

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



Tuesday, May 20, 2014

10:00 a.m.

Hearing Room 112

OUTCOMES

May Revision and Open Items

Consultant: Catherine Freeman

Items Proposed for Vote Only

<u>Item</u>	<u>Department</u>	<u>Page</u>
(multiple)	Public Resources Account.....	2
0555	Secretary for Environmental Protection.....	2
3340	California Conservation Corps.....	2
3360	Energy Resources Development Commission.....	2
3480	Department of Conservation.....	3
3600	Department of Fish and Wildlife.....	4
3640	Wildlife Conservation Board.....	4
3760	State Coastal Conservancy.....	4
3790	Department of Parks and Recreation.....	5
3940	State Water Resources Control Board.....	5
3960	Department of Toxic Substances Control.....	6
3970	Department of Resources Recycling and Recovery.....	7
3980	Office of Environmental Health Hazard Assessment.....	7

Items Proposed for Discussion

<u>Item</u>	<u>Department</u>	<u>Page</u>
(multiple)	Lake Tahoe SB 630 Implementation.....	8
3360	Energy Resources Development Commission.....	9
3540	Department of Forestry and Fire Protection.....	11
3600	Department of Fish and Wildlife.....	13
3790	Department of Parks and Recreation.....	19
3860	Department of Water Resources.....	20
3970	Department of Resources Recycling and Recovery.....	22
8570	California Department of Food and Agriculture.....	23

Resources—Environmental Protection—Energy—Transportation

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling 916-651-1505. Requests should be made one week in advance whenever possible.

ITEMS PROPOSED FOR VOTE ONLY**0540 Secretary for Natural Resources, 3600 Department of Fish and Wildlife, 3790 Department of Parks and Recreation, 0555 Secretary for Cal-EPA**

- 1. Public Resources Account Adjustment.** The May Revision requests a decrease of \$163,000 (Secretary for Natural Resources), \$644,000 (Department of Parks and Recreation), and \$163,000 (Department of Fish and Wildlife) from the Cigarette and Tobacco Products Surtax Fund due to declining cigarette and tobacco sales.
- 2. Headquarters Building—Refunding Savings.** The May Revision requests to reduce expenditure authority for all departments housed within the Cal-EPA building due to a decrease in rental expenses resulting from the Cal-EPA building bond refinancing in August 2013. The decrease totals about \$2 million annually to the distributed boards and departments.

Recommendation (Items 1-2): Approve.

Vote: 3-0

3340 California Conservation Corps

- 3. Technical Adjustment.** The Spring Finance Letter requests a technical adjustment to keep Proposition 39 proposed expenditures at the \$5 million level for the budget year consistent with the 2013-14 Budget Act.

Recommendation (Item 3): Approve.

Vote: 3-0

3360 California Energy Commission (CEC)

- 4. Petroleum Fuel Price Vulnerability Analysis.** The May Revision requests \$342,000 (Energy Resources Program Account [ERPA]), and one position, to evaluate the vulnerability of California's economy and transportation energy sector. This proposal mirrors SB 448 (Leno) which passed the Legislature in 2013 but was vetoed by the Governor.

Recommendation: *Approve with Motor Vehicle Account Funds.* Consistent with the Subcommittee's previous actions on petroleum-related activities at the Energy Commission, approve with funding from vehicles.

Recommendation (Item 4): Approve.

Vote: 2-1 (Nielsen, no)

3480 Department of Conservation (DOC)

- 5. Amended Funding Plan for Sustainable Communities Planning Grant and Incentives Programs (Spring Finance Letter).** Request to revert \$495,000 in unencumbered local assistance Proposition 84 funds and appropriate \$493,000 to award grants in round three of the Sustainable Communities Planning Grant and Incentive Program (SCPGIP). Request to appropriate \$1.03 million to provide state support for the program (funds include previous reversions).
- 6. SB 4 Hydraulic Fracturing: Environmental Impact Report and Independent Study (May Revision).** The May Revision requests \$5.7 million from the Oil, Gas, and Geothermal Administrative Fund. Funding will be used to address increased costs to conduct and complete the independent scientific study on well stimulation treatments, and the Environmental Impact Report (EIR), as specified by SB 4 (Pavley), Chapter 313, Statutes of 2013. Updated cost estimates received since the January 10 proposal indicate that, to complete the studies within the statutory timelines, \$2.5 million is needed for the independent well stimulation scientific study (an increase of \$1.75 million) and \$4.4 million is needed for the EIR (an increase of \$3.5 million).
- 7. Mapping Mines in California.** The DOC has been tasked with tracking and mapping mines throughout the state. The department is able to take advantage of off-the-shelf software that would allow the public more access to information on mines, similar to the well tracking software used by the State Water Resources Control Board. Staff recommends approval of \$100,000 (General Fund), for three years, to purchase software (MineTracker) compatible with the existing GeoTracker and EnviroStor software used by the Cal-EPA agencies. This will save the state the cost of developing a “custom base” option that will take one to two years to develop.

Recommendation (Items 5-7): Approve.

Votes: 2-1 (Nielsen, no)

3600 Department of Fish and Wildlife

8. **Salton Sea Restoration Program.** The May Revision requests a decrease of \$400,000 (Salton Sea Restoration Fund) to remove funding proposed to operate and maintain the Species Habitat Conservation ponds at the Salton Sea. The maintenance schedule has been moved beyond the 2014-15 budget timeframe.

