

BOARD MEETING DATE: July 10, 2015

AGENDA NO. 32

REPORT: Legislative Committee

SYNOPSIS: The Legislative Committee met on Friday, June 12, 2015.
The next Legislative Committee meeting is scheduled for Friday,
July 17, 2015 at 9:00 a.m. in Conference Room CC8.

The Committee deliberated on agenda items for Board
consideration and recommended the following actions:

Agenda Item	Recommendation
Issue RFP for Legislative Representation in Washington, D.C.	Approve
SB 398 (Leyva) Green Assistance Program	Support
SB 400 (Lara) California Global Warming Solutions Act of 2006: Greenhouse Gas Reduction Fund	Support with Amendments
Greenhouse Gas Reduction Fund Investment Principles	Approve

RECOMMENDED ACTION:

Receive, file this report, and approve agenda items as specified above.

Judith Mitchell
Chair
Legislative Committee

Attendance [Attachment 1]

The Legislative Committee met on June 12, 2015. Committee Chair Judith Mitchell was present at SCAQMD's Diamond Bar headquarters. Committee Members Michael Antonovich, Dr. William A. Burke, Dr. Clark E. Parker Sr., and Janice Rutherford attended via videoconference.

Update on Federal Legislative Issues

SCAQMD federal legislative consultant, Warren Weinstein of Kadesh & Associates, reported on various key Washington, D.C. issues:

- Congresswoman Napolitano has drafted a letter to the Transportation and Infrastructure Committee leadership regarding the pending transportation bill. So far four of her colleagues on the Committee - Hahn, Garamendi, Huffman, and Brownley – have agreed to sign on to the letter that includes SCAQMD recommendations and references the Hahn and Lowenthal bills, which this agency supports. As the letter was drafted, congressional staff wanted to ensure that the letter was not too Southern California-specific so as to dissuade other Californian members from signing on.
- Appropriation bills remain stalled in the Senate. If the Defense appropriations bill moves this month, that bodes well for Energy and Water Appropriations (which includes the zero-emissions goods movement grant program). If Defense is held up, it bodes poorly for all the other Senate appropriations bills.
- The Senate Environment and Public Works Committee (EPW) is planning to mark up a transportation bill later this month. It is not clear whether amendments will be allowed. Nevertheless, this is a modest step forward. The challenge remains as to how the bill will be funded.
- EPW is also planning a hearing for three Assistant Administrators at U.S. EPA-- Jane Nishida, Ann Dunkin and Thomas Burke. As well, last week the Committee held a hearing on several bills that would weaken U.S. EPA's authority to regulate ozone under the National Ambient Air Quality Standards established by the Clean Air Act. Competing witness testimony focused on the costs and benefits of tighter ozone standards.

SCAQMD federal legislative consultant, Gary Hoitsma of the Carmen Group, also reported on key Washington, D.C. issues:

- Congress has now extended current MAP-21 transportation programs through the end of July. A further extension is expected to be enacted at that time carrying current programs to the end of December. The hope is that by the end of the year, significant new money will be found – possibly through some aspect of a mini-

corporate tax reform – that will allow passage of a new longer-term six year bill.

- The House voted this week to pass its version of the FY 2016 Transportation/HUD appropriations bill. Notably, the House bill reflects leadership priorities with proposed large cuts in the Transportation Investment Generating Economic Recovery (TIGER) grants, slight cuts to transit funding, and slight increases for aviation programs. The bill accommodates certain truck size and weight increases favored by the trucking industry. The bill also has zero funding for High Speed Rail (HSR) and includes a specific ban on any funding for the California HSR project. The bill has already drawn a veto threat from the President.
- This week, the House Appropriations Subcommittee on Interior, Environment, and related Agencies marked-up their FY 2016 bill, which funds the EPA among other agencies. The Committee, with Congressman Calvert's help, included \$20 million for the Targeted Airshed Grant Program. This is double the funding level of \$10 million included in the current year. In addition, the Committee included \$50 million for the Diesel Emission Reduction Act (DERA) Program, a \$20 million increase from the current level (of \$30 million).
- On May 19th, Gary Hoitsma of the Carmen Group attended the roundtable discussion by the Senate Committee on Banking, Housing, & Urban Affairs focused on No and Low Emission transit bus vehicles. The discussion focused on the lack of adequate funding for new vehicle technology. Refueling and recharging infrastructure remain the biggest obstacle to the full deployment and commercialization of electric, fuel cell and hybrid bus vehicles.

Update on State Legislative Issues

SCAQMD state legislative consultant, Will Gonzalez of Gonzalez, Quintana & Hunter, briefed the Committee on key Sacramento issues:

- SB 513 (Beall) - Carl Moyer program modernization passed the Senate floor last week 40-0 and is now pending referral in the Assembly.
- Major climate change related bills moved out of their respective houses of origin and are expected to be meet greater challenges in the second house. The key bills, previously discussed in Committee, include:
 - SB 350 (De León) - 50% Renewables Portfolio Standard (RPS), oil use reduction and energy efficiency
 - SB 32 (Pavley) - New 2030 and 2050 Greenhouse Gas (GHG) goals
 - AB 645 (Williams) - 50% RPS
 - AB 1288 (Atkins) - removes sunset on GHG cap and trade program

- The state Budget appears likely to meet the June 15th deadline for passage. The 60 percent continuous appropriations of the Greenhouse Gas Reduction Fund (GGRF) (high speed rail, sustainable communities, etc.) that was agreed to in the 2014 budget settlement agreement will continue through 2019. However, the remaining 40 percent of the GGRF that is subject to annual appropriation will not be finalized until later this summer.

