



PCL INSIDER: News from the Capitol

State Budget Highlights Include Drought Relief and Cap-and-Trade Dollars

With little fanfare, and nearly a week before a constitutionally-mandated deadline, Governor Jerry Brown signed a \$167 billion state budget on June 24. In a move that largely acceded to the Governor's most recent spending plan released in May, the Legislature sent the Governor a document that met his requirement of restrained spending with a significant rainy-day fund, despite the robust state revenue returns that have coffers filling to much higher levels than earlier projections indicated.



Spending on natural resources and the environment remained fairly flat, with the exception of an uptick in bond spending, boosted by the passage of Proposition 1 (Water Bond) last fall. **Drought relief and the anticipation of significant cap-and-trade auction revenues were the two bright spots in an otherwise mostly business-as-usual budget**, where the Holy Grail of a permanent, dedicated source of funding for natural resources and the environment continues to elude advocates and policy makers alike.

The newly-enacted 2015-16 budget adds an additional **\$1.8 billion of mostly bond-funded resources to the state's emergency drought response efforts**, bringing total committed funding since last year to \$3.87 billion. Funds will be directed toward protecting and expanding local water supplies, **water conservation**, and emergency response, while concurrent trailer bill legislation authorizes local water system consolidation, CEQA streamlining for some water recycling projects, and improved local monitoring, reporting and enforcement.

The budget also calls for **\$532 million in non-drought related Prop 1 spending**, the first part of a multi-year water bond expenditure plan. The largest portion of that amount, \$177 million, is targeted for watershed protection and restoration, with moneys headed to state conservancies, Department of Fish and Wildlife, and the Wildlife Conservation Board. The expenditure plan also calls for \$56 million in spending for non-emergency water conservation and integrated regional water management, \$69 million to improve access to safe drinking water in disadvantaged communities, and \$22 million for groundwater sustainability programs.

Cap-and-trade auction revenues are a fast-growing source of funding for environmental and natural resources programs that can show reductions in greenhouse gas (GHG) emissions and promote the state's climate changes policies. Projected auction revenues for this calendar year are expected to exceed **\$2.5 billion**, an extraordinary amount for an ongoing funding source that didn't even exist a few years ago.



Current law sets aside **60 percent of auction proceeds to fund public transit, affordable housing, sustainable communities and high-speed rail**. The Governor has proposed spending the other 40 percent on various GHG reduction strategies, up to \$2.2 billion in this budget year, keeping any surplus in a savings account. The Legislature wants to spend more dollars now, particularly

in **disadvantaged communities** hardest hit by pollution and climate change impacts. Look for the final expenditure plan for the unallocated 40 percent to be hashed out between the Governor and the Legislature later this summer, and probably not resolved until the waning days of the session in late August or early September, when Sacramento's 100+ degree temperatures add urgency to the climate change debate.

Other budget actions of likely interest to PCL members include an increase of over **\$14 million for evaluation and enforcement activities** designed to protect aquifers at risk from underground injection operations related to fracking, and a \$3.3 million increase in General Fund support to the **California Conservation Corps** to repair the Butte County Fire Center and to begin identifying sites for additional residential centers.

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