



METROPOLITAN
TRANSPORTATION
COMMISSION

Agenda Item 3b - Handout
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Memorandum

TO: Legislation Committee

DATE: January 7, 2016

FR: Deputy Executive Director, Policy

W. I. 1131

RE: Update on FY 2016-17 Proposed Budget and Transportation Special Session

As expected, the first week of January 2016 has been an active one with respect to transportation funding. Assembly Transportation Committee Chair Jim Frazier introduced AB 1591, a bold revenue package that raises over \$7 billion annually, followed by the Administration reiterating their August proposal, which would provide approximately \$3.6 billion per year over 10 years. (A fact sheet and press release on AB 1591, along with the transportation and environmental protection agency portions of the FY 2016-17 State Budget summary are attached.) Below is a side-by-side comparison of the funding sources and revenue in each of the three major transportation funding proposals now under consideration.

Comparison of Revenue Increases in Transportation Funding Proposals

(Dollars in millions)

	Governor's Proposal	AB 1591 (Frazier)	SB x1-1 (Beall)
Gas tax increase	\$ 500	\$ 3,300	\$ 1,752
Diesel tax increase	\$ 500	\$ 840	\$ 572
New Cap and trade funding*	\$ 500	\$ 600	\$ -
Weight fee restoration	\$ -	\$ 1,000	\$ -
Vehicle registration fee	\$ 2,000	\$ 1,254	\$ 2,000
Electric Vehicle fee	\$ -	\$ 16	\$ 10
Loan repayment*	\$ 879	\$ 879	\$ 879
Efficiency savings	\$ 100	\$ -	\$ -
Total	\$ 4,479	\$ 7,889	\$ 5,213

*Loan repayment and \$500 million in Cap and Trade funding in Governor's proposal are one-time funds.

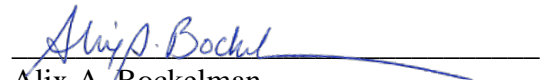
Funding Plans Focus on State and Local Road Repairs, Trade Corridors and Transit

The three proposals focus on the same categories of funding though amounts provided vary considerably, as shown below. To aid in comparison, this table excludes the Governor's proposal for \$400 million for public transit and \$100 million for a Low Carbon Road Program in FY 2016-17 as these are one-time only.

	Governor's Proposal*	AB 1591 (Frazier)	SB x1-1 (Beall)
Local Streets & Roads	\$ 1,010	\$ 2,170	\$ 1,917
State Highways	\$ 1,610	\$ 3,170	\$ 1,917
Transit	\$ -	\$ 200	\$ -
Trade Corridors	\$ 200	\$ 1,240	\$ 300
State-Local Partnership Program	\$ 250	\$ 228	\$ 200
Totals	\$ 3,070	\$ 7,008	\$ 4,334

*Table excludes one-time Cap and Trade expenditures.

While each proposal requires a two-thirds vote due to tax increases—a particularly heavy lift during an election year—it's an encouraging sign that the Administration and key members of the Legislature remain engaged and prepared to lead on the subject of securing new revenue for transportation. MTC staff and our Sacramento representatives will be in regular contact with the Bay Area delegation, the Administration and legislative leadership over the next few months to keep up the pressure for them to reach agreement on a transportation funding package early this year.



Alix A. Bockelman

AB: rl

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ASSEMBLY BILL 1591: TRANSPORTATION FUNDING

Assemblymember Jim Frazier

THE PROBLEM IN BRIEF:

California's transportation infrastructure is extremely underfunded, which has led to significant deferred maintenance and a lost opportunity on economic growth. The current resources are not sufficient to cover the most basic and crucial maintenance and repair of our core transportation infrastructure: state highways, local streets, roads, and bridges. Without increased funding today, the deferred maintenance will soon be too much for our state to catch up.

BACKGROUND:

2015 was supposed to be the year to fix transportation funding in the Capitol. The Governor declared a \$6 billion a year need for basic maintenance and repairs to state highways alone and challenged the Legislature to deliver a funding plan to meet that need. A special session was called, hearings were held, and proposals and counter-proposals were floated. Nonetheless, the call for more transportation funding went unanswered.

THE BILL:

AB 1591 answers the call for a long-term sustainable funding solution for transportation focused on relieving congestion, maintaining highways, and improving trade corridors. This bill provides nearly \$8 billion a year in additional transportation funding. It also provides clear direction as to how those funds will be used.

AB 1591 takes a broad portfolio approach to investing in our state's transportation infrastructure by:

- Increasing the excise tax on gasoline by 22.5 cents per gallon and indexing it against the Consumer Price Index every three years thereafter. Almost half of this amount (9.5 cents) will restore funding lost from declining tax revenues in just the last two years due to rate adjustments by the Board of Equalization.

