



February 11, 2014

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The Honorable Mark Leno
Chair, Senate Budget and Fiscal Review Committee
State Capitol Building, Room
Sacramento, CA 95814

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Re: Governor's Proposed FY 2014-15 Expenditures for Cap and Trade Auction Revenues

Dear Senator Leno:

The California State Association of Counties (CSAC) writes to express our perspectives and recommendations on the Governor's proposed FY 2014-15 allocation of Cap and Trade auction revenues, which is the subject of the Senate Budget and Fiscal Review Committee scheduled on February 13, 2014.

Governor's Proposal. The Governor's January FY 2014-15 State Budget proposes to appropriate \$850 million from auction revenues (\$100 million of which is a partial repayment from the FY 2013-14 \$500 million Cap and Trade loan to the General Fund)for a variety of programs and purposes consistent with the 3-Year Draft Investment Plan released in 2013. Specifically, the proposal would appropriate \$600 million for sustainable communities and clean transportation (which includes \$100 million for a new sustainable communities grant program), \$140 million for energy efficiency and clean energy programs (which includes weatherization upgrades and local energy efficiency), and another \$110 million for natural resources and waste diversion.

Local Governments Have a Bigger Role to Play. We appreciate the inclusion of funding within the Governor's proposed Cap and Trade appropriation dedicated to sustainable communities. Additionally, we are encouraged that local governments are potentially eligible under other categories that advance clean air, clean energy, and natural resource conservation. However, we believe that this funding is not adequate to harness the greenhouse gas (GHG) reduction potential that exists at the local level. We concur with the Senate's overview of the Governor's Proposal, which notes that there are few funding sources for local governments that are dedicated directly to GHG emission reductions. As a natural partner to the State, local governments have existing networks, programs and shovel-ready projects to reduce GHGs emissions and create green jobs across the State.

Increase Funding and Eligibility for Sustainable Communities. We strongly encourage the Legislature to increase the amount of funding allocated to the Sustainable Communities funding category. This category provides critical funding for the implementation of SB 375, and SB 375 like projects, to reduce GHGs from the transportation sector which accounts for nearly 40% of statewide emissions. We believe that this level of funding is grossly insufficient to achieve these sustainable communities goals. In order for the State to meet its statewide GHG emissions reductions goals, local governments need additional funding to carry out projects identified in their Sustainable Communities Strategies (SCS) and other GHG emissions reducing plans. The Cap and Trade sustainable communities program must also allow the full range of types of eligible transportation projects within an SCS to be funded with auction proceeds. For instance, maintenance and preservation of the existing roadway network provides for smoother roads which reduce GHGs and is a critical part of complete streets and the transit, bicycle and pedestrian right-

of-way. Further, we recommend that the Governor's proposal be revised to direct the funds to regional agencies for a competitive process to better align with SB 375.

Maximize GHG Reductions through Local Governments. Apart from SB 375 projects, there is minimal funding for other GHG reduction activities at the local level. Counties and cities need assistance to implement projects that cut across sectors and achieve multiple different co-benefits. For example, a project to deal with a streambed restoration that also includes pedestrian and bike paths, street light retrofits or urban greening would have to apply to multiple different funding sources through multiple different departments and agencies to receive enough financial assistance to make the project viable. This limits support for these types of projects that meet multiple objectives including GHG reductions, increased air or water quality and local job creation. In order to streamline this approach, we propose the establishment of a program with the sole purpose of funding GHG emission reduction projects implemented by local governments. CSAC recognizes the need to think beyond FY 2014-15 and we encourage the Legislature to dedicate a minimal amount of funding in the near term to develop a program that will have long-term benefits. This would position local governments to deliver significant GHG emission reducing projects in the future.

Augment Governor's Cap and Trade Appropriation Level. In order to accomplish the aforementioned goals, CSAC urges the Legislature to augment the Governor's proposed Cap and Trade allocation rather than shift funds from one category to another. With the State on more secure financial footing, we encourage an expedited payback of the outstanding \$400 million in general fund loans to the Cap and Trade account. In addition, we believe that there is potential for the next two Cap and Trade auctions to generate more than what is accounted for in the budget. We encourage the Legislature to take this into consideration as we move through the Budget process.

CSAC strongly believes that local governments are willing and able to lead in the development of innovative and effective programs to help the State reach its climate and energy goals. We look forward to working with the Legislature and this Committee and we thank you for the opportunity to provide our input.

Should you have any questions regarding our position, please contact Cara Martinson at 916-327-7500, ext. 504, or cmartinson@counties.org, or Kiana Buss at 916-327-7500, ext. 566, or kbuss@counties.org.

Sincerely,



Cara B. Martinson
Associate Legislative Representative



Kiana Buss
Legislative Representative

cc: All Members and Consultants, Senate Budget and Fiscal Review Committee
The Honorable Darrell Steinberg, Senate President pro Tem