

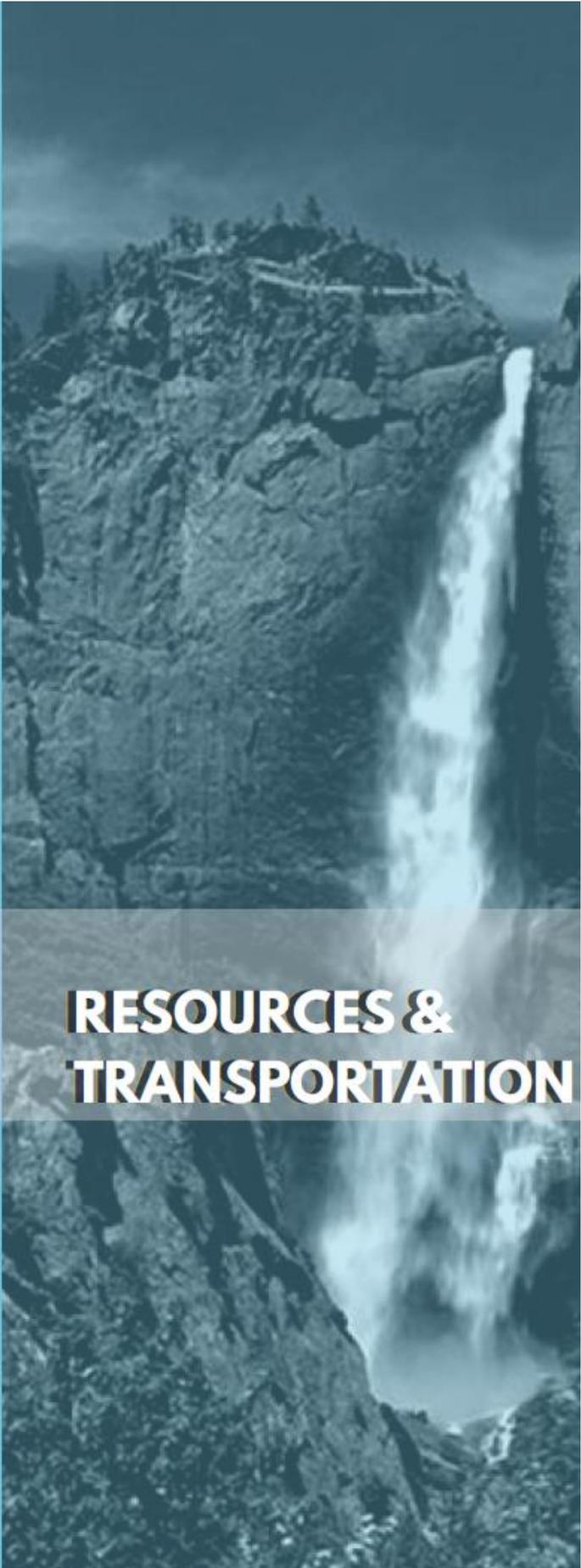


.....

2018-19 LEGISLATIVE BUDGET CONFERENCE COMMITTEE

PHIL TING, CHAIR

ROOM 4202
THURSDAY, MAY 31, 2018



RESOURCES & TRANSPORTATION

Table of Contents

LAO Overview:.....	5
Issue 1: Sustainable Funding for Fish and Wildlife.....	11
Issue 2: Safe and Affordable Drinking Water	13
Issue 3: Cap and Trade Expenditure Plan	15
Issue 4: Electric Vehicles and Zero-Emission EVs & Charging Inf.....	21



Overview for Resources and Transportation

Both Houses Adopted Most of Governor's Major Budget Proposals

- Proposition 68.** Approved over \$1 billion authorized by Proposition 68—about one-quarter of the total authorized—to implement parks, habitat restoration, and water-related projects. (If approved by voters on June 5th, this funding would be administered by 18 state departments and conservancies.) Adopted Governor's entire implementation plan with some minor budget bill amendments. Approved various other appropriations from Proposition 68.

- Funding for Highway Rehabilitation and Maintenance.** Approved funding increases of \$570 million for highway rehabilitation projects, \$167 million for related project delivery workload, and \$154 million for highway maintenance, resulting from the fuel taxes and vehicle charges established in Chapter 45 of 2017 (SB 1, Beall).