Revenue raised from the gas tax increase (over \$3.3 billion annually) will be split 50/50 between the state and local transportation authorities for highway maintenance and rehabilitation, after setting a nominal portion aside to encourage state-local partnerships.

- Increasing the diesel fuel tax by 30 cents a gallon and indexing it, too. Revenue raised (\$840 million annually) will be directed right to where trucks need it most—the state's trade corridors.
- Increasing the vehicle registration fee by \$38 annually (just over 10 cents a day) and directing those funds (\$1.254 billion) to road maintenance and rehabilitation.

- Imposing an electric vehicle surcharge of \$165. Consideration will be given to delaying this fee until the second year of ownership and thereafter. Delaying this fee to the second year of ownership allows financial incentives offered at the purchase of such zero-emission vehicles to remain in full effect while ensuring they do their part to help pay for the system they travel on. The \$16 million raised will be directed to road maintenance and rehabilitation.
- Requiring repayment of outstanding transportation loans. Now that the General Fund is stable, it's time to pay these loans (\$879 million) back. Repayments will be sent directly to cities and counties to boost their road improvement efforts.
- Allocating cap and trade revenue auctions, as follows:
 - 20% (approximately \$400 million annually) for major freight corridors. Communities near our major freight corridors have borne the brunt of the nation's goods movement system. Improving congestion in these corridors will inherently improve air quality.
 - 10% (\$200 million) more for intercity rail and transit, for a total of 20% of the auction proceeds.
- Restoring the truck weight fees. Again, the General Fund is now stable. It's time for transportation dollars to go back to transportation. This restores \$1 billion to the State Highway Account where it belongs.

AB 1591 also includes greater oversight responsibilities for the California Transportation Commission over the state's roadway operation and rehabilitation efforts and imposes maintenance of effort requirements on cities and counties.

Finally, AB 1591 supports local communities and regional planning efforts to reduce greenhouse gas emissions. It provides the critical funding needed to implement sustainable communities' strategies.

FOR MORE INFORMATION

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FOR IMMEDIATE RELEASE:

January 6, 2016

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**ASSEMBLYMEMBER FRAZIER RELEASES BOLD
TRANSPORTATION FUNDING PACKAGE TODAY**

Sacramento, CA – Today, Assemblymember Jim Frazier (D – Oakley), Chair of the Assembly Committee on Transportation, unveiled legislation to provide much-needed transportation funding for California.

AB 1591 will raise over \$7 billion annually and fund two major initiatives: trade corridor improvements and road maintenance and rehabilitation. "California must invest in its trade corridors if we hope to develop and sustain economic vitality. Manufacturers and farmers want to be able to move their goods to market and AB 1591 will provide the investments we need to ensure that they can," stated Frazier.

AB 1591 further answers the challenge Governor Brown made last year when he called upon the Legislature to provide \$5.9 billion annually to fix state highways. According to Frazier, "You can't put out half a fire. The funding proposals developed over the past year do not begin to sufficiently address our highway and bridge maintenance needs. Failure to adequately fund deferred maintenance is short-sighted and will leave our highways congested in gridlock."

Frazier spent the past seven months listening to the public, industry experts across the state, and his colleagues in order to develop a comprehensive plan to effectively tackle California's transportation needs. AB 1591 looks to make these investments now, rather than costing us exponentially more in the long-run.

"Anyone who travels on California's roads or rides our buses and trains can attest to the dire need for significant investment in our state's infrastructure," said

Assemblymember Anthony Rendon (D-Paramount). “I commend Assemblymember Frazier for his diligence in considering a wide variety of perspectives as he developed this proposal.”

The revenue generated in Frazier’s plan is a portfolio approach drawing equitably from multiple sources. Key components of the transportation funding package include:

- Restoring revenue from weight fees imposed on large trucks to the State Highway Account. This revenue, nearly \$1 billion, will be directed to improvements in the state's major freight corridors;
- Ensuring additional revenues generated are used to address road and bridge maintenance, rehabilitation, and, as appropriate, increases in capacity;
- Allocating cap and trade auction proceeds to transportation projects that ease congestion and therefore provide significant reductions in greenhouse gas emissions in trade corridors;
- Imposing moderate increases in gas tax, diesel tax, and vehicle registration. The state's aging infrastructure is degrading at an increasingly rapid pace. These funds will ensure existing assets are protected;
- Repaying outstanding transportation loans. These loans were made at a time when the General Fund was in crisis. That is no longer the case. These funds need to be returned to the transportation purpose for which they were intended;
- Increasing allocations to intercity rail and transit programs;
- Ensuring all vehicle owners pay to support the transportation infrastructure by imposing a nominal surcharge on electric vehicles; and
- Initiating proper oversight on highway expenditures.

