

The 2014-15 Budget:

California Spending Plan



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counties the flexibility to opt out of participating in the program if they provide a 120-day notice to DSS and a 90-day notice to the relative caregiver.

Minimum Age Requirement for Group Home Employees. Effective October 2014, budget-related legislation created a new minimum age requirement of 21 years of age for group home employees and managers who provide direct care and supervision to group home residents.

Support for Undocumented, Unaccompanied Minors

In response to an increase in the number of unaccompanied, undocumented immigrant minors

in California, 2014-15 budget-related legislation affirms the right of state courts to make the findings necessary to enable a child to petition the United States Citizenship and Immigration Service to be classified as a special immigrant juvenile (SIJ). Once this SIJ status is granted, the child is eligible to become a lawful permanent resident. Additionally, the budget provides \$3 million from the General Fund for DSS to contract with qualified nonprofit legal services organizations to provide legal services to these minors in the state. Future-year support for these activities is subject to available funding.

CAP-AND-TRADE

Background. The Global Warming Solutions Act of 2006 (Chapter 488, Statutes of 2006 [AB 32, Nuñez/Pavley]), commonly referred to as AB 32, established the goal of reducing greenhouse gas (GHG) emissions statewide to 1990 levels by 2020. In order to help achieve this goal, the California Air Resources Board (ARB) adopted a regulation that establishes a cap-and-trade program that places a “cap” on aggregate GHG emissions from entities responsible for roughly 85 percent of the state’s GHG emissions. To implement the cap-and-trade program, ARB allocates a certain number of carbon allowances equal to the cap. Each allowance equals one ton of carbon dioxide equivalent. The ARB provides some allowances for free, while making others available for purchase at auctions. Once the allowances have been allocated, entities can then “trade” (buy and sell on the open market) the allowances in order to obtain enough to cover their total emissions for a given period of time.

The ARB has conducted eight auctions since November of 2012, which have generated a total of \$833 million in state revenue. Future

quarterly auctions are expected to raise additional revenue. Auction revenues are deposited into the Greenhouse Gas Reduction Fund (GGRF) for expenditure by various entities. In 2013-14, \$500 million in cap-and-trade auction revenue was loaned to the General Fund. In addition, the Legislature approved emergency drought legislation in February 2014 that, among other changes, appropriated \$40 million from the GGRF for the Department of Water Resources (DWR) and the California Department of Food and Agriculture (CDFA) to implement water-efficiency projects. This included \$20 million for water conservation grants, \$10 million for more water efficient irrigation systems, and \$10 million to install a more energy-efficient turbine at a State Water Project facility.

Expenditure Plan for 2014-15. As shown in Figure 15, the 2014-15 budget includes \$832 million from the GGRF for various programs designed to reduce GHG emissions. This includes:

- **High-Speed Rail (\$250 Million).** The budget includes \$250 million to support

the (1) environmental planning and permitting activities for the first phase of the state’s high-speed rail project (service between San Francisco and Anaheim) and (2) purchase of land and some construction activities for the Initial Operating Segment (from Madera to the San Fernando Valley). According to the administration, the availability of a high-speed rail system in California will reduce vehicle miles traveled in cars, as well as planes.

- **Low Carbon Transportation**

(\$200 Million). This program will allow ARB to fund several activities designed to encourage the purchase and use of vehicles that produce lower carbon emissions. This includes incentive programs for zero and low-emission passenger vehicles, clean buses and trucks, and sustainable freight technology.

- **Affordable Housing and Sustainable Communities**

(\$130 Million). The budget includes \$130 million for the Strategic Growth Council to provide grants

to local agencies for projects designed to reduce GHG emissions through land use, housing, transportation, and agricultural land preservation practices. This could include affordable housing projects that support infill and compact development, transit projects that support ridership, and active transportation projects for pedestrians and bicyclists.

- **Low-Income Weatherization and Solar Programs (\$75 Million).** The Weatherization Assistance Program is administered by the Department of Community and Services Development

Figure 15
Cap-and-Trade Expenditure Plan

(Dollars in Millions)

2014-15 Expenditures ^a	
Program	Amount
High-speed rail	\$250
Low carbon transportation	200
Affordable housing and sustainable communities	130
Low-income weatherization and solar	75
Low carbon transit	25
Sustainable forests	25
Transit and intercity rail	25
Waste diversion	25
Wetlands and watershed restoration	25
ECAA for public buildings	20
Urban forestry	17
Agricultural energy and operational efficiency	15
Total	\$832
Ongoing Expenditures Beginning in 2015-16	
Program	Percent of Revenues
High-speed rail	25%
Affordable housing and sustainable communities	20
Intercity rail capital	10
Low carbon transit operations	5
Other programs—allocations determined in future	40
Total	100%

^a Chapter 2, Statutes of 2014 (SB 103, Committee on Budget and Fiscal Review), included an additional \$40 million of auction revenues for water-efficiency projects in 2013-14.
ECAA = Energy Conservation Assistance Account.

and provides low-income Californians with weatherization services such as weather stripping, insulation, and water heater replacement. In addition, the department administers programs that install solar photovoltaic systems on low-income homes. Historically, the above programs have been funded by federal monies.

