

September 10, 2008

Proposition 10 The California Renewable Energy and Clean Alternative Fuel Act (Bond Measure)

LEGISLATIVE ANALYST'S OFFICE

Presented to:

Assembly Committee on Natural Resources

Hon. Loni Hancock, Chair

Assembly Committee on Utilities and Commerce

Hon. Lloyd E. Levine, Chair

Senate Committee on Energy, Utilities and Communications

Hon. Christine Kehoe, Chair





Resource Bonds Funding History

Resources General Obligation Bonds, 1996 to Present					
<i>(In Millions)</i>					
Bond	Year	Total Authorization	Previous Appropriations^a	Proposed Appropriations^b	Balance (July 2009)
Proposition 204 ^c	1996	\$870	\$811	\$11	\$48
Proposition 12	2000	2,100	2,078	8	14
Proposition 13 ^c	2000	2,095	1,901	68	126
Proposition 40	2002	2,600	2,562	24	14
Proposition 50	2002	3,440	3,220	195	26
Proposition 1B ^d	2006	3,300	558	251	2,492
Proposition 1C ^e	2006	400	14	30	356
Proposition 1E	2006	4,090	587	642	2,862
Proposition 84	2006	5,388	1,708	731	2,949
Totals		\$24,283	\$13,438	\$1,960	\$8,885

^a Includes funds previously appropriated, statewide bond costs, future-year obligations, and reversions.
^b Based on Conference Committee version of 2008-09 Budget Bill.
^c \$125 million was transferred from Proposition 204 to Proposition 13 accounts.
^d Primarily a transportation bond, this figure shows amounts for air quality.
^e Proposition 1C includes up to \$400 million for parks.

Resources General Obligation Bonds, 1996 to Present by Program Area^a					
<i>(In Millions)</i>					
		Previous Allocation	Previous Appropriations^b	Proposed Appropriations^c	Balance (July 2009)
Parks and recreation		\$4,046	\$2,877	\$103	\$1,066
State parks		(1,094)	(788)	(63)	(243)
Local parks		(2,612)	(1,844)	(38)	(731)
Historic and cultural resources		(240)	(239)	(2)	(-1)
Nature education		(100)	(7)	—	(93)
Water quality		3,647	2,051	215	1,381
Water management		6,843	2,813	953	3,076
Conservation, restoration, and land acquisition		4,711	3,603	374	734
CalFed/delta related		1,686	1,486	64	136
Air quality		3,350	608	251	2,492
Totals		\$24,283	\$13,438	\$1,960	\$8,885

^a Includes Propositions 204, 12, 13, 40, 50, 1B, 1C, 1E, and 84.
^b Includes funds previously appropriated, statewide bonds costs, future year obligations, and reversions.
^c Based on Conference Committee version of 2008-09 Budget Bill.



Proposition 10—Summary of Provisions

Proposition 10 Uses of Bond Funds	
	<i>Amounts (In Millions)</i>
Clean Alternative Fuels Account	\$3,425
Rebates—ranging from \$2,000 to \$50,000 per rebate.	2,875
• High Fuel Economy Vehicles	110
• Very High Fuel Economy Vehicles	230
• Dedicated Clean Alternative Fuel Vehicles:	
- Light-duty vehicles weighing less than 8,500 pounds ^a	550
- Light-medium-duty vehicles weighing between 8,500 and 13,999 pounds	310
- Heavy-medium-duty vehicles weighing between 14,000 and 24,999 pounds	650
- Heavy-duty commercial vehicles weighing 25,000 pounds or more	1,000
• Home refueling station rebates (\$2,000 per rebate)	25
Financial incentives—Research, development, and demonstration of alternative-fuel and high-efficiency vehicles, and alternative fuels. ^b	550
Solar, Wind, and Renewable Energy Account	\$1,250
Financial incentives—Research, design, development, construction, and production of electric generation technology that reduces generation cost and greenhouse gas emissions. ^{b c}	1,000
Financial incentives—Equipment to produce electricity from renewable resources. ^b	250
Demonstration Projects and Public Education Account	\$200
Grants to local governments—Construction and operation of alternative and renewable energy demonstration projects.	200
Education, Training, and Outreach Account	\$125
Grants to public universities and colleges—Staff development, training, research, and tuition assistance for alternative fuel and clean energy technology commercialization (making the new technology ready for sale in the commercial market) and workforce development. At least \$25 million for outreach and public education.	125
Total	\$5,000
^a The average light-duty passenger vehicle weighs less than 4,500 pounds.	
^b Financial incentives include low-interest loans, loan guarantees, and grants.	
^c At least 80 percent of the funds (\$800 million) must support financial incentives for solar technology.	