Recommendation (Item 8): Approve.

Vote: 3-0

3640 Wildlife Conservation Board

9. **Habitat Conservation Fund.** The May Revision requests reappropriation of Proposition 50 and 1E bond funds. This will allow previous transfers to remain available for expenditure for acquisition, enhancement, and restoration of wildlife, pursuant to the original voter-approved measure (conforms to an item under the State Coastal Conservancy).
10. **Technical Adjustments and Pro Rata.** The Spring Finance Letter requests an increase of \$105,000 from the Habitat Conservation Fund to align the pro-rata costs with appropriate fund sources. Additionally, the Spring Finance Letter requests technical adjustments to revert various Proposition 84 capital outlay appropriations.

Recommendation (Items 9-10): Approve.

Votes: 2-1 (Nielsen, no)

3760 State Coastal Conservancy

11. **Habitat Conservation Fund.** The May Revision requests reappropriation of Proposition 50 and 1E bond funds. This will allow previous transfers to remain available for expenditure for acquisition, enhancement, and restoration of wildlife pursuant to the original voter-approved measure (conforms to previous item under Wildlife Conservation Board).
12. **Technical Reversions and Capital Outlay.** The Spring Finance Letter requests various technical changes and reversions from Propositions 12 and 50.

Recommendation (Items 11-12): Approve.

Vote-Item 11: 2-1 (Nielsen, no)

Vote-Item 12: 3-0

3790 Department of Parks and Recreation

- 13. Kings Beach Operations and Maintenance.** The May Revision requests \$521,000 in 2014-15 and \$450,000 in subsequent fiscal years from the State Parks and Recreation Fund (SPRF) and Lake Tahoe Conservancy Account for the operation and maintenance of Kings Beach State Recreation Area (KBSRA). This includes the operation and maintenance of properties covered under the 2014 Operating Agreement with the California Tahoe Conservancy (CTC). This project would allow the department to operate and maintain the park. This is consistent with legislative direction in 2013 to consolidate local, state, and federal holdings in a more cost-effective manner.
- 14. McLaughlin Eastshore State Park, Brickyard Upland Area Public Access Improvements.** The May Revision requests local assistance funding from Prop 84 to the East Bay Regional Park District (EBRPD) for their continued design development expenses and future construction expenses related to capital improvements at Brickyard Cove, McLaughlin Eastshore State Park. The department and EBRPD have entered into a 30-year operating agreement, where the department is to provide up to \$5 million for EBRPD's completion of capital improvements to Brickyard Cove. The 2013 Budget Act appropriated \$1.2 million and this request is for the remaining \$3.8 million allowed under the operating agreement.

Recommendation (Items 13-14): Approve.

Vote-Item 13: 2-0 (Nielsen, not voting)

Vote-Item 14: 2-1 (Nielsen, no)

3940 State Water Resources Control Board (SWRCB)

- 15. Drinking Water Program.** The budget proposes to shift 291 positions and \$202 million (\$5 million General Fund) from Department of Public Health to the SWRCB, and includes an additional \$1.8 million (General Fund) for one-time funds for technology and facility costs. The proposal shifts all programs (described below) and combines certain financial assistance programs. This item was heard on April 10 and held open. A draft trailer bill is available to the public on the Department of Finance website.

Vote: 2-1 (Nielsen, no)

- 16. Local Assistance Programs.** The Drinking Water Program shift also includes \$110.3 million local assistance, and \$209,000 state operations (Propositions 50 and 84 bond funds), with a two-year extension of two limited-term positions, due to expire on June 30, 2014. This item was heard on April 10 and held open.

Vote: 2-1 (Nielsen, no)

- 17. AB 21 Implementation.** The budget requests \$93,000 (General Fund), and one position, to promulgate rulemaking packages and develop other guidance documents related to AB 21 (Alejo), Chapter 628, Statutes of 2013. AB 21 authorizes the department to assess a fee in lieu of interest on loans for water projects made pursuant to the Safe Drinking Water State Revolving Fund. AB 21 authorizes the department to expend the money for grants for specified water projects that serve disadvantaged and severely disadvantaged communities, thereby making an appropriation. This item was heard on April 10 and held open.

Vote: 2-1 (Nielsen, no)

18. Regulating Small Water Systems in Merced and Tulare Counties. The budget request for \$619,000 (Safe Drinking Water Fund) for five positions to perform regulatory oversight of public small water systems in Merced and Tulare counties. This item was heard on April 10 and held open.

Vote: 3-0

19. Continuation of the Recycled Water Program. The budget requests \$498,000 (Waste Discharge Permit Fund) to support three, two-year, limited-term positions, to continue work begun by the Department of Public Health to adopt Phase II of the uniform water recycling criteria for surface water augmentation, and to investigate the feasibility of developing uniform water recycling criteria. This item was heard on April 10 and held open.

Vote: 2-1 (Nielsen, no)

20. Continuation of the Emergency Drought Expenditures. The May Revision requests \$4.3 million (General Fund) to continue water rights enforcement efforts, respond to public inquiries, utilize field inspectors, and provide public enforcement hearings before the board.

Vote: 2-1 (Nielsen, no)

21. Regional Drinking Water and Wastewater Plan for Salinas Valley. The May Revision requests \$500,000 (Waste Discharge Permit Fund) to provide for the development of an integrated plan addressing drinking water and wastewater needs of disadvantaged communities in the Salinas Valley.

