

Senator Jim Beall, Chair
Senator Jim Nielsen
Senator Hannah-Beth Jackson



Thursday, May 8, 2014
9:30 a.m. or Upon Adjournment of Session
Hearing Room 112

Consultant: Catherine Freeman

Open Items and Spring Finance Letters (Part B)

Items Proposed for Vote Only

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Items Proposed for Discussion

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Resources—Environmental Protection—Energy—Transportation

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ITEMS PROPOSED FOR VOTE ONLY

Staff Comment: Staff recommends approval of the vote-only items.

0540 Secretary for Natural Resources

1. **Reappropriations—Bond Programs (Spring Finance Letter).** Request for reappropriation of remaining balances of Propositions 12, 13, 40, 50, and 84 for bond administration and programs (River Parkways and Urban Greening).
2. **Ocean Protection Council Local Assistance (Spring Finance Letter).** Request for a reappropriation of \$2.5 million for the second round of local assistance grants to support local governments planning efforts for sea level rise.

VOTE (Items 1-2):

3125 California Tahoe Conservancy

3. **Implementation of the Environmental Improvement Program (January Budget and Spring Finance Letters).** The budget requests \$1.01 million (various special funds) for continued capital outlay in support of the Lake Tahoe Environmental Improvement Program. The Spring Finance Letter requests reversion and appropriation of funds in the amount of \$4 million (Proposition 84 bond funds) for similar purposes.

VOTE (Item 3):

3340 California Conservation Corps (CCC)

4. **Vehicle Replacement Plan.** Request for a one-time augmentation of \$540,000 (Collins-Dugan Reimbursement Account) to fund the continuation of the CCC's vehicle replacement plan.
5. **CCC Work Projects.** Request for a one-time augmentation of \$1.7 million to the Collins-Dugan Reimbursement Account over three years to allow the CCC to fund project operating expenses and equipment, and to perform project work for sponsoring agencies.
6. **C-3 Information Technology (Spring Finance Letter).** Request for a \$1.4 million (Collins-Dugan Reimbursement Account), and three positions, to implement and support the C-3 enterprise resource management system. This proposal is in accordance with the feasibility study report submitted to the Department of Technology.

7. **Proposition 84 Program Delivery (January Budget and Spring Finance Letter).** Request for \$208,000 (Proposition 84 bond funds) for program delivery costs associated with the administration of resource conservation and restorations under the bond act.

VOTE (Items 3-7):

3540 Department of Forestry and Fire Protection (CalFIRE)

8. **Office of The State Fire Marshal (OSFM) Support (Spring Finance Letter).** The Governor requests \$2.15 million (reimbursements, special funds), and nine permanent positions for the OSFM to conduct required plan review and construction inspections of local jail facility projects, in support of the implementation of SB 1022 (Committee on Budget), Chapter 42, Statutes of 2012.
9. **Minor Capital Outlay (Spring Finance Letter).** The Governor requests \$1.7 million (Public Buildings Construction Fund) for various increases in minor capital outlay projects related to critical water supply and treatment problems.
10. **Various Fire Station Facility Replacement Projects and New 2014 Facility Program Policy Guidelines (Spring Finance Letter).** The Governor requests a net of \$33.5 million (Public Buildings Construction Fund), including a technical fund shift, for various fire state facility replacement projects and to incorporate design changes to meet current program and building code standards, as proposed in the 2014 Facility Program Policy Guidelines.

Project	Action	Amount (in thousands)
Westwood Fire Station	Scope Change/Augmentation	\$1,335
Bieber Fire Station/Helitack Base	Scope Change/Augmentation	4,258
Butte Fire Station/Unit Headquarters	Scope Change/Augmentation	3,845
Soquel Fire Station	Scope Change/Augmentation	512
Potrero Fire Station	Scope Change/Augmentation	2,163
Cayucos Fire Station	Scope Change/Augmentation	1,341
Pine Mountain Fire Station	Scope Change/Augmentation	582
Higgins Corner Fire Station	Scope Change/Augmentation	1,390
Santa Clara Unit Headquarters	Scope Change/Augmentation	4,454
Siskiyou Unit Headquarters	Scope Change/Augmentation	5,849
Madera-Mariposa Unit Headquarters	Scope Change/Augmentation	3,898

