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## Legislature Passes Cap-and-Trade Spending Plan on the Last Day of Session

Late Wednesday night, the Legislature passed a modest spending plan for revenues from California's Cap-and-Trade auction program after weeks of delaying action on the funds. The plan allocates just \$900 million of the estimated \$2.4 billion available in the Greenhouse Gas Reduction Fund, directed mostly to urban areas, disadvantaged communities as defined by the California Environmental Protection Agency (CalEPA), and programs focused on cutting petroleum usage.

The plan contains only \$40 million for waste diversion programs and \$25 million for forest health programs, compared to \$100 million and \$140 million, respectively, originally proposed by Governor Brown earlier this year. While many members lauded the plan for its benefit to disadvantaged communities and low income households, others noted that the plan spends much of the funds on the least cost effective emissions reductions programs rather than investing in programs with a better cost/benefit profile, such as forest health and waste diversion. The final plan was not in print until late Tuesday night, when the Senate, Assembly and Governor finally reached consensus on a deal for the funds.

California's last two Cap-and-Trade auctions performed well below expectations, causing the Legislature to delay action on the plan to spend the available pot of revenues. The Cap-and-Trade program is also under legal challenge as an unconstitutional tax on the industries required to comply, leaving the State at risk of having to repay capped entities for carbon allowances they were forced to purchase. The uncertainties around the program led Legislators to reserve a large portion of the fund in what turned out to be the final 2016-17 expenditure plan, which now awaits the Governor's signature.

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