- Parks Funding.** Approved Governor's proposal for \$62 million from the State Parks and Recreation Fund to (1) permanently address the fund's structural deficit and (2) increase service levels at state parks. Approved a proposal for \$200 million—\$100 million General Fund and up to \$100 million in donations—for the planning and construction of a California Indian Heritage Center.

- Flood Protection.** Approved Governor's proposed \$195 million General Fund for flood protection activities in the Central Valley, including \$170 million one time for major infrastructure projects and \$25 million ongoing to maintain levees for which the state holds special responsibility. Assembly set aside \$10 million of the maintenance funding to conduct repairs in one specified region in 2018-19.

- ☑ **Fire Protection.** Approved \$98 million General Fund to procure four new helicopters as part of CalFire's helicopter fleet replacement plan. Approved a total of about \$50 million General Fund to support CalFire's firefighting capabilities, including for additional California Conservation Corps fire crews and to lengthen the season that McClellan Reload Air Base is staffed.

- ☑ **Forest Carbon Plan Implementation.** Approved \$96 million in 2018-19—mostly from the Greenhouse Gas Reduction Fund (GGRF) and Proposition 68—proposed for forest health activities. This includes (1) \$30 million for restoration and management activities coordinated through the Sierra Nevada Conservancy's Watershed Improvement Program, (2) \$27 million and 79 positions for CalFire for prescribed fire and other fuel reduction projects, and (3) \$20 million for the Natural Resources Agency to fund block grants to support regional forestry collaboratives. Assembly also adopted placeholder trailer bill language to require coordination among different programs and departments in order to maximize environmental co-benefits.

Key Differences Between Senate and Assembly Budget Plans



Funding Priorities. For some programs, the two houses identified somewhat different funding priorities from each other, as well as the Governor. These include the following:

- **Cap-and-Trade.** The Governor proposed a \$1.3 billion cap-and-trade expenditure plan. The Senate adopted a \$1.45 billion plan that reallocated and increased funding for several programs, including for local air district programs to reduce air pollution (\$60 million), Transformative Climate Communities program (\$55 million), forest health (\$43 million), and low-income weatherization (\$30 million). The Assembly adopted a \$1.55 billion plan that reallocated and increased funding for somewhat different programs, including heavy duty vehicles and port equipment (\$120 million), urban greening and forestry (\$80 million), and other natural resource and climate adaptation programs (\$46 million).
- **Department of Fish and Wildlife.** The Governor proposed a \$51 million ongoing augmentation—primarily from two special funds—to address a structural budget deficit and expand core activities. Both houses provided a lower funding amount, exclusively from the General Fund and not on an ongoing basis. Both houses also adopted requirements that the department contract with an independent entity to conduct a review of its budget.
- **Various Legislative Augmentations.** Each house approved a number of budget augmentations reflecting legislative priorities in the areas of natural resources, environmental protection, and transportation. These augmentations total a few hundred million dollars in each house and support a range of programs and projects, including for air pollution reduction, safe drinking water, and habitat restoration.



Policy Considerations. Important policy issues underlie some of the Governor's budget proposals, and the two houses took different approaches on some of these, including the following:

- ***Zero-Emission Vehicle (ZEV) Infrastructure.*** The Governor proposed \$147 million from various funding sources for ZEV infrastructure (and \$200 million annually for ZEV rebates from GGRF). The Senate rejected the proposal to send it to Conference Committee. The Assembly adopted \$134 million and placeholder trailer bill language that would make a variety of policy changes, including codifying a goal of 5 million ZEVs by 2030 and requiring the California Energy Commission and California Air Resources Board to evaluate various ZEV rebate and infrastructure issues.
- ***Safe and Affordable Drinking Water Fund (SADWF).*** The administration proposes budget trailer legislation (as well as \$5 million) to impose new charges on water system customers and certain agricultural entities to fund the SADWF, which would be used to increase access to safe drinking water, primarily to support operating, maintenance, and capital costs in small, disadvantaged communities. The Assembly approved the Governor's proposal. The Senate did not act on the budget trailer legislation but approved (1) \$2 million General Fund on a two-year basis for mapping and needs assessment studies, (2) \$69 million General Fund (one time) for emergency relief and infrastructure improvements, and (3) \$45 million from Proposition 2 beginning in 2019-20 to fund drinking water infrastructure projects.

STAFF COMMENTS

ISSUE 1: SUSTAINABLE FUNDING FOR FISH AND WILDLIFE

Department of Fish and Wildlife

ASSEMBLY

SENATE

-
- Approved a total of \$36.6 million General Fund for two years.
 - Approved a total of \$23.4 million General Fund one-time.