Project	Action	Amount (in thousands)
Parkfield Fire Station	Scope Change/Augmentation	585
El Dorado Fire Station	Scope Change/Augmentation	1,267
Felton Fire Station	Scope Change/Augmentation	786
Baker Fire Station	Scope Change/Augmentation	572
Rincon Fire Station	Scope Change/Augmentation	669
South Operations Area Headquarters	Fund Shift (\$4,057,000)	0
Badger Fire Station	Fund Shift (\$1,182,000)	0
2014 Facility Program Policy Guidelines	Adopt Updated Standards	
Total		\$33,506

VOTE (Items 8-10):**3790 Department of Parks and Recreation**

- 11. Reversions (Spring Finance Letter).** Request for the reversion of the unencumbered balances of several previously funded capital outlay projects where funding is not necessary at this time and will be re-submitted at a later date.
- 12. Reappropriations—Capital Outlay Program (Spring Finance Letter).** Request for the reappropriation of capital outlay projects to allow for the completion of projects currently in progress. These include finalizing the Chino Hills State Park entrance project and Fort Ord Dunes campground and beach access working drawings.
- 13. MacKerricher State Park—Replace Water Treatment Plant (Spring Finance Letter).** Requests for an increase of \$40,000 (Proposition 84 bond funds) for the preliminary plans phase of the MacKerricher State Park: Replace Water Treatment System Project.
- 14. Marbled Murrelet Management (Spring Finance Letter).** The Governor requests a permanent augmentation of \$418,000 from the State Parks and Recreation Fund (SPRF) for a planning and management strategy for the marbled murrelet, a state and federally-listed endangered bird species, in Big Basin Redwoods State Park and the Santa Cruz Mountains. This management plan is the result of the settlement of a lawsuit, *Center for Biological Diversity v. State Parks* (Case No. CV 177159, Santa Cruz County).

15. Federal Funds: Benbow Dam (Spring Finance Letter). The Governor requests an augmentation of \$2.3 million to its federal authority to expend a grant from the National Oceanic and Atmospheric Administration for the Benbow Dam Removal. The removal of the dam, a seasonal fish barrier, will help facilitate fish passage and improve habitat for Coho, Chinook, Steelhead, and most other aquatic species in the South Fork of the Eel River in Southern Humboldt County.

16. Capital Outlay—San Diego Historic Park. The spring finance letter requests reappropriation of funds for preliminary plans due to the delayed assumption of jurisdiction of the property from Caltrans in November 2013.

VOTE (Items 11-16):

3810 Santa Monica Mountains Conservancy

17. Technical Adjustment (Spring Finance Letter). Request to decrease previous appropriations (Proposition 84) and increase Environmental License Plate Fund by \$236,000 to keep administrative costs within the five-percent bond administration limit.

VOTE (Item 17):

3855 Sierra Nevada Conservancy

18. Technical Adjustment (Spring Finance Letter). Request to decrease Environmental License Plate Fund by \$282,000 due to an erroneous baseline increase in the January budget.

VOTE (Item 18):

3850 Coachella Valley Mountains Conservancy

19. Reappropriation. The spring finance letter requests reappropriation of the balance of funding from Proposition 84 bond funds to maintain adequate funding levels for acquisitions and local assistance grants.

VOTE (Item 19):

3860 Department of Water Resources

- 20. FloodSAFE California Program (Spring Finance Letter).** Request to re-characterize \$14.2 million from state operations to local assistance in Proposition 1E to allow funding to be more appropriately moved to local agencies for flood control.
- 21. Technical Support: Reappropriations, Reversions, Technical Adjustments (Spring Finance Letter).** Request for annual reappropriation and technical adjustments to ongoing flood programs within the state including the California Water Plan, enforcement programs, water recycling and water conservation. This continues programs that are ongoing.
- 22. Technical Support—Capital Outlay: Reappropriations (Spring Finance Letter).** Request for annual reappropriation and technical adjustments to ongoing capital outlay flood projects including the Lower San Joaquin River, system-wide levee evaluations, and Sutter Bypass projects.