SCAQMD state legislative consultant, Paul Gonsalves of Joe A. Gonsalves & Son, also briefed the Committee on key Sacramento issues:

- The state’s response to the historic drought, as well as the ongoing effort to reduce GHGs, continues to color all policy and budget discussions in Sacramento. Regarding the state budget, he also anticipates that it will be passed by the June 15th constitutional deadline, despite ongoing disputes between the Governor and the Legislature over appropriate reserve fund levels and conditions placed on the University of California Regents regarding fees and funding levels.
- Pertaining to climate change, California Governor Jerry Brown signed a first-of-its-kind agreement with international leaders from 11 other states and provinces, representing more than 100 million people, to limit the increase in global average temperature to below 2 degrees Celsius. Scientists say catastrophic climate disruptions are likely above this warming threshold. The signatories to “Under 2 MOU” are giving themselves just 35 years to either reduce GHG emissions 80 to 95 percent below 1990 levels by 2050 or achieve a per capita annual emission target of less than two metric tons by 2050. This subnational agreement is intended to show a path for nations to follow as they work toward a legally-binding global agreement to reduce GHG emissions ahead of this year’s United Nations Climate Change Conference in Paris in December.

Issue RFP for Legislative Representation in Washington, D.C.

Lisha B. Smith, Deputy Executive Officer presented on this item. The current SCAQMD contracts for legislative representation in Washington, D.C. expire on January 14, 2016, necessitating an RFP for continued legislative representation in Sacramento.

The Legislative Committee APPROVED staff’s recommendation to Issue an RFP for Legislative Representation in Washington, D.C.

AYES: Antonovich, Burke, Mitchell, Parker, and Rutherford

NOES:

[Refer to the July 10, 2015 Board Agenda Item No. 17 for additional information]

Recommend Position on Bills [Attachment 2]

AB 450 (McCarty) Greenhouse Gas: Energy Efficiency: Financing

Chair Judith Mitchell stated that staff has decided to continue to watch this bill and at this time will not present it to the committee for recommendation.

Guillermo Sanchez, Senior Public Affairs Manager, presented on the following two bills:

SB 398 (Leyna) Green Assistance Program

This bill is an effort to ensure that the promise held in the Greenhouse Gas Reduction Fund investment is fully and fairly realized. To that end, it creates the Green Assistance Program (GAP) and requires the Secretary for Environmental Protection, coordinating with other agencies, to provide outreach and technical assistance to small business and non-profits. Focusing on the state's most disadvantaged communities, GAP is meant to help small businesses and nonprofits access programs already funded by the GGRF for energy efficiency upgrades or projects that lessen the negative health impacts of poor air quality. Of the 1993 census tracts identified by CalEnviro Screen as being within the top 25% most disadvantaged communities, 1,368 are within SCAQMD's jurisdiction.

Recommended Position: Support

The Legislative Committee approved staff's recommendation to SUPPORT SB 398.

AYES: Mitchell, Parker, Rutherford

NOES: Antonovich, Burke

SB 400 (Lara) California Global Warming Solutions Act of 2006: Greenhouse Gas Reduction Fund

This bill would require the California High-Speed Rail Authority (HSRA) to allocate not less than 25% of the cap-and-trade funds appropriated from the GGRF to projects that either reduce or offset GHG emissions directly associated with the construction of the high-speed rail project and provide a co-benefit of improving air quality. The bill would also require priority to be given within this expenditure category to measures and projects located in areas designated as extreme nonattainment. San Joaquin and the South Coast Basin are in extreme nonattainment for ozone.

Recommended Position: Support with amendments clarifying that air quality co-benefits specifically means criteria pollutant and/or toxic contaminant emission reductions.

The Legislative Committee approved staff's recommendation to SUPPORT WITH AMENDMENTS SB 400 (Lara).

AYES: Burke, Antonovich, Parker, Mitchell, Rutherford
NOES:

Greenhouse Gas Reduction Fund Investment Principles [Attachment 3]
Guillermo Sanchez presented this item.

The attached principles were brought before the Committee to maximize criteria pollutant and toxic contaminant co-benefits from GGRF investments. It restates long-standing SCAQMD efforts in this area and allows the Agency to comprehensively address GGRF investments without picking and choosing amongst competing proposals or individually negotiating with over a dozen agencies. In short, the principles request that all GGRF investments be prioritized, in rank order, by:

- Air quality co-benefits;
- Public health impacts; and
- Other co-benefits, including support for clean technologies, jobs and the economy.

Recommended Position: Approve

The Legislative Committee approved staff's recommendation to APPROVE Greenhouse Gas Reduction Fund Investment Principles.

AYES: Burke, Antonovich, Parker, Mitchell, Rutherford
NOES:

Report from SCAQMD Home Rule Advisory Group [Attachment 4]
Please refer to Attachment 4 for written report.