***Both the Assembly and the Senate rejected the use of MVA and the Tire Fee and agreed to require DFW to undergo a zero-based budgeting audit with an outside firm.

GOVERNOR: Included \$50.6 million (\$6.6 million General Fund, \$18 million Motor Vehicle Account and \$26 million Tire Recycling Management Fund) ongoing to address the structural deficit and to improve and expand DFW's program activities.

STAFF COMMENTS

ISSUE 2: SAFE AND AFFORDABLE DRINKING WATER

State Water Resources Control Board California Department of Food and Agriculture

ASSEMBLY

- Rejected the Administration's proposed Safe and Affordable Drinking Water proposal.
- Adopted placeholder trailer bill language relating to addressing water pollution clean-up efforts.
- Approved one-time loan of \$4.7 million from the Underground Storage Tank Cleanup Fund to begin implementation.

SENATE

- Approved \$1.6 million General Fund and 9 positions for two years for mapping, data collection, and assessing funding need;
- Approved \$45 million General Fund one-time for water infrastructure improvements;
- Approved \$45 million Proposition 2 in 2019-20 and ongoing for drinking water infrastructure projects.

GOVERNOR: The Governor included:

- Trailer bill language to establish a new special fund to assist small disadvantaged communities to pay for ongoing operations and maintenance of local drinking water systems.
- \$3.3 million and 23 positions for the SWRCB, funded from a one-time loan from the Underground Storage Tank Cleanup Fund for the Safe and Affordable Drinking Water Fund,
- \$1.41 million and 7 positions for CDFA to collect new fees from agricultural entities.

STAFF COMMENTS

ISSUE 3: CAP AND TRADE EXPENDITURE PLAN

Various Departments

2018-19 Cap and Trade Expenditure Plan	(In Millions)		
	Governor	Assembly	Senate
AB 617 Community Air Protection	\$250	\$250	\$310
Technical Assistance to Community Groups	5	5	5
Clean Vehicle Rebate Project	175	175	150
Clean Truck Buses and Off Road Freight Equipment	160	150	160
Demonstration Projects	0	30	0
Pilot Projects	0	50	0
Enhanced Fleet Modernization	100	100	100
Low Carbon Fuel Production	25	0	5
Ag Diesel Engine Replacement and Upgrades	102	85	102
Ag Energy Efficiency	34	34	34
Healthy Soils	5	5	0
Renewable Energy	4	4	4
Healthy and Resilient Forests	160	160	203
Prescribed Fire and Fuel Reduction	27	27	27
Regional Forest Health Projects	20	20	20
Local Fire Response	25	25	25
Methane Reduction	99	99	99
Waste Diversion	20	40	20
Transformative Climate Communities	25	25	80
California Integrated Climate Investment Program	20	20	5
Energy Corps	6	6	10
CA Climate Change Technology and Solutions Initiative	35	35	55
Low income weatherization	0	20	30
State Water Efficiency and Enhancement Program	0	5	0
Urban Forestry	0	20	0
Urban Greening	0	60	5
Wetlands	0	20	0
Coastal Adaptation	0	6	0
Natural Lands Adaptation	0	20	0
Ports	0	50	0
Local Government Sharing Best Practices (BEACON)	0	1	0
Workforce development and training	0.4	0	0.4
Totals	\$1,297	\$,1547	\$1,449

STAFF COMMENTS

ISSUE 3: CAP AND TRADE EXPENDITURE PLAN (CONT.)

ASSEMBLY

- Adopted unspecified placeholder trailer bill language (TBL) and the following budget bill language (BBL).
- **\$50 million for ports**
 - Funding proposed may not be used to purchase fully automated cargo handling equipment (BBL).
 - \$18 million shall go to the Port of San Diego (BBL).