VOTE (Items 20-22):**3875 Sacramento-San Joaquin Delta Conservancy**

- 23. Implementation of the Delta Plan.** The budget requests one position (costs to be absorbed) to support the implementation of the Delta Plan near-term actions in the priority areas defined by the plan, and to assist in securing additional funding from a variety of sources.
- 24. Implementation of the Delta Mercury Exposure Reduction Program.** Request for one (three-year, limited-term) position for the implementation of the Delta Mercury Exposure Reduction Program. The position costs would be funded by reimbursements from the State Water Resources Control Board.

VOTE (Items 23-24):**3980 Office of Environmental Health Hazard Assessment**

- 25. Proposition 65 Limited-Term Positions.** Request for \$785,000 (Safe Drinking Water and Toxic Enforcement Fund) and four, limited-term positions, to revise Proposition 65 regulations and develop a website that provides information to the public on exposure to listed chemicals. The proposed reforms are intended to inform the public about their exposures to chemicals that cause cancer or reproductive harm, pursuant to the original proposition. There is no trailer bill language associated with this request. This item was heard on April 10 and held open.

VOTE (Item 25):

7300 Agriculture Labor Relations Board

26. General Counsel—Spring Finance Letter. The spring finance letter requests \$1.9 million from the General Fund (including \$1.4 million ongoing) and five positions (four attorneys and one field examiner) to address additional workload due to increased caseload responsibilities. This item was heard on April 28 and held open.

VOTE (Item 26):

8570 Department of Food and Agriculture

27. California Animal Health and Food Safety Laboratory System (CAHSF)—One-Time Adjustment (Spring Finance Letter). The budget requests \$1 million (General Fund), one-time, to offset the employee compensation increases. The Administration proposes to convene stakeholders to develop a sustainable long-term funding plan for CAHSF. This item was heard on April 28 and held open.

28. Yermo Agriculture Inspection Station Reappropriation. The spring finance letter updates the January budget proposal by clarifying the CalTrans appropriation through the Statewide Highway Account. This will not result in a change of General Fund expenditures.

VOTE (Items 27-28):

0540 Secretary for Natural Resources

Items Proposed for Discussion

1. Fourth California Climate Change Assessment

Governor's Proposal. The Governors' budget requests \$5 million (one-time, Environmental License Plate Fund [ELPF]) and one position at the California Natural Resources Agency (CNRA), to carry out a fourth climate change assessment. The majority of funds are proposed to be used for contracts to conduct the scientific research needed for the assessment. The assessment, similar to the three previous, would continue to generate data and information needed to support continued climate policy development, planning, and implementation efforts at the state, regional, and local level. The intent is to ensure that efforts to foster resilient communities and businesses are informed by the best available science.

The Governor's proposal also includes trailer bill language that would add the following eligibility language to the ELPF funding allocations:

- "Scientific research on the risks to California's natural resources and communities caused by the impacts of climate change."

Previous Subcommittee Action. This item was heard on March 6 of this year and held open. The discussion included the use of the ELPF for climate assessment (a new purpose requiring trailer bill language), demands on the ELPF from existing programs, the need for more funding for climate adaptation prior to further assessment, and the lack of statutory guidance for climate assessments.

Legislation Introduced. SB 1217 (Leno) has been introduced related to climate assessments. The bill would require the Strategic Growth Council (Council) to prepare a climate risk assessment and strategy evaluation of the state's vulnerability and risk for climate change impacts every five years starting January 2017. The bill includes specific areas the Council should focus on and is likely to be amended to include further legislative intent specific to the assessments.

Staff Comments. As is consistent with other policy areas, staff recommends holding off funding programs where legislative intent is being determined. Staff recommends rejecting the proposal until legislative intent is clearly established.

Staff Recommendation: Reject proposal without prejudice and request the proposal be resubmitted in the 2015-16 budget cycle after legislation establishing the criteria for periodic climate assessments has been adopted.

VOTE:

3360 Energy Resources Conservation Development Commission (California Energy Commission)

Items Proposed for Discussion

Proposition 39—Implementation and Operation of the California Clean Energy Jobs Act
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Governor’s Proposal. The Governor’s budget proposes \$3 million and 12 permanent positions to implement and provide technical assistance related to the California Clean Energy Jobs Act (CCEJA [Proposition 39]), SB 73 (Committee on Budget and Fiscal Review), Chapter 29, Statutes of 2013. The legislation provides legislative guidance for implementation of Proposition 39, the Income Tax Increase for the Multistate Business Initiative, passed in 2012.