Other Business:
None

Public Comment Period:
None

Attachments

1. Attendance Record
2. Bill and Bill Analyses
3. Greenhouse Gas Reduction Fund Investment Principles
4. SCAQMD Home Rule Advisory Group Report

ATTACHMENT 1

ATTENDANCE RECORD –June 12, 2015

SCAQMD BOARD MEMBERS:

Councilmember Judith Mitchell, Chair
Supervisor Michael Antonovich (Videoconference)
Dr. William A. Burke (Videoconference)
Dr. Clark E. Parker, Sr. (Videoconference)
Supervisor Janice Rutherford (Videoconference)

STAFF TO COMMITTEE:

Lisha B. Smith, Deputy Executive Officer
Derrick Alatorre, Assistant Deputy Executive Officer/Public Advisor
Guillermo Sanchez, Senior Public Affairs Manager
Julie Franco, Senior Administrative Secretary

SCAQMD STAFF:

Barbara Baird, Chief Deputy Counsel
Philip Fine, Assistant Deputy Executive Officer
Bayron Gilchrist, Assistant Chief Deputy Counsel
Matt Miyasato, Deputy Executive Officer
Mohsen Nazemi, Deputy Executive Officer
Kurt Wiese, General Counsel
Sam Atwood, Media Manager
Marc Carrel, Program Supervisor
David Madsen, Senior Public Information Specialist
Robert Paud, Telecommunications Supervisor
Todd Warden, Senior Public Information Specialist (Videoconference)
Patti Whiting, Staff Specialist
Kim White, Public Information Specialist
Rainbow Yeung, Senior Public Information Specialist (Videoconference)

OTHERS PRESENT:

Mark Abramowitz, Governing Board Member Consultant (Lyou)
Paul A. Gonsalves, Joe A. Gonsalves & Son (Teleconference)
Will Gonzalez, Gonzalez, Quintana & Hunter, LLC (Teleconference)
Gary Hoitsma, Carmen Group (teleconference)
Chung Liu, Governing Board Member Consultant (Mitchell)
Rita Loof, RadTech
David Rothbart, Los Angeles County Sanitation District
Andy Silva, Governing Board Member Consultant (Rutherford)
Susan Stark, Tesoro
Warren Weinstein, Kadash & Associates (Teleconference)

ATTACHMENT 2A

SB 398 (Leyva) Green Assistance Program

Summary:

This bill creates the Green Assistance Program (GAP) through the Office of the Secretary for Environmental Protection to provide technical assistance to small businesses, small non-profits and disadvantaged communities to access funding for energy efficiency upgrades or projects that lessen the negative health impacts of poor air quality.

Background:

Existing Law

Under the California Global Warming Solutions Act of 2006, existing law requires the California Air Resources Board (ARB) to determine the 1990 statewide greenhouse gas (GHG) emissions level, to approve a statewide GHG emissions limit equivalent to that level that will be achieved by 2020, and to adopt GHG emissions reductions measures by regulation. ARB is authorized to use market-based mechanisms to comply with the regulations and which has been implemented as its greenhouse gas cap and trade program. All moneys collected are to be deposited in the Greenhouse Gas Reduction Fund (GGRF).

Under the GGRF Investment Plan and Communities Revitalization Act, GGRF moneys must be used to facilitate GHG emission reductions consistent with the Global Warming Solutions Act of 2006. Appropriations of the GGRF funds in the annual budget are required to be consistent with the three-year investment plans developed by the Department of Finance in consultation with ARB and other relevant state agencies.

Pursuant to SB 535 (DeLeon), the GGRF investment plan is to allocate a minimum of 25% of the funds to projects that benefit disadvantaged communities and to allocate 10% of the funds to projects located within disadvantaged communities.

Cap-and-Trade Expenditure Plan in the Annual Budget

The 2014-15 Budget Act allocates cap-and-trade revenues for the 2014-15 fiscal year established a long-term plan for the allocation of cap-and-trade revenues beginning in fiscal year 2015-16. The Budget continuously appropriates 35% of cap-and-trade funds for investments in transit, affordable housing, and sustainable communities. Twenty-five percent of the revenues are continuously appropriated to continue the construction of high-speed rail. The remaining 40% will be appropriated annually by the Legislature for investments in programs that include low-carbon transportation, energy efficiency and renewable energy, and natural resources and waste diversion.

For the 2014-15 budget year, the Budget provided \$832 million of cap-and-trade proceeds to reduce GHG emissions and meet SB 535 goals. Reflecting swelling revenues being deposited in the GGRF, the Governor's 2015 May Revise proposes \$2.237 billion in cap-and-trade funding for the 2015-16 budget year as follows:

- \$ 1.6 billion for Sustainable Communities and Clean Transportation
 - including \$500 million for High Speed Rail Authority
- \$ 385 million for Energy Efficiency and Clean Energy
- \$ 237 million for Natural Resources and Waste Diversion

Disadvantaged Communities

CalEnviroScreen, a tool developed by the Office of Environmental Health Hazard Assessment, and through the direction of SB 535, determined a list of disadvantaged communities throughout California in October 2014. The areas within which the majority of disadvantaged communities were identified included the San Joaquin Valley, parts of Los Angeles and the Inland Empire, and large portions of the Coachella Valley and Mojave Desert, in addition to communities located near industrial areas and major roadways. (See attached map of SB 535 disadvantaged communities in the greater Los Angeles area.)

Bill Status: 6/3/15 Read third time. Passed. (Ayes 31. Noes 9.) Ordered to the Assembly.

Specific Provisions:

This bill:

- 1) Establishes GAP to be administered by the Secretary in concert with environmental justice programs.
- 2) Tasks the GAP with providing technical assistance to small businesses and small nonprofits, both as defined by the Secretary, and disadvantaged communities applying for GGRF moneys. The technical assistance may include, but is not limited to:
 - a) Basic information on available programs, eligibility requirements, and deadlines.
 - b) Referrals to designated contact people in agencies administering the programs.
- 3) Requires the Secretary, who may coordinate with other state agencies, local agencies, and nonprofits, to conduct outreach activities to inform eligible entities about the GAP.
- 4) Requires that the program use existing resources appropriated by the Legislature to the Office of the Secretary in the annual Budget Act.

