

ENVIRONMENTAL PROTECTION

California's environmental protection programs promote the state's economic vitality in an environmentally sustainable manner by reducing greenhouse gas emissions, enhancing environmental quality, and protecting public health.

CAP AND TRADE EXPENDITURE PLAN

California is committed to achieving a carbon-neutral economy, including the long-term transition away from fossil fuels. The Budget proposes a \$1.4 billion Cap and Trade Expenditure Plan to support programs that reduce or sequester greenhouse gas emissions, enhance the state's resiliency to climate change, benefit disadvantaged communities most impacted by climate change, and expand the state's workforce skill base in the industries and occupations that anchor the carbon-neutral economy (see 2019-20 Cap and Trade Expenditure Plan chart). The Budget also recognizes the need for a practical roadmap to manage the decline of both the demand and supply of fossil fuels in California in a manner that is economically responsible and sustainable.

The Cap and Trade Program is a key element of California's greenhouse gas emissions reduction strategy. Cap and Trade is a market-based mechanism that establishes a statewide limit for major sources of emissions by issuing a limited number of allowances per year. This establishes a price signal necessary to drive long-term investment in cleaner fuels and more efficient energy use, and provides covered entities the flexibility to reduce emissions in a cost-effective manner. Proceeds from the Cap and Trade

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Program facilitate investments throughout California that further the state's overall climate goals.

Specific highlights of the 2019-20 Cap and Trade Expenditure Plan include:

- **Healthy & Resilient Forests**—An increase of \$200 million annually for five years for the Department of Forestry and Fire Protection (CAL FIRE) to increase the rate of fuels treatment activities, improve the health and resiliency of the state's forested lands, and reduce the overall risk of wildfires across California pursuant to Chapter 626, Statutes of 2018 (SB 901). This funding will enable CAL FIRE to complete more fuel reduction projects through the operation of prescribed fire crews and grants for forest health projects.
- **Preparing Workers for a Carbon-Neutral Economy**—An increase of \$165 million over five years for the Workforce Development Board for two key areas: (1) targeted multi-craft pre-apprenticeship programs to increase access to careers in the fast-growing construction industry, which is necessary to build the infrastructure needed for climate resiliency and a carbon-neutral economy; and (2) an expanded High Road Training Partnership program to foster connections among employers, workers, and communities to analyze climate- and technology-related occupational changes, develop skills training solutions, and promote strategies that support more resilient economies in specific regions across the state. This work will be statewide, but will include a focus on areas and industries that have been traditionally dependent on fossil fuels, including Kern County, as California transitions to a carbon-neutral economy.
- **Transition to a Carbon-Neutral Economy and Zero-Emission Vehicle Strategy**—A one-time increase of \$3 million for two interagency studies coordinated by the California Environmental Protection Agency. One study will identify strategies to decrease the demand and supply of fossil fuels and evaluate pathways to achieve a carbon-neutral economy by 2045, while managing the decline of fossil fuel use in a way that is economically responsible and sustainable. The study will also assess potential impacts to disadvantaged and low-income communities and recommend focused strategies to address those impacts. The second study will identify specific policies and programs to significantly reduce emissions from the transportation sector, California's largest emissions sector. The second study will include, but not be limited to, strategies for reducing vehicle miles traveled, including increasing transit ridership.

2019-20 Cap and Trade Expenditure Plan

(Dollars in Millions)