Vote: 2-1 (Nielsen, no)

Recommendation (Items 15-21): Approve.

Vote:

3960 Department of Toxic Substances Control
--

22. Stringfellow Superfund Hazardous Waste Site Remediation and Operation. The May Revision requests \$5.2 million (General Fund) to support an administrative order on consent with the US Environmental Protection Agency for further investigation and cleanup of contaminated water that has reached a drinking water source in the Chino Basin.

Vote: 3-0

23. California Environmental Contaminant Biomonitoring Program. The May Revision includes \$175,000 (Toxic Substances Control Account) and \$175,000 (Birth Defects Monitoring Program Fund) to fund two positions in the Biomonitoring program as federal funding for the program is being reduced. A similar amount is proposed for two positions at the Department of Public Health.

Vote: 2-1 (Nielsen, no)

Recommendation (Items 22-23): Approve.

3970 Department of Resources Recycling and Recovery

24. Education and the Environment Initiative (EEI). Provide \$800,000 (Environmental License Plate Fund [ELPF]) for transfer to the Department of Education, to provide base leveraging funding to support EEI, a public/private partnership. This item was heard under the Secretary for Natural Resources budget on March 6. The Subcommittee took action to reject \$5 million related to the climate assessment, and corresponding trailer bill language that would add climate assessment as an eligible use of ELPF. This would direct a portion of the saved funding to a current and priority use of the ELPF, environmental education.

Recommendation (Item 24): Approve.

Vote: 2-1 (Nielsen, no)

3980 Office of Environmental Health Hazard Assessment

25. Technical Amendment—Proposition 65 Website Development. The May Revision requests \$520,000 (Safe Drinking Water and Toxic Enforcement) to address higher information technology development costs identified in the draft feasibility study. This proposal increases the one-time contract funding in 2014-15 and eliminates a like amount in 2015-16. The corresponding budget proposal was heard on April 10 and approved on May 8 in this subcommittee.

Recommendation (Item 25): Approve.

Vote: 2-1 (Nielsen, no)

3110 Tahoe Regional Planning Agency
3125 Tahoe Conservancy
3940 State Water Resources Control Board

Items Proposed for Discussion

1. SB 630 Implementation

May Revise Proposal—SB 630 Implementation. The Governor’s May Revision includes \$450,000 (Lake Tahoe Science and Lake Improvement Account) to implement the provisions of SB 630 (Pavley), Chapter 762, Statutes of 2013. SB 630 created the Tahoe Science Account which is funded by lease-revenues collected from piers and other leases in Lake Tahoe. The proposal includes:

- \$150,000 for near-shore environmental improvement program activities, including but not limited to aquatic invasive species (AIS) projects and improved public access to sovereign lands, if matched by the California Tahoe Conservancy;
- \$150,000 for near-shore water quality monitoring, executed by the Lahontan Regional Water Quality Control Board (Lahontan Water Board); and,
- \$150,000 for the establishment of a bi-state science-based advisory council, pursuant to a bi-state Memorandum of Agreement between California and Nevada at the Tahoe Conservancy.

Staff Recommendation. *Approve Proposal.* The budget proposal is consistent with the intent and statutory direction given by SB 630.

2. Supplemental Reporting Language—Tahoe Regional Planning Agency (TRPA)

Background. SB 630 (Pavley), Chapter 762, Statutes of 2013, requires TRPA, until, January 1, 2018, to annually prepare and submit to the Department of Finance and the budget committees a report, in a format established by the department, of revenues and expenditures provided by the States of Nevada and California, including a complete summary and explanation of the expenditure of the revenues received and expended by the agency.

Staff Comments. The TRPA submitted this report on February 25, 2014. The report, while complete, could include a more comprehensive budgetary explanation. The State of Nevada also requires TRPA to submit budget and fiscal information to the state. Staff recommends that in addition to the information provided under SB 630, TRPA be required to annually submit to the Legislature the same budget information it submits to the State of Nevada.

Staff Recommendation: *Adopt SRL.* Adopt supplemental reporting language to require TRPA to annually submit to the Legislature the same budget information it submits to the State of Nevada, to by February 1 of each year.

Vote (Items 1-2): **Vote: 2-0 (Nielsen, not voting)**

3360 Energy Resources Conservation Development Commission (California Energy Commission)

Item Proposed for Discussion

Implementation of the Electric Program Investment Charge (EPIC)

Background. In December 2011, funding for the state's Public Goods Charge (PGC) on electricity ratepayers expired. The PGC funded energy efficiency research and development and renewable energy programs. Efforts to continue the surcharge, which requires a 2/3 vote of the Legislature, failed. The charge, considered a tax for voting purposes, supported about a quarter of the total energy efficiency programs funded by the state and energy utilities. In September 2011, the Governor sent a letter to the California Public Utilities Commission (CPUC) requesting that they take action under its quasi-legislative authority to ensure that programs, like those funded under the PGC, would be continued, but with the modifications legislators discussed during the PGC renewal deliberations. In December 2011, the CPUC initiated a rulemaking (essentially started a pathway to a new policy) to continue the programs similar to PGC, with a sole focus on the investor-owned utilities (IOUs). The commission planned a two-phased deliberation.