Impacts on SCAQMD's Mission, Operations or Initiatives:

Southern California is home to some of the worst air quality in the nation, particularly those communities that serve as a primary corridor for transporting goods from the Ports of Long Beach and Los Angeles through the Inland Empire to other parts of the West Coast and nation. Unfortunately, many of California's and our region's most polluted areas are in disadvantaged communities with higher rates of poverty and incidences of asthma and cancer. These disadvantaged

communities, as well as small non-profits and businesses, typically do not have the technical expertise or marketing capabilities to develop and pursue grant and financing options, leaving them at a clear disadvantage in applying for green assistance funds.

GGRF investments have the promise of supporting local businesses and jobs while addressing the negative impacts of air quality from greenhouse gas emission reductions and cobenefit criteria pollutant and toxic emission reductions. SB 398 will help ensure that GGRF investments are made equitably and include investments within the SCAQMD as consistent with our population and pollution burden. Pursuant to SB 535, CalEnviroScreen identifies the top 25% most disadvantaged communities in the state: 1,368 of the 1,993 census tracts identified across the state are within SCAQMD’s jurisdictional boundaries.

SB 398 will help address an ongoing gap between green funding resources currently available at the state level and ability of small communities, non-profits and businesses within SCAQMD to access those funds.

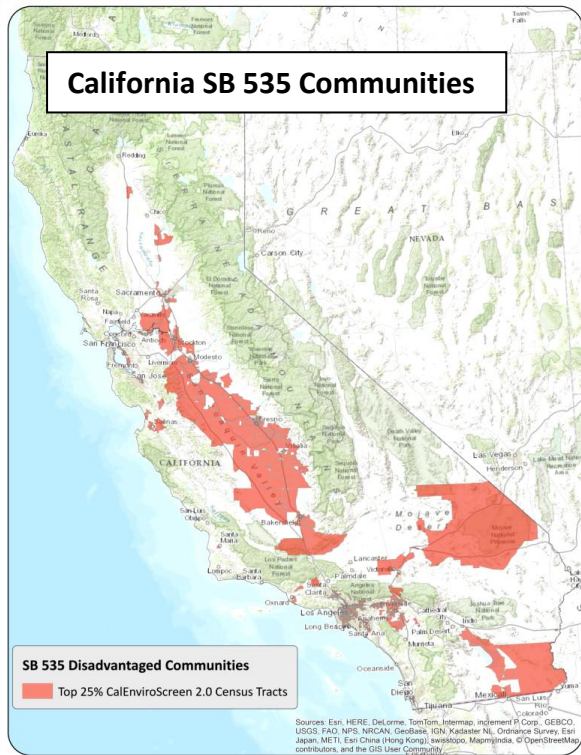
Recommended Position: SUPPORT

SUPPORT: (Verified 6/1/15)

- American Lung Association in California
- Asian Pacific Environmental Network
- Breathe California
- California League of Conservation Voters
- Climate Resolve
- Coalition for Clean Air
- Environmental Defense Fund
- Leadership Council for Justice and Accountability
- Lutheran Office of Public Policy, California
- Move LA
- National Resources Defense Council
- Physicians for Social Responsibility
- ReLeaf
- Sierra Club California
- Strategic Concepts in Organizing and Policy Education
- Trust for Public Lands
- Union of Concerned Scientists
- Valley Clean Air Now

OPPOSITION: (Verified 6/1/15)