The budget proposal continues the request from the current year and provides for \$1.3 million in external consulting funding and \$1.7 million for the baseline positions and state activities. The positions are intended to provide outreach to Local Education Agencies (LEAs) including annual evaluations and approval an estimated 1,700-2,100 energy expenditure plans that will be submitted to the California Energy Commission (CEC), as required by the enabling legislation. In addition to providing outreach to the LEAs, the CEC plans to: develop and maintain a publicly available and searchable database to track and report program metrics (energy savings, energy costs savings, greenhouse gas reductions and employment effects of project); review and evaluate energy savings project expenditure plan modifications; provide and manage low and zero-interest revolving loans to LEAs and community colleges; and, provide annual reports to the Citizens Oversight Board.

Previous Subcommittee Action. This item was heard on March 6 of this year and held open.

Staff Comments. The CEC has provided updates consistent with the intent of Proposition 39. Staff recommends approval of the proposal.

Staff Recommendation: Approve proposal.

VOTE:

CEC Information Technology Proposals

Governor's Proposal. The Governor's budget includes three separate funding proposals for information technology (IT) related projects. These include:

- 1. Renewables Portfolio Standard Database Modernization Project.** The budget requests \$2.2 million (Petroleum Violations Escrow Account [PVEA]) to hire a contractor to implement a new Renewable Portfolio Standards database. The new database will allow for continued database growth and functionality, and increased efficiency of business processes, without risk to data security and stability. With this one-time funding, a contractor will design, build, and implement the proposed new database system, as well as support and train the CEC's IT Services Branch staff on maintenance and operations for six months after implementation.
- 2. Application Development and Maintenance Support.** Request for three permanent programmer analyst positions and \$403,000 (Energy Resources Program Account {ERPA}) to support the increasing workload for software applications and databases. Currently, the IT branch has about 40 applications and databases that require support on a regular basis. There are an additional 20 databases that require support but are only addressed on an emergency basis due to lack of programmer capacity. Another ten applications and databases, including critical systems such as e-filing for power plant siting cases, will come online in the next 12 months.
- 3. Building an Energy Data Infrastructure to Meet the 21st Century.** The Governor's budget proposes six two-year limited-term positions and \$790,000 (Energy Resources Program Account) to develop disaggregated energy demand forecasts purportedly needed to implement the Governor's renewable distributed generation goals and support statewide energy decisions at the CEC, CPUC and the California Independent System Operator

Previous Subcommittee Action. This item was heard on March 6 of this year and held open.

Staff Comments. The Commission has provided additional information to the subcommittee on its overall information technology plans. Staff recommends approval of the proposals.

Staff Recommendation: Approve.

VOTE:

Vulnerability of the Fueling Infrastructure for the Transportation Sector to Climate Change

Governor's Proposal. The Governor's budget requests \$2 million (Petroleum Violation Escrow Account) and one two-year limited-term position to support an evaluation of the vulnerability of the fuel infrastructure for the transportation sector to climate change impacts. This work is intended to contribute to the Fourth Climate Change Assessment (see page 7 of this agenda) which is planned to be released in 2017. The project is proposed to identify specific vulnerabilities of California's fuel infrastructure to both extreme weather events (flooding, fire, storms), and other climate impacts (sea level rise, coastal erosion, rising temperatures).

Previous Subcommittee Action. This item was heard on March 6 of this year and held open.

Staff Comments: Consistent with the staff recommendation under the Secretary for Natural Resources item, staff recommends rejecting this proposal without prejudice until legislation providing clear direction on periodic climate assessments can be established.

Staff Recommendation: Reject.

VOTE:

Transportation Energy Supply Forecast Analysis

Background. Existing statute requires the CEC to conduct assessments and forecasts of energy industry supply, production, transport, delivery, and distribution. This assessment includes demand and pricing analysis for several sectors, including transportation fuels. Specifically, the CEC is required to:

- Assess trends in transportation fuels, technologies and infrastructure supply and demand.
- Forecast statewide and regional energy demand.
- Evaluate sufficient transportation fuel supplies, technologies and infrastructure.
- Assess risk and disruptions in price shocks.
- Provide alternative fuel assessments.
- Provide recommendations to improve transportation energy use.

