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COMPARISON OF PLANS



Governor's Longer-Term Plan Focuses on High-Speed Rail. Most of the Governor's cap-and-trade expenditure plan would be in effect for two years—2014-15 and 2015-16. However, the Governor proposes that one-third of all future cap-and-trade revenues be continuously appropriated for high-speed rail beginning in 2015-16. These funds would support the construction of the project's Initial Operating Segment (IOS), which is estimated to cost \$31 billion and be completed by 2022. Beyond 2015-16, the remaining programs included in future expenditure plans would likely be based on revised investment plans developed by the Air Resources Board.



Senate Plan Contains Various Long-Term Investments. The Senate proposes that future cap-and-trade auction revenues be allocated in the following ways with the selection of projects based on a competitive ranking process to ensure that funded projects provide the maximum feasible greenhouse gas (GHG) reductions:

- Transit: 25 percent.
- Affordable housing and sustainable communities: at least 20 percent.
- Low carbon transportation: 15 percent.
- High-speed rail: not more than 15 percent.
- Energy: 13 percent.
- Natural resources and waste diversion: 7 percent.
- Intercity rail: 5 percent.

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- Assembly Plan Focuses on 2014-15.*** The Assembly's plan does not specify any allocation of cap-and-trade auction revenues beyond the budget year. With respect to high-speed rail, the Assembly proposes to authorize the High-Speed Rail Authority to borrow up to \$20 billion in federal Railroad Rehabilitation and Improvement Financing loans, as well as authorize up to \$20 billion in lease revenue bonds for the project. Under its plan, the Assembly would allow cap-and-trade revenues to be used to repay these loans to the extent the project has been awarded funding in the competitive grant program it proposes for state programs.

LAO COMMENTS

- Challenges of Planning Beyond 2014-15.*** Developing longer-term spending plans often makes sense as they can allow state and local agencies to develop longer-term project planning strategies, particularly for capital and infrastructure programs. In the case of cap-and-trade, however, this interest in planning is challenged by the lack of good data on what specific strategies are most successful and cost-effective in reducing GHG emissions. We do not yet know what state-sponsored efforts will be most effective in the near term, and those strategies will likely change in future years as technologies and consumer behaviors change.
- Approach to High-Speed Rail.*** In considering allocating future cap-and-trade revenues to high-speed rail, the Legislature will want to consider if the allocation of such revenues, along with available federal funds and Proposition 1A bond funds, will be sufficient to fund the annual expected costs to complete the IOS. To the extent that there would not be sufficient revenues in a given year, the Legislature would need to identify alternative funding sources, likely other state resources. The Legislature will also want to consider the capacity to borrow from the federal government and the appropriateness of utilizing lease revenue bonds for the high-speed rail project.