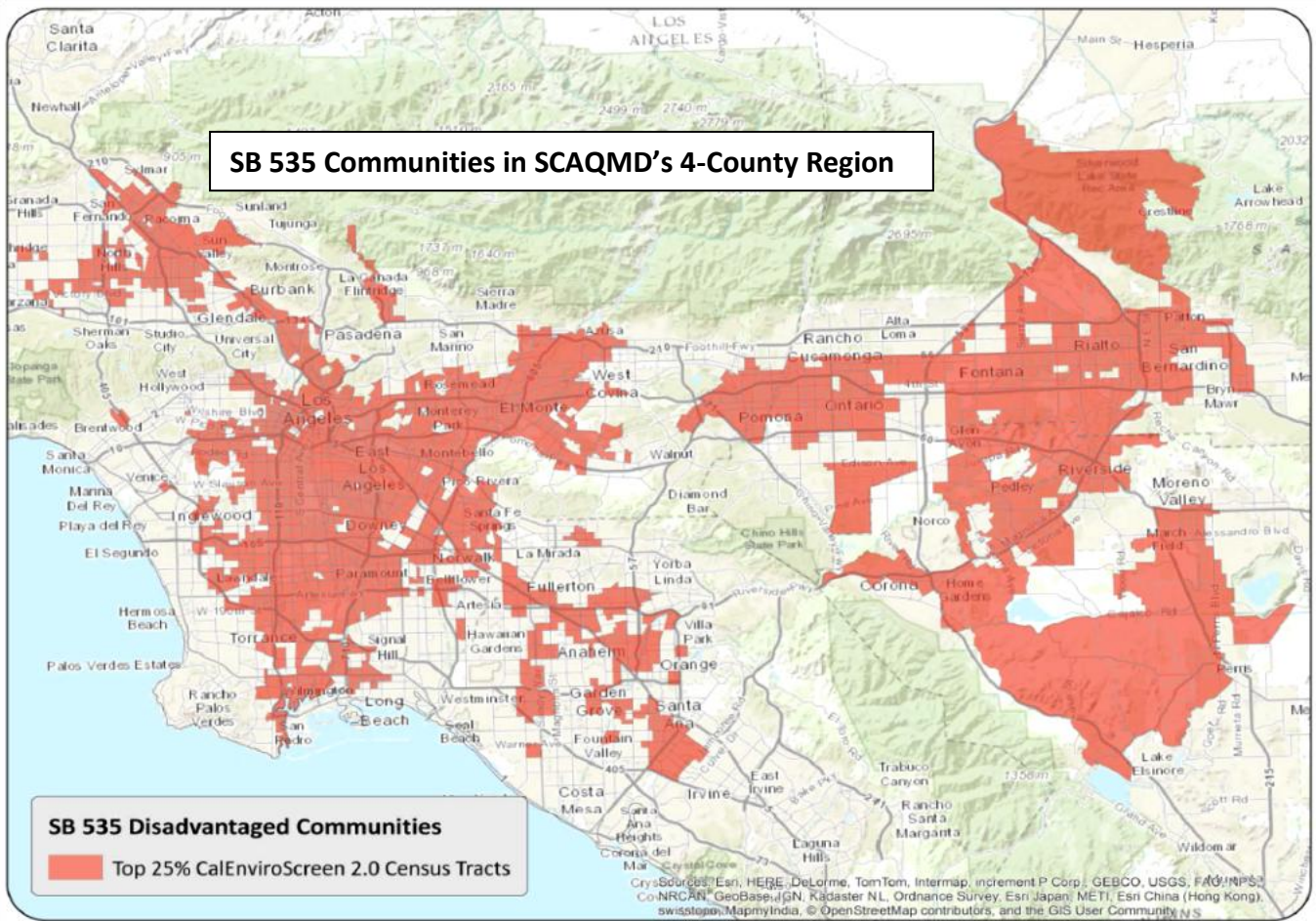
None received



Pursuant to SB 535, CalEnviroScreen identifies the top 25% most disadvantaged communities in the state: 1,368 of the 1,993 census tracts identified across the state are within SCAQMD’s jurisdictional boundaries.

Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. A census tract usually covers a contiguous area; however, the spatial size of census tracts vary widely depending on the density of settlement.

Census tract boundaries generally follow visible and identifiable features as well as nonvisible legal boundaries.



AMENDED IN SENATE JUNE 2, 2015

AMENDED IN SENATE APRIL 14, 2015

SENATE BILL

No. 398

**Introduced by Senator Leyva
(Coauthors: Senators Beall and Pavley)**

February 25, 2015

An act to add Part 10 (commencing with Section 44480) to Division 26 of the Health and Safety Code, relating to nonvehicular air pollution.

LEGISLATIVE COUNSEL'S DIGEST

SB 398, as amended, Leyva. Green Assistance Program.

The California Global Warming Solutions Act of 2006 designates the State Air Resources Board as the state agency charged with monitoring and regulating sources of emissions of greenhouse gases. The act authorizes the state board to include the use of market-based compliance mechanisms. Existing law requires all moneys, except for fines and penalties, collected by the state board from the auction or sale of allowances as part of a market-based compliance mechanism to be deposited in the Greenhouse Gas Reduction Fund and to be available upon appropriation by the Legislature.

Existing law generally designates the state board as the state agency with the primary responsibility for the control of vehicular air pollution, and air pollution control and air quality management districts with the primary responsibility for the control of air pollution from all sources other than vehicular sources.

This bill would establish the Green Assistance Program, to be administered by the Secretary for Environmental Protection in concert with environmental justice programs, that, among other things, would provide technical assistance to small businesses, small nonprofits, and

disadvantaged communities in applying for an allocation of moneys from the Greenhouse Gas Reduction Fund. The bill would declare that the secretary use existing resources for the program.

Vote: majority. Appropriation: no. Fiscal committee: yes.
 State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. The Legislature finds and declares all of the
 2 following:

3 (a) Small businesses, small nonprofits, and disadvantaged
 4 communities often lack the technical expertise to develop grant
 5 and financing options.

6 (b) In order for the state to meet its greenhouse gas emissions
 7 reductions goals, every entity and community must have the same
 8 opportunity to compete for funding that is available to meet those
 9 goals.

10 SEC. 2. Part 10 (commencing with Section 44480) is added to
 11 Division 26 of the Health and Safety Code, to read:

12

13 PART 10. GREEN ASSISTANCE PROGRAM

14

15 44480. For purposes of this part, “secretary” means the
 16 Secretary for Environmental Protection.

17 44482. (a) The Green Assistance Program is hereby established
 18 and shall be administered by the secretary in concert with
 19 environmental justice programs. The program shall provide
 20 technical assistance to small businesses and small nonprofits, as
 21 both of those terms are defined by the secretary, and disadvantaged
 22 communities, as identified pursuant to Section 39711, in equitably
 23 applying for an allocation of the moneys deposited in the
 24 Greenhouse Gas Reduction Fund, created pursuant to Section
 25 16428.8 of the Government Code.

26 (b) The technical assistance provided as part of the program
 27 established pursuant to this part may include, but is not limited to,
 28 ~~any of~~ the following:

29 (1) Basic information on available programs, eligibility
 30 requirements, and deadlines.

31 (2) Referrals to designated contact people in public agencies
 32 administering the programs.

1 ~~(3) Assistance during the application preparation and submission~~
2 ~~process.~~

3 44484. (a) The secretary shall conduct outreach activities to
4 inform small businesses, small nonprofits, and disadvantaged
5 communities of the program established pursuant to this part.