- ***Low Carbon Transit (\$25 Million).***

Under this program, the Department of Transportation (Caltrans) will provide grants to local transit agencies for new or expanded bus or rail services or expanded intermodal transit facilities. In order to be eligible for funding, local agencies will have to demonstrate that projects will reduce GHG emissions by increasing people's use of these forms of transportation.

- ***Sustainable Forests (\$25 Million).***

Funding for sustainable forests would support programs administered by the California Department of Forestry and Fire Protection (CalFire) that could reduce GHG emissions by increasing the number and health of forests, as well as reducing the frequency and severity of wildland fires. This could include: (1) CalFire's vegetation management program, which is a cost-sharing program with landowners; (2) the forest legacy program, which invests in forestlands to prevent conversion to non-forest use; (3) reforestation services; (4) research at demonstration state forests and cooperative wildlands; (5) forest pest control programs; and (6) the forest practice program, which regulates timber harvests.

- ***Transit and Inter-City Rail (\$25 Million).***

The California Transportation Agency will

administer this program to award grants to public entities to improve intercity, commuter, and urban rail systems. This could include capital or operational investments designed to reduce GHG emissions by, for example, increasing rail ridership through better integrating different rail systems with each other and with other transportation systems.

- ***Waste Diversion (\$25 Million).*** This program is designed to increase recycling and composting through grant and loan programs administered by the Department of Resources Recycling and Recovery (CalRecycle). Increased recycling and composting would reduce GHG emissions by: (1) reducing methane emissions by diverting organic waste from landfills, and (2) increasing recycling, which could produce fewer GHG emissions than manufacturing new products.

- ***Wetlands and Watershed Restoration (\$25 Million).*** This funding would support Department of Fish and Wildlife (DFW) grants for ecosystem restoration throughout the state, which would increase the amount of land that can naturally capture and store carbon. The funding could also be used to support measures to reduce the energy needed to transport water to wetlands currently managed by DFW.

- ***Energy Conservation Assistance Account (ECAA) for Public Buildings (\$20 Million).*** The ECAA program, administered by the Energy Resources Conservation and Development Commission, provides low and no-interest loans to state and local governments, schools, colleges, and public

hospitals to implement projects that will reduce energy usage. These can include updating lighting systems, installing insulation, and improving air conditioning and heating systems. It can also include energy generation, such as installing rooftop solar systems.

- **Urban Forestry (\$17 Million).** This program will fund CalFire’s program that provides local assistance grants for urban and community forestry. This is intended to increase the number of trees that can capture and store carbon.
- **Agricultural Energy and Operational Efficiency (\$15 Million).** This funding is provided to CDFA to support (1) grants for “digesters” that capture methane from animal waste in order to generate electricity or create transportation fuel and (2) development of technical standards that would allow low-carbon agricultural biofuels to be sold in California.

The budget also provides \$7.5 million from the GGRF for the ARB to perform coordination, analytical, and other administrative functions related to the expenditure of cap-and-trade auction

revenues. Budget trailer legislation also includes a one-time transfer of \$30 million in 2013-14 from the GGRF to the ARB to support the Clean Vehicle Rebate Program and the Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project. This transfer replaces funding previously provided on a one-time basis from the Vehicle Inspection and Repair Account. In addition, the budget assumes the GGRF receives repayment of the first \$100 million of the \$500 million loan to the General Fund.

Expenditure Plan for Future Years. Budget trailer legislation specifies how the state will allocate most cap-and-trade auction revenues in 2015-16 and beyond. For all future revenues, the legislation continuously appropriates (1) 25 percent for high-speed rail, (2) 20 percent for affordable housing and sustainable communities grants (with at least half this amount for affordable housing), (3) 10 percent for inter-city rail capital projects, and (4) 5 percent for low carbon transit operations. The remaining 40 percent would be available for annual appropriation by the Legislature. The legislation also requires that when the remaining \$400 million from the loan made from the GGRF to the General Fund is repaid, that the funding be directed to high-speed rail.

RESOURCES AND ENVIRONMENTAL PROTECTION

The 2014-15 budget provides a total of \$8 billion from various funds for programs administered by the Natural Resources and Environmental Protection Agencies. This is a decrease of \$2.6 billion, or 24 percent, when compared to revised 2013-14 expenditures. Most of this reduction reflects lower bond expenditures in 2014-15.

2014 Drought Legislation. In February 2014, the Legislature approved and the Governor signed

two bills—Chapter 2, Statutes of 2014 (SB 103, Committee on Budget and Fiscal Review) and Chapter 3, Statutes of 2014 (SB 104, Committee on Budget and Fiscal Review)—that appropriated a total of \$687 million from various fund sources (including \$75 million General Fund) in 2013-14 to address the state’s drought. This included funding for local water supply projects, flood protection, groundwater management activities, as well as employment, housing, and food assistance for