuous appropriations based on $2 billion revenue assumption.
GHG = greenhouse gas.

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Available Funds and Revenue Uncertainty

☑ **Nearly $1.4 Billion in Unallocated Funds at End of 2015-16.**

☑ **Recent Auction Results Add Substantial Revenue Uncertainty.**

- Each of the five quarterly auctions from February 2015 through February 2016 generated over $500 million in state revenue.
- The May 2016 auction generated only $10 million in state revenue.
- Significant uncertainty about amount of revenue to expect in 2016-17, but possible that the next few auctions will have similar results to the May 2016 auction.

☑ **Funding for Continuously Appropriated Programs Could Be Affected.**

- Given revenue uncertainty, it is possible that these programs would receive significantly less funding than the expenditure packages assume.
- Unclear how much 2016-17 revenue would be available for other programs, as well.

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LAO Recommendations

☑ **Use $1.4 Billion in Unallocated Funds as Starting Point for Expenditure Plan.**

- Amount of additional funds available from 2016-17 auctions is subject to considerable uncertainty.

☑ **Ensure Allocations From $1.4 Billion Go to Highest Priority Programs.**

- Consider both discretionary programs and continuously appropriated programs when identifying priorities. For example, the budget could provide specific allocation amounts for currently continuously appropriated programs to ensure they receive minimum desired funding level.

☑ **Develop Plan for 2016-17 Revenue.**

- With respect to any revenue generated in 2016-17, the Legislature might want to identify (1) the amount or percentage it would like to retain in the fund for future years and (2) its priorities for which programs to fund in 2016-17 beyond what it allocated from the $1.4 billion.
- Once the Legislature identifies these amounts and priorities, it could structure a budgeting strategy to ensure the allocations are consistent with its goals. This could include, for example, use of allocation formulas or funding "buckets" that designate how much revenue are provided to different programs based on how much revenue is received.

Staff Comments

Issue 2: Aliso Canyon and Natural Gas Management

Various Departments

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Overview of Aliso Canyon and Natural Gas Management Conference Issues

☑ **Governor's Proposals**

- The Governor requested a total of 36 positions and $13 million from various special funds for five state agencies (Air Resources Board, Department of Conservation [DOC], California Public Utilities Commission [CPUC], California Energy Commission [CEC], and the Office of Environmental Health Hazard Assessment) to carry out natural gas industry oversight functions.

☑ **Assembly Actions**

- The Assembly approved the Governor's proposals but modified them by converting three permanent positions at CPUC and associated funding to three-year limited term.

☑ **Senate Actions**

- The Senate approved the Governor's proposal subject to the passage of statute to provide accountability and reporting to the Legislature.
- Added $2.1 million (Public Utilities Commission Utilities Reimbursement Account) and seven permanent positions at CPUC to implement Chapter 14 of 2016 (SB 380, Pavley) which, among other things, requires CPUC to open a proceeding to assess the ongoing level of natural gas storage needed at Aliso Canyon to maintain reliability.
- Adopted budget trailer language to (1) establish a single point of contact under the Secretary for Natural Resources to be responsible for natural gas safety, (2) provide mechanisms for state agencies to work together in order to ensure efficiency and coverage of all aspects of natural gas storage and transmission, and (3) provide for annual reporting on the administration's efforts to improve natural gas safety within the state.

Overview of Aliso Canyon and Natural Gas Management Conference Issues *(Continued)*

- Adopted budget trailer language directing CEC to establish a natural gas tracking and rating system that will enable natural gas purchasers to assess lifetime environmental impact of the vented and fugitive emission of the gas they procure.
- Adopted budget trailer language to require that on or before January 1, 2019, the Division of Oil, Gas, and Geothermal Resources (within DOC) shall develop, through a public process, with input from independent experts, stakeholders, and the public, "best practices" for the design, maintenance, monitoring, operation, data reporting, and plugging and abandonment of gas storage wells.
- Provided for a contract for the California Center for Science and Technology to study natural gas transmission and storage within the state and provide the Legislature with recommendations regarding (1) gaps in regulation that could impact public and environmental health and safety, (2) areas where market mechanisms are not sufficient to protect public health and safety, (3) how the state could require cradle-to-grave best practices in the natural gas system, and (4) where the state should focus increased enforcement of the system.

Staff Comments

Staff Comments

Issue 3: Funding for Pest Prevention

Department of Food and Agriculture

Assembly	Senate

• No Proposal	• $15 million (GF) for specified programs and budget bill language to specify the use of the funds
	  ○ $5 million for Pierces Disease Management
	  ○ $5 million for overall pest health and prevention
	  ○ $5 million for Asian Citrus Psyllid, of which $750,000 is for an interagency agreement with CDPR for neonic ornamental studies

Governor: No proposal

Staff Comments

Issue 4: Human Right to Water

State Water Resources Control Board and Department of Water Resources

Assembly	Senate
• $10 million (GF) plus TBL for water bottle filling station installations, with point of use filtration when necessary, to deliver safe drinking water to hundreds of thousands of students who do not currently have access to it • Approved Governor's proposals for emergency drinking water plus $5 million additional (GF) specifically for support of small communities • 4 positions for data collection and management to track access to safe drinking water	• Approved Governor's proposals for emergency drinking water

Governor: Proposes $49 million to various departments for emergency drinking water

Staff Comments

Issue 4: Professional Standards

Department of Forestry and Fire Protection

Assembly	Senate
• Approved proposal on a three-year basis with annual reporting to the budget committee during the budget process on how the program is working	• Held Open

Governor: Requested $4.4 million ($4.08 million GF and $336,000 SF) and 14 positions to implement a centralized unit responsible for overseeing a program to address investigations and adverse actions.

