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Federal Economic Stimulus Funding Overview

LEGISLATIVE ANALYST'S OFFICE

Presented to:

Assembly Environmental Safety and

Toxic Materials Committee

Hon. Wesley Chesbro, Chair

Assembly Water, Parks and Wildlife Committee

Hon. Jared Huffman, Chair





Summary of Resources and Environmental Protection Funding in American Recovery And Reinvestment Act (ARRA)

(In Millions)

Program	Funding	Description
Funding Flowing Directly to State, by Formula		
Clean Water State Revolving Fund	\$283	Existing program, largely for wastewater treatment upgrades.
State Energy Programs	239	Focus on energy efficiency and renewable energy programs.
Energy Efficiency and Conservation	56 ^a	Block grants to be used to reduce total energy usage, improve overall energy efficiency, and reduce fossil fuel emissions.
Subtotal	(\$578)	
Competitive or Discretionary Grants		
Leaking Underground Storage Tank	\$17	Financial assistance for cleanup of leaking tanks.
Diesel Emission Reduction	2 ^b	On- and off-road diesel emission projects; \$210 million nationwide.
Wildland fire management	— ^b	Hazardous fuels reduction, forest health, and ecosystem improvements on state and private lands; \$250 million allocated nationally.
Brownfields remediation	— ^b	\$100 million nationwide.
Defense environmental cleanup	— ^b	\$5.1 billion nationwide for environmental cleanup at former military installations.
Wireless and broadband access	— ^b	\$4.4 billion nationwide for broadband deployment in unserved and underserved areas.
Subtotal	(\$19)	
Funding Spent Directly by Federal Agencies^c		
Smart (Electricity) Grid	— ^b	\$4.5 million nationwide in competitive grants for electricity transmission infrastructure modernization.
Non-defense environmental cleanup	— ^b	\$438 million to Department of Energy for environmental cleanup at non-defense federal sites nationwide.
Army Corps—Flood control	— ^b	\$4.6 billion for construction and operations of various civil works projects nationwide (such projects are mainly for flood control in California).
Department of Interior—Water programs	— ^b	\$1 billion for federal water-related programs nationwide, which potentially includes federal Central Valley and Colorado River Projects in California.
Hazardous Substance Superfund	— ^b	\$600 million for cleanup at abandoned hazardous waste sites nationwide under the federal Superfund program.
Federal land and resource management	— ^b	At least \$1.7 billion for federal land and resource management activities nationwide.
Subtotal	(—)	
Tax/Financial Incentives in Energy Area		
Various tax incentives	— ^b	For energy efficiency and renewable energy, including personal income tax, investment, and production tax credits.
Renewable energy tax credit bonds and loan guarantees	— ^b	
Subtotal	(—)	
Total Funding	\$597	
<p>^A In addition, the state is potentially eligible for an unknown portion of \$400 million of competitive grants to be allocated nationwide.</p> <p>^b Total benefit to California unknown at this time.</p> <p>^c Includes funding administered directly by federal agencies to individual grantees.</p>		



Summary of Resources and Environmental Protection Funding in ARRA *(Continued)*



Various Categories of Funding Provisions

The ARRA includes several resources and environmental protection-related provisions that will have a fiscal impact on California. (Note: This handout does not discuss the energy and telecommunications-related provisions.) These provisions can be grouped into three broad categories:

- *Funds that will flow directly to the state, with the allocation amount determined by formula.* This funding relates mainly to clean water programs.
- *Funds that will flow directly to the state as competitive or discretionary grants.* This funding relates to a wide variety of program areas, including brownfields remediation, wildfire management, and diesel emission reduction.
- *Funds that will be spent directly by federal agencies on federal projects and programs in the state or administered directly by federal agencies to individual grantees in the state.* This funding also relates to a wide variety of program areas, including National Parks, federal flood control and water supply projects, and environmental restoration.



Formula-Based Funding Flowing Directly to the State



Clean Water State Revolving Fund (SRF)— State Water Resources Control Board (SWRCB)

Description. The ARRA includes about \$283 million provided directly to the state in grant and loan funding (including for loan forgiveness and “negative-interest rate” loans) for wastewater infrastructure, through the existing Clean Water SRF. (Negative-interest rate loans have a zero interest rate and some degree of forgiveness of the loan principal, effectively making the interest rate negative.) The funds will all be made available in the 2009 federal fiscal year. The SWRCB administers the program on behalf of the state in cooperation with the U.S. Environmental Protection Agency (U.S. EPA). The current state matching fund requirement is waived as a condition of receiving the federal economic stimulus monies.