Investment Category	Department	Program	Amount
Air Toxic and Criteria Air Pollutants	Air Resources Board	AB 617 - Community Air Protection & Local Programs to Reduce Air Pollution	\$245
		AB 617 - Local Air District Implementation	\$20
		AB 617 - Technical Assistance to Community Groups	\$10
Low Carbon Transportation	Air Resources Board	Clean Vehicle Rebate Program	\$238
		Clean Trucks, Buses, & Off-Road Freight Equipment	\$182
		Enhanced Fleet Modernization Program, School Buses & Transportation Equity Projects	\$65
		Agricultural Diesel Engine Replacement & Upgrades	\$65
Healthy Forests	CAL FIRE	Healthy & Resilient Forests	\$165
		Forest Carbon Plan: Prescribed Fire & Fuel Reduction	\$35
		Wildland-Urban Interface & Other Fire Prevention Activities	\$10
		Urban Forestry	\$10
Climate Smart Agriculture	Department of Food & Agriculture	Healthy Soils	\$28
		Methane Reduction	\$34
Short-Lived Climate Pollutants	CalRecycle	Waste Diversion	\$25
	Air Resources Board	Fluorinated Gases Emission Reduction Incentive Program (SB 1013)	\$1
Integrated Climate Action: Mitigation & Resilience	Strategic Growth Council	Transformative Climate Communities	\$60
	Natural Resources Agency	Urban Greening	\$30
	Coastal Commission & SF Bay Conservation and Development Commission	Coastal Resilience	\$3
	Community Services & Development	Low-Income Weatherization	\$10
	California Conservation Corps	Energy Corps	\$6
Climate and Clean Energy Research & Technical Assistance	Strategic Growth Council	Climate Change Research	\$5
		Technical Assistance to Disadvantaged Communities	\$2
	California Environmental Protection Agency	Transition to a Carbon-Neutral Economy & Zero-Emission Vehicle Strategy	\$3
Workforce Training	Workforce Development Board	Apprenticeships for a Green Economy	\$35
Safe Drinking Water	State Water Resources Control Board	Safe Drinking Water	\$100
Total			\$1,387

SAFE AND AFFORDABLE DRINKING WATER

Despite over \$3 billion in investments for safe drinking water infrastructure projects since 2010, many local water systems throughout the state, particularly those serving small, disadvantaged communities, fail to provide safe drinking water to their customers. Currently, approximately 1 million Californians lack access to safe drinking water. The most significant remaining challenge is the lack of a stable funding source for long-term operation and maintenance of drinking water systems.

The Administration has worked with the Legislature on a Safe and Affordable Drinking Water package that includes a stable ongoing fund source to provide local communities, particularly disadvantaged communities, with the resources necessary to support safe and affordable drinking water for Californians.

The Budget includes: (1) \$100 million Greenhouse Gas Reduction Fund and \$33.4 million General Fund one-time in 2019-20 to begin implementation of a Safe and Affordable Drinking Water Program, and (2) statutory changes that continuously appropriate 5 percent of annual Cap and Trade proceeds (up to \$130 million) beginning 2020-21 through 2030, and provide a General Fund backstop beginning in 2023-24 in the event annual revenues for this purpose are lower than \$130 million.

These resources provide stable funding for the State Water Resources Control Board to assist communities, particularly disadvantaged communities, in paying for costs of obtaining access to safe and affordable drinking water. This includes ongoing financial support for operations and maintenance, consolidations or extensions of service, administrative and managerial services, and other long-term drinking water solutions.

The use of Greenhouse Gas Reduction Funds for safe and affordable drinking water advances the state's climate resiliency goals by helping to secure water resources statewide. Climate change adversely impacts water availability and can affect drinking water quality. Rising temperatures will impact precipitation amounts and result in less reliable water supplies, increasing the need to use water supplies that contain contaminants and require treatment to meet drinking water standards. This approach to safe drinking water also advances the state's climate change priorities by supporting and providing benefits to disadvantaged communities most impacted by climate change.

Other Significant Budget Adjustments:

- One-time \$168.5 million Proposition 68 funds for technical assistance, grants, and loans to public water systems in disadvantaged communities for infrastructure improvements to meet safe and affordable drinking water standards, including both drinking water and wastewater treatment projects.
- One-time \$31 million General Fund to support drinking water emergencies such as critical maintenance or repair of drinking water or wastewater systems, provision of temporary water tanks for short-term solutions, planning costs for recovery from wildfires, and safe drinking water projects in the Southern Central Valley and Southern California.

In addition, the Administration worked with the Legislature to accelerate the one-time \$20 million General Fund initially proposed in the Governor's Budget for the 2019-20 fiscal year, into the 2018-19 fiscal year (via Chapter 1, Statutes of 2019 (AB 72)) to support drinking water emergencies in disadvantaged communities.

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