

# AGENDA

ASSEMBLY BUDGET COMMITTEE NO. 3 RESOURCES AND TRANSPORTATION

ASSEMBLYMEMBER RICHARD BLOOM, CHAIR

WEDNESDAY, AUGUST 23, 2017

9:30 A.M. - STATE CAPITOL ROOM 447

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ITEMS TO BE HEARD		
ITEM	DESCRIPTION	PAGE
VARIOUS	2017-18 CAP AND TRADE EXPENDITURE PLAN	1

## ITEMS TO BE HEARD

### VARIOUS DEPARTMENTS

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#### ISSUE 1: 2017-18 CAP AND TRADE EXPENDITURE PLAN

The Subcommittee will consider priorities for the 2017-18 Cap and Trade Expenditure Plan.

#### BACKGROUND

With the passage of AB 398, Chapter 135 of 2017, (E. Garcia), authorizes the State's Cap and Trade program until 2030. This bill provided the guidance on the expenditure of funds:

(a) It is the intent of the Legislature that moneys collected from the auction or sale of allowances pursuant to a market-based compliance mechanism established pursuant to the California Global Warming Solutions Act of 2006 (Division 25.5 (commencing with Section 38500)) shall be appropriated to include, but need not be limited to, the following priorities at the time an expenditure plan is adopted:

- (1) Air toxic and criteria air pollutants from stationary and mobile sources.
- (2) Low- and zero-carbon transportation alternatives.
- (3) Sustainable agricultural practices that promote the transitions to clean technology, water efficiency, and improved air quality.
- (4) Healthy forests and urban greening.
- (5) Short-lived climate pollutants.
- (6) Climate adaptation and resiliency.
- (7) Climate and clean energy research.

(b) This section shall remain in effect only until January 1, 2031, and as of that date is repealed unless a later enacted statute that is enacted on or before that date deletes or extends that date.

## How much money do we have to spend?

Currently, the Greenhouse Gas Reduction Fund has a balance of \$843 million. The Department of Finance expects the \$1.5 billion in revenue derived from the sale of allowances during the budget year. Net of the continuous appropriation, that will yield \$600 million of available revenue. This results in approximately \$1.4 billion available for a 2017-18 expenditures, including approximately \$22 million of expenses already included in the 2017-18 budget for administrative activities associated with the program.

This amount may be slightly higher if the costs to backfill the revenue from the discontinued State Responsibility Area (SRA) fire fee are interpreted to be the first use of the revenue, prior to the continuous appropriation. In future years, it is expected that about \$170 million of Greenhouse Gas Revenue will be needed to backfill the SRA fee and the expansion of the Manufacturer Tax Credit.

## What did we use these funds for in past years?

The Air Resources Board 2017 report to the Legislature provides the following data on total budgeted amounts for programs:

Administering Agency	Program	Appropriations (\$M) <sup>1</sup>	
		FY 2016-2017	Cumulative Total
 California Environmental Protection Agency Air Resources Board	Low Carbon Transportation	\$369	\$695
 Caltrans	Active Transportation Program	\$10	\$10
	Low Carbon Transit Operations Program*	\$19	\$135
 CALIFORNIA High-Speed Rail Authority <sup>2</sup>	High-Speed Rail Project*	\$93	\$800
 CalSTA CALIFORNIA STATE TRANSPORTATION AGENCY	Transit and Intercity Rail Capital Program*	\$172	\$381
 CALIFORNIA STRATEGIC GROWTH COUNCIL	Affordable Housing and Sustainable Communities*	\$75	\$570
	Technical Assistance to Disadvantaged Communities	\$2	\$2
	Transformative Climate Communities	\$140	\$140
 California Environmental Protection Agency Air Resources Board	Woodsmoke Reduction Program	\$5	\$5
 CSD	Low-Income Weatherization Program	\$20	\$174
 cdfa CALIFORNIA DEPARTMENT OF FOOD & AGRICULTURE	Biofuels	\$0	\$3
	State Water Efficiency and Enhancement Program	\$8	\$68
 CALIFORNIA STATE WATER RESOURCES CONTROL BOARD	State Water Project Turbines	\$0	\$20
	Water-Energy Grant Program	\$0	\$50
 CALIFORNIA STATE PARKS	Wetlands and Watershed Restoration	\$2	\$30
 cdfa CALIFORNIA DEPARTMENT OF FOOD & AGRICULTURE	Dairy Digester Research and Development Program	\$50	\$62
	Healthy Soils	\$8	\$8
 CALIFORNIA FOREST AND FIRE PROTECTION AGENCY	Forest Health	\$25	\$49
	Urban and Community Forestry	\$15	\$33
 CalRecycle	Waste Diversion	\$41	\$71
 CALIFORNIA NATURAL RESOURCES AGENCY	Urban Greening Program	\$80	\$80
<b>TOTAL</b>		<b>\$1,133</b>	<b>\$3,385</b>