Assembly Bill 118 (Núñez), Chapter 750, Statutes of 2007, created the CEC's Alternative and Renewable Fuel and Vehicle Technology Program. Specifically, this program provides funding, in part, to:

- Develop and improve alternative and renewable low-carbon fuels.
- Optimize alternative and renewable fuels for existing and developing engine technologies.
- Decrease, on a full fuel cycle basis, the overall impact and carbon footprint of alternative and renewable fuels and increase sustainability.
- Expand fuel infrastructure, fueling stations, and equipment.
- Improve light-, medium-, and heavy-duty vehicle technologies.
- Expand infrastructure connected with existing fleets, public transit, and transportation corridors.

Governor's Proposal. The budget requests to redirect \$750,000 (ERPA, mainly from electric and natural gas ratepayers) baseline contract funds to establish two new permanent positions to initiate a transportation supply and economic impact analysis framework, gather energy supply data, and initiate economic impact analysis.

Staff Comments: The CEC, as part of its administration of AB 118, has, in large part, conducted much of the initial research on the transportation sector as is evidenced in its AB 118 Investment Plan. However, further research may be necessary.

The funding source identified for this proposal is derived mainly from electric and natural gas ratepayers throughout the state. Funding is not proposed from existing transportation fuel fees and taxes. In addition, it is unclear to what extent this proposal utilizes existing research gathered through the implementation of AB 118 and other state transportation programs.

Staff Recommendation: Approve funding with the Motor Vehicle Account.

VOTE:

3720 California Coastal Commission (CCC)

Item Proposed for Discussion

Local Coastal Plans and Climate Adaptation Planning

Background. The subcommittee held an extensive hearing on climate adaptation, including the CCC's role in the development of Local Coastal Plans (LCPs), on March 20. As discussed at the hearing, the CCC has maintained a steady budget over the past several years but has struggled to make progress in updating LCPs. There are many reasons for this, including: (1) funding has not been available to assist local jurisdictions in updating their coastal plans; (2) some locals are reluctant to take back coastal permitting and prefer to have the state provide this service; and, (3) recent local funding issues have, as with other areas of government, reduced their ability to do forward-thinking planning.

Previous Subcommittee Action. On March 20, 2014, this subcommittee approved a General Fund appropriation of \$3 million per year to the CCC for five years, with \$1 million per year dedicated to local assistance, to work in partnership with local governments to accelerate the completion and updates of LCPs.

Spring Finance Letter Proposed. The Governor proposes a two-year pilot program (FY 2014-15 and FY 2015-16) of \$3 million (General Fund carryover, Coastal Act Services Fund and the Environmental License Plate Fund) per year of state operations in the CCC budget to work in partnership with local governments to accelerate the completion and updates of LCPs.

Staff Comments: The Governor's spring proposal addresses concerns that were raised by the Legislature and local governments regarding funding for updating LCPs. For over 25 years, many local governments have adhered to the voters request for stronger coastal planning, which includes the LCP requirement. However, a handful of local agencies have not, making the CCC a de facto local government permitting agency within the coastal zone. Staff suggests that by making this LCP pilot program a five-year program, and by providing funding to update LCPs, the Legislature will be in a position, at the conclusion of the pilot program, to begin to eliminate the local permitting role of the CCC and focus on its appellate role, as intended by the voters.

Staff Recommendation: Approve the Spring Finance Letter. In order to ensure this pilot program is fully funded for five years, approve an additional two years of Environmental License Plate Fund funding for state operations. Approve \$1 million (GF) local assistance for an additional three years, after the budget year. This action is intended to substitute for the previous subcommittee action on March 20.

VOTE:

3760 State Coastal Conservancy (SCC) 3820 Bay Conservation Development Commission (BCDC)

Items Proposed for Discussion

1. Office Move and Increased Rent

Background. As discussed at the March 20 hearing, the State Coastal Conservancy (SCC) has occupied space at 1330 Broadway in Oakland for over 30 years. The SCC's lease is up for renewal on November 30, 2014, at \$2.41 per square foot. The building at 1330 Broadway is also occupied by coastal-related nonprofits including Save the Bay, the Ocean Science Trust, The National Oceanic and Atmospheric Administration (NOAA) and the Coastal Services Center (Center).