Previous Budget Actions. In the 2012 budget, the Legislature approved \$1 million from the EPIC and 4.5 positions specifically to complete an investment plan for the future appropriations from this charge, established for the CPUC (and also described above). The 2013 budget approved \$160 million and 55 positions from IOUs ratepayer funds for the implementation of EPIC. Trailer bill language restricted the use of funds to activities within the IOU areas and provided the authority for \$25 million to be approved through the CPUC EPIC proceeding for the New Solar Homes Partnership Program.

Budget Proposal. The budget requests baseline authority for 26 positions to administer \$172.5 million (direct ratepayer funds) in program funds for implementation of the CPUC-created EPIC program. The total request of \$17 million is comprised of \$3.8 million for state operations and \$13.2 million for local assistance. This item was heard on March 6 of this year and held open.

Lawsuit Outcome. On May 21, 2013, one of the IOUs, Southern California Edison (SCE), sued the CPUC asserting that the CPUC's adoption of the EPIC is illegal for the following reasons: (1) CPUC's jurisdiction to regulate utilities does not extend to the establishment of a charge to fund another state agency (CEC); (2) EPIC raises revenue that is being used for broad purposes such as research and development, and is thus a tax; and, (3) EPIC involves an unlawful delegation of discretionary authority from CPUC to CEC.

Staff Comments. The court may rule on this issue before May 31. Therefore staff recommends holding this open by moving it to conference committee.

Staff Recommendation: Reduce by \$1,000 to move to conference committee.

Vote: 2-1 (Nielsen, no)

Proposition 39

Background. 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 subcommittee, on May 8 of this year, approved this proposal as budgeted.

Citizens Oversight Board. The May Revision requests baseline authority for two permanent positions (\$284,000 one-time) and \$300,000 per year for independent audit support from Energy Resources Programs Account (ERPA) funds, for a total request of \$584,000 to implement and operate Proposition 39. These positions will serve as staff to the Citizens Oversight Board (COB), charged with: annually reviewing all expenditures from the fund; reviewing an annual independent audit of the fund and selected projects; publishing a complete accounting each year; and, submitting an evaluation of the program to the Legislature. The COB, composed of nine members, three appointees each by the Treasurer, Controller, and Attorney General, will review and report on all expenditures of the Job Creation Fund. The California Public Utilities Commission (CPUC) and the California Energy Commission (Energy Commission) each appoint an ex officio member to serve on the COB.

Increasing Funding for Loan Programs. The 2014 budget act included \$28 million for financing assistance for K-12 public school districts and community colleges via the Energy Conservation Assistance Account (ECAA) Program and other technical assistance from the California Energy Commission (CEC). Financing assistance includes zero and low-interest revolving loans with up to 20 years terms.

Staff Recommendation: *Approve May Revise proposal and \$28 million for ECAA (including corresponding position authority).* This is consistent with funding allocated in the 2014 budget.

Vote: 2-1 (Nielsen, no)

3540 Department of Forestry and Fire Protection (CalFIRE)

Items Proposed for Discussion

Ecological Performance—Spring Finance Letter (with Natural Resources Agency)

Governor's Proposals. The Spring Finance Letter proposes \$666,000 (Timber Regulation and Forest Restoration Fund), for three permanent, full-time positions, for CalFIRE to collect data and conduct assessments of program efficiencies and process improvements for evaluation of ecological performance relating to forest and timberland regulation. The request will assist the department in conducting the assessments and evaluation of ecological performance as required by AB 1492 (Committee on Budget), Chapter 289, Statutes of 2012.

The Governor's May Revision includes \$200,000 (Timber Regulation and Forest Restoration Fund) to assist in the development of the ecological performance measures for forest management on forestlands in California to assist in the long-term response to a prolonged drought. Developing such measures will be scientifically and technically challenging, requiring combined expertise found within the Natural Resources Agency and the California Environmental Protection Agency and other agencies as well.

Staff Recommendation: Approve proposals.

Vote: 3-0 (Committee asked that the department and agency submit a letter clarifying the public process.)

State Responsibility Area—Local Assistance

Governor's Proposal. The May Revision includes \$10 million (State Responsibility Area [SRA] Fire Prevention Fund) for local assistance as specifically allowed in Public Resources Code 4214 (d). This section specifies the allowable fire prevention activities from the SRA Fund includes grants to fire safe councils, local conservation corps, grants to nonprofit organizations that can complete a fire prevention project applicable to the SRA, public education to reduce the fire risk in the SRA, and other fire prevention projects.

Staff Comments. Staff have recommended local assistance be included in the budget since the SRA fee was approved. Numerous local agencies have requested funding from the SRA fund in the form of grants but until this proposal, the Administration has not allowed local assistance grants to be allocated from the SRA Fund. This has, in part, caused the fund to develop a substantial balance because CalFIRE can only use the fund for specific purposes stated in the enabling legislation. Rather than increase the appropriation, in the interest of evaluation, *staff recommends supplemental reporting language requiring the department to report back in the January budget on the under- or over-subscription of the grant program, and anticipated need in 2015-16 for local assistance grants.*

Staff Recommendation: Approve proposal plus supplemental reporting language.