SENATE

- Adopted the following TBL and BBL:
- **\$310 million for local air district programs to reduce air pollution**
 - \$20 million shall be spent on woodstove incentive programs in local air districts and funds shall be allocated equitably among air basins where particulates from fire pose a significant public health, environmental, and climate risk (BBL).
 - \$7 million for air monitoring for prescribed fires as follows:
 - \$2 million to local air districts (BBL).
 - \$3 million to ARB to purchase and maintain smoke monitors (BBL).
 - \$2 million for the purchase of approximately 100 portable weather stations that shall be managed by CalFire (BBL).
 - TBL to provide that CalFire and ARB shall enter into a MOU to collaborate on the funding contained in this provision.
- **\$250 million for forest health and fire prevention**
 - Up to \$100 million for forest health and climate resiliency projects implemented by Wildlife Conservation Board, the state Coastal Conservancy, or any of the other regional conservancies provided they are subject to coordination, review, and tracking by Office of Planning and

STAFF COMMENTS

ISSUE 3: CAP AND TRADE EXPENDITURE PLAN (CONT.)

ASSEMBLY

SENATE (CONT.)

-
- Council (BBL).
 - No less than \$43 million may be spent in locations outside of State Responsibility Areas, including but not limited to federal lands (BBL).
 - **\$55 million for climate and energy research**
 - Up to \$5 million may be used to fund innovation hubs and to provide seed money to leverage additional Energy Commission Electric Program Investment Charge funds for this purpose (BBL).
 - \$10 million shall be spent on the Clean Technology Innovation Facility needs assessment for relocation (BBL).
 - **\$80 million for transformative climate communities**
 - \$8 million shall be spent on the Los Angeles River to Rails project (BBL).
 - **\$20 million for waste diversion**
 - No less than \$5 million but up to \$10million shall be spent on asphalt recycling (BBL).
 - **\$10 million for Energy Corps**
 - \$3 million shall be spent on local conservation corps (BBL).
-

GOVERNOR: The Governor proposed a \$1.3 billion Cap and Trade Expenditure Plan with BBL allowing for proportional reductions in appropriations (excluding appropriations for the Air Resources Board, CalFire, and the Energy Corps) if revenue from Cap and Trade auctions is insufficient to support appropriations from the Greenhouse Gas Reduction Fund.

STAFF COMMENTS

ISSUE 4: ELECTRIC VEHICLES AND ZERO-EMISSION ELECTRIC VEHICLES AND RELATED CHARGING INFRASTRUCTURE

California Energy Commission

ASSEMBLY

SENATE

-
- \$175 million Cap and Trade for the Clean Vehicle Rebate Project (CVRP)
 - Codifies new goal of 5 million zero-emission vehicles (ZEVs) by 2030.
 - Adopts placeholder TBL that requires CEC to conduct an annual ZEV market study.
 - Requires the Air Resource Board (ARB) to use the CEC study to estimate the total State rebate investment necessary to reach the 2030 goal, of 5 million ZEVs, and to establish for each upcoming fiscal year the level of funding for the CVRP.
 - Requires the ARB to use the study to recommend annual changes to the CVRP structure and rebate levels based on market demands in order to meet the goal of 5 million ZEVs by 2030.
 - Requires the ARB to develop and maintain a customer buying guide that includes information about makes and models of ZEV available to consumers, as well as information on incentives available from federal, state, and local sources including those from utilities.
 - Provides \$134.5 million for ZEV
- \$150 million Cap and Trade for CVRP.
 - Rejected Administration's EV Charging proposal.
 - Provides no funding for ZEV Charging Infrastructure.

STAFF COMMENTS

ISSUE 4: ELECTRIC VEHICLES AND ZERO-EMISSION ELECTRIC VEHICLES AND RELATED CHARGING INFRASTRUCTURE (CONT.)

ASSEMBLY (CONT.)

SENATE

charging infrastructure.

- Adopts placeholder TBL that requires the CEC, to include in their annual study of gaps in ZEV infrastructure, a statewide assessment of the ZEV charging infrastructure needed to support the levels of EV adoption necessary for the state to meet the following two goals: (1) putting at least 5 million ZEVs on the road by 2030, including zero-emission medium and heavy duty vehicles; and (2) reducing emissions of greenhouse gases (GHGs) to 40 percent below 1990 levels by 2030.
- Adopts TBL that removes the prohibition on ARB from enacting regulations that would require the building of hydrogen fueling stations. This prohibition was established by AB 8 (Perea, Chapter 401, Statutes of 2013).
- Requires the CEC to develop a standard information label for all public charging stations to help consumers make informed choices when they purchase electricity.

GOVERNOR: The Governor provided (1) \$147 million for ZEV charging infrastructure and proposed trailer bill language that redefines the Alternative and Renewable Fuel and Vehicle Technology Fund and program, and (2) \$175 million Cap and Trade for CVRP.