

AMENDED IN ASSEMBLY AUGUST 24, 2012

AMENDED IN ASSEMBLY AUGUST 22, 2012

AMENDED IN ASSEMBLY JUNE 25, 2012

AMENDED IN SENATE MAY 29, 2012

AMENDED IN SENATE MAY 1, 2012

SENATE BILL

No. 1572

Introduced by Senator Pavley

February 24, 2012

An act to add ~~Article 2 (commencing with Section 16440) to Chapter 3 of Part 2 of Division 4 of Title 2 of Sections 16428.81, 16428.82, and 16428.83~~ to the Government Code, relating to greenhouse gases, *and making an appropriation therefor.*

LEGISLATIVE COUNSEL'S DIGEST

SB 1572, as amended, Pavley. California Global Warming Solutions Act of 2006: AB 32 Investment 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 act requires the state board to adopt a statewide greenhouse gas emissions limit equivalent to the statewide greenhouse gas emissions level in 1990 to be achieved by 2020, and to adopt rules and regulations in an open public process to achieve the maximum, technologically feasible, and cost-effective greenhouse gas emission reductions. The act authorizes the state board to include use of market-based compliance mechanisms. The state board has adopted by regulation a program pursuant to the act to cap greenhouse gas emissions and provide for

market-based compliance mechanisms, including the auction of allowances (cap-and-trade program). 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 requires a state agency, prior to expending any money appropriated to it by the Legislature from the fund, to prepare a record consisting of a description of proposed expenditures and of how they will further the regulatory purposes of the California Global Warming Solutions Act of 2006, how they will achieve specified greenhouse gas emissions reductions, how the agency considered other objectives of that act, and how the agency will document expenditure results.*

This bill, with certain exceptions, would ~~in addition require the same revenues appropriate moneys~~ collected by the state board and derived from the auction or sale of allowances ~~to be deposited in in the 2012-13 fiscal year from the Greenhouse Gas Reduction Account, which the bill would establish~~ Fund to the state board. Under the bill, a specified portion of the money ~~in the fund appropriated to the state board~~ would be available, ~~subject to appropriation by the Legislature, to administering agencies~~ to fund prescribed projects that meet certain goals relating to greenhouse gas emissions reductions. *This bill would authorize the state board and the Treasurer to adopt emergency regulations for the purposes of funding eligible projects, as prescribed.* The bill would require ~~administering agencies~~ the Treasurer and the Strategic Growth Council to prepare and submit to the Legislature ~~quarterly~~ Legislature, until January 1, 2017, annual reports on funded projects and activities. The bill would require the state board to publish information on projects on its Internet Web site.

This bill would create the Higher Education Greenhouse Gas Emissions Reduction Account within the Greenhouse Gas Reduction Fund. This bill would provide that any revenue collected by the state board from the sale of an allowance to the University of California or the California State University is required to be deposited into this account. This bill would continuously appropriate the moneys in this account, without regard to fiscal years, to the state board for purposes that are determined, based on the best available evidence, to reduce greenhouse gas emissions, as specified, and would prescribe additional criteria for the expenditure of moneys in the account. This bill would require the state board to submit to the Legislature a 5-year investment

plan detailing the projects and activities to be funded. This bill would require, no later than December 31, 2013, and each December 31 thereafter, the University of California and the California State University to submit to the state board and the Legislature a specified report.

This bill would create the Water Suppliers Greenhouse Gas Emissions Reduction Account within the Greenhouse Gas Reduction Fund. This bill would provide that any revenue collected by the state board from the sale of an allowance to a water supplier, as defined, is required to be deposited into this account. This bill would continuously appropriate the moneys in this account, without regard to fiscal years, to the state board for the purposes of reducing greenhouse gas emissions associated with water suppliers, and would prescribe additional criteria for the expenditure of moneys in the account. This bill would require, no later than November 1, 2013, and each November 1 thereafter, a water supplier that received funds from the account to submit to the state board and the Legislature a specified report.

Vote: majority. Appropriation: ~~no~~-yes. 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 the following:*
- 2 (a) *In accordance with its discretionary authority to adopt*
- 3 *market-based compliance mechanisms pursuant to Part 5*
- 4 *(commencing with Section 38570) of Division 25.5 of the Health*
- 5 *and Safety Code, the State Air Resources Board adopted on*
- 6 *December 22, 2011, a final regulation order establishing the*
- 7 *cap-and-trade program, which took effect on January 1, 2012.*
- 8 (b) *California's cap-and-trade program is authorized by the*
- 9 *California Global Warming Solutions Act of 2006 (Division 25.5*
- 10 *(commencing with Section 38500) of the Health and Safety Code).*
- 11 (c) *To mitigate the risk of market manipulation and windfall*
- 12 *profits and to ensure the market price of a greenhouse gas*
- 13 *emissions allowance is transparent and publicly discoverable, the*
- 14 *State Air Resources Board will auction a limited number of*
- 15 *allowances to qualifying market participants beginning on*
- 16 *November 14, 2012, though the majority of allowances will be*
- 17 *freely allocated to covered entities.*

1 (d) Proceeds from the auction of allowances must be spent to
2 further purposes of the California Global Warming Solutions Act
3 of 2006, including the reduction of statewide greenhouse gas
4 emissions to 1990 levels by 2020, and the maintenance of those
5 levels beyond 2020.

