

ENVIRONMENTAL PROTECTION

The California Environmental Protection Agency works to restore, protect and enhance environmental quality. The Agency coordinates state environmental regulatory programs and ensures fair and consistent enforcement of environmental law.

The Budget includes total funding of \$2.9 billion (\$42.2 million General Fund and \$2.8 billion other funds) for all programs included in this Agency.

CAP AND TRADE PROGRAM

The Budget includes a General Fund loan of up to \$500 million from the fund balance in the Greenhouse Gas Reduction Fund. The Fund receives proceeds from the auction or sale of allowances, pursuant to a market-based compliance mechanism established by the Air Resources Board pursuant to the Global Warming Solutions Act (AB 32).

The loan will provide additional time to develop programs to further the purposes of AB 32. This additional time will allow the Air Board to complete the statutorily required update of the AB 32 Scoping Plan due at the end of 2013. The updated Scoping Plan will provide information that will result in better investment decisions.

As the amount of future auction proceeds is unknown, the loan is fiscally prudent during the initial stage of program implementation. The 2012-13 auctions resulted in proceeds of \$257.4 million. As more auctions are conducted, more data will become available to

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better estimate annual proceeds and improve the ability to make decisions for short and long-term investments.

Loaning these proceeds will not interfere with achieving objectives for greenhouse gas reductions because the loan will be repaid with interest immediately when needed to meet the needs of the Fund.