**How effective are these expenditures?**

The Air Resources Board also computes the GHG reduction cost effectiveness in the expenditure plan, as shown in the following three tables:

**Table ES-2: Summary of California Climate Investments and Outcomes through 2016**

Administering Agency	Program	FUNDING STATUS (\$M)			IMPLEMENTED PROJECTS								
		Allocated	Awarded	Implemented	GHG Reduction <sup>5</sup> (1,000 MTCO <sub>2e</sub> )	Cost per GHG (\$/MTCO <sub>2e</sub> )	#	Funds to Disadvantaged Communities					
								Benefiting			Subtotal Located In		
								#	(\$M)	%	#	(\$M)	%
Air Resources Board	Advanced Technology Freight Demonstration Projects	\$84.0	\$47.3	\$47.3	13	3,613	3	3	\$47.3	100%	2	\$23.6	50%
	Agricultural Worker Vanpools in San Joaquin Valley	\$3.0	\$0.0	\$0.0	NEW								
	Car Sharing and Mobility Options Pilot Project	\$11.1	\$3.0	\$3.0	1	2,427	3	3	\$3.0	100%	3	\$3.0	100%
	Clean Vehicle Rebate Project	\$337.5	\$334.5	\$243.2	4,852	50	108,130	41,657	\$92.8	38%	7,210	\$16.2	7%
	Enhanced Fleet Modernization Program Plus-Up	\$72.0	\$12.0	\$4.4	7	636	1,066	1,066	\$4.4	100%	684	\$2.8	64%
	Financing Assistance Incentives Pilot Project	\$6.9	\$0.9	\$0.1	<1	1,633	7	7	\$0.1	100%	4	<\$0.1	61%
	Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project	\$37.9	\$29.9	\$25.1	76	329	742	517	\$15.6	62%	369	\$10.7	43%
	Low NO <sub>x</sub> Engine Incentives with Renewable Fuel	\$23.0	\$0.0	\$0.0	NEW								
	Public Fleets Increased Incentives Pilot	\$5.9	\$5.8	\$2.4	7	326	341	341	\$2.4	100%	153	\$1.0	42%
	Rural School Bus Pilot Project	\$10.0	\$0.0	\$0.0	NEW								
	Zero-Emission Truck and Bus Pilot Projects	\$85.0	\$13.4	\$13.4	17	793	1	1	\$13.4	100%	1	\$13.4	100%
	Zero-Emission Freight Equipment Pilot Commercial Deployment Project	\$5.0	\$0.0	\$0.0	NEW								

Administering Agency	Program	FUNDING STATUS (\$M)			IMPLEMENTED PROJECTS								
		Allocated	Awarded	Implemented	GHG Reduction <sup>a</sup> (1,000 MTCO <sub>2</sub> e)	Cost per GHG (\$/MTCO <sub>2</sub> e)	#	Funds to Disadvantaged Communities					
								Benefiting			Subtotal Located In		
								#	(\$M)	%	#	(\$M)	%
Department of Transportation	Active Transportation Program	\$10.0	\$0.0	\$0.0				NEW					
	Low Carbon Transit Operations Program	\$134.8	\$86.6	\$86.6	728 <sup>a</sup>	119	214	144	\$81.3	94%	110	\$58.0	67%
High-Speed Rail Authority	High-Speed Rail Project	\$800.5	\$348.0	\$348.0	.. <sup>a</sup>	.. <sup>a</sup>	1	--	--	--	--	--	--
State Transportation Agency	Transit and Intercity Rail Capital Program	\$379.8	\$224.3	\$224.3	869	258	14	13	\$213.3	95%	11	\$182.4	81%
Strategic Growth Council	Affordable Housing and Sustainable Communities	\$526.0	\$71.0	\$71.0	529	134	19	13	\$47.3	67%	11	\$36.2	51%
	Sustainable Agricultural Lands Conservation	\$44.0	\$3.8	\$3.8	69	55	10	0	\$0	0%	0	0	0%
	Technical Assistance to Disadvantaged Communities	\$2.0	\$0.0	\$0.0				NEW					
	Transformative Climate Communities	\$140.0	\$0.0	\$0.0				NEW					
Air Resources Board	Woodsmoke Reduction Program	\$5.0	\$0.0	\$0.0				NEW					
Department of Community Services and Development	Community Solar	\$0.0	\$0.0	\$0.0				NEW					
	Large Multi-Family Energy Efficiency and Renewables	\$24.0	\$24.0	\$0.0				TBD					
	Single-Family Solar Photovoltaics	\$71.8	\$48.8	\$19.0	60	316	1,525	1,525	\$19.0	100%	1,525	\$19.0	100%
	Single-Family/Small Multi-Family Energy Efficiency and Solar Heating	\$49.2	\$14.5	\$5.5	44	123	6,523	6,523	\$5.5	100%	6,523	\$5.5	100%
Department of Food and Agriculture	Biofuels	\$3.0	\$3.0	\$3.0	0	0	0	0	\$0.0	0%	0	\$0.0	0%
	State Water Efficiency and Enhancement Program	\$58.1	\$34.0	\$34.0	609	56	361	124	\$12.3	36%	124	\$12.3	36%