Vote: 2-1 (Nielsen, no)

Fire Protection Services Due to Drought and Emergency Fire Suppression (E-Fund)

May Revision Proposals. The Governor's May Revision requests \$30.8 million General Fund and \$2.2 million State Responsibility Area (SRA) Fire Prevention Fund, and 259 temporary help positions through fall 2014 and two associate governmental program analysts (AGPA) through June 30, 2016, to address heightened fire conditions brought on by drought conditions, as authorized and detailed in the Governor's Drought Declaration issued on January 17, 2014. The SRA Fund request will provide dedicated staff to address critical fire prevention, emergency preparedness, and outreach activities, and for fire prevention grants, to address the increased fire risk brought on by drought conditions. The remaining temporary staff will provide on-the-ground fire protection for what has already proved a costly fire season. Staff recommends adding \$1,000 to remove CalFIRE from conference committee.

The May Revision also includes \$23,000 (General Fund) to increase the E-Fund to provide resources in anticipation of an extended fire season due to extreme drought conditions. With this request, the Governor's budget provides a total of \$209 million for emergency wildfire suppression in 2014-15.

Staff Recommendation: Approve proposals.

Vote: 3-0

Vegetation Treatment Program

Background. The State Board of Forestry and Fire Protection (BOF) proposes to initiate a California Statewide Vegetation Treatment Program (VTP). The proposed program is intended to lower the risk of catastrophic wildfires on nonfederal lands by reducing hazardous fuels. The VTP goals include control of unwanted vegetation, including invasive species, improvement of rangeland for livestock grazing, improvement of fish and wildlife habitat, enhancement and protection of riparian areas and wetlands, and improvement of water quality in priority watersheds. The initiation of this program is a project, subject to the California Environmental Quality Act (CEQA). As the CEQA lead agency, the BOF will provide policy direction for implementation of the VTP to CalFIRE, which administers a wide range of vegetation management programs.

Staff Comments. The 2013 budget included language that addressed reporting and communication issues between the department and members of the public, mainly in Southern California, regarding the VTP Environmental Impact Report. The department has adhered to the language, including holding certain Board of Forestry meetings in Southern California to accommodate public comment. *Staff recommends continuing the language for one more year to ensure that the final result of the program is in keeping with both the department and the Legislature's intent for the VTP.* The language is consistent with the actions of the Subcommittee in 2013 and has been reviewed by the department.

Recommendation: Approve provisional language.

Vote: 2-1 (Nielsen, no)

3600 Department of Fish and Wildlife

Items Proposed for Discussion

Statewide Oil Pollution Program (Marine and Inland)

Budget Proposal. The Governor proposes statutory changes to maintain the Oil Spill Prevention and Administration Fund (OSPAF) fee at 6.5 cents per barrel on an ongoing basis, as well as expand the fee to all oil entering California refineries, including oil transported by rail and pipelines. The Administration projects that the proposed fee increase would increase revenues by \$6.6 million in 2014-15 (\$12.3 million annually when fully implemented) compared to current-year revenues. The Governor's budget for 2014-15 proposes to increase ongoing spending by \$8.7 million, as follows:

- \$6.2 million and 38 permanent positions to support the proposed expansion of Oil Spill Response Program's (OSPR) activities, to include inland prevention activities, as well as allow the office to respond to all inland spills. According to the Administration, the proposed expansion is necessary because the amount of oil transported over land (by rail or pipeline) is expected to significantly increase in coming years.
- \$2.5 million to support the Oiled Wildlife Care Network and change the program's fund source from the Oil Spill Response Trust Fund (OSRTF) to the OSPAFA. The proposed amount reflects an increase of \$500,000 for the program relative to the current-year funding level.

Assembly Action. On April 23, the Assembly approved requested funding and positions. They (1) approved expanding the OSPAFA fee to all oil entering California refineries, and (2) denied proposed statutory changes to maintain the OSPAFA fee at 6.5 cents per barrel on an ongoing basis and instead authorized the department to charge fees to generate total revenue up to the amount authorized for oil spill prevention and response in the annual state budget.

Staff Comments. This item was heard in Subcommittee on March 27. Staff concurs with the need to approve position authority for the evaluation and enforcement of well stimulation practices. Staff concurs with the Assembly analysis and proposal to authorize the department to charge fees to generate total revenue up to the amount appropriated in the annual state budget. This action is consistent with many regulatory fees within the resources and environmental protection budgets.

Staff Recommendation:

1. Approve requested funding and positions.
2. Approve expanding the OSPAFA fee to all oil entering California refineries.
3. Deny proposed statutory changes to maintain the OSPAFA fee at 6.5 cents per barrel on an ongoing basis and instead authorize the department to charge the fees to generate total revenue up to the amount authorized for oil spill prevention and response in the annual state budget.

Vote: 2-1 (Nielsen, no)

Fisheries Restoration Grant Program (FRGP)—with Natural Resources Agency

May Revision. Fish and Wildlife Proposal. The May Revision proposes to add \$5.2 million (General Fund) and \$2 million Timber Regulation and Forest Restoration Fund (TRF) to FRGP. This action will use TRF to disperse FRGP grants to restoration projects that:

- Are in forested watersheds for restoration of conditions beneficial to state and/or federally listed salmonids;
- Address legacy impacts of forest management (e.g., problem forest roads, poor stream crossings, sediment sources, and lack of in-stream large woody debris), which have resulted in the shallowing or loss of deep pool fish refugia that is now aggravated by drought-related reduced instream flow;
- Rely on state and federal recovery plans for listed salmonids and existing watershed assessments to guide identification of priority watersheds and projects;
- Target multiple projects in just a few watersheds to ensure maximum impact;
- May be in coastal or inland watersheds;
- Monitor before and after treatment to assess project outcomes;
- Are selected according to guidance for priorities and project selection provided by Natural Resources Agency and Cal-EPA leadership team for AB 1492 implementation; and,
- May use California Conservation Corps crews (such as Watershed Stewardship Program) for projects (pre- and post-project monitoring, on-the-ground project implementation) as appropriate.

