Agenda Item 10b

METROPOLITAN
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COMMISSION

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Memorandum

TO: Commission

DATE: June 20, 2012

FR: Executive Director

W. I. 1131

RE: Cap-and-Trade Advocacy Principles

Attached are seven advocacy principles for how the state should spend allowance revenue generated from the "cap-and-trade" program, a new element of the state's strategy to reduce greenhouse gas (GHG) emissions consistent with AB 32 (Nuñez) — the Global Warming Solutions Act of 2006. These principles are slightly revised from the version that was approved by the Legislation Committee at their June 8 meeting. Since that meeting, MTC legislative staff has been in discussions with representatives of various statewide organizations (including the California Alliance for Jobs, the California Transit Association, the California League of Cities, and the California State Association of Counties) that are advocating for transportation to receive 100 percent of allowance revenue from transportation fuels.

Given California's longstanding commitment to investing taxes associated with gasoline and diesel fuel back into the transportation system, combined with the fact that the revenue potential from 100 percent of transportation fuel-related allowances is expected to be considerably higher than 40 percent of total allowances remaining after General Fund offsets (as proposed in the original recommendation), staff suggests that the Commission consider approving the attached revision to the Legislation Committee recommendation.

Steve Heminger

Attachment

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Agenda Item #10b
Cap-and-Trade
Attachment 1
June 27, 2012

Legislative Advocacy Principles for the State's Cap-and-Trade Program

1. A multi-year expenditure plan for the use of cap-and-trade revenue should be developed by the Administration, with ample opportunity for public input. The Legislature should be empowered to make adjustments to the plan before final adoption by the Air Resources Board.

2. In addition to meeting the legal nexus requirement, the expenditure plan should seek to maximize other benefits to California, including improved mobility, livability, public health and social equity.

3. ~~Given that transportation contributes almost 40 percent of the state's GHG emissions, a similar share of the allowance revenue (remaining after General Fund-eligible expenditures are offset) should go towards projects that reduce emissions from the transportation sector.~~

   Allowance revenue from transportation fuels should be dedicated to transportation investments. This is consistent with the longstanding policy of the state to dedicate revenue related to motor vehicle fuels to transportation. It also assures a political and legal nexus between the costs and benefits of the program.

4. To help implement SB 375, cap-and-trade revenue funds dedicated to transportation — other than those of a statewide nature, such as high-speed or intercity rail — should be distributed to MPOs to help them achieve the GHG reduction targets included in each region's Sustainable Communities Strategy (SCS).

5. Each region's share of allowance revenue should be determined on a formula basis that reflects a geographically equitable distribution of funds.

6. Project eligibility in the transportation sector should include any transportation project that can meet the legal nexus test for fees, including projects that reduce GHG emissions as well as those that mitigate the *effects* of GHG emissions, (such as climate adaptation projects). MPOs would be responsible for ensuring that projects funded by allowance proceeds satisfy all legal requirements.

7. Projects funded by MPOs must be consistent with each region's SCS. Project selection should be done competitively with priority given to projects that reduce GHG emissions in the near term, while also supporting other key state and regional goals.