To contact Assemblymember Jim Frazier please visit his website at www.asmdc.org/frazier or call his District Offices at 707-399-3011 or 925-513-0411.

Follow Assemblymember Jim Frazier on Facebook and “Like” him for updates on events and happenings in the 11th AD.

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Governor's Budget Summary

2016-17



To the California Legislature
Regular Session 2015-16

Edmund G. Brown Jr. Governor
State of California

TRANSPORTATION

The Transportation Agency is responsible for developing and coordinating the policies and programs of the state's transportation entities to improve the mobility, safety, and environmental sustainability of the state's transportation system. The Agency consists of the following six state entities:

- Department of Transportation (Caltrans)
- California Transportation Commission
- High-Speed Rail Authority
- Department of Motor Vehicles
- California Highway Patrol
- Board of Pilot Commissioners

The Office of Traffic Safety operates within the Office of the Secretary for Transportation and the New Motor Vehicle Board operates within the Department of Motor Vehicles. The transportation area also includes the State Transit Assistance item, which supports local transit operators.

The Budget includes total funding of \$16.2 billion for all programs administered within the Agency. In addition, the Shared Revenues budget in the General Government

area allocates over \$1.4 billion in fuel excise tax to cities and counties for local streets and roads.

TRANSPORTATION INFRASTRUCTURE

California has a vast state transportation infrastructure, which includes 50,000 lane miles of state and federal highways, 304,000 miles of locally owned roads, operation of three of the top five Amtrak intercity rail services in the nation (nearly 900 miles of track), and numerous transit systems operated by 180 local transit agencies. Efficient operation of this vast network is a key component of the state's continued economic growth. The state's transportation infrastructure serves a large portion of the country's trade, with nearly 20 percent of the goods imported to the United States moving through California ports, highways, and railways.

The repair, maintenance, and efficient operation of the state's highway system are vital to California's economic growth. In addition, a recent transportation study found that Californians spend on average \$762 annually on vehicle repair costs due to poorly maintained roads. However, state funding has fallen dramatically below the levels needed to maintain the system. Annual maintenance and repair needs on the state's highway system are significantly more than can be funded within existing resources, with a current identified funding gap of almost \$6 billion annually.

To address these needs, the Legislature has convened a conference committee as part of the transportation special session and that work continues toward delivering a comprehensive transportation funding plan to address decades of deferred maintenance on state and local transportation facilities. The Administration remains hopeful the conference committee will adopt a funding package in 2016 that addresses the state's most urgent transportation needs and reflects the following principles:

- Focusing new revenue primarily on "fix-it-first" investments to repair neighborhood roads and state highways and bridges.
- Making key investments in trade corridors to support continued economic growth and implementing a sustainable freight strategy.
- Providing funding to match locally generated funds for high-priority transportation projects.

- Continuing measures to improve performance, accountability and efficiency at Caltrans.
- Investing in passenger rail and public transit modernization and improvement.
- Avoiding an impact on the precariously balanced General Fund.

As such, the Budget reflects the Governor's transportation funding and reform package, including reforms first outlined in September 2015. The package includes a combination of new revenues, additional investments of Cap and Trade auction proceeds, accelerated loan repayments, Caltrans efficiencies and streamlined project delivery, accountability measures, and constitutional protections for the new revenues.

The Governor's package of revenues will be split evenly between state and local transportation priorities. The ten-year funding plan will provide a total of \$36 billion for transportation with an emphasis on repairing and maintaining the existing transportation infrastructure. It also includes a significant investment in public transit. Specifically, the proposal includes annualized resources as follows:

- Road Improvement Charge—\$2 billion from a new \$65 fee on all vehicles, including hybrids and electrics.
- Stabilize Gasoline Excise Tax—\$500 million by setting the gasoline excise tax beginning in 2017-18 at the historical average of 18 cents and eliminating the current annual adjustments. The broader gasoline tax would then be adjusted annually for inflation to maintain purchasing power.
- Diesel Excise Tax—\$500 million from an 11-cent increase in the diesel excise tax beginning in 2017-18. This tax would also be adjusted annually for inflation to maintain purchasing power.
- Cap and Trade—\$500 million in additional cap and trade proceeds.
- Caltrans Efficiencies—\$100 million in cost-saving reforms.

