



MAY 14 2013

Honorable Mark Leno, Chair
Senate Budget and Fiscal Review Committee

Attention: Ms. Keely Bosler, Staff Director (2)

Honorable Bob Blumenfield, Chair
Assembly Budget Committee

Attention: Mr. Christian Griffith, Chief Consultant (2)

Amendment to Budget Bill Items 3900-001-0044 and 3900-001-3237, and Addition of Items 3900-002-3237 and 3900-011-3228, and Elimination of Control Section 15.11, Support, Air Resources Board

Cap and Trade Auction—Oversight and Budgetary Administration

It is requested that Item 3900-001-3237 be increased by \$1,308,000 and 2 positions and that Item 3900-001-0044 be amended to reflect this change, to enhance oversight of Cap and Trade auction activities and budgetary administration. This proposal includes \$1 million for contracts to audit the Air Resources Board's internal processes, procedures, and security protocols, as well as external contractors conducting the Cap and Trade auctions and collecting the funds.

Cap and Trade Program—Loan to the General Fund

It is requested that Item 3900-011-3228 be added in the amount of \$500 million to provide a one-time loan from the Greenhouse Gas Reduction Fund to the General Fund (see Attachment A).

The Administration is responsible for developing a three year investment plan for the Greenhouse Gas Reduction Fund – the fund made up of the auction proceeds from the cap and trade market mechanism established by the Air Resources Board under the Global Warming Solutions Act (AB 32). The purpose of the Fund is to achieve greenhouse gas reductions in this state consistent with the objectives of AB 32. The Governor's Budget had proposed investing \$500 million of the Fund in programs achieving this objective that were currently or could be funded by the General Fund.

The loan is appropriate because the agencies need further time to design and develop their programs to ensure that when the programs receive funds they will further the purposes of AB 32 and maximize long term greenhouse gas reductions. In addition, it will provide the Air Resources Board time to complete the statutorily required update of the AB 32 Scoping Plan due at the end of 2013, which can help inform better investment decisions. The loan is also fiscally prudent, particularly during this initial stage of program implementation, as the amount of auction proceeds that will be generated in 2013-14 is unknown.

Loaning these proceeds will not interfere with the objectives of the three year investment plan or AB 32 because it is short-term and the monies will be repaid with interest when necessary to meet the needs of the Fund. It is assumed that proceeds from the sale of allowances from 2014-15 forward will be available in the budget year to support the investment plan.

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Western Climate Initiative, Inc.

It is requested that Item 3900-001-3237 be decreased \$2 million, Item 3900-002-3237 be added in the amount of \$2 million, and that Item 3900-001-0044 be amended to reflect these changes (see Attachment B). This proposal will provide a new Budget Act item to separately identify resources for the Western Climate Initiative (WCI), Inc., to provide greater transparency regarding expenditures for access to WCI services.

Control Section 15.11 Elimination

It is requested that Control Section 15.11 be eliminated to conform with the proposal above for a Cap and Trade Program one-time General Fund loan from the Greenhouse Gas Reduction Fund.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Jesse McGuinn, Principal Program Budget Analyst, at (916) 324-0043.

ANA J. MATOSANTOS

Director

By:

/s/ Michael Cohen

MICHAEL COHEN

Chief Deputy Director

Attachment

cc: Honorable Kevin de León, Chair, Senate Appropriations Committee
Attention: Mr. Mark McKenzie, Staff Director
Honorable Bill Emmerson, Vice Chair, Senate Budget and Fiscal Review Committee
Attention: Mr. Seren Taylor, Staff Director
Honorable Mike Gatto, Chair, Assembly Appropriations Committee
Attention: Mr. Geoff Long, Chief Consultant
Honorable Jeff Gorell, Vice Chair, Assembly Budget Committee
Attention: Mr. Eric Swanson, Staff Director
Honorable Jim Beall, Chair, Senate Budget and Fiscal Review Subcommittee No. 2
Honorable Richard Bloom, Chair, Assembly Budget Subcommittee No. 3
Mr. Mac Taylor, Legislative Analyst (4)
Mr. Craig Cornett, Senate President pro Tempore's Office (2)
Mr. Christopher W. Woods, Assembly Speaker's Office (2)
Ms. Deborah Gonzalez, Policy and Fiscal Director, Assembly Republican Leader's Office
Mr. Eric Jarvis, Assistant Secretary, Fiscal and Administration, Office of the Secretary for
Environmental Protection
Mr. Richard Corey, Executive Officer, Air Resources Board
Ms. Alice Stebbins, Division Chief, Administrative Services Division, Air Resources Board

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Attachment A
Proposed Budget Bill Language

Add New Item:

3900-011-3228—For transfer by the Controller, upon order of the Director of Finance, from the Greenhouse Gas Reduction Fund to the General Fund as a loan.....(500,000,000)

1. The Director of Finance may transfer up to \$500,000,000 as a loan to the General Fund.

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Attachment B
Proposed Budget Bill Language

Add New Item:

3900-002-3237—For support of State Air Resources Board, for payment to
Item 3900-001-0044, payable from the Cost of Implementation Account, Air Pollution Control
Fund.....2,000,000

1. The amount appropriated in this item may be used for payments to the Western Climate Initiative, Inc. for access to the services and systems provided by Western Climate Initiative, Inc.



DEPARTMENT OF
FINANCE
OFFICE OF THE DIRECTOR

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Honorable Mark Leno, Chair
Senate Budget and Fiscal Review Committee

Attention: Ms. Keely Bosler, Staff Director (2)

Honorable Bob Blumenfield, Chair
Assembly Budget Committee

Attention: Mr. Christian Griffith, Chief Consultant (2)

Amendment to Budget Bill Items 3980-001-0001 and 3980-001-3228, and Addition of Item 3980-001-3237, Support, Office of Environmental Health Hazard Assessment

SB 535 Implementation—Fund Shift

It is requested that Item 3980-001-3228 be decreased by \$577,000, Item 3980-001-3237 be added in the amount of \$577,000, and that Item 3980-001-0001 be amended to reflect these changes. The Governor's Budget proposed funding from the Greenhouse Gas Reduction Fund for the Office of Environmental Health Hazard Assessment to identify disadvantaged communities in California, as required by Chapter 830, Statutes of 2012 (SB 535). This proposal will shift funding for SB 535 implementation from the Greenhouse Gas Reduction Fund to the Cost of Implementation Account, Air Pollution Control Fund.

The effect of my requested action is reflected on the attachment.

If you have any questions or need additional information regarding this matter, please call Jesse McGuinn, Principal Program Budget Analyst, at (916) 324-0043.

ANA J. MATOSANTOS

Director

By:

/s/ Michael Cohen

MICHAEL COHEN
Chief Deputy Director

Attachment

cc: On following page

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Ms. Deborah Gonzalez, Policy and Fiscal Director, Assembly Republican Leader's Office
Mr. Eric Jarvis, Assistant Secretary, Fiscal and Administration, Office of the Secretary for
Environmental Protection
Ms. Susan Villa, Deputy Director, Administrative and Support Division, Office of Environmental
Health Hazard Assessment