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# SUBCOMMITTEE NO. 2

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# Agenda

Senator Lois Wolk, Chair  
Senator Jim Nielsen  
Senator Fran Pavley



**Thursday, May 5, 2016**  
**9:30 a.m. or upon adjournment of session**  
**State Capitol - Room 112**

Consultants: Catherine Freeman and Farra Bracht

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## ISSUES PROPOSED FOR DISCUSSION

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<b>VOTE-ONLY CALENDAR</b>
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<b>ENVIRONMENTAL LICENSE PLATE FUND (MULTIPLE DEPARTMENTS)—HEARD ON MARCH 3</b>
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- The Governor's budget proposes \$38.8 million in expenditures and \$42 million in revenues. After required transfers to the Motor Vehicle Account (\$2.4 million), the amount available for expenditure is \$39 million. The figure below outlines the Environmental License Plate Fund (ELPF) expenditure proposals for the current year and budget year. In addition, the Governor proposes trailer bill language to require the department to collect a permit application fee for processing permits under the California Endangered Species Act (CESA). The proposal includes a graduated fee schedule based on the cost of the project. Fund would be deposited into a new account at the department, the "Endangered Species Permitting Account," to be used, upon appropriation for the cost of processing the permit or to implement CESA.

**Environmental License Plate Fund Shortfall Solution**  
**2016-17 Proposed Expenditures**  
(Dollars in Thousands)

<b>Function</b>	<b>2014-15 (Final)</b>	<b>2015-16 (Estimated)</b>	<b>2016-17 (Estimated)</b>
Department of Fish and Wildlife	\$15,511	\$9,762	\$15,652
Conservancies	\$9,556	\$11,492	\$10,720
Secretary for Natural Resources	\$3,419	\$3,788	\$4,299
Natural Resource Agency Departments	\$4,651	\$5,429	\$4,396
Tahoe Regional Planning Agency	\$3,998	\$3,998	\$0
Department of Parks and Recreation	\$2,713	\$0	\$0
Cal-EPA boards and Departments	\$1,242	\$1,479	\$1,471
Department of Education	\$403	\$410	\$410
<b>Total</b>	<b>\$41,493</b>	<b>\$36,358</b>	<b>\$36,948</b>

**Staff Recommendation:**

- Approve funding as proposed.
- Approve trailer bill with the following fee exceptions: (1) the project purpose is voluntary habitat restoration and the project is not required as mitigation; and, (2) the project is not part of a regulatory permit for non-habitat restoration or enhancement construction activity, a regulatory settlement, a regulatory enforcement action, or a court order. *This is intended to conform to the Assembly Budget Sub3 trailer bill clarification.*

**Vote:**

**MARIJUANA CULTIVATION (MULTIPLE DEPARTMENTS)—HEARD ON MARCH 3****Medical Marijuana  
Governor's Environmental Protection and Agriculture Proposals**

(Dollars in Millions)

Purpose	2016-17 (Proposed)	2016-17 (Proposed)	Fund Source
Department of Fish and Wildlife	\$7.6	\$5.8	General Fund
State Water Resources Control Board	5.2	6.0	General Fund
	0.5	0.7	WDPF <sup>1</sup>
Department of Pesticide Regulation	0.7	0.7	DPR Fund <sup>2</sup>
Department of Food and Agriculture	3.3	3.3	MM Fund <sup>3</sup>
<b>Total</b>	<b>\$17.3</b>	<b>\$16.5</b>	

<sup>1</sup>Waste Discharge Permit fund<sup>2</sup>Department of Pesticide Regulation Fund<sup>3</sup>Medical Marijuana Regulation and Safety Act Fund**Staff Recommendation:** Approve as proposed.**Vote:****(MULTIPLE) PROPOSITION 1 STATEWIDE OBLIGATIONS POT—HEARD ON MARCH 3****Governor's New Proposition 1 Proposals**

2016-17 (Dollars in Millions)

Activity	Amount
Klamath River Hydroelectric Settlement	\$250
Central Valley Project Improvement Act	90
Salton Sea Restoration Act	80
San Joaquin River Restoration Agreement	45
<b>Total</b>	<b>\$465</b>

**Staff Comments:** As discussed at the hearing on March 3, concerns have been raised that not all program areas listed in the bond, specifically the Tahoe region, were funded in the final selection process.

