

### Governor's Budget Proposal to Implement The Global Warming Solutions Act of 2006 ("AB 32")

LEGISLATIVE ANALYST'S OFFICE

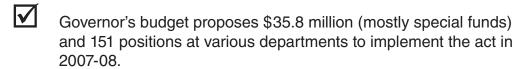
### Presented to:

The Environmental Justice Advisory Committee on Implementation of the California Global Warming Solutions Act of 2006





#### **Summary of LAO Findings**

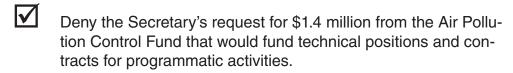


- Secretary for Environmental Protection's request goes beyond coordination to include technical staffing and contracted services of a programmatic nature.
- California Public Utilities Commission (CPUC) funding proposal, which would move to implement a cap-and-trade market-based system for the electric utility sector, is premature and contrary to legislative direction.
- The Air Resources Board (ARB) requests 24 positions to develop, evaluate, and *implement* market-based measures, contrary to legislative direction.
- Funding proposal is not sustainable, in that it largely relies on a funding source—the Air Pollution Control Fund—that will be unavailable in future years (unless corrective action, such as increasing fees, is taken).



(Continued)

#### **Summary of LAO Recommendations**



- Deny \$1.3 million to conduct climate change-related proceedings and research at CPUC as it moves ahead of the statutorily directed efforts at ARB. Further recommend adoption of budget bill language prohibiting funding for implementation of market mechanisms until ARB has evaluated them and submitted a report for legislative review.
- Approve ARB's 24 positions related to market-based mechanisms, but limit the term of the positions to three years. Further recommend adoption of budget bill language prohibiting funding for implementation of market mechanisms until the board has evaluated them and submitted a report for legislative review.
- Require administration to report at budget hearings on its longterm funding plans for state's greenhouse gas (GHG) emissions reduction activities. Also recommend adoption of supplemental report language requiring long-term funding plan to be submitted in conjunction with the 2008-09 Governor's Budget.



(Continued)

2007-08 Proposed Budget for AB 32, by Agency						
(Dollars in Thousands)						
Agency	Expenditures	Positions	Fund Source			
Air Resources Board	\$24,358	123	Air Pollution Control Fund (includes \$15.2 million loan from Motor Vehicle Account)			
Department of General Services	3,398	5	Service Revolving Fund			
Department of Water Resources	2,000	5	Proposition 84 Bond			
Forestry and Fire Protection	1,500	_	Proposition 84 Bond			
Secretary for Environmental Protection	1,390	5	Air Pollution Control Fund			
California Public Utilities Commission	1,272	3	Public Utilities Reimbursement Account			
California Energy Commission	1,110	6	Energy Resources Program Account			
Integrated Waste Management Board	618	1	Integrated Waste Management Account			
Department of Food and Agriculture	(331)	2	Reimbursement from Secretary for Environmental Protection			
Department of Toxic Substances Control	115	1	Hazardous Waste Control Account			
Totals	\$35,761	151	-			



(Continued)

2007-08 Proposed Activity for AB 32 Implementation				
(Dollars in Thousands)				
Activity and Agencies Involved	Expenditures	Positions		
Emissions Reduction Measures and Regulations (including alternative and market-based compliance mechanisms)	\$19,170	78		
Air Resources Board Department of General Services Department of Forestry and Fire Protection California Energy Commission Public Utilities Commission Integrated Waste Management Board	\$13,272 3,398 1,500 610 272 118	64 5 — 6 3		
Scientific and Economic Analysis	\$7,726	14		
Air Resources Board Department of Water Resources Public Utilities Commission California Energy Commission Integrated Waste Management Board Secretary for Environmental Protection Department of Food and Agriculture Department of Toxic Substances Control	\$2,780 2,000 1,000 500 500 500 (331) <sup>a</sup> 115	5 5  1  2 1		
Program Oversight and Coordination	\$3,940	28		
Air Resources Board Secretary for Environmental Protection	\$3,050 890	23 5		
Emissions Inventory and Reporting	\$3,444	19		
Air Resources Board	\$3,444	19		
Emissions Reduction Scoping Plan	\$1,812	12		
Air Resources Board	\$1,812	12		
Totals  a Reimbursement from Secretary for Environmental Protection.	\$35,761	151		



