



Senate

General Assembly

File No. 533

January Session, 2021

Substitute Senate Bill No. 884

Senate, April 20, 2021

The Committee on Environment reported through SEN. COHEN of the 12th Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT REDUCING TRANSPORTATION-RELATED CARBON EMISSIONS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective from passage*) (a) The Commissioner of
2 Energy and Environmental Protection shall adopt regulations, in
3 accordance with the provisions of chapter 54 of the general statutes, to
4 implement the program to cap and reduce greenhouse gas emissions
5 from transportation known as the Transportation and Climate Initiative
6 Program.

7 (b) The regulations adopted under this section shall include
8 provisions authorizing the Department of Energy and Environmental
9 Protection to: (1) Establish a declining cap on greenhouse gas emissions
10 from transportation and auction, reserve or set-aside emissions
11 allowances; (2) require the submission of information as necessary to
12 implement such program; (3) monitor and require verification of
13 compliance with such program; (4) enforce the requirements of such
14 program; and (5) carry out the functions and further the purposes of

15 such program. The Department of Energy and Environmental
16 Protection may use an agent or contractor to perform administrative
17 functions of such program.

18 (c) The regulations adopted under this section may include
19 provisions to cover the reasonable administrative costs associated with
20 the implementation of such program in this state, including, but not
21 limited to, engagement with communities that are overburdened by air
22 pollution and underserved by the transportation system, as determined
23 by the Commissioner of Energy and Environmental Protection and the
24 Commissioner of Transportation, and to fund assessment and planning
25 of measures to reduce emissions and mitigate the impacts of climate
26 change and to cover the reasonable administrative costs of state agencies
27 associated with the adoption of regulations, plans and policies in
28 accordance with section 22a-200a of the general statutes. Such costs shall
29 not exceed five per cent of the total annual projected allowance value.

30 (d) The proceeds of emissions allowance auctions conducted
31 pursuant to this section shall be deposited into a Transportation and
32 Climate account established by the Comptroller as a separate,
33 nonlapsing account within the Transportation Grants and Restricted
34 Accounts Fund. Such proceeds shall not be considered pledged revenue
35 of said fund under section 13b-61 of the general statutes, as amended by
36 this act.

37 (e) For the fiscal year ending June 30, 2022, and each fiscal year
38 thereafter, the Department of Transportation and the Department of
39 Energy and Environmental Protection, with the approval of the
40 Secretary of the Office of Policy and Management, shall invest the
41 proceeds of emissions allowance auctions conducted pursuant to this
42 section in strategies designed to reduce greenhouse gas emissions and
43 air pollution from the transportation sector, provided not less than fifty
44 per cent of such auction proceeds shall be invested in a manner designed
45 to ensure communities that are overburdened by air pollution or
46 underserved by the transportation system, as determined by the
47 Commissioner of Energy and Environmental Protection and the

48 Commissioner of Transportation, benefit from transportation projects
49 and policies that reduce emissions from transportation sources.

50 (f) There shall be an Equity and Environmental Justice Advisory
51 Board which shall advise the Commissioner of Energy and
52 Environmental Protection and the Commissioner of Transportation on
53 decision making and equitable outcomes for the program and facilitate
54 input from communities that are overburdened by air pollution and
55 underserved by the transportation system, as determined by said
56 commissioners, with respect to reducing air pollution and improving
57 the transportation system. Said commissioners shall jointly (1)
58 determine the total number of members on the Equity and
59 Environmental Justice Advisory Board, and (2) select the members to
60 serve on the Equity and Environmental Justice Advisory Board. Such
61 members shall consist of stakeholders selected jointly by said
62 commissioners, with a majority of members being residents of
63 communities that are overburdened by air pollution and underserved
64 by the transportation system, as determined by said commissioners.
65 Said commissioners may establish rules, procedures and guidelines for
66 the operation of the Equity and Environmental Justice Advisory Board.

