COLAB SAN LUIS OBISPO COUNTY

WEEK OF JUNE 1-7, 2014

SUPPLEMENT

SPECIAL SLOCOG EDITION

SLOCOG TO BE BRIEFED ON CAP & TRADE $'s (WILL THEY TAKE THE CHEESE?)

NEW AGENCY TO WATCH BEACH SAND?

NEW AGENCY TO CHARGE ELECTRIC CARS?

A $23,000 VIDEO GAME?

San Luis Obispo County Council of Governments Meeting of Wednesday, June 4, 2014 (Scheduled)

Item B-3: Regional Transportation Plan (How Cap-and-Trade Will be Used to Enforce the Sustainable Community Plan Requirements for "Smart Growth"). The staff report on this item explains how Cap and Trade will raise $1.5 billion of new revenue per year. One planned use is to require cities and counties to revise their plans of development to conform to the smart growth doctrine in order to be able to receive a local portion of this new tax money. Remember, a significant portion is also earmarked to pay for the high-speed rail project.

Financial Assumptions (Attachment A)

This component of the staff report adds a discussion of anticipated Cap-and-Trade revenues that are currently being considered by the state, a well as; an additional $200M for high priority improvements on Highway 101; and $25M for transit capital improvements. The total identified funding for the RTP is $2,152 billion.

Under a "Reasonably Expected Revenue" assumption it is anticipated that Cap-and-Trade revenues of $1.5B/year would be available statewide over the next 20 years. It is estimated that nearly $100M/year would be available for Sustainable Communities related programs statewide, one fourth of this revenue would be directed to disadvantaged communities, resulting in $75M for distribution to MPOs, and nearly $133M/yr for Transit.

Considering that SLOCOG typically receives about 1% by formula from the statewide RTIP and 0.4% from STA (State Transit Assistance); and, assuming that the same percentages are held, $750k would be available each year for SCS purposes (50% for Active Transportation and 50% for Street and Road Improvement purposes) and $530,000 for Transit purposes.

The Big Picture (Statewide):

Cap-and-Trade is a new funding source. Legislation authorized, and the Air Resource Board now collects, fees from the state's largest GHG emitters. The Cap-and-Trade Program is a new state funding program to "be used to reduce GHG emissions and, to the extent feasible, achieve co–benefits such as job creation, air quality improvements, and public health benefits, (AB 1532, Perez, approved in 2012). As a new fee, historical trends are unavailable to predict exactly the amount of funds collected. SLOCOG's assumptions are that the statewide program will collect $1.5B each year of its life.

A Concise Statement of How California Cap and Trade Will Work:

What Is Cap-and-Trade?

Background: In order to fund administrative activities associated with implementing the plan, AB 32 authorized ARB to assess a fee on the state's largest GHG emitters. The legislation defined a market–based mechanism as a system that includes an annually declining limit on GHG emissions, as well as a trading component whereby sources of GHG emissions may buy and sell carbon allowances in order to comply with the regulation. Such a system is commonly referred to as a cap–and–trade program.

The Concept of the Cap: A cap–and–trade program sets a limit or cap on aggregate emissions. Typically, the cap declines over time, ultimately arriving at the target emission level. In order to operationalize the cap, the regulator administering the program creates allowances equal to the numeric value of the cap. The regulator then requires specified emitters to obtain allowances equal to their total emissions in a given period of time. Because the cap declines and allowances become scarcer over time, allowance would be expected to increase. As allowances become more expensive, regulated parties have a greater incentive to find ways to reduce their emissions in order to avoid having to purchase as many of the relatively more expensive allowances. Consequently, to the extent that it is less expensive for a regulated entity to reduce its emissions than it is to purchase allowances, the entity will reduce its emissions. As such, it is the supply and demand for allowances, affected by the scarcity of allowances created by the declining cap that forces the achievement of the environmental goal of reducing emissions to a targeted level.

ARB adopted a cap–and–trade regulation that places a cap on aggregate GHG emissions from entities responsible for roughly 85 percent of California's total GHG emissions. While these entities are not assigned an individual reduction target, entities that emit at least 25,000 metric tons or more of carbon dioxide equivalent (CO_2e) per year are subject to the cap–and–trade regulation and are therefore considered to be “covered entities.” When the program is fully operational, approximately 600 of the state’s largest emitters of GHGs will be subject to the regulation, including oil producers, refiners, and electricity generators. In order to comply with the regulation, a covered entity must obtain one allowance (or equivalent thereof) for every metric ton of CO2e that it emits during a given compliance period.