6 (b) The secretary may coordinate outreach activities with other
7 state agencies, local agencies, and nonprofits that serve eligible
8 program applicants.

9 44486. The program established pursuant to this part shall use
10 existing resources appropriated by the Legislature to the office of
11 the Secretary for Environmental Protection in the annual Budget
12 Act.

O

ATTACHMENT 2B

SB 400 (Lara)

California Global Warming Solutions Act of 2006: Greenhouse Gas Reduction Fund.

Summary: This bill would require the California High-Speed Rail Authority (HSRA) to allocate not less than 25% of the cap-and-trade funds appropriated from the Greenhouse Gas Reduction Fund (GGRF) to projects that either reduce or offset greenhouse gas (GHG) emissions directly associated with the construction of the high-speed rail project and provide a cobenefit of improving air quality. The bill would also require priority to be given within this expenditure category to measures and projects located in areas designated as extreme nonattainment.

Background: The California Global Warming Solutions Act of 2006 (AB 32) designates the State Air Resources Board (ARB) as the state agency charged with monitoring and regulating sources of GHG emissions. ARB is required to adopt a statewide GHG emissions limit equivalent to the statewide GHG emissions level in 1990, to be achieved by 2020. AB 32 authorizes ARB to include the use of market-based compliance mechanisms. Existing law requires all moneys, except for fines and penalties, collected by ARB from the auction or sale of allowances as part of a market-based compliance mechanism to be deposited into the GGRF and be available upon appropriation.

Existing law creates the HSRA to direct development and implementation of intercity high-speed rail service that is fully coordinated with other public transportation services. In 2008, voters approved Proposition 1A authorizing \$9.95 billion in general obligation bonds for the high-speed rail program. In addition to bond funds, HSRA has also received some federal grants to partially fund the construction of the system.

Also, existing law establishes a long-term cap-and-trade expenditure plan by continuously appropriating portions of the funds for designated purposes. Among other things, existing law continuously appropriates 25% of the annual proceeds from cap-and-trade to HSRA for various project components of the high-speed rail program, including:

- a) Acquisition and construction costs
- b) Environmental review and design costs
- c) Other capital costs
- d) Repayment of any loans made to the authority

The Governor's May Revise includes \$500 million of GGRF monies for the High Speed Rail Authority in his proposal for the 2015-16 State Budget.

Status: 6/2/15 - In Assembly. Read first time. Held at Desk.

Specific Provisions: Specifically, this bill would:

- 1) Require HSRA to allocate not less than 25% of the appropriated cap-and-trade funds to projects that either reduce or offset GHG emissions directly associated with the construction of the high-speed rail project **and** provide a cobenefit of improving air quality; and
- 2) Require HSRA to prioritize allocating this funding for measures and projects in communities that are located in areas designated as extreme nonattainment.

Impacts on SCAQMD’s mission, operations or initiatives: According to the author, many of the communities along the proposed high-speed rail route are in regions that are disproportionately impacted by poor air quality. Residents living in close proximity to heavily congested transportation corridors already suffer adverse health effects from increased emissions. This bill would facilitate the HSRA’s use of some of the cap-and-trade funds to help impacted communities and would prioritize projects that reduce GHG emission in these affected regions. To further clarify what types of GHG emission reduction projects HSRA could propose, the bill includes a list of example projects eligible for this funding, including:

- 1) Public transit improvements that reduce congestion by improving transit service or frequency of service;
- 2) Transportation improvements that reduce congestion, including network improvements and roadway modifications;
- 3) Alternative transportation options, including infrastructure improvements that support clean transportation, facilitate bicycle and pedestrian use, and connect bicycle and pedestrian routes to transit facilities;
- 4) Natural systems, including rural and urban forests, that reduce GHG emissions or increase the sequestration of carbon to mitigate the impacts of GHG emissions and create greater climate resiliency; and
- 5) The use of low- and zero-emission equipment for transportation and construction.

This bill is consistent with District policy priorities because it provides a substantial funding source to support clean transportation and infrastructure, as well as low and zero emission equipment for transportation and construction, among other things. These efforts would help reduce emissions of criteria pollutants and toxic air contaminants within the South Coast region, thereby helping to protect public health and the attainment of federal air quality standards within the South Coast.

SCAQMD recommends an amendment to the current bill language:

- Replace “provide a cobenefit of improving air quality.” on Page 3, lines 23-24 with “provide a cobenefit by reducing criteria pollutant and/or toxic air contaminant emissions.”

Recommended Position: SUPPORT WITH AMENDMENTS

AMENDED IN SENATE JUNE 1, 2015
AMENDED IN SENATE APRIL 23, 2015
AMENDED IN SENATE APRIL 6, 2015

SENATE BILL

No. 400

Introduced by Senator Lara

February 25, 2015

An act to amend Section 39719 of the Health and Safety Code, relating to greenhouse gases, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

SB 400, as amended, Lara. California Global Warming Solutions Act of 2006: Greenhouse Gas Reduction Fund.

The California Global Warming Solutions Act of 2006 designates the State Air Resources Board as the state agency charged with monitoring and regulating sources of emissions of greenhouse gases. The state board is required to adopt a statewide greenhouse gas emissions limit equivalent to the statewide greenhouse gas emissions level in 1990 to be achieved by 2020. The act authorizes the state board to include the use of market-based compliance mechanisms. Existing law requires all moneys, except for fines and penalties, collected by the state board from the auction or sale of allowances as part of a market-based compliance mechanism to be deposited in the Greenhouse Gas Reduction Fund and to be available upon appropriation. Existing law makes a specified continuous appropriation to the High-Speed Rail Authority from the fund.