6 (e) In order to further the purposes of the California Global
7 Warming Solutions Act of 2006, it is necessary and appropriate
8 to immediately allocate a portion of auction proceeds anticipated
9 to be generated in the 2012–13 fiscal year, excluding proceeds
10 from allowances consigned to auction by electrical distribution
11 utilities, to fund projects that reduce greenhouse gas emissions
12 and that also achieve the following purposes to the extent feasible:

13 (1) Maintain and create jobs for industries with covered entities
14 by reducing leakage risk through cost-effective investments in
15 greenhouse gas emissions reductions measures.

16 (2) Rapidly achieve greenhouse gas emissions reductions at a
17 reasonable cost.

18 (3) Ensure investments in emissions reductions benefit
19 disadvantaged communities to the maximum extent feasible.

20 (4) Provide near-term relief of budgetary pressure facing
21 universities, state, regional, and local government, and other public
22 agencies.

23 (5) Provide opportunities for small businesses, local
24 governments, nonprofit entities, state-certified local conservation
25 corps, state conservancies, and other community institutions to
26 participate in and benefit from statewide and regional efforts to
27 reduce greenhouse gas emissions.

28 (f) It is necessary and appropriate to prioritize near-term
29 investments from auction proceeds in emissions reductions at
30 covered entities that will generate most of the initial proceeds, in
31 order to ensure a low-cost transition to a clean-energy economy
32 for the benefit of their customers.

33 (g) A wider range of investments should be eligible longer term,
34 including increased investment in fuels-related emissions
35 reductions as the coverage of the cap-and-trade program expands,
36 transformational technology innovation, uncapped sectors such
37 as natural resources and sustainable agriculture where some of
38 the most cost-effective emissions reductions are possible, and other
39 areas of investment with broad public benefits that private markets
40 may not otherwise adequately fund.

1 SEC. 2. Section 16428.81 is added to the Government Code,
2 to read:

3 16428.81. (a) For purposes of this section:

4 (1) “Covered entities” means an entity subject to allowance
5 surrender requirements under any cap-and-trade program adopted
6 by the state board as of December 31, 2012, excluding electrical
7 corporations that receive all of their allowances for free, and
8 including, but not limited to, food processors, manufacturers of
9 glass, cement, and other industrial products, oil and gas production
10 facilities and refineries, and thermal energy suppliers.

11 (2) “State board” means the State Air Resources Board.

12 (b) (1) Notwithstanding subdivision (c) of Section 16428.8,
13 moneys collected in the 2012–13 fiscal year and deposited into
14 the Greenhouse Gas Reduction Fund that are not allocated or
15 otherwise used by the Director of Finance to make commensurate
16 reductions to General Fund expenditure authority, as authorized
17 by Section 15.11 of the Budget Act of 2012, are hereby
18 appropriated from the Greenhouse Gas Reduction Fund to the
19 state board to be expended in accordance with this section. In
20 accordance with Government Code Section 16304, funds not
21 encumbered within three years shall revert back to the Greenhouse
22 Gas Reduction Fund.

23 (2) Funds expended pursuant to this section shall meet the
24 requirements of subdivision (a) of Section 16428.9 and shall benefit
25 disadvantaged communities to the maximum extent feasible. The
26 definition of a disadvantaged community shall be determined by
27 the California Environmental Protection Agency.

28 (c) The funds appropriated to the state board pursuant to
29 subdivision (b) shall be allocated as follows:

30 (1) Sixty percent to fund eligible projects in a timely manner
31 that would maximize the use of private capital and innovative
32 technology and accommodate unique cost and project financing
33 attributes of the particular industry of a covered entity. The state
34 board may allocate any of these moneys to the Treasurer for use
35 in accordance with his or her authority under the California
36 Pollution Control Financing Authority Act to fund eligible projects,
37 if the state board determines that the allocation maximizes the use
38 of private capital and innovative technology and accommodates
39 unique cost and project financing attributes of the particular
40 covered entities’ industry.

1 (A) For purposes of this paragraph, eligible projects are those
2 projects that are determined by the state board to reduce
3 greenhouse gas emissions at covered entities that the state board
4 determines meet the following criteria:

5 (i) The project will reduce greenhouse gas emissions associated
6 with the operations of a covered entity under any cap-and-trade
7 program as reported to the state board pursuant to the mandatory
8 greenhouse gas emissions reporting regulation with a compliance
9 obligation commencing in the 2013 program year.

10 (ii) The covered entity's projected greenhouse gas emissions in
11 2013 will exceed any free allocation of emission allowances in
12 2013 by at least 10 percent.

13 (iii) The project is related to compliance with the California
14 Global Warming Solutions Act of 2006 (Division 2.5 (commencing
15 with Section 38500) of the Health and Safety Code) and is not
16 required by any other law, regulation, or court order.