67 (g) On or before October 1, 2024, and annually thereafter, the
68 Department of Energy and Environmental Protection and the
69 Department of Transportation shall publish, on each such department's
70 Internet web site, a report of the proceeds and investments of the
71 Transportation and Climate Initiative Program, including the equitable
72 investment of the proceeds. The Department of Energy and
73 Environmental Protection and the Department of Transportation shall
74 provide an annual opportunity for the public to review and comment
75 on such program.

76 Sec. 2. Subsection (a) of section 13b-61 of the general statutes is
77 repealed and the following is substituted in lieu thereof (*Effective July 1,*
78 *2021*):

79 (a) On and after July 1, 1975, there shall be paid promptly to the
80 Treasurer and thereupon, unless required to be otherwise applied by the

81 terms of any lien, pledge or obligation created by or pursuant to the 1954
82 declaration or part III (C) of chapter 240, credited to the General Fund:

83 (1) All moneys received or collected by the state or any officer thereof
84 on account of, or derived from, motor fuel taxes; provided on and after
85 July 1, 1983, one cent of the amount imposed per gallon before July 1,
86 1984, and received or collected from any rate of such tax on motor fuels
87 shall be credited by the Treasurer to the Special Transportation Fund;

88 (2) All moneys received or collected by the state or any officer thereof
89 on account of, or derived from, motor vehicle taxes;

90 (3) All moneys received or collected by the state or any officer thereof
91 on account of, or derived from, expressway revenues;

92 (4) All moneys becoming payable, under the terms of the 1954
93 declaration and part III (C) of chapter 240, into the Highway or
94 Additional Expressway Construction Funds mentioned in said
95 declaration;

96 (5) All moneys received or collected by the state or any officer thereof
97 on account of, or derived from, highway tolls;

98 (6) All other moneys received or collected by the Commissioner or
99 Department of Transportation; and

100 (7) Any other receipts of the state required by law to be paid into the
101 state Highway Fund or the Transportation Fund other than proceeds of
102 bonds or other securities of the state or of federal grants under the
103 provisions of federal law or the proceeds of emissions-allowance
104 auctions conducted under section 1 of this act.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>from passage</i>	New section
Sec. 2	<i>July 1, 2021</i>	13b-61(a)

ENV *Joint Favorable Subst.*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 22 \$	FY 23 \$
Department of Energy and Environmental Protection; Transportation, Dept.	Transportation Grants and Restricted Accounts - Revenue Gain	None	Up to \$44.3 million

Municipal Impact: None

Explanation

The bill requires the Department of Energy and Environmental Protection (DEEP) to adopt regulations implementing the Transportation and Climate Initiative Program (TCI-P) to cap, reduce, and auction transportation-related greenhouse gas (GHG) emissions.

It is estimated that the TCI-P would generate up revenue of to \$88.6 million annually beginning 2023, with half of that amount, or up to \$44.3 million, beginning in FY 23 (assuming carbon allowance prices begin at approximately \$6.60 per metric ton). The bill requires these auction proceeds to be deposited into a Transportation and Climate account within the Transportation Grants and Restricted Accounts Fund (TGRAAF) and specifies that proceeds are not pledged revenue of the state.

The bill also allows DEEP to use a contractor for TCI-P administration. This administrative cost to DEEP, of up to 5% would be paid for using revenue derived through auction proceeds, as discussed above.

The bill includes other provisions that are not anticipated to result in a fiscal impact to the state or municipalities.

The Out Years

The bill is anticipated to result in significant auction revenue in the out years. Beginning in FY 24, which is anticipated to be the first full year of the program, auction proceeds are estimated to be between \$90 million and \$115 million annually, depending on the price and volume of carbon emissions at the time of auction.

OLR Bill Analysis**sSB 884*****AN ACT REDUCING TRANSPORTATION-RELATED CARBON EMISSIONS.*****SUMMARY**

This bill requires the Department of Energy and Environmental Protection (DEEP) to adopt regulations implementing the Transportation and Climate Initiative Program (TCI-P, see BACKGROUND) to cap and reduce transportation-related greenhouse gas (GHG) emissions. Among other things, the regulations must establish a declining cap on these GHG emissions and auction, reserve, or set aside emissions allowances. The bill allows DEEP to use a contractor or agent to administer the program.

Under the bill, DEEP and the Department of Transportation (DOT) must spend auction proceeds on strategies to reduce GHG emissions and transportation-related air pollution, and at least 50% of these investments must benefit communities that DEEP and DOT determine are overburdened by air pollution or underserved by the transportation system (i.e., underserved or overburdened communities). The bill establishes the Equity and Environmental Justice Advisory Board to advise DOT and DEEP and requires that at least half its members be residents of these communities.

The bill also requires DOT and DEEP to report how they spend the money and provide opportunity for public comment.

EFFECTIVE DATE: Upon passage, except the conforming change is effective July 1, 2021.

TCI-P REGULATIONS

Under the bill, the regulations DEEP adopts must:

1. establish a declining cap on GHG emission from transportation and auction, reserve, or set aside emissions allowances;
2. require submission of information as necessary to implement the program;
3. monitor and require program compliance verification;
4. enforce the program's requirements; and
5. carry out the program's functions and further its purposes.

The regulations may include provisions to cover the reasonable administrative costs associated with TCI-P implementation, including (1) engaging with overburdened or underserved communities and (2) funding assessment and planning of emission reduction and climate change mitigation measures. The regulations may also cover the reasonable administrative costs associated with state agencies adopting regulations, plans, and policies under the state's GHG reduction law. The costs are capped at 5% of the total annual projected allowance value.

AUCTION PROCEEDS

Deposit of Proceeds

The bill requires emissions auction proceeds to be deposited into a Transportation and Climate account within the Transportation Grants and Restricted Accounts Fund (TGRAAF). By law, this fund must contain all transportation money that (1) is restricted, not available for general use, and (2) was previously accounted for in the Special Transportation Fund (STF) as "Federal and Other Grants" (CGS § 13b-68(c)).

The bill further specifies that auction proceeds are not considered pledged revenue of the TGRAAF under the law directing certain funds to the STF (CGS § 13b-61). Funds directed to the STF under this law are used to secure special tax obligation bonds for transportation projects (CGS § 13b-75).

Use of Proceeds

Beginning with FY 22, the bill requires DOT and DEEP, with the

Office of Policy and Management secretary's approval, to annually invest auction proceeds in strategies designed to reduce GHG emissions and transportation-related air pollution. At least 50% of the proceeds must be invested in a manner designed to ensure that overburdened or underserved communities benefit from transportation projects and policies that reduce emissions from transportation sources.

Annual Report

Starting by October 1, 2024, DEEP and DOT must annually publish on their websites a report of TCI-P proceeds and investments, including the equitable investment of the proceeds. DEEP and DOT must annually provide the public an opportunity to review and comment on the program.

EQUITY AND ENVIRONMENTAL JUSTICE ADVISORY BOARD

The bill establishes an Equity and Environmental Justice Advisory Board to (1) advise DEEP and DOT on decision making and equitable outcomes for the program and (2) facilitate input from underserved and overburdened communities on reducing air pollution and improving the transportation system.

Under the bill, the commissioners must jointly determine the number of board members and select stakeholders to serve as members. A majority of the members must be residents of underserved and overburdened communities. The bill also allows the commissioners to establish rules, procedures, and guidelines for the board's operation.

BACKGROUND

Transportation and Climate Initiative (TCI)

TCI is a regional collaborative of 12 mid-Atlantic and northeastern states and the District of Columbia. Its purpose is to improve transportation, develop the clean energy economy, and reduce carbon emissions from transportation. In December 2020, four jurisdictions (Connecticut, the District of Columbia, Massachusetts, and Rhode Island) signed a memorandum of understanding to implement a cap and invest program called the Transportation and Climate Initiative

Program (TCI-P).

COMMITTEE ACTION

Environment Committee

Joint Favorable Substitute

Yea 21 Nay 11 (03/31/2021)