This bill would require the High-Speed Rail Authority to allocate not less than 25% of the moneys continuously appropriated to the authority from the fund to ~~environmental mitigation measures and projects that~~

~~reduce greenhouse gas emissions from transportation sources projects that either reduce or offset greenhouse gas emissions directly associated with the construction of the high-speed rail project~~ and provide a cobenefit of improving air quality. The bill would require priority to be given within this expenditure category to measures and projects that are located in communities in areas designated as extreme nonattainment. The bill would expand the purposes of a continuous appropriation, thereby making an appropriation.

Vote: majority. Appropriation: yes. Fiscal committee: yes.
 State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 39719 of the Health and Safety Code is
 2 amended to read:
 3 39719. (a) The Legislature shall appropriate the annual
 4 proceeds of the fund for the purpose of reducing greenhouse gas
 5 emissions in this state in accordance with the requirements of
 6 Section 39712.
 7 (b) To carry out a portion of the requirements of subdivision
 8 (a), annual proceeds are continuously appropriated for the
 9 following:
 10 (1) Beginning in the 2015–16 fiscal year, and notwithstanding
 11 Section 13340 of the Government Code, 35 percent of annual
 12 proceeds are continuously appropriated, without regard to fiscal
 13 years, for transit, affordable housing, and sustainable communities
 14 programs as following:
 15 (A) Ten percent of the annual proceeds of the fund is hereby
 16 continuously appropriated to the Transportation Agency for the
 17 Transit and Intercity Rail Capital Program created by Part 2
 18 (commencing with Section 75220) of Division 44 of the Public
 19 Resources Code.
 20 (B) Five percent of the annual proceeds of the fund is hereby
 21 continuously appropriated to the Low Carbon Transit Operations
 22 Program created by Part 3 (commencing with Section 75230) of
 23 Division 44 of the Public Resources Code. Moneys shall be
 24 allocated by the Controller, according to requirements of the
 25 program, and pursuant to the distribution formula in subdivision
 26 (b) or (c) of Section 99312 of, and Sections 99313 and 99314 of,
 27 the Public Utilities Code.

1 (C) Twenty percent of the annual proceeds of the fund is hereby
2 continuously appropriated to the Strategic Growth Council for the
3 Affordable Housing and Sustainable Communities Program created
4 by Part 1 (commencing with Section 75200) of Division 44 of the
5 Public Resources Code. Of the amount appropriated in this
6 subparagraph, no less than 10 percent of the annual ~~proceeds~~,
7 *proceeds* shall be expended for affordable housing, consistent with
8 the provisions of that program.

9 (2) (A) Beginning in the 2015–16 fiscal year, notwithstanding
10 Section 13340 of the Government Code, 25 percent of the annual
11 proceeds of the fund is hereby continuously appropriated to the
12 High-Speed Rail Authority and shall be allocated for the following
13 components of the initial operating segment and Phase I Blended
14 System as described in the 2012 business plan adopted pursuant
15 to Section 185033 of the Public Utilities Code:

- 16 (i) Acquisition and construction costs of the project.
- 17 (ii) Environmental review and design costs of the project.
- 18 ~~(iii) Environmental mitigation measures and projects that reduce~~
19 ~~greenhouse gas emissions from transportation sources and provide~~
20 ~~a cobenefit of improving air quality.~~
- 21 *(iii) Projects that either reduce or offset greenhouse gas*
22 *emissions directly associated with the construction of the*
23 *high-speed rail project and provide a cobenefit of improving air*
24 *quality.*
- 25 (iv) Other capital costs of the project.
- 26 (v) Repayment of any loans made to the authority to fund the
27 project.

28 (B) The High-Speed Rail Authority shall allocate not less than
29 25 percent of the moneys appropriated pursuant to subparagraph
30 (A) for the purposes of clause (iii) of subparagraph (A). Priority
31 for allocating funding for those purposes shall be given to measures
32 and projects in communities that are located in areas designated
33 as extreme nonattainment.

34 (C) Measures and projects eligible for funding pursuant to clause
35 (iii) of subparagraph (A) may include, but are not limited to, the
36 following:

- 37 (i) Public transit improvements that reduce congestion by
38 improving transit service or frequency of transit service.
- 39 (ii) Transportation improvements that reduce congestion,
40 including network improvements and roadway modifications.

- 1 (iii) Alternative transportation options, including infrastructure
- 2 improvements that support clean transportation, facilitate bicycle
- 3 and pedestrian use, and connect bicycle and pedestrian routes to
- 4 transit facilities.
- 5 (iv) Natural systems, including rural and urban forests, that
- 6 reduce greenhouse gas emissions or increase the sequestration of
- 7 carbon to mitigate the impacts of greenhouse gas emissions and
- 8 create greater climate resiliency.
- 9 ~~(v) Reduction of emissions directly associated with construction~~
- 10 ~~of the high-speed rail project, including the~~ *The* use of low and
- 11 zero-emission equipment for transportation and construction.
- 12 (c) In determining the amount of annual proceeds of the fund
- 13 for the purposes of the calculation in subdivision (b), the moneys
- 14 subject to Section 39719.1 shall not be included.