Natural Resources Agency Proposal. A second May Revision Proposal (drought-related) would increase the allocation to FRGP to leverage the existing funding program within the Natural Resources Agency. Currently, about 150-170 grant applications are reviewed annually, and approximately 50 percent are funded. The funding distribution in recent years has focused exclusively on coastal streams. These coastal counties are experiencing significant drought impacts. The department proposes to divide the \$6 million equally for coastal and Central Valley habitat restoration. Including this geographic focus on the Central Valley helps further mitigate the substantial risks for Central Valley salmon and steelhead from drought.

Assembly Action. The Assembly heard the Spring Finance Letter in May and included trailer bill language to prioritize restoration grants programs for the Fisheries Restoration Grant Program administered by the Department of Fish and Wildlife and state conservancies.

Staff Recommendation: Approve proposals and Assembly proposed trailer bill amendment. Approve proposal to split grant program with inland areas on a one-time basis.

Vote: 2-1 (Nielsen, no)

Emergency Drought Relief

Budget Proposal. The May Revision includes multiple one-time proposals intended to provide immediate drought relief. The overall proposal requests \$25 million (General Fund, \$2.6 million special funds, and \$3.7 million Proposition 84 bond funds). (A portion of the department’s overall proposal is included in the previous item.) The proposal includes:

Staff Comments. The proposed actions by the department range from immediate to long-term and far-ranging. While some of the proposals clearly are needed in the immediate term (increased enforcement, emergency response, monitoring of endangered species), several other proposals are problematic. These include:

- **Increasing San Joaquin River Restoration Program (\$2.0 million).** The long-term goal of restoring San Joaquin River flows is ultimately a state-federal project that includes the management of the Central Valley Project, Friant Water project, and others. The federal government is currently releasing additional water from upstream reservoirs to accommodate senior water rights holders on the river. The state has invested nearly \$83 million (Proposition 84 bond funds) in San Joaquin River Restoration projects. The most recent proposal in 2013 allocated \$10 million. An additional \$17 million is available from the bond.

Staff and LAO Recommendations: In accordance with the investment of the state to date and the availability of other funding sources, staff recommends rejecting the General Fund appropriation for San Joaquin River Restoration. The LAO recommends rejecting \$1 million for similar reasons.

- **Applying 21st Century Technology to Monitoring (\$6.8 million).** The proposal states that “preparing for 2014 and beyond through better technology and improved procedures can lead to increased operational and regulatory efficiency for the State Water Project and Central Valley Project.” However, neither of these entities are funding the proposals that will have a clear benefit for their water contractors. Other state and federal monitoring agencies have already entered the 21st century and are able to contract with the state should we need to catch up.

Staff and LAO Recommendations: In accordance with the investment of the state to date and the availability of other funding sources, staff recommends rejecting the General Fund appropriation for the 21st Century Technology. The LAO recommends rejecting \$3.4 million for similar reasons.

- **Infrastructure Investment at Public Wildlife Refuges (\$5.0 million).** The proposal intends to develop contingency plans refuges given the lower allocation of water. The department, in response to questions, also indicates that a more long-term infrastructure investment will be started with this funding. The proposal does not clearly specify roles and responsibilities, nor the long-term approach the state might take with this investment. In addition, many state water rights holders are receiving zero allocations, while urban and agricultural areas are cutting water consumption at unprecedented levels.

Staff Recommendation: Staff recommends the department move forward with contingency plans, staff recommends rejecting the General Fund appropriation for the infrastructure project. This project should be submitted as a capital outlay budget proposal in the fall.

Staff Recommendation:

1. Per staff comments, reject \$12.8 million.

Vote: 3-0

2. Recommend approval of the remainder of the proposal.

Vote: 2-1 (Nielsen, no)

3790 Department of Parks and Recreation

Items Proposed for Discussion

Parks Capital Outlay, Off-Highway, Revenue Generation, and Bond-Funded Proposals

Previous Subcommittee Action: The subcommittee heard two of the following proposals on March 20 and held them open for further review.

Oceano Dunes Le Grande Acquisition. The budget proposes \$5 million in one-time costs to purchase 584 acres of land in San Luis Obispo County (County). Currently, the parcels are leased from the county by the department and operated as part of Oceano Dunes State Vehicular Recreation Area (SVRA). The land is used for off-highway vehicle (OHV) recreation and other beach- and dune-related recreational uses. County-owned land represents 38 percent of the land open to motorized recreation within the park. A long-term lease expired in June 2008, and the current lease between the county and the department is month-to-month.

In 2007, the State Coastal Commission sent a letter to the county stating, among other things, the following regarding the county's local coastal plan, the land update certification (LUP) and inclusion of the property in question in that plan, and the sale of the property to the department:

“It is the Coastal Commission staff's opinion that (the property in question) was intentionally included within the certified LUP to reflect the long-term objectives shared by the County and the commission for this sensitive dune habitat area, which included phasing out of the northern access route for OHV use and restricting OHV use on County-owned land.”

