

Date of Hearing: April 11, 2016

ASSEMBLY COMMITTEE ON TRANSPORTATION

Jim Frazier, Chair

AB 1717 (Hadley) – As Amended March 18, 2016

**SUBJECT:** Greenhouse Gas Reduction Fund

**SUMMARY:** Redirects the 25% of Greenhouse Gas Reduction Fund (GGRF) revenues that are currently continuously appropriated to high-speed rail to the Transit and Intercity Rail Capital Program (TIRCP). Specifically, **this bill**:

- 1) Makes various findings and declarations relating to the Legislature's intent with the passage of SB 535 (de León), Chapter 830, Statutes of 2012, which required that a minimum of 25% GGRF funds be used to benefit disadvantaged communities and SB 862 (Committee on Budget and Fiscal Review), Chapter 36, Statutes of 2014, which directed 25% of GGRF funds to high-speed rail.
- 2) Requires the 25% of GGRF funds continuously appropriated to the high-speed rail project to be redirected to the TIRCP, if the California High-Speed Rail Authority selects an alternative Initial Operating Segment (IOS) other than what was identified in the 2012 business plan.

**EXISTING LAW:**

- 1) Establishes the California High-Speed Rail Authority (Authority) and vests with it the responsibility to develop and implement a high-speed rail system in California.

Requires the California Air Resources Board (ARB), pursuant to AB 32 (Núñez), Chapter 488, Statutes of 2006, to develop a plan of how to reduce statewide greenhouse gas emissions to 1990 levels by 2020. Under AB 32, ARB is authorized to include the use of market-based mechanisms to comply with these regulations (cap and trade).

- 2) Establishes the GGRF in the State Treasury and requires all money collected pursuant to cap and trade, with limited exceptions, be deposited into the fund and makes the GGRF funds available for appropriation by the Legislature.
- 3) Continuously appropriates 25% of GGRF funds for the high-speed rail project.
- 4) Creates the TIRCP, administered by the California State Transportation Agency (CalSTA), and continuously appropriates 10% of GGRF funds for the program.
- 5) Requires that a minimum of 25% of GGRF expenditures be used to benefit disadvantaged communities.

**FISCAL EFFECT:** Unknown

**COMMENTS:** SB 862 created a variety of programs to help reach the state's greenhouse gas emission reduction goals and appropriated cap and trade revenues to these programs. Included in SB 862 is a 10% continuous appropriation for TIRCP, which is managed by the CalSTA, and a

25% continuous appropriation for high-speed rail project, which is managed by the Authority. Regarding the high-speed rail appropriation, SB 862 specifically appropriated the funds for the IOS and Phase I Blended System as described in the 2012 business plan.

The Authority's Revised 2012 Business Plan (and the 2014 Business Plan) defined the IOS as a 300-mile segment from Merced to the San Fernando Valley with service starting in 2022. Full Phase I of the system, which includes the IOS, was defined as 520 miles from San Francisco to Los Angeles and Anaheim, with service starting in 2026.

In February of this year, the Authority released its "Draft 2016 Business Plan" that proposed a shift from a southern-oriented IOS as previously identified to a northern IOS, from San Jose to north of Shafter in Kern County, dubbed the Silicon Valley to Central Valley line. The northern IOS includes the current construction underway in the Central Valley from Madera to Wasco in Kern County and would continue to Gilroy and end at Diridon Station in San Jose.

The author asserts that, since SB 862 appropriated funds for the IOS and Phase 1 Blended System as set forth in the 2012 Business Plan and since a different IOS is now proposed, the SB 862 appropriation cannot not be used on the revised IOS. AB 1717 directs those funds instead to CalSTA for the TIRCP.

*Committee concerns:*

- 1) SB 862 provides funding for the IOS and Phase I Blended with cap and trade funds, as described in the 2012 Business Plan. Although the IOS orientation is proposed to shift, all sections of the newly proposed northern IOS are included in the Phase I Blended as defined in the 2012 Business Plan. Consequently, since the SB 862 appropriation provides funding for the Phase 1 Blended, and since all sections of the proposed northern IOS are included in the Phase 1 Blended, then arguably the SB 862 appropriation can be applied to the northern IOS.
- 2) The author uses as further evidence that SB 862 appropriation was envisioned for a purpose other than what is currently proposed by the Authority, a letter dated June 14, 2014, from the Authority to Senator Fran Pavley. In that letter, the Authority committed to use the cap and trade funds granted to their agency through SB 862 to "accelerate work on the segment from Burbank to Palmdale... The Burbank-Palmdale segment, which potentially could become an operating segment on its own, would accelerate benefits to the Los Angeles region." This intent was formally adopted by the Authority Board of Directors in Resolution #HSRA 14-19 that resolved that, "The Authority Board concurs with the priority to move forward with the approach outlined in the CEO's letter to State Senator Fran Pavley, including the prioritization of the Palmdale to Burbank project section for expenditure of cap and trade proceeds as they become viable and in accordance with provisions of the law."

Although the letter to State Senator Pavley does convey a commitment to accelerate work on the Burbank to Palmdale sections, that level of specificity was not referenced in SB 862 as a requirement for the appropriation.

- 3) AB 1717 includes the following two legislative findings and declarations that are particularly troublesome:

- a) "SB 862 specifies that any subsequent decision by the High-Speed Rail Authority to deprioritize southern California and direct construction funding for an alternative route would not be eligible for funding;" and,
- b) "SB 862 requires that any redirection of cap-and-trade investments away from some of the state's most disadvantaged communities in southern California would require reauthorization by the Legislature."

Although one might interpret SB 862 to have this intent and meaning, SB 862 does not actually include these specific requirements. Given the litigious nature of this project already, the Legislature should be careful not to muddy the facts with misleading findings.

*Double referral:* This bill will be referred to the Assembly Natural Resources Committee should it pass out of this committee.

*Previous legislation:* SB 862 (Committee on Budget and Fiscal Review), Chapter 36, Statutes of 2014, continuously appropriated 25% of GGRF funds to the high-speed rail project and 10% to the TIRCP.

SB 535 (de León), Chapter 830, Statutes of 2012, required, among other things, that a minimum of 25% of the moneys available in GGRF be used to benefit disadvantaged communities.

**REGISTERED SUPPORT / OPPOSITION:**

**Support**

Howard Jarvis Taxpayer Association

**Opposition**

None on file

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