Administering Agency	Program	FUNDING STATUS (\$M)			IMPLEMENTED PROJECTS								
		Allocated	Awarded	Implemented	GHG Reduction <sup>5</sup> (1,000 MTCO <sub>2</sub> e)	Cost per GHG (\$/MTCO <sub>2</sub> e)	#	Funds to Disadvantaged Communities					
								Benefiting			Subtotal Located In		
								#	(\$M)	%	#	(\$M)	%
Department of Water Resources	State Water Project Turbines	\$20.0	\$20.0	\$11.8	37	542 <sup>9</sup>	2	0	\$0.0	0%	0	\$0.0	0%
	Water-Energy Grant Program	\$50.0	\$27.8	\$6.7	67	100	21,424	13,135	\$3.4	51%	13,135	\$3.4	51%
Department of Fish and Wildlife	Mountain Meadow Ecosystem Restoration	\$5.9	\$5.9	\$5.9	52	113	8	0	\$0.0	0%	0	\$0.0	0%
	Sacramento-San Joaquin Delta and Coastal Wetlands	\$15.4	\$15.4	\$15.4	519	30	4	2	\$13.4	87%	2	\$13.4	87%
Department of Food and Agriculture	Dairy Digester Research and Development Program	\$61.1	\$11.4	\$11.4	1,539	7	7	4	\$8.1	71%	4	\$8.1	71%
	Healthy Soils	\$7.5	\$0.0	\$0.0				NEW					
Department of Forestry and Fire Protection	Forest Health	\$49.2	\$14.7	\$14.7	2,482	6	37	0	\$0.0	0%	0	\$0.0	0%
	Urban and Community Forestry	\$32.8	\$15.6	\$15.6	134	117	29	29	\$15.6	100%	TBD <sup>10</sup>	TBD	TBD
Department of Resources Recycling and Recovery	Food Waste Prevention and Rescue Grants	\$5.0	\$0.0	\$0.0				NEW					
	Organics and Recycling Manufacturing Loans	\$11.1	\$2.6	\$2.6	484	5	3	1	\$0.8	32%	1	\$0.8	32%
	Organics Grants	\$38.5	\$14.5	\$14.5	1,658	9	5	5	\$14.5	100%	3	\$8.9	61%
	Recycling Manufacturing Grants	\$14.0	\$5.0	\$5.0	323	15	3	0	\$0.0	0%	0	\$0.0	0%
Natural Resources Agency	Urban Greening Program	\$80.0	\$0.0	\$0.0				NEW					
	<b>Total</b>	<b>\$3,320.1</b>	<b>\$1,437.8</b>	<b>\$1,237.6</b>	<b>15,176 (plus HSR)</b>	<b>-<sup>11</sup></b>	<b>140,482</b>	<b>71,298</b>	<b>\$613.5</b>	<b>50%</b>	<b>29,875</b>	<b>\$419.0</b>	<b>34%</b>

### STAFF COMMENT

The Assembly expects to pass a one-year expenditure plan for Cap and Trade before the 2017 Interim Recess.

Most of the available revenue for the 2017-18 plan will be one-time. Assuming revenue levels remain flat at \$1.5 billion for 2018-19, about \$532-\$430 million will be available for appropriation. However, as the number of allowances are reduced in future years, the available funding could decline.

While the reduction of Greenhouse Gas per dollar metrics provided by ARB are informative, staff believe the cost effectiveness data is preliminary and needs further refinement. In addition, the data does not consider the impact of programmatic expenditures on other types of pollution, such as particulate matter.

The passage of AB 398 allows Cap and Trade funds to be spent on a broad range of purposes without the legal uncertainty regarding a nexus to GHG reduction. This allows the Assembly to consider a broader range of programs to reduce other types of pollution, adaptation planning, and research that were considered in previous years.