17 (iv) The project applicant agrees to reporting and audit
18 requirements.

19 (B) The value of the benefits that may be received in a fiscal
20 year pursuant to this paragraph for eligible projects at a covered
21 entity shall not exceed the actual costs incurred by the covered
22 entity from purchasing auctioned allowances.

23 (C) Types of eligible projects may include, but are not limited
24 to, switching to the production or use of low-carbon fuels, on-site
25 efficiency measures, clean energy generation, increasing the use
26 of recycled content, energy storage, and waste heat recovery.

27 (D) The Treasurer and the state board may consult with the
28 Governor's Office of Business and Economic Development for the
29 purposes of administering this paragraph.

30 (E) In addition to any other authority the California Pollution
31 Control Financing Authority may have, the authority may provide
32 a rebate to the applicant in the amount of the sales and use tax
33 paid on the qualifying equipment within 30 days of receipt of a
34 determination by the state board that the requirements of
35 subparagraph (A) have been met and receipt of proof of purchase
36 of qualifying property associated with the eligible project.

37 (F) If the state board finds that moneys provided pursuant to
38 this paragraph were used for purposes other than those described
39 in subparagraph (A), the project applicant shall be required to
40 repay any moneys received with interest.

1 (G) *The state board and the Treasurer may adopt emergency*
2 *regulations for the purposes of implementing this paragraph. The*
3 *adoption of emergency regulations shall be deemed necessary for*
4 *the immediate preservation of the public peace, health, safety, or*
5 *general welfare for the purposes of Section 11346.1.*

6 (H) *Total project cost associated with any eligible project is*
7 *eligible for funding.*

8 (I) *Any activities undertaken as part of any funded eligible*
9 *project shall complement and shall not interfere with efforts to*
10 *achieve and maintain federal and state ambient air quality*
11 *standards and reduce toxic air contaminant emissions.*

12 (2) *Ten percent to the Strategic Growth Council to be awarded,*
13 *on a competitive basis, to metropolitan planning organizations or*
14 *councils of governments, in accordance with subparagraph (A),*
15 *and to local climate innovation projects, in accordance with*
16 *subparagraph (B).*

17 (A) *Metropolitan planning organizations or in regions not within*
18 *a metropolitan planning organization, the council of governments,*
19 *are eligible for funding to develop and implement regional or local*
20 *plans to reduce greenhouse gas emissions through investments in*
21 *transportation infrastructure and operations and changes in land*
22 *use.*

23 (i) *Project funding determinations shall be made at the regional*
24 *level in accordance with statewide criteria developed by the*
25 *Strategic Growth Council and the state board that prioritize*
26 *investments in projects that cost-effectively reduce greenhouse gas*
27 *emissions, integrate transportation infrastructure and land use*
28 *strategies, and achieve additional greenhouse gas emissions*
29 *reductions and community benefits through integration with local*
30 *energy, water, public health, or resource conservation strategies.*

31 (ii) *In regions with sustainable community strategies or an*
32 *alternative planning strategy for which the state board has*
33 *accepted a metropolitan planning organization's determination*
34 *that the sustainable communities strategy or the alternative*
35 *planning strategy would, if implemented, achieve the greenhouse*
36 *gas emissions reduction targets pursuant to subparagraph (H) of*
37 *paragraph (2) of subdivision (b) of Section 65080, projects shall*
38 *implement the adopted strategy within existing urbanized areas.*

39 (iii) *In regions that do not have strategies that meet the*
40 *requirements of clause (ii), projects shall meet criteria developed*

1 *by the Strategic Growth Council, in collaboration with the state*
2 *board, to ensure that projects provide measurable and verifiable*
3 *greenhouse gas emissions reductions.*

4 *(iv) Funds allocated by the Strategic Growth Council may be*
5 *used for any of the following:*

6 *(I) Integrated land use and transportation infrastructure*
7 *development, design, construction, or planning, including, but not*
8 *limited to, complete street retrofits, street scape improvements,*
9 *multiuse trails, electric vehicle charging infrastructure, natural*
10 *gas refueling infrastructure, and transit infrastructure implemented*
11 *with complementary land use changes, including passenger or*
12 *commuter rail, transit-oriented affordable housing, and other*
13 *infrastructure that provides access to a diverse mix of housing*
14 *types, jobs, schools, and recreational, commercial, retail, and*
15 *other services of the neighborhood level, as well as other integrated*
16 *infrastructure and land use strategies that demonstrate greenhouse*
17 *gas emission reductions.*

18 *(II) Transportation efficiency measures that provide greenhouse*
19 *gas emissions reduction benefits, including, but not limited to,*
20 *expansion and greenhouse gas reduction of transit services, road*
21 *and bridge maintenance with safety retrofits, roadway operations,*
22 *and demand management strategies.*

23 *(III) Performance measurement systems to evaluate greenhouse*
24 *gas emissions reductions from integrated projects and program*
25 *administrative costs.*

26 *(v) Within each region, projects shall be selected based on the*
27 *net greenhouse gas emissions reductions per dollar invested.*

