

Assembly Bill No. 296

Passed the Assembly September 9, 2019

Chief Clerk of the Assembly

Passed the Senate September 5, 2019

Secretary of the Senate

This bill was received by the Governor this _____ day
of _____, 2019, at _____ o'clock ____M.

Private Secretary of the Governor

CHAPTER _____

An act to add and repeal Part 3.6.5 (commencing with Section 71140) of Division 34 of the Public Resources Code, and to add and repeal Article 27 (commencing with Section 18918) of Chapter 3 of Part 10.2 of Division 2 of the Revenue and Taxation Code, relating to climate change, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

AB 296, Cooley. Climate change: Climate Innovation Grant Program: voluntary tax contributions.

Existing law requires the State Energy Resources Conservation and Development Commission to develop and implement the Electric Program Investment Charge program for the purpose of awarding funds to projects that may lead to technological advancement and breakthroughs to overcome barriers that prevent the achievement of the state's statutory energy goals and that may result in a portfolio of projects that are strategically focused and sufficiently narrow to make advancement on the most significant technological challenges.

Existing law authorizes an individual to contribute amounts in excess of their personal income tax liability for the support of specified funds. Under existing law, there are general administrative provisions applicable to these voluntary contributions, which, among other things, provide for the disbursement of contributions following the repeal of the fund's provisions and require undesignated funds to be transferred to the General Fund.

Existing law requires any new or extended voluntary contribution to include the words "voluntary tax contribution" in the name of the fund, to require the administering agency to include specified information about the fund on its internet website, to continuously appropriate from the fund the contributions made to the administering agency, to set a minimum contribution amount for the continuation of any voluntary tax contribution on the tax return form, and to include a generally applicable repeal date for a voluntary tax contribution.

This bill would establish the Climate Innovation Grant Program, to be administered by the Strategic Growth Council or another entity identified by the council that it determines to have the appropriate skills necessary to successfully implement this program. The bill would establish the Climate Innovation Fund, a special fund, in the State Treasury and would continuously appropriate the moneys in the fund to the council for purposes of the program. Once the Climate Innovation Fund accrues \$2,000,000, the bill would require the council or the entity implementing the program to notify the Franchise Tax Board and would require the program to award grants for the development and research of new innovations and technologies that either reduce emissions of greenhouse gases or address impacts caused by climate change. The bill would repeal the program on January 1, 2031.

This bill would allow an individual to designate on their tax return that a specified amount in excess of their personal income tax liability be transferred to the Climate Innovation Voluntary Tax Contribution Account, which would be created by this bill. The bill would conform with those aforementioned administrative requirements by continuously appropriating those funds to the Franchise Tax Board and the Controller for administrative costs and to the Climate Innovation Fund, as specified. The bill would also conform by requiring the Strategic Growth Council to comply with certain internet website reporting requirements. The bill would make the voluntary tax contribution provisions operative upon notification of the Franchise Tax Board that the fund has accrued \$2,000,000. The bill would repeal these provisions as of the sooner of December 1 of the year that the minimum contribution amount of \$250,000 is not met or by a specified repeal date. By continuously appropriating these funds, the bill would make an appropriation.

Appropriation: yes.

The people of the State of California do enact as follows:

SECTION 1. (a) The Legislature finds and declares all of the following:

(1) Climate change poses a serious threat to public health, natural resources, the environment, and the economic well-being

of California. Adverse impacts of climate change have led to increased frequency of extreme weather events, such as drought, heat, fire, and flooding.

(2) Potential further impacts include the exacerbation of air quality problems, a reduction in the quality and supply of water to the state from the Sierra snowbank, a rise in sea levels resulting in the displacement of thousands of coastal businesses and residences, damage to marine ecosystems and the natural environment, and an increase in the incidences of infectious diseases, asthma, and other health-related problems.

(3) As droughts and fires have become more severe, ecosystems have become stressed, negatively impacting the quality of California water, air, and soil. With California's growing population and economy, climate change will further strain water supplies and electricity generation capacity throughout the state.

(4) This will have detrimental effects on some of California's largest industries, including agriculture, wine, tourism, skiing, recreational and commercial fishing, and forestry unless steps are taken to reduce emissions of greenhouse gases, criteria air pollutants, and other contaminants, and clean and efficient energy and transportation solutions are generated.

(b) It is the intent of the Legislature to do all of the following:

(1) To minimize current and future risks posed by climate change to human health and safety, quality of life, economic growth, ecosystems, and the natural environment.

(2) To support climate change adaptation and resilience.

(3) To spur innovation and new technologies that neutralize or remove contaminants and emissions from the environment through research and development projects that do any of the following:

(A) Contribute to permanent and safe sequestration of greenhouse gases and carbon storage.

(B) Contribute to permanent and safe removal of criteria air pollutants.

(C) Contribute to a clean, reliable, and affordable electric grid.

(D) Contribute to clean, reliable, and affordable transportation solutions.

(E) Address water quality and reliability issues that reduce environmental impacts in an affordable manner, including, but not limited to, promoting improved water quality, improved water

supply reliability, or reduced flood risk and enhancing fish and wildlife habitat in an affordable manner.

(F) Address soil quality issues in an affordable manner, including, but not limited to, addressing crop, plant, and soil health and quality, animal production, and other agricultural sector-related issues that enable a sustainable environment.

(4) To address cross-cutting research needs that augment and fill gaps in current research.

(5) To implement, across multiple sectors, projects that do the following:

(A) Contribute to permanent and safe sequestration of greenhouse gases and carbon storage.

(B) Contribute to permanent and safe removal of criteria air pollutants.

(C) Contribute to a clean, reliable, and affordable electric grid.

(D) Contribute to clean, reliable, and affordable transportation solutions.

(E) Address water quality and reliability issues that reduce environmental impacts in an affordable manner, including, but not limited to, promoting improved water quality, improved water supply reliability, or reduced flood risk and enhancing fish and wildlife habitat in an affordable manner.

(F) Address soil quality issues in an affordable manner, including, but not limited to, addressing crop, plant, and soil health and quality, animal production, and other agricultural sector-related issues that enable a sustainable environment.

SEC. 2. Part 3.6.5 (commencing with Section 71140) is added to Division 34 of the Public Resources Code, to read:

PART 3.6.5. CLIMATE INNOVATION ACT

CHAPTER 1. GENERAL PROVISIONS AND DEFINITIONS

71140. This part shall be known, and may be cited, as the Climate Innovation Act.

71140.1. For purposes of this part, the following definitions apply:

(a) “Council” means the Strategic Growth Council established pursuant to Section 75121.

(b) “Fund” means the Climate Innovation Fund established pursuant to Section 71142.

(c) “Program” means the Climate Innovation Grant Program established pursuant to Section 71141.

CHAPTER 2. CLIMATE INNOVATION GRANT PROGRAM

71141. (a) There is hereby established the Climate Innovation Grant Program to be administered by the council or another entity identified by the council that it determines to have the appropriate skills necessary to successfully implement this program.

(b) On and after the date on which the fund has accrued a total of two million dollars (\$2,000,000) the program shall provide grants through a competitive process for the development and research of new innovations and technologies that either reduce emissions of greenhouse gases or address the impacts of climate change. The grants shall prioritize investments in areas that do not overlap with existing state programs. The grants may fund the development and research of new innovations and technologies that do, but are not limited to doing, any of the following:

(1) Contribute to permanent and safe sequestration of greenhouse gases and carbon storage.

(2) Contribute to permanent and safe removal of criteria air pollutants.

(3) Contribute to a clean, reliable, and affordable electric grid.

(4) Contribute to clean, reliable, and affordable transportation solutions.

(5) Address water quality and reliability issues that reduce environmental impacts in an affordable manner, including, but not limited to, promoting improved water quality, improved water supply reliability, or reduced flood risk and enhancing fish and wildlife habitat in an affordable manner.

(6) Address soil quality issues in an affordable manner, including, but not limited to, addressing crop, plant, and soil health and quality, animal production, and other agricultural sector-related issues that enable a sustainable environment.

(c) The grants provided pursuant to the program may serve as a matching fund for a project.

71141.1. (a) In developing the program, the council or administering entity may apply established criteria and policies from existing climate change research programs.

(b) On and after the date on which the fund has accrued a total of two million dollars (\$2,000,000) the council or administering entity shall do all of the following:

(1) Develop solicitation and evaluation criteria for project proposals and establish the qualifications of grant applicants.

(2) Develop programming that fosters market facilitation and other efforts that accelerate the adoption and deployment of projects funded by the fund.

(3) Notify the Franchise Tax Board that the fund has accrued a total of two million dollars (\$2,000,000).

(c) The evaluation criteria shall include all of the following:

(1) A competitive process to evaluate the merits and likelihood of success of each project proposal, including technical and market acceleration facilitation considerations.

(2) A definition of what is considered a new innovation or technology.

(3) An explanation of how affordability is used in the evaluation criteria.

(4) Provisions to ensure all projects provide clear public benefits.

71141.2. (a) The council shall submit an annual finance report for the program to the Legislature.

(b) The report required to be submitted to the Legislature shall be submitted in compliance with Section 9795 of the Government Code.

71141.3. The chair of the council shall, upon request, appear before the Joint Committee on Climate Change Policies to report on the status and accomplishment of the program.

71141.4. (a) The council or administering entity may seek private donations and publicly available moneys for purposes of the program.

(b) (1) The council or administering entity shall provide contemporaneous written acknowledgment to a donee for any contributions to the program the council receives for purposes of any deductions otherwise allowed to the donee as a charitable contribution under Article 6 (commencing with Section 17201) of Chapter 3 of Part 10 of Division 2 of the Revenue and Taxation Code or under Article 1 (commencing with Section 24341) of

Chapter 7 of Part 11 of Division 2 of the Revenue and Taxation Code.

(2) This subdivision does not apply to a donation received pursuant to Article 27 (commencing with Section 18918) of Chapter 3 of Part 10.2 of Division 2 of the Revenue and Taxation Code.

CHAPTER 3. CLIMATE INNOVATION FUND

71142. (a) There is hereby established in the State Treasury the Climate Innovation Fund. Notwithstanding Section 13340 of the Government Code, moneys in the fund are hereby continuously appropriated without regards to fiscal years to the council for purposes of the program.

(b) (1) Moneys received pursuant to Section 71141.4 shall be deposited in the fund.

(2) General fund moneys shall not be deposited into the fund.

(c) Of the moneys appropriated for purposes of the program, up to 10 percent of the moneys may be expended by the council to administer the program, and to solicit donations or seek publicly available moneys for the program.

CHAPTER 4. REPEALER

71143. This part shall remain in effect only until January 1, 2031, and as of that date is repealed.

SEC. 3. Article 27 (commencing with Section 18918) is added to Chapter 3 of Part 10.2 of Division 2 of the Revenue and Taxation Code, to read:

Article 27. Climate Innovation Voluntary Tax Contribution Account

18918. (a) An individual may designate on the tax return that a contribution in excess of the taxpayer’s personal income tax liability, if any, be made to the Climate Innovation Voluntary Tax Contribution Account, which is established by Section 18919, to be used for the purposes specified in the Climate Innovation Act (Part 3.6.5 (commencing with Section 71140) of Division 34 of

the Public Resources Code). That designation is to be used as a voluntary contribution on the tax return.

(b) The contribution shall be in full dollar amounts and may be made individually by each signatory on a joint return.

(c) A designation under subdivision (a) shall be made for any taxable year on the original return for that taxable year, and once made shall be irrevocable. If payments and credits reported on the return, together with any other credits associated with the taxpayer's account, do not exceed the taxpayer's tax liability, the return shall be treated as though no designation has been made.

(d) When another voluntary contribution designation is removed from the tax return, or as soon as space is available, the Franchise Tax Board shall revise the form of the return to include a space labeled the "Climate Innovation Voluntary Tax Contribution Account" to allow for the designation permitted under subdivision (a). The form shall also include in the instructions information that the contribution may be in the amount of one dollar (\$1) or more and that the contribution shall be used for the purposes specified in the Climate Innovation Act (Part 3.6.5 (commencing with Section 71140) of Division 34 of the Public Resources Code), including providing grants through a competitive process for the development and research of new climate innovations and technologies.

(e) A deduction shall be allowed under Article 6 (commencing with Section 17201) of Chapter 3 of Part 10 for any contribution made pursuant to subdivision (a).

18919. There is hereby established in the Climate Innovation Fund established pursuant to Section 71142 of the Public Resources Code the Climate Innovation Voluntary Tax Contribution Account to receive contributions made pursuant to Section 18918. The Franchise Tax Board shall notify the Controller of both the amount of money paid by taxpayers in excess of their tax liability and the amount of refund money that taxpayers have designated pursuant to Section 18918 to be transferred to the Climate Innovation Voluntary Tax Contribution Account. The Controller shall transfer from the Personal Income Tax Fund to the Climate Innovation Voluntary Tax Contribution Account an amount not in excess of the sum of the amounts designated by individuals pursuant to Section 18918 for payment into that fund.

18920. (a) Notwithstanding Section 13340 of the Government Code, all moneys transferred to the Climate Innovation Voluntary Tax Contribution Account pursuant to Section 18918 shall be continuously appropriated and allocated as follows:

(1) To the Controller and the Franchise Tax Board for reimbursement of all costs incurred by the Controller and the Franchise Tax Board in connection with their duties under this article.

(2) The balance to the Climate Innovation Fund for the purposes described in Section 71141 of the Public Resources Code.

(b) All moneys allocated pursuant to paragraph (2) of subdivision (a) may be carried over from the year in which they were received and encumbered in any following year.

18921. The Strategic Growth Council established pursuant to Section 75121 of the Public Resources Code shall comply with the internet website reporting requirements described in Section 18873.

18922. The article shall become operative on and after the date on which the notification required pursuant to paragraph (3) of subdivision (b) of Section 71141.1 of the Public Resources Code is made to the Franchise Tax Board that the Climate Innovation Fund has accrued a total of two million dollars (\$2,000,000).

18923. (a) (1) Except as otherwise provided in subdivision (b), this article shall remain in effect only until January 1 of the seventh calendar year following the first appearance of the Climate Innovation Voluntary Tax Contribution Account on the personal income tax return.

(2) Except as otherwise provided in subdivision (b), this article is repealed as of December 1 of the year specified in paragraph (1) or January 1, 2031, whichever is earlier.

(b) (1) By September 1 of the second calendar year and each subsequent calendar year that the Climate Innovation Voluntary Tax Contribution Account appears on the tax return, the Franchise Tax Board shall determine whether the amount of contributions estimated to be received during the calendar year will equal or exceed the minimum contribution amount determined by the Franchise Tax Board for the calendar year as described in paragraph (3). The Franchise Tax Board shall estimate the amount of contributions to be received by using the actual amounts received

and an estimate of the contributions that will be received by the end of that calendar year.

(2) If the Franchise Tax Board determines that the amount of the contributions estimated to be received during a calendar year will not at least equal the minimum contribution amount for the calendar year, this article shall be inoperative with respect to taxable years beginning on or after January 1 of that calendar year and shall be repealed on December 1 of that year.

(3) For purposes of this section, the minimum contribution amount for a calendar year means two hundred fifty thousand dollars (\$250,000) for the second calendar year after the first appearance of the Climate Innovation Voluntary Tax Contribution Account on the personal income tax return and the following calendar years.

Approved _____, 2019

Governor