Additionally, the Budget includes a General Fund commitment to transportation by accelerating \$879 million in loan repayments over the next four years. These funds will support additional investments in the Transit and Intercity Rail Capital Program, trade corridor improvements, and repairs on local roads and the state highway system. Without this commitment, these funds would be paid back over the next 20 years.

Over the next ten years, the \$36 billion transportation package will provide \$16.2 billion for highway repairs and maintenance, and invest \$2.3 billion in the state's trade corridors. Local roads will receive more than \$13.5 billion in new funding. Transit and intercity rail will receive over \$4 billion in additional funding. Because the state's disadvantaged communities are often located in areas affected by poor air quality, a minimum of \$2 billion (50 percent) of these funds will be spent on projects that benefit these communities.

2016-17 SPENDING

For 2016-17, the Budget reflects partial first-year resources from the transportation package of over \$1.7 billion (including nearly \$1.6 billion from new revenues and \$173 million from loan repayments), which will be distributed as follows:

- **Local Streets and Roads**—An increase of \$342 million in Shared Revenues to be allocated by the Controller to cities and counties for local road maintenance according to existing statutory formulas. The Budget also includes an additional \$148 million from loan repayments to reimburse cities and counties for funds already spent on Traffic Congestion Relief Program projects.
- **Low Carbon Road Program**—\$100 million Cap and Trade for Caltrans to implement a new Low Carbon Road Program for local projects that encourage active transportation such as bicycling and walking, and other carbon-reducing road investments, with at least 50 percent of the funds directed to benefit disadvantaged communities.
- **Transit and Intercity Rail Capital Program**—An increase of \$409 million Cap and Trade (also includes \$9 million from loan repayments) for transit capital investments that provide greenhouse gas reductions, with at least 50 percent of the funds directed to benefit disadvantaged communities.
- **Highway Repairs and Maintenance**—An increase of \$515 million (\$5 million from loan repayments) for Caltrans to fund repairs and maintenance on the state highway system.
- **Trade Corridor Improvements**—An increase of \$211 million (\$11 million from loan repayments) for Caltrans to fund projects along the state's major trade corridors, providing ongoing funding for a program originally established with \$2 billion in one-time Proposition 1B bond funding.

See Figure TRN-01 for totals by investment category for 2016-17 as well as anticipated annualized expenditures.

Figure TRN-01
Governor's Transportation Package
(Dollars in Millions)

<i>Investment Category</i>	<i>Program</i>	<i>2016-17 Amount</i>	<i>Annualized Amount³</i>
Local Streets and Roads	Low Carbon Road Program	\$100	\$100
	Local Road Maintenance & Repairs ¹	\$490	\$1,010
	Local Partnership Grants ²	\$0	\$250
Transit	Transit Capital ¹	\$409	\$400
State Highway Repair and Maintenance	Pavement ¹	\$220	\$900
	Bridges and Culverts	\$155	\$500
	Traffic Management Systems	\$20	\$90
	Maintenance	\$120	\$120
Trade Corridors	Improved Goods Movement ¹	\$211	\$200
Total		\$1,725	\$3,570

¹ The 2016-17 totals include anticipated loan repayments.

² Provides up to \$250 million per year beginning in 2017-18.

³ Excludes one-time loan repayments totaling \$879 million.

PROJECT REFORMS AND CALTRANS EFFICIENCIES

The transportation package also includes the following reforms and efficiencies at Caltrans to streamline project delivery and advance projects more quickly:

- State Highway Performance Plan—Establish measurable targets for improvement including regular reporting to California Transportation Commission, the Legislature, and the public.
- Streamlined Project Delivery—Provide a limited California Environmental Quality Act (CEQA) exemption; remove the sunset date for the federal delegation of environmental reviews so they can be completed concurrent with the state review; advance project environmental mitigation to get early buy-in on activities and reduce late challenges that delay projects; and implement more innovative procurement methods, such as combining design and construction management elements to accelerate project delivery, commonly known as Construction Manager/General Contractor (CMGC) procurements.

- Staffing Flexibility—Permit Caltrans to deliver projects funded with new revenue by doubling contract staff over the next five years.
- Extend Public-Private Partnership Authority—Allow for these partnerships through 2027 by extending the current sunset date by ten years.

IMPROVING PERFORMANCE

The transportation package will improve performance of California's transportation system. A ten-year investment of the increased funding on state highways, bridges, and culverts—totaling over \$16 billion—will achieve measurable improvements for the state's network as outlined in Figure TRN-02. Across these categories, new funding directed to preventative maintenance would save up to \$5.8 billion in higher future costs.