### **AB 32's Timeline of Required Actions**

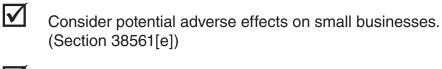
### Global Warming Solutions Act of 2006 (AB 32) Timeline of Required Actions

Date	Action	Responsible State Entity
By 6/30/07	<ul> <li>Publicize greenhouse gas (GHG) "early action measures" that can be implemented prior to the other Air Resources Board (ARB) emissions reduc- tion measures and regulations that will become op- erative beginning on January 1, 2012.</li> </ul>	ARB
By 7/01/07	<ul> <li>Convene environmental justice committee, comprised of representatives of communities most significantly exposed to air pollutants, including communities with minority and/or low-income populations.</li> </ul>	ARB
No date specified	<ul> <li>Appoint an Economic and Technology Advance- ment Advisory Committee to advise on investment in and implementation of technological research and development.</li> </ul>	ARB
By 1/01/08	Determine statewide GHG emissions level in 1990.	ARB
	Approve 1990-equivalent statewide GHG emissions limit, to be achieved in 2020.	
	<ul> <li>Adopt regulations to require reporting and verifica- tion of statewide GHG emissions and to monitor and enforce compliance.</li> </ul>	
By 1/01/09	<ul> <li>Prepare and approve "scoping plan" to achieve maximum technologically feasible and cost-effect- tive GHG emissions reductions by 2020. Plan will make recommendations on direct emission reduc- tion measures, alternative compliance mechanisms, market-based mechanisms, and incentives.</li> </ul>	ARB, in consultation with CPUC <sup>a</sup> , CEC <sup>b</sup> , and other relevant state agencies
By 1/01/10	<ul> <li>Adopt regulations, enforceable by January 1, 2010, to implement "early action measures".</li> </ul>	ARB
By 1/01/11	<ul> <li>Adopt regulations on GHG emission limits and reduction measures, to become effective on January 1, 2012.</li> </ul>	ARB
a California Public U	tilities Commission.	



# AB 32 Criteria for Development of Regulations Likely of Interest to Environmental Justice Committee

#### **Relevant to All GHG Emissions Reduction Regulations:**

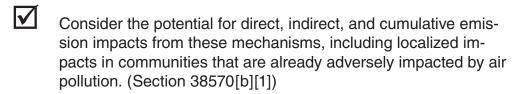


- Provide for public input, including input from communities that have the most significant exposure to air pollutants, including, but not limited to, communities with minority populations, low-income populations, or both. (Section 38561[g])
- Not disproportionately affect low-income communities. (Section 38562[b][2])
- Complement efforts to meet federal and state air quality standards. (Section 38562[b][4])
- Consider indirect benefits of GHG reduction regulations (such as air pollution reductions; energy source diversification; and other economic, environmental, and public health benefits). (Section 38562[b][6])
- Minimize displacement of California GHG emissions to out-ofstate sources (a phenomenon known as "leakage"). (Section 38562[b][8])
- Direct investment to the most disadvantaged communities. (Section 38565)
- Provide an opportunity for small businesses, schools, affordable housing associations, and other community institutions to participate in and benefit from statewide efforts to reduce GHGs. (Section 38565)



# AB 32 Criteria for Development of Regulations Likely of Interest to Environmental Justice Committee (Continued)

#### **Relevant to Market-Based Mechanisms in Particular:**



- Design any market-based compliance mechanism to prevent any increase in the emissions of toxic air contaminants or "criteria" air pollutants—those typically regulated by ARB. (Section 38570[b][2])
- Maximize additional environmental and economic benefits for California. (Section 38570[b][3])