Similarly, the Bay Conservation Development Commission (BCDC) occupied 50 California Street in San Francisco for several years and was co-located with multiple local and regional planning agencies. Recently, the Metropolitan Transportation Commission (MTC) purchased a new building intended to be a hub of regional planning agencies in the Bay Area. Rather than allow BCDC to move with its sister planning agencies to the new MTC building, the Department of General Services (DGS) required BCDC to move to the Hiram Johnson State Building in San Francisco.

Executive Order (EO) B-17-12. The Governor, through EO B-17-12, calls for agencies statewide to reduce their leased space footprint and consolidate into available state-controlled space.

Budget Proposal (SCC). As discussed on March 20, the DGS has made a formal request for the SCC to move into the Elihu Harris State Building. In order to accommodate this move, the SCC would require "significant and unavoidable one-time costs associated with the DGS architectural design, engineering, and construction project, as well as furniture and moving costs."

Spring Finance Letter (BCDC). The Spring Finance Letter requests \$85,000 to cover the additional lease costs due to the BCDC office relocation to the Hiram Johnson State Building in San Francisco.

Staff Comments. The moves by SCC and BCDC to the Elihu Harris and Hiram Johnson buildings may solve a problem for DGS; however, the move does not necessarily make sense for these state agencies and their missions. Co-location with other federal and state ocean-related agencies is important to the mission of the SCC, as is co-location with other planning agencies to BCDC.

Staff Recommendation: Approve January SCC proposal. Approve funding proposal for BCDC for one-year. Require the BCDC to submit a proposal in January 2015 for a move to the MTC building, including cost estimates.

VOTE:

3860 Department of Water Resources

Agricultural Drainage Water in the San Joaquin River

Background. The San Joaquin River is listed as an impaired water body, in part due to high loads of boron and salt, with a significant portion originating from agricultural subsurface drainage coming from the west side of the San Joaquin Valley. Subsurface drainage systems are designed to remove water from land without percolation to the groundwater table. More common in the upper midwest where excessive rains can damage crops and high water tables are common, this practice is also present in parts of the Central Valley. The drainage programs in California are designed to remove excess salt from the soil which can accumulate in areas where the groundwater table is shallow.

The drainage system was largely designed for federal water contractors. Salinity problems increased from the 1940s to the late 1960s when Congress authorized a drainage system as part of a federal project. This resulted in the construction of an 85-mile canal that discharged into the Kesterson Reservoir in the southern part of the San Joaquin Valley. The discovery of bird deformities due to high concentrations of selenium from agricultural drainage water led to the shutdown of the reservoir and a portion of the drains. The subsurface drainage systems have remained in place and drain to local waters, including the San Joaquin River.

Currently, the Mud and Salt Sloughs are tributaries of the San Joaquin River and contribute approximately 85 percent of the selenium load, 65 percent of the boron load, and 45 percent of the salt load carried by the river. Seasonal drainage from 90,000 acres of wetlands in the Grassland Water District and state and federal refuges also contribute to the salt load.

Governor's Budget. The Governor requests \$37 million for local assistance and \$930,000 for program administration (Proposition 84) for implementing projects that reduce or eliminate discharges of subsurface drainage water from the west side of the San Joaquin Valley for the purpose of improving water quality in the San Joaquin River and the Delta.

Staff Comments. This proposal is consistent with previous year efforts to reduce salt loads in the Delta. At the March 27 subcommittee hearing, the department discussed efforts by locals to address this long-standing problem. The department did not describe a comprehensive or long-term and sustainable program that would provide a permanent and ongoing solution to the pollution problem.

Staff are concerned that the proposal lacks the cohesiveness to provide a long-term and sustainable fix to the farming community. The intent of the proposal has merit, but needs to be completed in a way that requires long-term groundwater and surface water interactions to be improved. Staff recommends the department prepare a proposal for the 2015-16 budget cycle that would provide a long-term solution.

Recommendation: Reject.

VOTE:

System Reoperation Program, and Surface Storage Program
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Background. Proposition 84 provides funding to DWR to conduct statewide water planning and project feasibility studies for current and future needs related to water supply, conveyance and flood control systems. Within this context, the department has initiated a system reoperation program which means changing existing operation and management procedures for supply and conveyance, including management of flood control projects. Proposition 84 also includes funding for development of surface storage projects. Traditionally, DWR has used these funds (see table below) to explore projects developed under the CALFED program in partnership with the US Bureau of Reclamation (USBR).