Figure TRN-02
Ten-Year Highway Condition
 With and Without the Governor's Transportation Package

Asset	Performance Target	Without New Investment	With New Investment
Pavement (50,000 lane miles)	90% Good Pavement	47% of pavement either needing preventative maintenance (30%) or already distressed (17%)	Additional 10,000 lane miles receive preventative maintenance and additional 3,000 lane miles rehabilitated, resulting in 90% good, not distressed
Bridges (13,100 bridges)	95% Good Condition	Distressed bridges increase by 90 bridges to 654 bridges	Additional 164 distressed bridges fixed, plus more functionally deficient bridges fixed, 200 more bridges repaired overall
Culverts (205,000 culverts)	80% Good Condition	78,000 culverts in poor or fair condition or 38%	37,000 additional culverts fixed, resulting in 80% in good condition
Traffic Management Systems (TMS) (48,850 elements)	90% Good Condition	10,000 TMS elements that are inoperable representing 20% of ramp meters, cameras, changeable message signs, and loop detectors	Additional 5,000 TMS elements fixed or rehabilitated, resulting in 90% in good condition
Maintenance (assets identified above)	90% - 95% Good Condition	Graffiti, litter, pothole repairs, and other indicators do not achieve performance targets	Pothole repairs, seal cracks, graffiti/ litter removal, and other indicators achieve performance targets at least 90% meeting the good performance target

DEPARTMENT OF MOTOR VEHICLES

The Department of Motor Vehicles (DMV) promotes driver safety by licensing drivers, and protects consumers and ownership security by issuing vehicle titles and regulating vehicle sales. The Budget proposes \$1.1 billion, mostly from non-General Fund sources, and 8,324 positions to support DMV operations.

Significant Adjustments:

- Road Improvement Charge Billing—\$170,000 for DMV staff to make system changes to allow for the collection of the new Road Improvement Charge as part of the transportation package.
- Self-Service Terminals—\$8 million to expand DMV's existing network of self-service terminals to increase public accessibility and provide additional transaction options. This is part of DMV's continuing effort to identify opportunities for providing greater convenience, at reduced costs, while managing current and future workload demands.
- New Motor Voter Program—\$3.9 million General Fund to create an automatic voter registration process that is integrated with DMV's driver license application and renewal process. The California New Motor Voter Program, authorized by Chapter 729, Statutes of 2015 (AB 1461), is intended to increase the number of registered voters in the state by automatically registering eligible individuals to vote when applying for or renewing a driver license unless the individual opts out.
- Green Decal Program—The "green decal" statutory cap of 85,000 was met in December 2015. This program allows transitional and partial zero-emission vehicle use of High Occupancy Vehicle (HOV) lanes as single-occupant vehicles. The Administration will propose trailer bill language to extend this program.

MOTOR VEHICLE ACCOUNT FEE INCREASE

The Motor Vehicle Account is the primary funding source for DMV and the California Highway Patrol (CHP). The Motor Vehicle Account receives an average of \$3.4 billion in revenues, primarily from annual vehicle registrations (\$2.3 billion) and driver license, identification cards, and other fees (\$1.1 billion). Over the next five years, annual expenditures are projected to be \$3.9 billion from the Account. The CHP will spend an average of about \$2.5 billion out of the Account, DMV about \$1.2 billion, and the Air Resources Board and other departments spend the remaining \$200 million. Therefore, the Account has an annual shortfall of about \$500 million.

TRANSPORTATION

Absent a fee increase, significant budgetary cuts would need to be made to the departments that spend out of the Account, such as reductions in the number of officers patrolling the state highways or closures of DMV field offices. To avoid these types of cuts, the Budget includes a \$10 increase in the vehicle registration fee to address this imbalance between operating costs and available revenues.

ENVIRONMENTAL PROTECTION

The California Environmental Protection Agency works to restore, protect, and enhance environmental quality. The Agency coordinates the state's environmental regulatory programs to provide fair and consistent enforcement of the law. The Budget proposes total funding of \$3.9 billion for all programs included in this Agency.

COMBATTING CLIMATE CHANGE

In 2015, California advanced climate change goals beyond 2020 with several ambitious and sweeping policies to solidify California's role as a global leader in the fight against climate change.

In January, the Governor's inaugural address introduced five key targets to reduce greenhouse gas (GHG) emissions:

- Increase electricity derived from renewable sources to 50 percent.
- Reduce petroleum use in cars and trucks by up to 50 percent.
- Double the rate of energy efficiency savings in existing buildings, and make heating fuels cleaner.
- Reduce the release of short-lived climate pollutants, such as methane and black carbon.
- Increase carbon sequestration on farms and rangelands, and in forests and wetlands.

