

# Cap-and-Trade Expenditure Plan

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PRESENTED TO:

Budget Conference Committee  
Hon. Holly J. Mitchell, Chair



LEGISLATIVE ANALYST'S OFFICE

# LAO Cap-and-Trade Expenditure Plan

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## 2019-20 Greenhouse Gas Reduction Fund Condition Under Different Plans

(In Millions)

	Governor	Senate	Assembly
<b>Beginning Balance</b>	<b>\$525</b>	<b>\$525</b>	<b>\$525</b>
<b>Revenue</b>	<b>\$2,463</b>	<b>\$2,815</b>	<b>\$2,815</b>
Auction revenue	2,363	2,715	2,715
Investment income	100	100	100
<b>Expenditures and Transfers</b>	<b>\$2,801</b>	<b>\$3,220</b>	<b>\$3,159</b>
“Off the top” backfills	130	130	130
Continuous appropriations	1,340	1,551	1,551
Discretionary expenditures	1,253	1,461	1,400
Other administrative and implementation costs	78	78	78
<b>End Balance</b>	<b>\$187</b>	<b>\$120</b>	<b>\$181</b>

*Both Houses Assumed Higher Revenues and Approved Higher Discretionary Spending Plans Than the Governor.* Both the Senate and Assembly assumed higher auction revenue (\$2.7 billion) than the Governor (\$2.4 billion). Based on these higher revenue assumptions, the Senate approved a \$1.5 billion discretionary expenditure plan and the Assembly approved a \$1.4 billion plan. Both plans allocate more discretionary funding than the Governor’s proposal (\$1.3 billion).



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## 2019-20 Cap-and-Trade Discretionary Expenditure Plans

*(In Millions)*

Program	Department	Governor	Senate	Assembly
<b>Low Carbon Transportation</b>		<b>\$447</b>	<b>\$547</b>	<b>\$660</b>
Clean Vehicle Rebate Project	CARB	200	250	—
Clean Trucks, Buses, and Off-Road Freight Equipment	CARB	182	207	—
Enhanced Fleet Modernization and Transportation Equity	CARB	65	65	—
Low Carbon Fuel Production	CEC	—	25	—
<b>Air Toxic and Criteria Pollutants</b>		<b>\$230</b>	<b>\$70</b>	<b>\$275</b>
Local Air District Programs to Reduce Air Pollution	CARB	200	40	—
AB 617 Local Air District Implementation Costs	CARB	20	20	—
AB 617 Technical Assistance to Community Groups	CARB	10	10	—
<b>Forests</b>		<b>\$200</b>	<b>\$268</b>	<b>\$200</b>
Healthy and Resilient Forests (SB 901)	CalFire	165	165	—
Prescribed Fire and Fuel Reduction (SB 901)	CalFire	35	35	—
Regional Forest Restoration Projects	CNRA	—	25	—
Urban Forestry	CalFire	—	25	—
Wildland-Urban Interface (WUI) and Other Fire Prevention	CalFire	—	18	—
<b>Integrated Climate Action and Resilience</b>		<b>\$151</b>	<b>\$289</b>	<b>\$185</b>
Long-term Resiliency	Various	—	100	—
Transformative Climate Communities	SGC	132	57	—
Coastal Adaptation	Various	3	40	—
Wetland Restoration	CDFW	—	35	—
Urban Greening	CNRA	—	25	—
Low-income Weatherization	CSD	10	22	—
Energy Corps	CCC	6	10	—

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Program	Department	Governor	Senate	Assembly
<b>Agriculture</b>		<b>\$153</b>	<b>\$185</b>	<b>\$45</b>
Agricultural Diesel Engine Replacement and Upgrades	CARB	90	90	—
Dairy Methane Reductions	CDFA	35	35	—
Healthy Soils	CDFA	28	30	—
State Water Efficiency and Enhancement Program	CDFA	—	25	—
Agricultural Renewable Energy	CEC	—	5	—
<b>Waste Diversion and Recycling</b>	<b>CalRecycle</b>	<b>\$25</b>	<b>\$75</b>	<b>\$25</b>
<b>Climate and Energy Research and Technical Assistance</b>		<b>\$12</b>	<b>\$27</b>	<b>\$10</b>
Climate and Energy Research	SGC	10	20	—
Technical Assistance for Disadvantaged Communities	SGC	—	5	—
Study Transition to a Carbon-Neutral Economy	CalEPA	2	2	—
<b>Workforce Training</b>	<b>CWDB</b>	<b>\$35</b>	<b>—</b>	<b>—</b>
<b>Totals</b>		<b>\$1,253</b>	<b>\$1,461</b>	<b>\$1,400</b>

CARB = California Air Resources Board; CEC = California Energy Commission; CalFire = California Department of Forestry and Fire Protection; CNRA = California Natural Resources Agency; SGC = Strategic Growth Council; CDFW = California Department of Fish and Wildlife; CSD = Department of Community Services and Development; CCC = California Conservation Corps; CDFA = California Department of Food and Agriculture; CalRecycle = California Department of Resources Recycling and Recovery; CalEPA = California Environmental Protection Agency; and CWDB = California Workforce Development Board.

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***Both Houses Approved Language Guiding Expenditure Reductions if Revenue Lower Than Expected.*** Senate and Assembly both adopted Budget Bill Language (BBL) proposed by the administration that gives the Department of Finance authority to reduce allocations to programs if revenue is not enough to cover expenditures. Some programs—mainly forestry and funding for state and local administrative activities—are exempt from the BBL and would remain at budgeted levels regardless of future revenue.

***Assembly Adopted Placeholder BBL That Provides Additional Direction for Expenditures.*** The language specifies that:

- \$1.5 million of funding for research would go to the California Air Resources Board (CARB) to develop a strategy for all new light-duty vehicles in the state to be zero-emission. The strategy is to be completed by June 30, 2020.
- \$27 million for workforce development and training would be funded through the Alternative and Renewable Fuel and Vehicle Technology Program.
- Funding shall not be allocated for the purchase of fully automated cargo handling equipment.

***Assembly Also Adopted Placeholder Trailer Bill Language (TBL).*** This placeholder TBL includes the following provisions:

- Codifies existing BBL directing CARB to ensure the funds provided to local air districts for incentive programs go to projects that provide emission reductions in the most heavily polluted communities and specifies the types of projects that can qualify for the funding.
- Provides the Legislature an opportunity to weigh in on options that CARB is considering to address a projected funding gap for the Clean Vehicle Rebate Project.