**Staff Recommendation:** 1. Approve Governor's funding proposal, including administrative funding to the Natural Resources Agency and State Water Resources Control Board for Salton Sea Implementation. 2. Approve an additional \$20 million (Proposition 1) for the Tahoe Environmental Improvement Program, directed to the Natural Resources Agency for grants. 3. *To conform to the Assembly, add annual reporting to the Legislature on Prop 1 implementation.*

**Vote:**

**0540 SECRETARY FOR NATURAL RESOURCES (AND PARTNER AGENCIES)**

- 1. River Parkways, Urban Greening and Urban Streams.** The budget requests to appropriate the remaining funds for the river parkways, urban greening and urban streams programs, a total of \$5.6 million (Proposition 12). In addition, the proposal would extend funding (\$140,000) and authority for a position for five years to manage the grants associated with these programs.
- 2. Implementation of SB 630 (Bi-State Regional Compact).** The budget proposes total funding of \$950,000 to be drawn from the Lake Tahoe Science and Lake Improvement Account to implement SB 630 (Pavley), Chapter 762, Statutes of 2013, as follows: (1) the secretary requests \$150,000 for the bi-state science-based advisory council; (2) the Tahoe Conservancy requests \$400,000 for aquatic invasive species projects and improved public access to sovereign lands; and, (3) the State Water Board, for the Lahontan Water Board, requests \$400,000 for near shore monitoring of water quality in Lake Tahoe.

**Staff Recommendation:** Approve as proposed.

**Vote:**

**0555 SECRETARY FOR CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY (CAL-EPA)**

- 1. California Environmental Report System Application Support Resource.** The budget requests \$127,000 from the Unified Program Account for one permanent position to accommodate maintenance and operations workload for the California Environmental Report System. Workload needs for this position request have been provided through contractor resources for the previous five years.
- 2. California-Mexico Water Resources Improvement—Border Relations Council.** The budget requests \$175,000 from the California Tire Recycling Management Fund for one permanent position, including \$50,000 one-time in 2016-17 for contract funding, to support the California-Mexico Border Relations Council and its expanded roles and responsibilities, including the requirement to establish the new river water quality, public health, and river parkway development programs, pursuant to AB 965 (Eduardo Garcia), Chapter 668, Statutes of 2015. This proposal covers the anticipated increased workload within the office of the secretary, border and intergovernmental affairs section.
- 3. Agency Cyber Security Workload Growth.** The budget requests \$1.1 million from multiple special fund sources and four permanent positions, to accommodate workload growth associated with increased demands for securing the Cal-EPA's critical information technology assets from compromise or business impact, and ensuring the confidentiality, integrity, and privacy of confidential information.

**Staff Recommendation:** Approve as proposed.

**Vote:**

**3340 CALIFORNIA CONSERVATION CORPS (CCC)—HEARD ON MARCH 17**

- 1. Residential Expansion.** The budget requests a five-year plan for major expansion of residential centers. The Administration's recent five-year infrastructure plan, which proposes state spending on infrastructure projects in all areas of state government through 2020-21, includes a major expansion of the CCC residential center program. Specifically, the plan proposes a combined total of \$171 million over the next five years from the General Fund and lease-revenue bond funds to design and construct new CCC residential centers.
- 2. Butte Fire Center.** The budget requests \$2.6 million (General Fund), 12.5 positions, and 47 corpsmembers, to convert the former CalFIRE Magalia facility into a residential corpsmember facility serving Butte County.
- 3. Auburn Campus: Kitchen, Multipurpose Room, and Dorm Replacement.** The budget requests \$19.6 million from the General Fund for the construction phase of a new kitchen, multipurpose building and dormitory to replace the current facilities at the Auburn campus. This proposal is to complete the ongoing Auburn capital outlay project. This includes the spring finance letter requesting to reappropriate \$1.3 million for working drawings phase.
- 4. Fuel Reduction Program.** The budget requests \$2.7 million in 2016-17 and \$2.9 million in 2017-18 in State Responsibility Area Fire Prevention (SRA) funds, and position authority for up to five positions for program oversight and administration activities, effective January 1, 2017, through June 30, 2018, to continue the Fuel Reduction Program for two years.
- 5. Vehicle Replacement Plan.** The budget requests a three-year increase in annual expenditure authority of \$812,000 in the Collins Dugan Reimbursement Account in 2016-17, 2017-18, and 2018-19, to annually replace approximately thirty vehicles in its fleet.
- 6. C3 Project Funding Augmentation.** The spring finance letter requests a one-time budget augmentation of \$409,000 for 2016-17, funded by the Collins-Dugan Reimbursement Account Fund, for consultant services for project quality management.
- 7. Minimum Wage Funding Increase and Technical Adjustment.** The spring finance letter requests \$1.4 million (\$394,000 General Fund, \$494,000 Collins Dugan Reimbursement Account, \$396,000 SRA Fund, \$97,000 Proposition 39) in 2016-17 and ongoing to fully fund the corpsmembers' minimum wage increase of \$1.00 per hour, effective January 1, 2016. In addition, CCC is requesting a technical adjustment to reduce its 2016-17 General Fund appropriation by \$2.5 million, to correct the one-time cost adjustments in the January budget.
- 8. Tahoe Base Center: Equipment Storage Relocation.** The spring finance letter requests to reappropriate \$1.6 million for the working drawings and construction phases for the Tahoe Base Center project, due to unanticipated project delays.