Staff Comments

Issue 6: Bottle Bill Temporary Fix to Address Recycling Center Closures

Department Resources Recycling and Recovery

Assembly	Senate
• Adopted an interim reform proposal to address the immediate crisis of recycling center closures • Provide an immediate (July 1) adjustment of Processing Payments and Handling Fees to reflect the actual 2015 cost of recycling • Authorize up to 3 convenience recycling pilot programs • Provide 18 month relief for dealers impacted by recent closures	• Approved a Convenience Pilot Program to allow up to three jurisdictions (one, each, urban in northern and southern California, and one rural) to create a pilot program that would waive convenience requirements. Included $100,000 per jurisdiction for the pilot program.

Governor: No proposal

Staff Comments

Issue 7: Residential Center Expansion

California Conservation Corps

Assembly	Senate
• Approved $100,000 (GF) to begin the acquisition phase of a project to replace the current residential center in Ukiah. Denied without prejudice $300,000 for the acquisition phase for the new residential center in Napa and Pomona.	• Approved proposal

Governor: Requests $400,000 (GF) to begin implementation of a five-year plan for expansion of CCC residential centers.

Staff Comments

Issue 8: Natural Resources Legislative Proposals

Various Departments

Assembly	Senate
• $2.952 million (GF) for U.S. Immigration Station on Angel Island State Park • Orca trailer bill language • $2 Million (GF) for Marine Mammal Rescue • $100,000 (GF) for Whale Disentanglement • $140,000 (GF) for Watershed Assessments • $352,187 (GF) for Malakoff Diggins State Historic Park Solar Generator • Placeholder trailer bill language related to a fee proposal by manufactures of aftermarket parts	• $20 million (Prop 1) for the Tahoe Environmental Improvement Program for grants • 2 positions to expedite the pollinator protection proposal at the Department of Pesticide Regulation • 2 positions for the Independent Review Panel at the Department of Toxic Substances Control • $780,000 (SF) for printing of the Education and Environment Initiative literature

Staff Comments

Issue 9: Public Utility-Related Issues

Public Utilities Commission and California Energy Commission

Assembly	Senate
• Adopts $1,000 to the Public Utilities Commission to conduct a telephone service quality study. • Earmarks $15 million General Fund for the California Energy Commission for biofuel research to the Lawrence Berkeley Lab Bioproducts center. • Includes Trailer Bill Language to increase natural gas surcharges for biofuels research. • Adopted language to allow the Public Utilities Commission to expend special fund to establish 2-1-1 service in counties.	• Rejected $1 million proposed for the Public Utilities Commission to conduct a telephone service quality study. • Moves $8 million General Fund for the California Energy Commission to fund Atmospheric River Research.

Governor: The Governor's budget proposed $1 million for service quality at PUC and $15 General Fund for biofuel research at the California Energy Commission

Staff Comments

Issue 10: Green and White HOV Stickers

Department of Motor Vehicles

Assembly	Senate
• Approved trailer bill provisions to extend green and white HOV stickers to 2019	• Approved Governor's proposed trailer bill provisions to extend green HOV stickers to 2019 and white stickers until 2025

Governor: The Governor's Budget proposed extending green HOV stickers to 2019 and white stickers until 2025.

Staff Comments

Issue 11: New Motor Voter

Department of Motor Vehicles

Assembly	Senate
• Adopted trailer bill to require a one-step voter registration process at DMV and adopted the Governor's proposal.	• Rejected the May Revision proposal

LAO Recommendation: We recommend the Assembly version with modified trailer bill language. The Assembly version provides the funding and positions needed by DMV to implement AB 1461 and the funding and positions were not specifically a concern for the Senate. Both the Assembly and the Senate recognize the need for improvements to DMV's voter registration process. However, we find that the Legislature needs more information on the extent of the problems and potential solutions. Accordingly, we recommend modifying the Assembly's trailer bill language to require DMV to (1) evaluate several potential improvements to the voter registration process, such as adding voter registration information to driver license application form and using signature pads for voter registration, and (2) report by January 10, 2017 to the Legislature on the results of this evaluation, including recent data on the extent to which DMV customers are completing the voter registration process. The Legislature can revisit this issue next year to ensure that necessary improvements to the process are enacted.

Governor: The Governor's Budget proposes $3.9 million to implement the New Motor Voter Program.

Staff Comments

Issue 12: Transportation Research

University of California

Assembly	Senate
• Appropriates $3 million special fund to the Institute of Transportation Studies at the University of California.	• No proposal

Governor: No proposal

Staff Comments