Legislative Action Required? The federal authorization expressly includes three forms of financial assistance—grants, loan forgiveness, and negative interest rate loans—that are expressly prohibited under state law for the Clean Water SRF program. We recommend urgency legislation to authorize the board to include these categories of financial assistance under the state’s program so as to maximize the federal funding allocated to the state.



Competitive or Discretionary Grant Funding Flowing Directly to the State



Leaking Underground Storage Tank Fund Program

Description. The ARRA appropriates \$200 million nationally to the U.S. EPA for the Leaking Underground Storage Tank Fund Program. The state is expected to receive between \$15 million and \$17 million in the first year of funding and may be eligible to receive an additional \$5 million in the second year should other states be unable to fully utilize their grants. The state matching requirements for this program are waived for the ARRA funds.

Legislative Action Required? It is likely that the state will require minor legislative changes to allow federal funds to be deposited specifically into the Underground Storage Tank Petroleum Contamination Orphan Site Cleanup Fund in addition to other funds annually made available in the state budget.



Diesel Emission Reduction

Description. The ARRA appropriates \$300 million to the U.S. EPA for grants and loans awarded nationally for on- and off-road diesel emission reduction projects, including for diesel engine retrofit and replacement. Of this total, \$90 million is allocated directly to states (of which the Air Resources Board [ARB] expects the state to receive at least \$1.8 million).

Of the remaining balance, \$156 million is to be awarded directly by the U.S. EPA as competitive grants. The U.S. EPA has recently published further details on the grant program, for which the state would be an eligible applicant. Funding must be used to achieve significant reductions in diesel emissions in terms of tons of pollution produced and diesel emissions exposure, and demonstrate the ability to maximize job preservation and creation. Priority is to be given to areas that are designated as having poor air quality, and projects involving buses, medium to heavy trucks, and construction equipment are eligible. The U.S. EPA plans to award the grants in May 2009. Once the grant application process opens on March 17, applicants have 40 days to respond. The maximum grant will be \$10 million and the minimum will be \$250,000. There is a cost sharing/matching requirement.



Competitive or Discretionary Grant Funding Flowing Directly to the State *(Continued)*

Legislative Action Required? The Legislature should exercise oversight to ensure that these competitive grants are pursued by the state. In addition, the opportunity for the state to use these funds to offset state agency costs (proposed by the Governor to be funded from the General Fund and special funds) to comply with ARB's recently enacted diesel regulations should be considered.



Wildland Fire Management

Description. The ARRA appropriates \$250 million to the U.S. Forest Service for state and private forestry activities, including hazardous fuels reduction, forest health, and ecosystem improvement activities on state and private lands. While the U.S. Forest Service has yet to determine how this funding will be delivered to the state, it is likely that a significant portion of the funding coming to the state would be administered by the California Department of Forestry and Fire Protection (CalFire). CalFire has already submitted a \$176 million list of potential projects to the U.S. Forest Service.

Legislative Action Required? As the ARRA prohibits a cost-share requirement should a state pass through these funds, a statutory change would be required to authorize CalFire to use these funds to make grants to local government agencies, non-profit organizations, and landowners.



Brownfields Remediation

Description. The ARRA appropriates \$100 million nationally for projects to be awarded by competitive grants under the Comprehensive Environmental Response, Compensation, and Liability Act. There is no cost-share requirement in order to receive the money. While there is no allocation specific to California, projects in California may be eligible for grant funds. The Department of Toxic Substances Control (DTSC) would be the applicant agency in the state.



Competitive or Discretionary Grant Funding Flowing Directly to the State *(Continued)*

Legislative Action Required? The Legislature should exercise oversight to ensure that these competitive grants are pursued by the state.



Department of Defense Environmental Cleanup

Description. The ARRA appropriates \$5.1 billion to the Department of Defense for environmental cleanup activities. There are several former military installations in California that could be eligible for these funds. The DTSC administers the cleanup of some of these sites, with federal reimbursement through the state budget.

Legislative Action Required? The Legislature should exercise oversight to ensure that funding is sought for cleanup of federal sites located in the state.