In April, the Governor issued Executive Order B-30-15 establishing a GHG emissions reduction target for the state of 40 percent below 1990 levels by 2030. The Legislature subsequently enacted and the Governor signed far-reaching clean energy legislation, Chapter 547, Statutes of 2015 (SB 350), to double the rate of energy efficiency savings in California buildings, generate half of the state's electricity from renewable sources by 2030, and establish widespread transportation electrification.

Throughout the year, California worked with subnational governments worldwide on an agreement known as the "Under 2 MOU," in which jurisdictions agreed to take steps to limit temperature increases to less than two degrees Celsius by 2050—the warming threshold at which scientists predict that dangerous climate disruptions will occur. Over 123 jurisdictions representing more than 720 million people and \$19.9 trillion in combined Gross Domestic Product—equivalent to more than a quarter of the global economy—have signed the agreement. In December, 196 nations reached a historic global climate agreement at the United Nations Conference of the Parties in Paris to limit temperature increases to below two degrees Celsius.

CAP AND TRADE EXPENDITURE PLAN

The Budget supports the global climate pact, California's leadership role in the Under 2 MOU and other subnational agreements, as well as SB 350, by proposing a \$3.1 billion Cap and Trade Expenditure Plan that will reduce GHG emissions through programs that support clean transportation, reduce short-lived climate pollutants, protect natural ecosystems, and benefit disadvantaged communities (see Figure EPA-01). The \$3.1 billion Expenditure Plan reflects the balance of auction proceeds that were not appropriated in 2015-16, as well as the expenditure of projected proceeds in 2016-17. This Plan is consistent with the second triennial investment plan for Cap and Trade auction proceeds and was informed by public comments received through 11 public meetings and workshops as part of the development of the second investment plan. The proposed plan expends at least 10 percent of the proceeds within disadvantaged communities and at least 25 percent of the proceeds to projects that benefit those communities.

Figure EPA-01
2016-17 Cap and Trade Expenditure Plan
(Dollars in Millions)

<i>Investment Category</i>	<i>Department</i>	<i>Program</i>	<i>Amount</i>
Continuous Appropriation	High-Speed Rail Authority	High-Speed Rail Project	\$500
	State Transit Assistance	Low Carbon Transit Operations	\$100
	Transportation Agency	Transit and Intercity Rail Capital Program	\$200
	Strategic Growth Council	Affordable Housing and Sustainable Communities Program	\$400
50 Percent Reduction in Petroleum Use	Transportation Agency	Transit and Intercity Rail Capital Program	\$400
	Caltrans	Low Carbon Road Program	\$100
	Air Resources Board	Low Carbon Transportation & Fuels	\$500
	Energy Commission	Biofuel Facility Investments	\$25
Local Climate Action	Strategic Growth Council	Transformational Climate Communities	\$100
Short-Lived Climate Pollutants	Air Resources Board	Black Carbon Woodsmoke	\$40
		Refrigerants	\$20
	Cal Recycle	Waste Diversion	\$100
	Department of Food and Agriculture	Climate Smart Agriculture - Healthy Soils and Dairy Digesters	\$55
Safeguarding California/ Water Action Plan	Departments of Food and Agriculture & Water Resources	Water and Energy Efficiency	\$30
	Energy Commission	Drought Executive Order - Water and Energy Technology Program & Appliance Rebates	\$60
	Department of Fish and Wildlife	Wetlands and Watershed Restoration/CalEcoRestore	\$60
Safeguarding California/ Carbon Sequestration	CAL FIRE	Healthy Forests	\$150
		Urban Forestry	\$30
	Natural Resources Agency	Urban Greening	\$20
Energy Efficiency/ Renewable Energy	Department of General Services	Energy Efficiency for Public Buildings	\$30
	I Bank	California Lending for Energy and Environmental Needs Center	\$20
	Conservation Corps	Energy Corps	\$15
	Department of Community Services and Development	Energy Efficiency Upgrades/ Weatherization	\$75
	University of California/ California State University	Renewable Energy and Energy Efficiency Projects	\$60
Total			\$3,090

50-PERCENT REDUCTION IN PETROLEUM USE

California's transportation sector accounts for 37 percent of GHG emissions in California, representing the highest source of statewide emissions. The primary strategies to reduce emissions from this sector include:

- Expanding public transit systems.
- Supporting transit-oriented development.
- Improving vehicle efficiency, including deployment of zero-emission vehicles and equipment.
- Reducing the carbon intensity of transportation fuels.