28 *(B) A city, county, or city and county, state conservancy,*
29 *regional climate authority, special district, air district, joint powers*
30 *authority, regional collaborative, nonprofits coordinating and*
31 *communicating with local governments, or state-certified local*
32 *conservation corps is eligible for funding to develop, plan, design,*
33 *implement, or construct approved local climate innovation projects*
34 *that do all of the following:*

35 *(i) Result in replicable models.*

36 *(ii) Quantifiably reduce greenhouse gas emissions reductions.*

37 *(iii) Have clear, accurate, transparent reporting procedures in*
38 *place, including, but not limited to, clean energy generation, energy*
39 *efficiency, urban and community greening, stormwater reductions,*
40 *urban river restoration, water efficiency, agricultural and open*

1 *space protection, and natural community conservation plan*
2 *development and implementation.*

3 *(d) (1) To ensure that funds are expended efficiently and*
4 *transparently, all of the following shall occur:*

5 *(A) The Treasurer, for the purposes of any allocation made*
6 *pursuant to paragraph (1) of subdivision (c), and the Strategic*
7 *Growth Council, for the purposes of paragraph (2) of subdivision*
8 *(c), shall prepare and submit to the Legislature an annual report*
9 *that includes, but is not limited to, a detailed list of projects and*
10 *activities for which funds were expended or obligated. For each*
11 *project or activity, the detailed list shall include at least the*
12 *following information:*

13 *(i) The name of the project or activity.*

14 *(ii) A description of the project or activity.*

15 *(iii) An evaluation of the completion status.*

16 *(B) The state board shall publish on its Internet Web site*
17 *information on projects funded pursuant to this section, including*
18 *the status, costs, benefits, location, and other information relating*
19 *to a project in a manner that is easily accessible and*
20 *comprehensible to the public, in order to understand the effects*
21 *the funded projects are having on California's environment and*
22 *economy.*

23 *(2) Any recipient of funds pursuant to this section shall provide*
24 *the state agency from which the recipient received the funds any*
25 *information necessary for that state agency to comply with the*
26 *requirements of paragraph (1).*

27 *(3) (A) The report to be submitted pursuant to subparagraph*
28 *(A) of paragraph (1) shall be submitted in compliance with Section*
29 *9795.*

30 *(B) The requirement for submitting a report imposed pursuant*
31 *to subparagraph (A) of paragraph (1) is inoperative on January*
32 *1, 2017, pursuant to Section 10231.5.*

33 *(e) In addition to subdivision (c) of Section 16428.9, the*
34 *provisions of this section are severable. If any provision of this*
35 *section or its application is held invalid, that invalidity shall not*
36 *affect other provisions or applications that can be given effect*
37 *without the invalid provision or application.*

38 *SEC. 3. Section 16248.82 is added to the Government Code,*
39 *to read:*

1 16248.82. (a) For purposes of this section, “state board” shall
2 mean the State Air Resources Board.

3 (b) The Higher Education Greenhouse Gas Emissions Reduction
4 Account is hereby created within the Greenhouse Gas Reduction
5 Fund. Notwithstanding Section 16428.8, any moneys that may be
6 collected by the state board from the sale of an allowance to the
7 University of California or the California State University as part
8 of any market-based compliance mechanism that may be adopted
9 by the state board shall be deposited into this account.

10 (c) Notwithstanding Section 13340, the moneys in the Higher
11 Education Greenhouse Gas Emissions Reduction Account are
12 continuously appropriated, without regard to fiscal years, to the
13 state board to be expended as follows:

14 (1) The requirements of subdivision (a) of Section 16428.9 shall
15 be met prior to expending any funds.

16 (2) Funds may be expended only for purposes that are
17 determined, based on the best available evidence, to reduce
18 greenhouse gas emissions associated with public segments of the
19 state’s postsecondary education system that are covered entities
20 for purposes of any cap-and-trade program. These projects and
21 activities may include, but are not limited to, the following:

22 (A) Projects or activities that reduce electricity and natural gas
23 consumption at facilities controlled by the University of California
24 or the California State University, including energy efficiency,
25 distributed generation, waste heat recovery, and energy storage.

26 (B) Procurement of energy sources that reduce natural gas
27 usage at university facilities.

28 (C) Procurement of carbon-neutral electricity that displaces
29 conventional electricity generation at university facilities.

30 (3) Funds may be expended for administrative costs to directly
31 support any of the activities funded by this section. Administrative
32 costs shall not exceed 2.7 percent of the total moneys deposited in
33 the Higher Education Greenhouse Gas Emissions Reduction
34 Account each fiscal year.

35 (4) Expenditure of funds shall be contingent upon an additional
36 investment by the University of California or the California State
37 University in greenhouse gas abatement projects and activities,
38 equal in value to 20 percent of the funds it receives pursuant to
39 this section, either direct or in kind.

1 (d) The state board shall submit to the Legislature a five-year
2 investment plan detailing the projects and activities to be funded
3 with an anticipated allocation.