“We (the Commission staff) support the conclusions of the County planning staff that the sale would result in the continuation of a use that is inconsistent with the land use designations established by the certified Local Coastal Plan.”

Fort Ord Dunes—New Campground and Beach Access. The budget proposes \$19.2 million (Proposition 84 bond funds) to develop initial permanent public facilities, including camping and day use beach access, at the Fort Ord Dunes State Park in Monterey County. Up to 110 new campsites, approximately one-half with full utility hook-ups for recreational vehicles, will be constructed along with appurtenant improvements, operations facilities, and a beach access trail with restrooms and parking.

This project is estimated to increase the support budget of the department due to the expensive nature of campgrounds which includes housekeeping, maintenance, administration, and public safety services. The department's calculations for revenue anticipate that the campground will be filled to capacity on most days year round. Annual ongoing costs for the park are anticipated at \$1.1 million per year. Annual revenues are anticipated at \$1.3 million.

Staff is concerned with the close nature of revenue and expenditure forecasts given the directive of the Legislature to produce revenue-generating activities at State Parks. With limited Proposition 84 bond funds, the department should address how it would enhance this proposal to provide a better ratio of revenue to expenditure.

Revenue Generation. The Governor's January budget proposes trailer bill language to continue the legislatively established revenue generation program at the department and to make technical changes to park gifts and loans. The language (publicly posted) is currently being reviewed by fiscal and policy staff.

Staff Comments: Staff followed up on each budget proposal.

- The **Fort Ord Dunes** proposal would begin the process of developing the property acquired by the state with developed campgrounds and interpretive centers. The park is open for limited hiking and bicycling, as well as access to the beach. The tradeoff to this proposal is that funding would not be available for other needed projects within this district and throughout the state. For example, funding is necessary at the highly-visited Point Lobos to increase the collection of entrance fees (many people still park outside the park entrance to avoid paying for entry), and to increase accessibility to the park (options include bus or trams within the park). Point Lobos is not unique to the system. Many existing state parks need significant upgrades. The Subcommittee should consider whether it wishes to upgrade existing parks or develop recently acquired parks for new visitation.
- Locally, the **Oceano Dunes** acquisition proposal is highly controversial. While the state wishes to finalize acquisition of the existing footprint of the available off-road vehicle use, local opposition, as well as Coastal Commission opposition, make this proposal challenging to approve. It is staff's understanding that the parties involved with this acquisition proposal are meeting to re-negotiate and that the result of this discussion will be available in time for next year's budget. Therefore, staff recommends rejecting the current proposal without prejudice to allow time for further negotiations on the acquisition.
- **Revenue Generation** is a critical part of the department's ongoing ability to further reduce its dependence on the General Fund, and to allow the department to use its variety of funding sources more efficiently. Staff recommends the adoption of the trailer bill language; modified to include a few changes to simplify the statute, require the department to shift to cost-based revenue targets, and to reduce barriers to establishment of a statewide fee collection program.

Staff Recommendation: Staff recommends the following actions:

1. For Ord Dunes—Approve as budgeted.
2. Oceano Dunes Le Grande Acquisition—Reject without prejudice and request re-submission in the 2015-16 budget cycle.
3. Adopt trailer bill language with recommended changes.

Vote: 2-1 (Nielsen, no)

3860 Department of Water Resources

Items Proposed for Discussion

Drought and Delta Projects

Governor's Proposal (Drought). The May Revision requests a one-time appropriation of \$18 million (General Fund) and 72 existing positions to address drought water supply issues, including:

- \$11 million—Emergency Operations. This program would provide management, technical assistance, and resources to state and local agencies for managing drought emergencies through the establishment of an emergency operations center. The center will also be responsible for measures or actions taken by the department to respond to critical water shortage and drought impacts.
- \$5 million to fund implementation of management actions including measures or actions taken by the Department to respond to critical water shortage and drought impacts. These resources are needed to begin the responses in a timely and efficient manner. Additional resources may be required to fully address the responses. Such measures or actions include but are not limited to: facilitating water movement within a local or regional area, expansion of water infrastructure, facilitating water transfers, water purchasing, and Delta water quality mitigation actions.
- \$2 million of this request is to fund the Save Our Water campaign, which provides public outreach and education to Californians on water conservation.

May Revision Proposal (Delta Water Quality Reappropriations). The May Revision requests reappropriation of funds to implement projects in the Delta including, but not limited to, protecting water quality, water supply, and the ecosystem.

Staff Comments. The majority of the May Revision proposal makes sense. However, it is unclear to staff how 72 existing positions are in need of further funding (without a corresponding reduction in another fund source, say bond funds). The Administration should also consider local assistance funding for immediate water supply needs that do not fit neatly into other categories of funding.

Staff Recommendation: Approve proposals with the following provisional language:

1. The department shall report to the Legislature on or before January 10, 2015, with the specific reductions in funding for all 72 proposed positions that were backfilled with this proposal.
2. The department shall, to all extent possible, allocate the Delta water quality reappropriations to projects identified by the Department of Fish and Wildlife in its drought proposal in order to effect immediate change in water supply and water quality.

Vote: 3-0 with provisional language allocating \$4 million for projects that do not fit into other drought categories but serve at least \$200,000 people.