Spring Finance Letter (SFL). The Governor requests reversion of \$6.2 million (Proposition 84 bond funds), and reappropriation for three years, to complete the analysis and report for the System Reoperation Study. The proposal also requests reversion of \$260,000 (Proposition 84 bond funds), and reappropriation, to continue the existing Surface Storage Program. This proposal is intended to support a 0.5 existing position to coordinate the development of studies with the USBR and Sites Project Joint Powers Authority.

Staff Comments. Surface Water Storage Feasibility Studies. As shown on the figure below, over \$81 million of state funds will have been spent under the California/Federal Bay-Delta program (CALFED) program on surface water storage studies through the end of the current year.

“State Funding Should Continue Only if Funding Partners Come on Board. The LAO 2008 review finds that, for the most part, the preliminary feasibility study work for these projects is complete, and for the studies to practically move into the more costly final stage of investigation and into project development, local and/or federal funding partners (entities who benefit from and would have an interest in funding the project) must be on board to share in these costs with the state. This is consistent with legislative direction in the 2006-07 Budget Act regarding funding for the Los Vaqueros Reservoir Expansion. Specifically, the Legislature prohibited state funds being spent for this project until regional funding sources were secured to fund the investigation and planning of the project.”

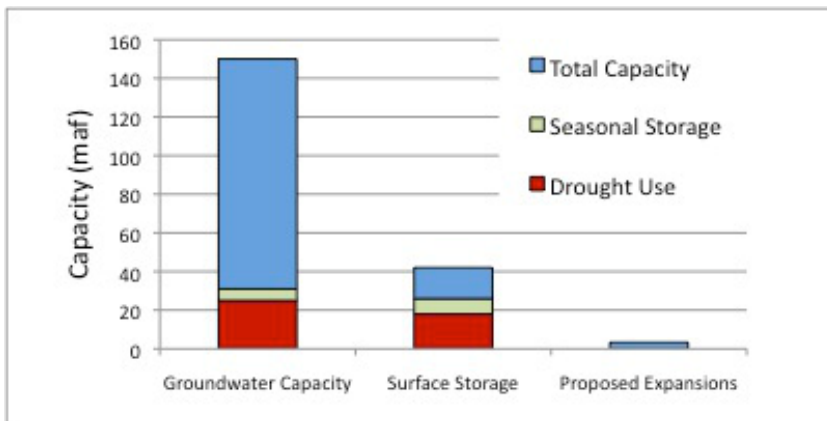
Summary of Expenditures on Surface Storage Investigation (2000 through 2013)
(in millions)

Project	State Funds	Federal Funds
Common Assumptions	\$5.08	\$0
Shasta Lake Enlargement	\$0.35	\$28.42
Sites Reservoir (North of Delta Offstream Storage)	\$44.93	\$12.21
In-Delta Storage Investigations	\$9.15	\$0.16
Los Vaqueros Reservoir	\$19.11	\$16.24
Temperance Flat (Upper San Joaquin River Storage Investigations)	\$2.42	\$25.07
Total	\$81.03	\$82.10

The Governor’s proposal to continue the study of system reoperation makes sense. Given that the water system in California is over 50 years old, and has relied on antiquated assumptions about the movement of water and water needs throughout the state, the department’s efforts to align water supply and flood management are appropriate.

Staff has concerns with the proposal to reappropriate funding for further surface storage studies originally approved under the CALFED. The state has spent over \$81 million studying storage projects that are not necessarily in alignment with where the state is moving toward in water storage and water supply. Over the past ten years, locals have developed over 900,000 acre feet of storage for local use. Access to these reservoirs during drought times has improved the ability of local to mitigate the challenges of periodic drought. At the same time, state and federal system storage and supplies have been reduced to historically low allocations.

The state’s groundwater holds more than ten times the amount of the state’s surface storage. According to UC Davis, the surface water projects proposed come nowhere near to the capacity groundwater may fill in the future (see table below). Groundwater should be the state’s focus, as should local assistance to improve regional water supply reliability. The continued development of the State Water Project (SWP), and any projects that would benefit users of the project, should be paid for by those users through the existing SWP billing system.