Consistent with existing law, the Budget reflects that 60 percent, or \$1.2 billion, of 2016-17 projected auction proceeds are continuously appropriated to support public transit, sustainable communities, and high-speed rail. To further support the Governor's goal to reduce statewide petroleum use by 50 percent by 2030, the Cap and Trade Expenditure Plan includes an additional \$1 billion for the following programs that will reduce emissions in the transportation sector:

- \$500 million for the Air Resources Board's Low Carbon Transportation Program to provide incentives for low carbon freight and passenger transportation, including rebates for zero-emission cars, vouchers for hybrid trucks and zero-emission trucks and buses.
- \$400 million for the Transportation Agency's Transit and Intercity Rail Capital Program for additional competitive grants to support capital improvements to integrate state, local and other transit systems, including those located in disadvantaged communities, and to provide connectivity to high-speed rail. This proposal is consistent with the Administration's transportation package. For additional detail, see the Transportation Chapter.
- \$100 million for the Department of Transportation to administer the Low Carbon Road Program, which will prioritize disadvantaged communities, and provide competitive grants for improvements to local streets and roads that encourage active transportation, such as walking and bicycling, transit, and other carbon-reducing road investments. This proposal is consistent with the Administration's transportation package.

- \$25 million for the Energy Commission's Alternative and Renewable Fuel and Vehicle Technology Program to provide incentives for in-state biofuel production through the expansion of existing facilities or the construction of new facilities.

LOCAL CLIMATE ACTION

Over the past several years, Cap and Trade proceeds have targeted disadvantaged communities through multiple pathways, such as the Department of Forestry and Fire Protection's (CAL FIRE) Urban Forestry Program and the Department of Community Services and Development's Low-Income Weatherization Program. The Budget proposes to continue to support these existing programs, as well as new, innovative approaches to support local efforts to reduce emissions. This proposal reflects comments received at the second investment plan public workshops encouraging greater local control.

Significant Adjustment:

- \$100 million for the Strategic Growth Council to administer the Transformational Climate Communities Program to support local climate actions in the state's top 5 percent of disadvantaged communities. Funding will support projects that integrate multiple, cross-cutting approaches to reduce GHG emissions. The program will combine climate investments within a local area for catalytic impact, including investments in energy, transportation, active transportation, housing, urban greening, land use, water use efficiency, waste reduction, and other areas, while also increasing job training, economic, health and environmental benefits.

SHORT-LIVED CLIMATE POLLUTANTS

Short-lived climate pollutants such as black carbon, methane, and fluorinated gases are much more potent than carbon dioxide. Cutting these pollutants can significantly help slow the rate of global warming and can improve health and air quality in local communities in California. Pursuant to Chapter 523, Statutes of 2014 (SB 605), the Air Resources Board has developed a plan that calls for a 50-percent reduction in black carbon and fluorinated gas emissions and a 40-percent reduction in methane emissions by 2030.

Reducing methane emissions from landfills will be a key component of the short-lived climate pollutant strategy. A key to achieving these goals is the successful collection and recycling of organic and other materials.

Significant Adjustment:

- \$100 million for the Department of Resources, Recycling and Recovery to provide financial incentives for capital investments that expand waste management infrastructure, with a priority in disadvantaged communities. Investment in new or expanded clean composting, anaerobic digestion, fiber, plastic, and glass facilities is necessary to divert more materials from landfills. These programs reduce GHG emissions and support the state's 75-percent solid waste recycling goal.

WATER ACTION PLAN AND SAFEGUARDING CALIFORNIA

While California continues to reduce GHG emissions, the state is already confronting the impacts of climate change. Many impacts, such as increased fires, floods, severe storms and heat waves, will only become more frequent and more dramatic. California has experienced four consecutive years of below-average rain and snow, and is currently facing severe drought conditions statewide. Water levels in the state's reservoirs are depleted, the state's snowpack has been at historically low levels, and the state's rivers have been experiencing reduced flows.

In July 2014, the Natural Resources Agency released the Safeguarding California Plan, which identified risk reduction strategies to prepare for, and adapt to, climate change, including the management of the state's water supplies. In recognition of the current and future challenges of climate change, the Water Action Plan provides a blueprint to improve water supply reliability, restoration, and resilience (See the Natural Resources Chapter). The Cap and Trade Expenditure Plan includes an additional \$150 million for the following programs that reduce GHG emissions by saving energy through water conservation, and restore ecosystems to improve carbon sequestration:

- \$60 million for the Department of Fish and Wildlife to implement wetland restoration projects that provide carbon sequestration benefits, including habitat restoration projects within the California EcoRestore program to support the long-term health of the Delta's native fish and wildlife species.
- \$30 million for the Energy Commission to begin implementation of the Water Energy Technology Program to provide funding for innovative technologies that reduce GHG emissions by (1) achieving significant energy and water savings, (2) demonstrating actual operation beyond the research and development stage, and (3) documenting readiness for rapid, large-scale deployment in California.