Proposition 10—Summary of Provisions

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- ☑ **Majority of bond money is for vehicle rebates (\$2,000 to \$50,000 per rebate).**
 - \$2.5 billion for “dedicated clean alternative fuel vehicles”—those powered *exclusively* by specified “clean alternative fuels”—natural gas or other specified fuels (such as hydrogen) that achieve at least a 10-percent reduction in carbon emissions when compared to conventional petroleum-based fuels. The bulk of this funding—\$1.7 billion—is for heavy-duty and heavy-medium-duty vehicles.
 - \$230 million for “very high fuel economy vehicles”—light-duty on-road vehicles that can achieve a fuel economy of 60 miles per gallon for highway use.
 - \$110 million for “high fuel economy vehicles”—light-duty on-road vehicles that can achieve a fuel economy of 45 miles per gallon for highway use.
 - \$25 million for home refueling stations.

 - ☑ **Next largest allocation of bond money is for financial incentives for research, design, and related activities.**
 - \$1 billion for research, design, development, construction, and production of electric generation technology that reduces generation cost and greenhouse gas emissions.
 - \$550 million for research, development, and demonstration of alternative-fuel and high-efficiency vehicles and alternative fuels.
 - \$250 million for equipment to produce electricity from renewable resources.



Proposition 10—Summary of Provisions

(Continued)

- Balance of bond money is for grants to public agencies related to alternative and renewable energy development.**
 - Demonstration projects, public education, training, and outreach.
 - Related to alternative and renewable energy development.

- Designates state agencies that will administer different components of the measure.**
 - State Board of Equalization to administer alternative-fuel and high fuel economy vehicle rebates.
 - Air Resources Board to administer incentives for alternative-fuel research and development.
 - Energy Commission to administer renewable energy incentives and other monies.

- Requires bond monies be spent within ten years, with reasonable effort to spend vehicle rebates within five years.**

- Specifies that not more than 1 percent of funds in each bond fund account pay for program administration.**



Proposition 10— State and Local Fiscal Effect



State Debt Service Costs

- Total cost of about \$10 billion to pay off both principal (\$5 billion) and interest (\$5 billion), assuming an average annual interest rate of about 5 percent and a repayment term of 30 years.



Increased State Sales Tax Revenues

- Potentially in the tens of millions of dollars from 2009 to about 2019.
- Amount depends on extent that consumers (individuals or businesses) use rebates to purchase or lease vehicles that are more expensive than they would otherwise purchase or lease in absence of the rebates.



Increased Local Sales Tax and Vehicle License Fee (VLF) Revenues

- Increased local sales tax revenues, potentially totaling in the low tens of millions of dollars from 2009 to 2019, for the same reasons that state sales tax revenues may increase.
- Increased local VLF revenues, potentially totaling in the millions of dollars between 2009 to about 2019, for the same reasons as above.



State Administrative Costs to Implement Measure

- The measure's 1-percent limit on administrative costs funded from the bond may leave state agencies with insufficient funds to implement the measure.
- May result in pressure on other state funds to pay for the measure's implementation, potentially averaging up to \$10 million annually through 2018-19.