



2016-17 Cap-and-Trade Expenditure Packages

(In Millions)

June 2016

	Governor	Senate	Assembly
Continuous Appropriations^a	\$1,200	\$1,200	\$1,200
High speed rail	500	500	500
Affordable housing and sustainable communities	400	400	400
Transit and intercity rail capital	200	200	200
State transit assistance	100	100	100
Transportation	\$1,025	\$520	\$1,050
Low carbon vehicles	460	460	485
Transit and intercity rail capital	400	—	400
Low carbon road or active transportation program	100	—	100
Biofuel production subsidies	40	40	40
Biofuel facilities capital support	25	20	25
Carbon Sequestration	\$280	\$235	\$280
Healthy forests	150	25	150
Wetland and watershed restoration	60	60	60
Urban forestry	30	30	30
Green infrastructure	20	100	20
Carbon sequestration in soils	20	20	20
Energy Efficiency and Renewable Energy	\$200	\$230	\$170
Low-income energy efficiency and solar	75	75	45
UC and CSU energy efficiency	60	60	60
Energy efficiency for state buildings	30	30	30
I-Bank energy financing program	20	50	20
Conservation Corps energy efficiency	15	15	15

(Continued)



2016-17 Cap-and-Trade Expenditure Packages

(Continued)

June 2016

	Governor	Senate	Assembly
Short-Lived Climate Pollutants	\$195	\$50	\$195
Waste diversion	100	50	100
Wood stove replacement	40	—	40
Dairy digesters	35	—	35
Refrigeration unit replacements	20	—	20
Local Climate Programs	\$100	\$400	\$100
Water Efficiency	\$90	\$50	\$90
Water efficiency technology	30	5	30
Agricultural water efficiency	20	15	20
Rebates for water efficient appliances	30	5	30
Residential, commercial, and/or institutional water efficiency	10	25	10
Other	—	\$3	\$5
Community outreach to disadvantaged communities	—	3	—
Local government technical assistance	—	—	4
Green small business program	—	—	1
Totals	\$3,090	\$2,688	\$3,090

^a Continuous appropriations based on \$2 billion revenue assumption.
GHG = greenhouse gas.



Available Funds and Revenue Uncertainty

June 2016

- Nearly \$1.4 Billion in Unallocated Funds at End of 2015-16.**
- Recent Auction Results Add Substantial Revenue Uncertainty.**
 - Each of the five quarterly auctions from February 2015 through February 2016 generated over \$500 million in state revenue.
 - The May 2016 auction generated only \$10 million in state revenue.
 - Significant uncertainty about amount of revenue to expect in 2016-17, but possible that the next few auctions will have similar results to the May 2016 auction.
- Funding for Continuously Appropriated Programs Could Be Affected.**
 - Given revenue uncertainty, it is possible that these programs would receive significantly less funding than the expenditure packages assume.
 - Unclear how much 2016-17 revenue would be available for other programs, as well.



LAO Recommendations

June 2016

- Use \$1.4 Billion in Unallocated Funds as Starting Point for Expenditure Plan.**
 - Amount of additional funds available from 2016-17 auctions is subject to considerable uncertainty.

- Ensure Allocations From \$1.4 Billion Go to Highest Priority Programs.**
 - Consider both discretionary programs and continuously appropriated programs when identifying priorities. For example, the budget could provide specific allocation amounts for currently continuously appropriated programs to ensure they receive minimum desired funding level.

- Develop Plan for 2016-17 Revenue.**
 - With respect to any revenue generated in 2016-17, the Legislature might want to identify (1) the amount or percentage it would like to retain in the fund for future years and (2) its priorities for which programs to fund in 2016-17 beyond what it allocated from the \$1.4 billion.
 - Once the Legislature identifies these amounts and priorities, it could structure a budgeting strategy to ensure the allocations are consistent with its goals. This could include, for example, use of allocation formulas or funding “buckets” that designate how much revenue are provided to different programs based on how much revenue is received.