ATTACHMENT 3

SCAQMD Principles Regarding Greenhouse Gas Reduction Fund Investments

The growing funds deposited in the Greenhouse Gas Reduction Fund (GGRF) present a momentous opportunity for the state to maintain its leadership in addressing climate change, relieving millions of Californians from the impacts of poor air quality, and provide investments to support jobs and the economy. Nevertheless, despite the increasing funds available under the GGRF and the state General Fund, California's resources are not unlimited and the challenges it must address are many. Thus, it is imperative that state investments be carefully planned to maximize the benefits to the state.

Fortunately, many strategies to reduce greenhouse gas emissions also have cobenefits for criteria and toxic air pollution. While California's climate change program is unparalleled, in regards to criteria pollution, many areas in the state are still in nonattainment of national ambient air quality standards despite the great progress made to date. Continued failure to meet the federal clean air standards not only has significant negative public health impacts but also exposes the state to costly federal sanctions that would impact the transportation sector and state and local economies.

Consequently, to maximize the benefit to the state from its GGRF investments and protect the public from the negative public health impacts of poor air quality, SCAQMD recommends the following three principles in ranked order to guide GGRF investments:

- 1) All GGRF investments be prioritized according to the criteria and toxic pollution cobenefits achieved;
- 2) All GGRF investments be prioritized by their public health impacts; and
- 3) All GGRF investments should be prioritized by their other cobenefits including, but not limited to support for clean technologies, jobs and the economy.

ATTACHMENT 4

SOUTH COAST AIR QUALITY MANAGEMENT DISTRICT

LEGISLATIVE REPORT FROM HOME RULE ADVISORY GROUP MEETING OF MAY 20, 2015

HRAG members present:

Dr. Joseph Lyou, Chairman

Philip Fine, SCAQMD

Mike Carroll, Latham & Watkins on behalf of the Regulatory Flexibility Group

Curt Coleman, Southern California Air Quality Alliance

Chris Gallenstein, CARB (participated by phone)

Jayne Joy, Eastern Municipal Water District (participated by phone)

Bill LaMarr, California Small Business Alliance

Rongsheng Luo, SCAG (participated by phone)

Art Montez, AMA International

Diane Moss, Renewables 100 Policy Institute

Terry Roberts, American Lung Association of California

David Rothbart, Los Angeles County Sanitation Districts

Larry Rubio, Riverside Transit Agency (participated by phone)

Lee Wallace, So Cal Gas and SDG&E

Others: Mark Abramowitz (Board Consultant to Dr. Lyou); Sue Gornick (WSPA); Daniel McGivney (SoCalGas/SDG&E); Noel Muyco (SoCalGas/SDG&E); Rita Loof (Radtech); and Susan Stark (Tesoro).

AQMD Staff: Susan Nakamura, Guillermo Sanchez, Bill Wong, and Marilyn Traynor

LEGISLATIVE UPDATE

Guillermo Sanchez reported on the following items that were discussed at the Legislative Committee meeting that was held after the Board Retreat on May 8, 2015:

State

There are several state bills pending which will allow for the commercial use of drones or unmanned aircraft; however, government agencies will have certain restrictions. Prompting the discussion is the Federal Aviation Administration's (FAA) proposed regulations intended to open up the airspace to commercial drones. The FAA estimates that there will be over 50,000 drones flying within the next few years. The principal limitation on such drones under the existing proposed regulations is that they must be operated within the line of sight of the operator, but already pressure is mounting to drop that restriction.

Although SCAQMD has no immediate plans to employ drones, pursuant to a Board request, Laki Tisopulos, Assistant Deputy Executive Officer for Technology Advancement, presented a white paper at the last Legislative Committee meeting outlining the state of the technology for

unmanned aircraft as well as their potential implications. Dr. Lyou noted the value of drones in emergency situations and for use by small APCDs with limited staff.

Ultimately, the issue comes down to two questions:

- 1) How do we balance our right of privacy with technological innovation?
- 2) How do we ensure that our legitimate concerns about privacy and civil liberties do not hamper innovations that benefit society?

Agency staff will continue to monitor the state of the technology as well as legislation and regulations on the matter.

Greenhouse gas-related legislation and the Greenhouse Gas Reduction Fund are major drivers of policy this legislative session. Over 140 bills related to greenhouse gas and climate change have been introduced this year. Many of them represent contending priorities on how the growing Greenhouse Gas Reduction Fund should be spent. Nevertheless, this discussion represents a major opportunity for the SCAQMD to maximize the benefit of the state's investments by securing co-benefit emission reductions of criteria pollutants along with GHG emission reductions. The parameters of this legislative discussion will be better known after the Senate and Assembly Appropriations Committees' suspense hearings on May 28, 2015.

Discussion

With regard to drones, Dr. Fine noted that the issue of privacy is a primary concern. Mr. Montez stressed the importance of worker safety; he encouraged the Board to proceed with the use of drones and let the lawyers work out the liability issues with the insurance companies later. Mr. LaMarr asked if SCAQMD has immediate plans to purchase or use drones. He added that the stakeholders have several concerns, privacy rights being one. Mr. Sanchez responded that SCAQMD has no plans to employ drones at this point; however, drone technology is rapidly moving forward and staff feels that SCAQMD, as well as research institutions and other agencies, should be included in the policy discussions.

With regard to the budget, Mr. Montez asked where the majority of the surplus money is going. Mr. Sanchez responded that this is the crux of the debate in Sacramento. Much of the surplus funds in the state's general fund will go to formula requirements such as the state's Proposition 98 funding guarantee for education. Another significant portion of funding will go to pay down past state obligations to local governments. With regard to "surplus funds" generated by cap-and-trade revenues being deposited in the Greenhouse Gas Reduction Fund, staff will have a better sense once the bills begin to move through their respective second chambers.