4 (e) (1) No later than December 31, 2013, and each December
5 31 thereafter, the University of California and the California State
6 University shall submit to the state board and to the Legislature
7 a report describing the respective disposition of funds received in
8 that calendar year and the planned expenditures for funding that
9 may be received pursuant to this section in the coming calendar
10 year.

11 (2) (A) The requirement for submitting a report imposed
12 pursuant to paragraph (1) is inoperative on December 31, 2017,
13 pursuant to Section 10231.5.

14 (B) A report to be submitted pursuant to paragraph (1) shall
15 be submitted in accordance with Section 9795.

16 SEC. 4. Section 16428.83 is added to the Government Code,
17 to read:

18 16428.83. (a) For the purposes of this section, the following
19 terms have the following meanings:

20 (1) "State board" means the State Air Resources Board.

21 (2) "Water supplier" means any publicly owned supplier or
22 contractor for water, including, but not limited to, the Metropolitan
23 Water District of Southern California and, for purposes of
24 managing the State Water Project, the Department of Water
25 Resources, that distributes or sells water for ultimate resale to
26 customers and that is a regulated entity pursuant to Section 38570
27 of the Health and Safety Code.

28 (b) The Water Suppliers Greenhouse Gas Emissions Reduction
29 Account is hereby created within the Greenhouse Gas Reduction
30 Fund. Notwithstanding Section 16428.8, any revenue that may be
31 collected by the state board from the sale of an allowance to a
32 water supplier as part of any market-based compliance mechanism
33 that may be adopted by the state board shall be deposited into this
34 account.

35 (c) Notwithstanding Section 13340 of the Government Code,
36 the moneys in the Water Suppliers Greenhouse Gas Emissions
37 Reduction Account are continuously appropriated, without regard
38 to fiscal years, to the state board, to be expended as follows:

39 (1) The requirements of subdivision (a) of Section 16428.9 shall
40 be met prior to the expenditure of any funds.

1 (2) Funds may be expended only for the purpose of reducing
2 greenhouse gas emissions associated with water suppliers.

3 (3) Expenditure of funds shall be contingent upon an additional
4 investment by a water supplier that receives funds pursuant to this
5 section in greenhouse gas abatement projects and activities, equal
6 in value to 25 percent of the funds it receives, either direct or in
7 kind.

8 (d) No later than November 1, 2013, and each November 1
9 thereafter, each water supplier that has received funds pursuant
10 to this section shall submit to the state board and the Legislature
11 a report describing the disposition of funds received during that
12 calendar year and the status of projects funded by this section.

13 ~~SECTION 1. The Legislature finds and declares the following:~~

14 ~~(a) In accordance with its discretionary authority to adopt~~
15 ~~market-based compliance mechanisms pursuant to Part 5~~
16 ~~(commencing with Section 38570) of Division 25.5 of the Health~~
17 ~~and Safety Code, the State Air Resources Board adopted on~~
18 ~~December 22, 2011, a final regulation order establishing the~~
19 ~~cap-and-trade program, which took effect on January 1, 2012.~~

20 ~~(b) California's cap-and-trade program is authorized by the~~
21 ~~California Global Warming Solutions Act of 2006 (Division 25.5~~
22 ~~(commencing with Section 38500) of the Health and Safety Code).~~

23 ~~(c) To mitigate the risk of market manipulation and windfall~~
24 ~~profits and to ensure the market price of a greenhouse gas~~
25 ~~emissions allowance is transparent and publicly discoverable, the~~
26 ~~State Air Resources Board will auction a limited number of~~
27 ~~allowances to qualifying market participants, though the majority~~
28 ~~of allowances will be freely allocated to covered entities.~~

29 ~~(d) If the cap-and-trade regulation remains substantially~~
30 ~~unchanged, the State Air Resources Board will auction greenhouse~~
31 ~~gas emissions allowances beginning on November 14, 2012.~~

32 ~~(e) Proceeds from the auction of allowances must be spent to~~
33 ~~further purposes of the California Global Warming Solutions Act~~
34 ~~of 2006, including the reduction of statewide greenhouse gas~~
35 ~~emissions to 1990 levels by 2020, and the maintenance of those~~
36 ~~levels beyond 2020.~~

37 ~~(f) To further the purposes of the California Global Warming~~
38 ~~Solutions Act of 2006, and in light of current budgetary pressures~~
39 ~~facing families, small businesses, particularly those in~~
40 ~~disadvantaged communities, energy-intensive trade-exposed~~

1 industries, as well as local and regional governmental entities
2 throughout California, it is necessary and appropriate to
3 immediately allocate a portion of auction proceeds anticipated to
4 be generated in the 2012-13 fiscal year, excluding those allowances
5 consigned to auction by investor-owned utilities, to be used to
6 expeditiously alleviate budgetary pressure, create jobs in the near
7 term, utilize existing programs with a proven track record of
8 transparently and efficiently expending public funds to reduce
9 greenhouse gas emissions and accelerate the achievement of the
10 goals of the California Global Warming Solutions Act of 2006 in
11 a manner that has a sustained positive impact on the state's fiscal
12 health and economic leadership in global clean technology markets.