Groundwater Management Program

Governor's Proposal. The May Revision requests \$2.5 million in General Fund to initiate development and implementation of the California Statewide Sustainable Groundwater Management Program. This will fund five existing, and five new, positions. This funding is proposed to implement Action 6, in order to expand water storage capacity and improve groundwater management, in the January 2014 Governor's Five-Year California Water Action Plan. This proposal complements, but does not duplicate, work funded recently through two 2014-15 budget proposals.

Previous Subcommittee Action. The Subcommittee approved \$13.8 million General Fund (multi-year) for the statewide groundwater elevation monitoring program at DWR. In addition, the February drought package included \$2 million for the State Water Resources Control Board's groundwater monitoring programs.

Staff Comments. First, it is unclear what portion of the \$2.5 million will be used to fund the five existing positions and where the corresponding savings would occur. Second, the Governor's office has indicated that it wishes to advance groundwater legislation that would provide further monitoring and protections for the state's groundwater resources. While this is a laudable goal, further funding for groundwater management should be contingent upon updated statutory authorization.

Therefore, staff recommends approving the funding contingent upon the passage of groundwater legislation in this budget session.

As with the previous item, staff recommends the following additional provisional language:

1. The department shall report to the Legislature on or before January 10, 2015, with the specific reductions in funding for all proposed positions that were backfilled with this proposal.

Staff Recommendation: Approve proposal with provisional language.

Vote: 2-1 (Nielsen, no)

3970 Department of Resources Recycling and Recovery

Items Proposed for Discussion

1. Beverage Container Recycling Program Reform—Phase II

Background. The Beverage Container Recycling Program (BCRP) is one of the state's most successful recycling and environmental protection efforts. The state's recycling rate currently exceeds 85 percent. Because of the state's high recycling rate and mandated program payments, expenditures from the Beverage Container Recycling Fund (BCRF) now exceed revenues by approximately \$100 million.

Governor's Proposal. The Governor's January proposal was heard in Subcommittee on April 10 and held open. The Governor's January budget proposes 12 positions and \$1.48 million, Beverage Container Recycling Fund (BCRF), and \$1.2 million ongoing to develop and implement Phase II of reforms to the Beverage Container Recycling Program (BCRP), including restructuring administrative and handling fees, a phased elimination of the processing fee offset, creating a Recycling Enforcement Grant Program, and changing the funding sources for local conservation corps payments.

The proposed programmatic changes are expected to result in a net increase to the BCRF annual fund balance of \$72.3 million in 2014-15, growing to \$127 million when fully implemented in 2016-17. The proposal also increases processing fee revenues by roughly \$67.4 million. The Administration projects that these changes, described below, would eliminate the program's structural deficit once fully implemented and avoid the need to implement proportional reductions.

Staff Comments. Staff raised concerns regarding three aspects of the January proposal in the April 10 agenda. These included impacts to convenience zones, and handling fees, and processing fee offsets. BCRP has achieved great success over the past several years—attaining an overall recycling rate of approximately 84 percent. The BCRF's ongoing \$100 million structural deficit is, in large part, due to that success. Due to mandated expenditures, the fund cannot sustain a recycling rate that is higher than 72 percent. Up until now, a high fund balance (due to past unclaimed CRV) and fund loan repayments have enabled the BCRP to stay afloat and avoid statutorily required proportional reduction. The Administration has not come to an agreement with the stakeholders.

Staff Recommendation. Reject Proposal. Provide funding for Local Conservation Corps in the budget year as a contingency against closure as they transition to multiple funding sources.

Vote: 3-0

8570 California Department of Food and Agriculture (CDFA)

Items Proposed for Discussion

Border Protection Station (BPS) Program Restoration

Background. The CDFA staff stations at entrances to the state in order to inspect vehicles and commodities to ensure they are pest free and in compliance with state quarantine entry requirements. The stations both identify pests and act as a deterrent to carrying commodities that are prohibited or restricted by quarantine. Recent budget reduction measures, intended to be permanent, have reduced funding for the program from \$19.6 million in 2011-12 to \$16.1 million in 2013-14.

According to the department, 90 percent of high-risk pests are intercepted at the eight high-risk stations, eight percent are intercepted at the medium risk stations, and less than three percent are intercepted at the low-risk stations.

Governor's Proposal. The May Revision requests \$3.1 million (General Fund) to restore funding to the BPS program. The request would allow CDFA to operate all sixteen stations year-round with additional permanent and temporary staff. The proposal does not request new positions but use vacant positions identified at the department rather than allow them to expire.

Alternatives Proposed. The budget proposal includes four funding alternatives:

1. Approve \$3.1 million in General Fund authority beginning in 2014-15 to enhance the existing BPS program, restoring the program to previous year funding levels.
2. Do not approve the \$3.1 million. Operations would continue at current levels.
3. Permanently close four stations identified as low-risk entrance points to California, modify the service level at four stations identified as medium-risk entrance points, and redirect those resources to increase activity levels at the remaining high-risk stations.
4. Seek additional funding through partners. The department has had strong success executing interagency agreements with the Board of Equalization and CalRecycle.

Staff Recommendation. Reject May Revision Proposal. Given the risk analysis conducted by the department, full staffing of low-risk stations does not seem the best use of scarce General Fund resources. Staff recommends the department explore alternatives three and four to see if there are other ways to adjust funding and staffing levels at the stations.

Vote: Motion to approve, 3-0