Under ARB’s cap–and–trade program, covered entities have an opportunity to obtain allowances in multiple ways. The ARB has designed its cap–and–trade program to provide a portion of allowances for free, while another portion is available for purchase at quarterly auctions. Covered entities also have the opportunity to trade allowances in the open market. Over time, the cap on aggregate annual emissions will gradually decline from 409 million metric tons of CO2e in 2012 to 341 million metric tons of CO2e in 2020.

Future Auction Revenues: The amount of revenue that future allowance auctions will generate will depend on the price of allowances and the number of allowances purchased versus allocated for free. The price of allowances could range greatly depending on demand for allowances relative to the cost of directly reducing GHG emissions, the state of the economy, and other factors. The ARB has adopted regulations to keep auction prices within a certain range by setting a minimum and maximum price for allowances sold at auctions—from $10 per ton of emissions to $40 per ton of emissions.

California’s cap–and–trade program is expected to raise billions of dollars in auction revenues from 2012 through 2020. The actual amount of revenue that will be raised is difficult to predict, particularly because of the uncertainty about future allowance prices. Using ARB’s floor and ceiling prices for allowances, and assuming that ARB provides 60 percent of all allowance for free, the total cap–and–trade revenues from all auctions through 2020 could range from $12 billion to $45 billion. Several economists who have evaluated California’s cap–and–trade program have estimated that, over the life of the program, average allowance price may be in the $15 to $20 range. If this were to occur, total revenue for the program through 2020 could be roughly $15 billion.

Source: Legislative Analyst’s Office: The 2014-15 Budget: Cap-and-Trade Auction Revenue Expenditure Plan, excerpts, Feb. 2014.

SLOCOG Is Attempting to Determine What San Luis Obispo County’s Share Will Be: This will in part depend on the amount that Cap-and-Trade will raise each year, which is tricky to predict as noted in the blue box above. It will also be dependent on the distribution formula. The Governor is forecasting $1.5 billion per year. Senator Steinberg is forecasting $5 billion per year as part of his pending bill to set up the allocations and requirements. Check out the “smart growth” power in Steinberg’s version illustrated in the chart on the next page:

FISCAL ILLUSTRATION

Distribution of Cap-and-Trade, assuming revenue of $5 billion annually:

Category		Amount (millions)
I.	Affordable Housing and Sustainable Communities	$1,756
II.	Transit	$1,317
III.	High Speed Rail	$878
IV.	Complete Streets	$439
V.	Natural Resource, Water, Waste	$200
VI.	Climate Dividend	$200
VII.	Electric Vehicle Deployment	$200
VIII.	Green Bank Funding	$10
TOTAL		**$5,000**

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Imagine the power of this dedicated financing to reshape California society over the next 20 years. There hasn't been a piece of social engineering legislation as potent as this since the Great Society push by Lyndon Johnson (War on Poverty, Section 8 Housing Subsidies, Vastly Expanded Welfare, Community Development Block Grants (CDBG), Head Start, Endangered Species Act, etc., etc.)

SLOCOG'S INTEREST IS FAIRLY NARROW BUT MISSES THE POINT: How much money can we get for widening the 101, improving local roads and streets, and funding the ever-increasing subsidies to mass transit? It will be interesting to see if our local elected officials have any sense of the larger issues involved and reservations about the wrecking of local control contained in this massive carrot-and-stick program. How much stack-and-pack housing will it take to fund the widening of the 101?

Item D-10: The Sediment Management Authority (Development of Yet Another Regulatory Government Authority/ This one is on the Consent Calendar). This seems to have something to do with beach sand. In the end all sorts of activities that are viewed as limiting the generation and natural transport of beach sand will become prohibited. There will be a whole new set of permits and supporting fees. The item doesn't even define the problem that is purportedly being solved. The write-up states:

SLOCOG staff, along with staff from the County of SLO, Port San Luis Harbor District, the cities of Morro Bay, Arroyo Grande, Caltrans, and other agencies met with representatives from the Coastal Sediment Management Workgroup (CSMW) to discuss the development of a Coastal Regional Sediment Management Plan (CRSMP) along the coast of San Luis Obispo County to augment or restore natural processes. The CRSMP program is meant to formulate strategies for SMP policy and guidance that will: restore, preserve, and maintain coastal beaches and other critical areas of sediment deficit; sustain *recreation and tourism; enhance public safety and access; restore coastal sandy habitats; and identify cost-effective solutions for restoration of areas affected by excess sediment.*

AND

A- CRSMP Governance Structure

A. Determine the appropriate regional boundary for the individual RSM Plans [Stakeholder discussions; GIS database; Regional Sediment Budget Study; CBReS Report]

B. Formation or adoption by a regional governmental stakeholder group, (similar to SANDAG's Shoreline Preservation Committee or BEACON (a JPA in the Santa Barbara/Ventura Co. coastal region), comprised of local entities that can "speak with one voice" for the region.

C. Determine enacting/implementing authority, governance structure; coordination agreements; mutual cooperation, etc.

D. Identify jurisdictional agencies, boundaries and regulatory impediments (if any) within the region [GIS database]

E. Determine Staff requirements for plan development

Just what we need! Another agency with a new $200,000 per year executive director and a bunch of staff squirrels to bother people.

Item D-11: SLOCOG to Buy $ 23,000 Video Game.

SUMMARY

As part of SLOCOG's public engagement strategy for the 2014 RTP-SCS SLOCOG staff is proposing to establish a web tool that will allow the public to provide their input regarding investment strategies. This tool will allow the public to provide input using the "Budget Game" to propose levels of investment in the various categories for funding Highways, Transit + Road Maintenance, Livable Communities + Active Transportation.

This effort is contracted as an extension to the existing Placeways contract that is providing the model tool for the Regional Land Use Model through a subcontractor named Urban Interactive Studio.

The Budget Game' will allow expanded public participation using this web-based tool that turns complex *content into a fun, interactive experience – easy for anyone to explore and respond to* on any *device. Funding is being directed to this effort from the Strategic Growth Council Sustainable Communities Grant.*

Your State tax dollars at work.

Item D-14: Plug-In Vehicle (Electric Cars) Charging Stations. A problem with the current crop of electric cars is that they don't go very far on a charge. Another problem is that it takes a while for them to charge up. Finally, there are few places to plug them in. Not to worry. Government will rush to the rescue. SLOCOG has joined a tri-county effort to proliferate charging stations.

In addition to the $250,000 secured to prepare the PEV Readiness Plan, additional CEC funding in the amount of $498,475 was also secured for installing charging stations in SLO, Ventura and Santa Barbara Counties. This grant will fund charging stations in Paso Robles, Arroyo Grande, and Hearst Castle within SLO County. The SLO County APCD is also proposing to fund some fast chargers in SLO County. Charging stations are located all over the Central Coast and the easiest way to locate them is by going to the following websites: http://www.Recargo.com or http://www.afdc.energy.gov/locator/stations/. A review of the websites shows the following breakdown of charging stations per sub-region in SLO County:

- *North County (3 charging locations and 1 proposed)*
- *North Coast (3 charging locations and 1 proposed)*
- *Central Area (7+ charging locations)*
- *South County (2 charging locations and 1 proposed)*

Some of the project tasks include:

1. Streamlining construction permitting and inspection processes

2. Implementing training and education programs

3. Updating building codes

4. Updating zoning and parking rules

5. Creating and implementing a plan for effective marketing and outreach

6. Public charging site selection

7. Working with local employers to encourage workplace charging

8. Working with utilities to manage grid impacts

9. Addressing Multi-unit Dwellings (MUD)

10. Purchasing PEVs for local government fleets

11. Creating new incentives and expanded outreach efforts

12. Encouraging renewable energy

13. Establishing a formal Regional Coordination Council to follow-through on initiatives (A new agency?)

Perhaps this effort can also evolve into the need to create a new special district or joint powers authority with a $200,000 per year executive director and more staff squirrels. Does he/she get a Tesla?

It looks cool but costs $128,000 and can only go up to 245 miles on a charge. No one wants to make two stops (hanging around Arvin, then Sacramento half the day while it charges up) to get to Tahoe.

The specs say it can be plugged into any outlet and comes with the charging gear. So why do SLOCOG and governments have to spend what will become millions on charging stations? By the way, the electricity it uses is produced predominantly from burning fossil fuels somewhere.