

NOTE ON METHODOLOGY FOR TRACKING STATE EXPENDITURES OF RGGI AUCTION PROCEEDS¹

A number of questions arose in AG's modeling effort related to the assignment of dollars into spending categories at the time we carried out the modeling analysis in the RGGI report. For example, some dollars had either not been allocated, not transferred to recipients or programs, or otherwise not spent. In those instances, we were required to make judgments about how to allocate funds for the purposes of the modeling effort. As a result, there may be situations where States' reporting of their programming of RGGI auction proceeds differ from Analysis Group's. This should not be interpreted as a statement by Analysis Group that a State is not spending its money as represented in its public reports, financial statements, or accounting statements. Differences relate to methodological issues tied to timing and evaluation issues.

Our data gathering and processing effort focused on identifying the use of RGGI allowance proceeds in as complete and accurate a manner as possible, to ensure a good match between revenues collected and expenditures tracked. In the end, we were able to obtain most of the necessary information from the states. Where information was missing or incomplete (or had not yet been spent in the form of grants to recipients), we took successively deeper steps to sort out data holes and inconsistencies, and arrived at a workably complete data set for use in the study. This involved follow-up interviews with state agency staff, reviews of RGGI-enabling legislation and regulations in each state, review of other program documents, and an assessment of where and how allowance proceeds had been spent to date. Our goal was to minimize the need for making "judgment calls" on dollars that had not been spent, or where we were not sure of its ultimate use. In the end, for a small portion of RGGI revenues where the ultimate use was not certain, we needed to make judgments on a state-by-state basis about how to represent such dollars in the modeling effort. The figures and tables in the report and Appendix reflect these judgments.² Our modeling treatment of these funds used a conservative approach in allocating these dollars into different programming categories, in an effort not to allocate money to programs that produced energy savings that were not documented at the time of the report's issuance.

¹ This note refers to *The Economic Impacts of the Regional Greenhouse Gas Initiative on Ten Northeast and Mid-Atlantic States*, issued on November 15, 2011.

² For example, the category "General Fund/State Government Funding" as used in this report and Appendix includes uses of auction proceeds for the state general fund, state government spending, and auction proceeds for which Analysis Group was not able to confirm usage of proceeds. This meant that in New Jersey, \$65 million of RGGI proceeds went to the general fund and additionally, approximately \$10 million could not be confirmed and was included in this category. In New Hampshire, \$3.1 million went to the state general fund and \$6.2 million was unspent and included in this category. All of these monies are included in the "General Fund/State Government Funding" category shown in our report and Appendix.