UC Davis, Jay Lund, PhD. “Water Storage in California.” 2011

Staff recommends the subcommittee reject the current surface storage proposal. The department may continue its studies with funding from the SWP should the users of that project wish to continue. Staff recommends DWR consider development of a proposal to direct the remainder of any surface storage funding to local projects and/or project that have significant local co-benefits, such as conjunctive groundwater storage, water recycling, or flood water storage.

Staff Recommendation: Approve \$6.2 million for System Reoperations Study. Reject \$260,000 for Surface Storage Program.

VOTE:

Proposition 13 Agricultural Water Conservation Local Assistance and Drought Mitigation

Background. The DWR manages water use efficiency programs in order to enable local districts to implement innovative programs to achieve water conservation benefits. Within the agriculture sector, extensive change is needed to be able to conserve the amount of water needed for overall water supply statewide. The department, through these programs, focuses on providing financial and technical assistance to enable locals to implement efficient water management practices and water shortage contingency planning.

Spring Finance Letter. The governor requests an appropriation of \$17.9 million in Proposition 13 bond funds to support the Agriculture Water Conservation Local Assistance loans program. \$17 million is proposed to be used for local assistance funding to provide loans for projects that include the implementation of efficient water management practices and agricultural water management plan criteria that can effectively contribute to immediate water savings. \$900,000 is proposed to be used to fund 1.5 existing positions to administer the program for three years.

This proposal requests that the loan funding be available as a three-year appropriation (encumber through June 30, 2017 and liquidate through June 30, 2019). According to DWR, the program application evaluation and selection process can take six to eight months following the receipt of the application. Construction of the projects may take up to three years to complete.

LAO Recommendation: *We recommend approval of the two proposals, with the addition of provisional language stating that the state operations funding proposed—\$300,000—is only available to fund the actual administrative costs incurred to issue loans. Our concern is that the department might spend this funding and fill the 1.5 administrative positions requested even if there few or no loans issued. We find that low or no participation in this program is a distinct possibility because (1) the department has not received any applications for loans under this program to date and (2) the recent drought legislation passed by the Legislature authorized \$10 million in grant funds for agricultural water conservation projects and an additional \$200 million in grant funds for integrated water projects, both of which could reduce the demand on the proposed loan program.*

Staff Comments: Staff concurs with the LAO recommendation.

Staff Recommendation: Adopt LAO recommendation.

VOTE:

Delta Habitat Conservation and Conveyance Program (DHCCP) Implementation

Background. The DHCCP was established in 2008 to implement a gubernatorial directive to address both water supply issues and environmental concerns related to the Delta. Specific goals of DHCCP include protecting and restoring Delta habitat and studying improved methods to reduce the impact of water conveyance on the Delta.

The Bay Delta Conservation Plan (BDCP) is a planning process is being conducted by the Department of Water Resources (DWR) to provide the basis for the issuance of endangered species permits necessary to allow the operations of both state and federal water projects in the Delta for the next 50 years. The BDCP planning process will develop a combined Habitat Conservation Plan and Natural Community Conservation Plan (NCCP), key components of which are ecosystem enhancement above and beyond required environmental mitigation and alternative conveyance to improve water supply reliability.

Specifically, the DHCCP is a program run by DWR to conduct the engineering and scientific studies required to prepare an Environmental Impact Statement/Environmental Impact Report (EIS/EIR) for BDCP that satisfy the requirements of the National Environmental Policy Act and the California Environmental Quality Act (CEQA). The DWR is designated as lead agency for the purposes of CEQA, while the state and federal water contractors that receive water from the projects are responsible parties that will use the EIR/EIS to perform some activities. Although initially separate, DHCCP has now largely merged with the BDCP planning process.

Previous Legislative Actions. The 2012 Budget Act approved 37 permanent positions and 38 two-year limited-term positions from the State Water Project. The budget rejected 60 requested positions. The positions approved were for preliminary design and construction work associated with the DHCCP.

Spring Finance Letter. The Governor requests to convert the 39 limited-term positions to permanent. These positions are proposed to be supported by the “off-budget,” continuously appropriated State Water Project (SWP).

Staff Comments: The positions requested are consistent with the Governor’s approach to the development of the Bay Delta Conservation Plan, and the further development of the conveyance system through the Delta (tunnels) by the SWP. The department should be prepared to update the subcommittee on how many of the initial positions currently authorized for the DHCCP are filled and when the new positions would be filled under the Governor’s proposal.

Staff Recommendation:

VOTE: