Cap and Trade Programs: Impact on the Annual Survey of State Government Finances

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Discussion Outline

• Census of Governments
• Annual Survey of State Government Finances
• Emergence of Cap and Trade Auctions
• Implications on Classification
• Visible Cap and Trade Data in the Survey
• Conclusion
Census of Governments

- Conducted every 5 years
- Scope and nature of state & local government sector
- Benchmark statistics of public finance & public employment
- Local government organizations, powers, and activities
Annual Survey of State Government Finances

- Conducted continuously since 1915
- Component of the Annual Survey of State & Local Government Finances
- Covers 50 state governments and dependent state-level government entities
Methodology: Data Collection

- Mail canvass of state government offices
- Data come from central accounting systems
- Financial records from other state-level departments
- State governments’ Comprehensive Annual Financial Reports
Emergence of Cap and Trade Auctions

• Context
  – Concerns about global warming
  – Government program approach of emissions permit trading program

• Role of State Governments
  – Allocation of permits
  – Opportunity to earn revenues
Emergence of Cap and Trade Auctions

Why the Census Bureau is interested:

*How do we incorporate these new revenues and expenditures into our current classification system for government finances?*
Emergence of Cap and Trade Auctions: Programs in the Data

- **Clean Air Interstate Rule**
  - Regulate SO2 and NOx
  - 27 states and the District of Columbia

- **Regional Greenhouse Gas Initiative**
  - Regional organization to regulate CO2
  - Collaboration of 10 northeastern states
Implications on Classification: Expenditures

Definition:

Administration of air quality/air pollution management programs are coded to “Environmental Health”:

Provision of services for the conservation, improvement, and regulation of environmental health.

<table>
<thead>
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<th>Amt</th>
<th>Appr Descriptor</th>
<th>Department Descriptor</th>
<th>Object Descriptor</th>
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<td>REGIONAL GREENHOUSE GAS INITIATIVE AUCTION TRUST</td>
<td>EXECUTIVE OFFICE OF ENVIRONMENTAL AFFAIRS</td>
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<td>EXECUTIVE OFFICE OF ENVIRONMENTAL AFFAIRS</td>
<td>PRINTING EXPENSES &amp; SUPPLIES</td>
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</table>

Source: 2009 Annual Survey of State Government Finances, Commonwealth of Massachusetts
Implications on Classification: Revenues

• Classification not as clear

• Definition of “emission permit”
  – Common theme: a “right” to pollute

• Definition of the “market for purchasers” (Kruger & McLean, 2006)
  – About 2/3 power producers
  – Almost 1/3 traders and brokers
  – Less than 1% NGO’s/Schools/Individuals
Classification of Revenues
Placement in the Existing Schema

• License Tax
  – Exacted as a condition to exercise a business or non-business privilege
  – Can be exacted either for revenue raising or regulation
  – Can be levied...by such bases as...number of business units
Classification of Revenues
Placement in the Existing Schema

- Two license tax options
  - T27 – Public Utilities License
  - T28 – Occupation and Business Licenses, Not Elsewhere Classified
Classification of Revenues

Development of an Exhibit Code

• Difficulty finding the detail in a “Not Elsewhere Classified” code

• Issues to consider
  – Permanence of emissions permits
  – Exhibit code may be too narrowly defined
Cap and Trade Revenues in the Data

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<tr>
<td>Occupational and business, NEC</td>
<td>Occupational and business, NEC</td>
</tr>
<tr>
<td>Other licenses</td>
<td>Other licenses</td>
</tr>
</tbody>
</table>

- Total “T28” increased 4.7 percent
- Total RGGI Auction Revenues were 326.6 million
- RGGI Auction Revenues accounted for 2.5 percent of “T28”

Source: U.S. Census Bureau, 2009 and 2008 Annual Survey of State Government Finances
Conclusions

• A new way for states to generate revenue

• Needed to know how to incorporate these finances into our existing classification schema

• Expenditures placed into environmental health

• Revenues placed in Occupational and Business Licenses, Not Elsewhere Classified
Questions?

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