Funds Spent Directly by Federal Agencies, Not Flowing Through State



Department of Energy (DOE)— Non-Defense Environmental Cleanup

Description. The ARRA appropriates \$438 million to DOE for non-defense environmental cleanup. Previous appropriations for this fund have been used for the cleanup of civilian energy research sites. The allocation of these funds is yet to be determined.

Legislative Action Required? The Legislature should exercise oversight to ensure that funding is sought for projects located in the state and that the use of the federal stimulus dollars is consistent with existing state priorities.



Army Corps of Engineers (Corps)—Flood Control

Description. The ARRA appropriates \$4.6 billion to the Corps for investigations, construction, and operations and maintenance of various civil works projects (which, in California, are largely of a flood control nature). While there are no direct appropriations to the state, the Corps is a partner with the state on federally authorized flood control projects for which costs are shared among federal, state, and local governments, including projects in the State Plan of Flood Control, modifications to Folsom Dam, and other projects in Central and Southern California. These funds are also available to the Corps for wetlands projects, potentially in the state. A state match may be required for funding to be spent on wetlands projects in the state.

Legislative Action Required? In some cases, the state Department of Water Resources (DWR) has “fronted” the federal share of funding for existing flood control projects, mainly through bonds (Proposition 1E), in order to expedite the projects. These latter cost-sharing agreements were made with the expectation and agreement that when federal funds became available, the federal government would in some way compensate the state for the funds it fronted, such as by providing matching funds for ongoing flood control projects. We recommend that the Legislature and DWR advocate that one of the uses of these discretionary ARRA funds by the federal government be to provide such compensation to the state.



Funds Spent Directly by Federal Agencies, Not Flowing Through State (Continued)

More generally, the Legislature should exercise oversight to ensure that funding is sought for projects located in the state and that the use of the federal stimulus dollars is consistent with existing state priorities.



Department of the Interior—Water Programs

Description. The ARRA allocates about \$1 billion to water-related programs under the Department of Interior, which includes the Bureau of Reclamation. Included in this amount is up to \$50 million that *may* be transferred for programs and activities under the California Bay-Delta Restoration Act (CALFED) program. Additional funding is appropriated for canal inspections, development of rural water treatment facilities, water reclamation and reuse projects, and for other construction and maintenance projects. Traditionally, a majority of funding for the Bureau of Reclamation, which only operates in western states, has been allocated to California-related projects, including the federal Central Valley Project and Colorado River Project.

Legislative Action Required? The Legislature should exercise oversight to ensure that funding is sought for projects located in the state (including for CALFED) and that the use of the federal stimulus dollars is consistent with existing state priorities.



U.S. Environmental Protection Agency— Hazardous Substance Superfund Program

Description. The ARRA appropriates \$600 million for the federal Superfund program administered by U.S. EPA that cleans up abandoned hazardous waste sites. There are a number of existing federal Superfund sites in California receiving funding for cleanup from the federal Superfund. Additional funds may therefore come to California for the cleanup of these sites.

Legislative Action Required? The Legislature should exercise oversight to ensure that funding is sought for projects located in the state and that the use of the federal stimulus dollars is consistent with existing state priorities.



Funds Spent Directly by Federal Agencies, Not Flowing Through State (Continued)



Miscellaneous Funding for Federal Land and Resource Management

Description. In addition to the above, the ARRA includes funding for the land and resource management activities of a number of federal resources agencies, for activities potentially in the state. This funding, to be spent nationally, includes the following:

- \$900 million to the U.S. Forest Service for capital improvements and maintenance projects (\$650 million) and for wild-land fire management on federal forest lands (\$250 million). The U.S. Forest Service has already scheduled a number of projects in the state using these funds, including facility improvements, road maintenance, trail maintenance, and hazardous fuels reduction projects. Some of these projects will include the California Conservation Corps or local conservation corps in the state as “partners.”
- \$750 million for construction and deferred maintenance activities in the National Park Service.
- \$320 million for construction and land management activities on Bureau of Land Management lands.
- \$280 million for construction and resource management activities of the U.S. Fish and Wildlife Service.
- \$230 million to the National Oceanic and Atmospheric Administration for habitat restoration, navigation projects, vessel maintenance, and other activities.

Legislative Action Required? The Legislature should exercise oversight to ensure that funding is sought for projects located in the state and that the use of the federal stimulus dollars is consistent with existing state priorities.