13 SEC. 2. Article 2 (commencing with Section 16440) is added
14 to Chapter 3 of Part 2 of Division 4 of Title 2 of the Government
15 Code, to read:

16

17 Article 2. AB 32 Investment Fund

18

19 16440. As used in this article:

20 (a) "Act" means the California Global Warming Solutions Act
21 of 2006 (Division 25.5 (commencing with Section 38500) of the
22 Health and Safety Code).

23 (b) "Cap-and-trade program" means any program adopted by
24 regulation of the State Air Resources Board pursuant to Division
25 25.5 (commencing with Section 38500) of the Health and Safety
26 Code to cap greenhouse gas emissions and provide for
27 market-based compliance mechanisms.

28 (c) "Energy Commission" means the State Energy Resources
29 Conservation and Development Commission.

30 (d) "Fund" means the Greenhouse Gas Reduction Account
31 established in Section 16441.

32 (e) "State board" means the State Air Resources Board.

33 16441. (a) The Greenhouse Gas Reduction Account is hereby
34 established as a special fund in the State Treasury.

35 (b) All revenues collected by the state board and derived from
36 any auction or sale of allowances pursuant to a market-based
37 compliance mechanism authorized by the act and established by
38 regulations adopted by the state board, excluding fines, penalties,
39 or moneys collected from the auction or sale of allowances
40 consigned to the state board by investor-owned utilities, shall be

1 deposited in the fund and shall be available, upon appropriation
2 by the Legislature, for the purposes of this article.

3 ~~16442. (a) (1) Notwithstanding any other law, one-half of the~~
4 ~~revenues collected in the 2012–13 fiscal year, or one hundred~~
5 ~~sixty-one million dollars (\$161,000,000), whichever amount is~~
6 ~~less, from the auction or sale of greenhouse gas emissions~~
7 ~~allowances, that are not allocated or otherwise used by the Director~~
8 ~~of Finance to make commensurate reductions to General Fund~~
9 ~~expenditure authority, as authorized by Section 15.11 of the Budget~~
10 ~~Act of 2012, shall be available, upon appropriation by the~~
11 ~~Legislature, to be expended for priority projects in accordance~~
12 ~~with this article.~~

13 ~~(2) All funds appropriated by the Legislature that are not~~
14 ~~allocated by the administering agency by the end of the 2012–13~~
15 ~~fiscal year shall revert back to the fund to be expended according~~
16 ~~to a long-term expenditure plan, in accordance with subsequent~~
17 ~~legislation.~~

18 ~~(3) If revenues of less than five hundred fifty million dollars~~
19 ~~(\$550,000,000) are derived from the auction or sale of greenhouse~~
20 ~~gas emissions allowances in the 2012–13 fiscal year, excluding~~
21 ~~those allowances consigned by investor-owned utilities to the state~~
22 ~~board, no money shall be expended in accordance with this article.~~

23 ~~(b) Priority projects funded in accordance with Section 16443~~
24 ~~shall comply with the following:~~

25 ~~(1) Achieve greenhouse gas emissions reductions at a reasonable~~
26 ~~cost.~~

27 ~~(2) Rapidly achieve budgetary savings for families, small~~
28 ~~businesses, schools, universities, companies regulated under the~~
29 ~~cap-and-trade program, community institutions, and state, local,~~
30 ~~and regional governments.~~

31 ~~(3) Advance the purposes of the cap-and-trade program, in~~
32 ~~particular the purpose of the auction to reduce the risk of market~~
33 ~~manipulation and windfall profits.~~

34 ~~(4) Protect existing jobs in the state by minimizing leakage, as~~
35 ~~defined in Section 38505 of the Health and Safety Code.~~

36 ~~(5) Benefit the most adversely impacted and disadvantaged~~
37 ~~communities to the maximum extent feasible.~~

38 ~~(6) Provide opportunities, where appropriate, for small~~
39 ~~businesses, schools, local governments, not-for-profit entities, state~~
40 ~~and local certified conservation corps, state conservancies, and~~

1 other community institutions to participate in and benefit from
2 statewide and regional efforts to reduce greenhouse gas emissions.

3 16443. The following are priority projects:

4 (a) Public university projects:

5 (1) Of funds deposited in the fund in the 2012–13 fiscal year,
6 12.5 percent, or twenty million nine hundred thousand dollars
7 (\$20,900,000), whichever amount is greater, shall be deposited in
8 the Higher Education Climate Solutions Fund, which is hereby
9 established as a subaccount of the fund, to be available for
10 allocation to public university governing boards for projects and
11 activities that are determined, based on the best available evidence,
12 to reduce greenhouse gas emissions associated with public
13 universities that are covered entities for purposes of any
14 cap-and-trade program, including, but not limited to, the following
15 projects and activities:

16 (A) Energy efficiency upgrades that reduce electricity and
17 natural gas consumption at university-controlled facilities.

18 (B) Procurement of biomethane or biogas that displaces natural
19 gas usage at university facilities.

20 (C) Procurement of carbon-neutral electricity that displaces
21 conventional electricity generation at university facilities.

22 (D) Administrative costs to directly support any of the activities
23 listed in subparagraphs (A), (B), and (C), not in excess of 1 percent
24 of total funds deposited in the Higher Education Climate Solutions
25 Fund.

26 (2) In order to be eligible for funds from the Higher Education
27 Climate Solutions Fund, a public university applying for funds
28 shall do the following:

29 (A) Agree to make an additional investment in greenhouse gas
30 abatement projects and activities, equal in value to 25 percent of
31 the funds it receives.

32 (B) Submit to the Legislature a five-year investment plan
33 detailing the projects and activities to be funded with an anticipated
34 allocation.

35 (3) At the end of the calendar year, each public university that
36 receives funding from the Higher Education Climate Solutions
37 Fund shall submit a report to the Legislature describing the
38 disposition of funds received in the previous calendar year and the
39 planned expenditures for allowance revenue in the coming calendar
40 year.

1 ~~(b) Rapid transition assistance for industrial facilities:~~
2 ~~Of funds deposited in the fund in the 2012–13 fiscal year, 16.5~~
3 ~~percent, or thirty-one million three hundred thousand dollars~~
4 ~~(\$31,300,000), whichever amount is greater, shall be available for~~
5 ~~appropriation to the Public Utilities Commission to carry out the~~
6 ~~self-generation incentive program in accordance with Section 379.6~~
7 ~~of the Public Utilities Code, subject to the following limitations:~~
8 ~~(1) Incentives shall only be available to covered entities subject~~
9 ~~to allowance surrender requirements under any cap-and-trade~~
10 ~~program, excluding electrical corporations that receive all of their~~
11 ~~allowances for free, and including, but not limited to, food~~
12 ~~processors, manufacturers of glass, cement, and other industrial~~
13 ~~products, oil and gas production facilities and refineries, and~~
14 ~~thermal energy suppliers.~~
15 ~~(2) The Public Utilities Commission shall not award incentives~~
16 ~~under the self-generation incentive program funded pursuant to~~
17 ~~this article for emissions reduction measures that are otherwise~~
18 ~~specifically required by statute, regulation, or court order.~~
19 ~~(c) Residential energy efficiency:~~
20 ~~(1) Of funds deposited in the fund in the 2012–13 fiscal year,~~
21 ~~8.5 percent, or ten million four hundred thousand dollars~~
22 ~~(\$10,400,000), whichever amount is greater, shall be available for~~
23 ~~appropriation to the Department of Community Services and~~
24 ~~Development for expenditure pursuant to the Weatherization~~
25 ~~Assistance Program administered by that department.~~
26 ~~(2) The Department of Community Services and Development~~
27 ~~shall expend at least 50 percent of the funds it receives pursuant~~
28 ~~to this section for eligible energy efficiency improvements within~~
29 ~~multifamily rental housing developments subject to affordability~~
30 ~~restrictions meeting the Department of Housing and Community~~
31 ~~Developments standards with remaining terms of at least 10 years.~~
32 ~~(d) Energy in agriculture priority projects:~~
33 ~~Of funds deposited in the fund in the 2012–13 fiscal year, 6.1~~
34 ~~percent, or four million two hundred thousand dollars (\$4,200,000),~~
35 ~~whichever amount is greater, shall be available for appropriation~~
36 ~~to the Energy Commission for expenditure in accordance with the~~
37 ~~Agricultural Industry Energy Program established pursuant to~~
38 ~~Section 25650 of the Public Utilities Code, for projects that meet~~
39 ~~the criteria established for that program. Projects may include the~~
40 ~~adoption of renewable energy and energy-efficient technologies~~

1 and management practices that reduce greenhouse gas emissions,
2 energy and water use, production costs, and minimize negative
3 environmental impacts while improving economic sustainability.

4 (e) Sustainable land use and transportation:

5 (1) Of funds deposited in the fund in the 2012–13 fiscal year,
6 24.5 percent, or thirty-one million three hundred thousand dollars
7 (\$31,300,000), whichever amount is greater, shall be available for
8 appropriation to the Strategic Growth Council established in
9 Section 75121 of the Public Resources Code, for allocation to
10 metropolitan planning organizations, or, within the Southern
11 California Association of Governments region, to a county
12 transportation commission, or to other local governmental entities
13 in regions not within a metropolitan planning organization, that
14 further the purposes of Chapter 728 of the Statutes of 2008 or
15 Chapter 729 of the Statutes of 2008, the California Regional
16 Blueprint Planning Program, or other regional planning processes.

17 (A) Project funding determinations shall be made at the regional
18 level in accordance with statewide criteria developed by the
19 Strategic Growth Council that prioritize investments in projects
20 that do the following:

21 (i) Cost-effectively reduce greenhouse gas emissions and provide
22 other cobenefits as defined by the act.

23 (ii) Integrate transportation, land use, and water and other
24 resource conservation strategies.

25 (iii) Occur in regions with sustainable community strategies
26 that meet greenhouse gas emission reduction targets, or in other
27 regions, for equivalent blueprint plans or other regional plans.

