

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

Prepared for presentation at
American Society for Public Administration
Annual Conference

March 12, 2011

Elizabeth Accetta

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U S C E N S U S B U R E A U

Helping You Make Informed Decisions

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 NO_x
 - 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.

Amt	Appr Descriptor	Department Descriptor	Object Descriptor
\$18			
11	REGIONAL GREENHOUSE GAS INITIATIVE AUCTION TRUST	EXECUTIVE OFFICE OF ENVIRONMENTAL AFFAIRS	SALARIES: INCLUSIVE
7	REGIONAL GREENHOUSE GAS INITIATIVE AUCTION TRUST	EXECUTIVE OFFICE OF ENVIRONMENTAL AFFAIRS	PRINTING EXPENSES & SUPPLIES

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

FY 2009

Licenses	49,756,825R
Alcoholic beverages	436,893R
Amusements	694,339R
Corporation	10,064,406R
Hunting and fishing	1,449,870R
Motor vehicle	19,984,760R
Motor vehicle operators	2,185,321R
Public utility	979,344R
Occupational and business, NEC	13,115,927R
Other licenses	845,965R

FY 2008

Licenses	49,551,274R
Alcoholic beverages	466,963
Amusements	934,203
Corporation	10,305,630R
Hunting and fishing	1,430,026R
Motor vehicle	19,718,724R
Motor vehicle operators	2,162,998R
Public utility	1,157,367R
Occupational and business, NEC	12,526,386R
Other licenses	848,977R

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

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?

Elizabeth Accetta

Elizabeth.Accetta@Census.gov

301-763-7238

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