- \$30 million for the Energy Commission to implement a consumer rebate program for the replacement of energy-inefficient water-consuming appliances, such as dishwashers and washing machines.
- \$20 million for the California Department of Food and Agriculture's existing State Water Efficiency and Enhancement Program, which provides incentives to agricultural operations to invest in energy-efficient irrigation technologies that reduce GHG emissions and water use.
- \$10 million for the Department of Water Resources' existing Water Energy Grant Program which reduces energy demand and GHG emissions through local projects that also support water use efficiency and conservation.

CARBON SEQUESTRATION

As a result of four consecutive years of drought conditions and an infestation of bark beetles, the U.S. Forest Service recently estimated that over 22 million trees in California are dead and tens of millions more are likely to die. In addition to increasing the frequency and severity of the state's wildfire risk, the number of dead and dying trees compromises the carbon sequestration capabilities of the state's forested lands.

Significant Adjustment:

- \$150 million for CAL FIRE to support forest health programs that reduce GHG emissions through fuel reduction, reforestation projects, pest and diseased tree removal, and long-term protection of forested lands vulnerable to conversion. Funds will also support biomass energy generation projects.

ENERGY EFFICIENCY AND RENEWABLE ENERGY

Consistent with the requirements of SB 350, one of the key climate change strategies to reduce GHG emissions is to double the rate of energy efficiency in existing buildings. Through clean energy investments in public buildings, the state will be a leader in meeting these goals.

Significant Adjustments:

- \$30 million for the Department of General Services to implement Executive Order B-18-12 that requires state agencies to reduce GHG emissions by 10 percent by 2015 and 20 percent by 2020. The Department will assist state agencies in the construction of zero-net-energy state buildings, reduction of grid-based energy

purchases at state-owned buildings, and the use of clean, on-site power generation, such as fuel cells, solar photovoltaic, solar thermal, and wind power generation.

- \$20 million for the California Infrastructure and Economic Development Bank (I Bank) to leverage private investments in energy efficiency and renewable energy projects in public buildings that will save money by using less energy. These innovative financing mechanisms will accelerate the utilization of clean energy projects throughout the state.

CLIMATE CHANGE RESEARCH INITIATIVE

Research has been a key component of California's climate change efforts for the past three decades, dating back to 1988 when the Legislature directed an assessment of the potential impacts of climate change on the state. California established the first state-sponsored climate research program in the United States and has prepared three significant climate change assessments. The results of state-sponsored research have played a major role in the adoption of state legislation and policy, including the California Global Warming Solutions Act of 2006 (AB 32) and Safeguarding California, the state's adaptation strategy.

Research should continue to be part of the state's comprehensive climate change strategy. Meeting the state's aggressive GHG emission reduction targets requires innovative and cutting-edge solutions in the transportation sector, the biggest source of state emissions.

Significant Adjustment:

- \$15 million General Fund on a one-time basis for the Energy Commission to initiate research on innovative and emerging technologies for low carbon transportation fuels. The Energy Commission will engage experts from state universities, research laboratories, other California-based research institutions, and key private sector partners. The results will inform California climate policy and allow planning to continue to be based on science.

DEPARTMENT OF TOXIC SUBSTANCES CONTROL

The Department of Toxic Substances Control protects California residents and the environment from the harmful effects of toxic substances through restoring contaminated

sites, enforcement, regulation, and pollution prevention. The Budget includes \$218 million and 890 positions for the Department.

Over the past four years, the Department has implemented several significant reforms through its “Fixing the Foundation” initiative, permit enhancement work plan, improved cost recovery program, and strengthened financial assurance reviews. Of the 288 “Fixing the Foundation” action items, 257, or about 89 percent, are complete. The Department is on track to complete 85 percent of the permit enhancement reforms by the end of 2015.

Implementing these reforms will help to modernize the state’s safeguards for managing hazardous waste. The Department is also focused on issues related to environmental justice and tribal rights. The Governor has recently appointed a lead for these environmental efforts, and the Department is directing resources to build partnerships in disadvantaged communities. Protecting public health in residential and other areas around the now-shuttered Exide Technologies facility is a priority for the Department with \$8.5 million dedicated to this purpose between the current and budget years.

Significant Adjustment:

- Enhanced and Streamlined Permitting—An increase of \$1.2 million Hazardous Waste Control Account and continuation of 8 limited-term positions on a permanent basis to support timely permitting actions and improve the clarity, consistency, protectiveness, and enforceability of permits issued.