

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: May 8, 2008
POSITION: Neutral, note concerns

BILL NUMBER: SB 1662
AUTHOR: D. Cox

BILL SUMMARY: Air Districts: Emission Reduction Offsets

This bill would authorize emission reduction credits (ERCs) to be traded between air emission sources if the emission sources lie within the Sacramento Metropolitan Federal Nonattainment Area. The ERC trading would be allowed even if the emission sources are not contained in the same regional air basin. The bill would allow ERC trading between emission sources in the El Dorado air district and sources in the Sacramento Metropolitan Air Quality Management District (Sacramento Air District) which are in different air basins, but in the same federal nonattainment area. The provisions of this bill would be uncodified.

FISCAL SUMMARY

This bill would not impose costs upon the Air Resources Board (Air Board). The bill could potentially increase costs to the El Dorado County Air Quality Management District (El Dorado District) to prepare and certify an environmental impact report (EIR). The EIR would be required to include potential environmental impact mitigation measures and the El Dorado District would have to certify the EIR before authorizing any ERC trading between the identified emission sources. These potential costs would not be state-reimbursable because the El Dorado District has the authority to levy service charges, fees, or assessments sufficient to pay for the program or level of service mandated by the bill.

SUMMARY OF CHANGES

Amendments to this bill since our analysis of the April 22, 2008 version are minor and do not alter our position. The previous mandate-related provision inappropriately provided that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for such costs shall be made by the state. This provision has been replaced by an appropriate "self financing authority" state mandated costs disclaimer.

COMMENTS

This bill would provide for business expansion in the El Dorado District, while supporting efforts to improve air quality in the Sacramento Federal Non-attainment Area. However, we have the following concern with the bill, as amended May 8, 2008:

- The bill is unclear as to whether it would allow only a stationary source ERC trade between two sites (one in the El Dorado District and one source in the Sacramento Air District) or allow one stationary source in the El Dorado District to offset its emissions with ERCs from more than one stationary source in the Sacramento Air District.

Code/Department Agency or Revenue Type	(Fiscal Impact by Fiscal Year)								Fund Code
	SO	(Dollars in Thousands)							
	LA	PROP		FC		FC			
	CO	98	FC	2007-2008	FC	2008-2009	FC	2009-2010	
3900/Air Res Bd	SO	No		----- No/Minor Fiscal Impact -----					0115
<u>Fund Code</u>	<u>Title</u>								
0115	Air Pollution Control Fund								

Analyst/Principal (0623) K. DaRosa	Date	Program Budget Manager Karen Finn	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

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