28 (B) Funds allocated by the Strategic Growth Council may be
29 used for integrated infrastructure development, design,
30 construction, or planning, including modeling and verification
31 systems that impose greenhouse gas emission reduction
32 performance measurement tools for local and regional actions, and
33 operation and maintenance of transportation infrastructure,
34 provided that the integrated infrastructure development, design,
35 construction, or planning or operation and maintenance measures
36 are part of a comprehensive regional or local plan that directly
37 results in overall greenhouse gas emission reduction and provisions
38 of cobenefits as defined by the act. Projects shall be selected based
39 on the net greenhouse gas emissions reductions and cobenefits
40 provided per dollar invested.

1 ~~(C) Of funds made available to the Strategic Growth Council~~
2 ~~pursuant to this subdivision, 40 percent shall be available to the~~
3 ~~Department of Housing and Community Development to be~~
4 ~~expended for loans consistent with subdivision (b) of Section 53562~~
5 ~~of the Health and Safety Code.~~

6 ~~(i) These funds shall finance only housing units that will be~~
7 ~~available at an affordable rent to persons of very low or low income~~
8 ~~for at least 55 years, although these units may be located in either~~
9 ~~all-affordable or mixed-income developments.~~

10 ~~(ii) The Department of Housing and Community Development~~
11 ~~shall not use project size as a scoring criterion but shall use density~~
12 ~~as a scoring criterion.~~

13 ~~(iii) The Department of Housing and Community Development~~
14 ~~shall further give priority to developments that achieve additional~~
15 ~~greenhouse gas emission reductions or energy conservation through~~
16 ~~onsite renewable energy, discount transit passes, car sharing, or~~
17 ~~other features.~~

18 ~~(iv) Funds expended shall be coordinated with and complement,~~
19 ~~and are encouraged to be combined with, funds allocated by the~~
20 ~~Strategic Growth Council pursuant to this subdivision.~~

21 ~~(f) Goods movement:~~
22 ~~Of funds deposited in the fund in the 2012–13 fiscal year, 9.3~~
23 ~~percent, or twelve million five hundred thousand dollars~~
24 ~~(\$12,500,000), whichever amount is greater, shall be available for~~
25 ~~appropriation to the state board to be expended in a manner~~
26 ~~consistent with Section 39625.5 of the Health and Safety Code.~~
27 ~~Funds expended pursuant to this section shall be consistent with~~
28 ~~the goods movement efficiency measures included in the Climate~~
29 ~~Change Scoping Plan adopted by the state board pursuant to the~~
30 ~~act.~~

31 ~~(g) Lower-Emission School Bus Program:~~
32 ~~Of funds deposited in the fund in the 2012–13 fiscal year, 6.5~~
33 ~~percent, or five million two hundred thousand dollars (\$5,200,000),~~
34 ~~whichever amount is greater, shall be available for appropriation~~
35 ~~to the state board to fund qualifying applications for incentives~~
36 ~~through its Lower-Emission School Bus Program.~~

37 ~~(h) Clean Vehicle Rebate Project:~~
38 ~~Of the funds deposited in the fund in the 2012–13 fiscal year,~~
39 ~~16.5 percent, or thirty-one million three hundred thousand dollars~~
40 ~~(\$31,300,000), whichever is greater, shall be available for~~

1 appropriation to the state board to implement its Clean Vehicle
2 Rebate Project, subject to the following limitations:

3 (1) Rebates shall only be available for appropriation to
4 households with a combined gross annual income of less than
5 eighty thousand dollars (\$80,000) per year.

6 (2) Only one rebate shall be available per qualifying household.

7 16444. (a) To ensure funds are expended efficiently,
8 transparently, and in a manner that reduces greenhouse gas
9 emissions, administering agencies and recipients of funds pursuant
10 to this article shall comply with the following requirements:

11 (1) An agency shall not award funds pursuant to this article
12 unless it finds, based on available evidence, that the project or
13 activity to be funded reduces greenhouse gas emissions in
14 furtherance of the act.

15 (2) An agency subject to the requirements of this article shall
16 prepare and submit to the Legislature quarterly reports that include,
17 but are not limited to, a detailed list of projects and activities for
18 which funds were expended or obligated, including, but not limited
19 to, the following information for each project or activity:

20 (A) The name of the project or activity.

21 (B) A description of the project or activity.

22 (C) An evaluation of the completion status.

23 (b) The state board shall publish on its Internet Web site
24 information on projects funded pursuant to this article, including
25 the status, costs, benefits, location, and other information relating
26 to a project in a manner that is easily accessible and
27 comprehensible to the public, in order to understand the effects
28 the funded projects are having on California's environment and
29 economy.

30 (c) (1) The report to be submitted pursuant to paragraph (2) of
31 subdivision (a) shall be submitted in compliance with Section
32 9795.

33 (2) The requirement for submitting a report imposed under
34 paragraph (2) of subdivision (a) is inoperative on January 1, 2017,
35 pursuant to Section 10231.5.

36 16445. The provisions of this article are severable. If any
37 provision of this article or its application is held invalid, that

- 1 ~~invalidity shall not affect other provisions or applications that can~~
- 2 ~~be given effect without the invalid provision or application.~~

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