**Staff Recommendation:** Approve as proposed.

**Vote:**

**3360 CALIFORNIA ENERGY COMMISSION (CEC)—HEARD ON MARCH 10**

- 1. Continued Support of Energy Infrastructure to Meet 21st Century Policy and Planning Objectives.** The budget requests the conversion of six limited-term positions to permanent to continue supporting the revival of energy data collection activities and the development of disaggregated energy demand forecasts, to implement and support statewide energy decisions at the CEC. Total funding request for this proposal is \$724,000 from the Energy Resources Program Account (ERPA).
- 2. Convert Limited-Term Positions to Permanent.** The Governor's budget requests the conversion of one limited-term position to permanent to continue ongoing implementation of the Acceptance Test Technician Certification Providers, at a cost of \$107,000 (ERPA). The budget requests conversion of one position (international relations senior advisor) to permanent to continue coordination with other nations as it relates to greenhouse gas emission reductions, at a cost of \$120,000 (ERPA).
- 3. Adjustments to Electric Program Investment Charge (EPIC).** The budget requests an increase of \$11.2 million (EPIC) for program and administration funds, as well as \$4.5 million in one-time technical assistance for technical support activities, as directed by the California Public Utilities Commission (CPUC).
- 4. One-Time Expenditure Authority for Unspent Public Interest Energy Research (PIER) Natural Gas Funds.** The budget requests approval of unspent funds from the PIER Natural Gas Fund as directed by the CPUC. The CPUC directs the CEC to submit a research plan to utilize \$3.6 million in unspent funds, resulting from completed projects that came in under-budget.
- 5. Public Goods Charge Ramp-Down.** The budget identifies the reduction of nine positions and \$1.3 million from the Public Interest Research Development and Demonstration Fund, consistent with the sunset of the authority to collect the Public Goods Charge on January 1, 2012.
- 6. Legislative Implementation.** The budget requests eight permanent positions and \$500,000 in baseline technical support, for a total request of \$1.6 million (ERPA), to support the implementation of AB 802 (Williams), Chapter 590, Statutes of 2015, which accelerates energy efficiency through benchmarking and customer data analysis. The budget also requests one permanent position and \$135,000 (ERPA) to implement AB 865 (Alejo), Chapter 583, Statutes of 2015, which charges CEC with developing a diversity outreach program to qualified businesses.

**Staff Recommendation:** Approve as proposed.

**Vote:**

**3480 DEPARTMENT OF CONSERVATION**

- 1. California Farmland Conservancy Program.** The budget requests a one-time local assistance appropriation of \$1.2 million (Proposition 40). Funds will be used by the California Farmland Conservancy Program to provide grants to local governments and non-profit land trusts to permanently protect farmland from conversion to non-agricultural uses via permanent agricultural conservation easements.
- 2. Oil and Gas Training Program.** Division of Oil, Gas, and Geothermal Resources (DOGGR) requests two permanent positions and a baseline appropriation increase of \$1.3 million from the Oil, Gas and Geothermal Resources Fund (OGGAF), ongoing. Funding will be used to develop, implement, and conduct a comprehensive training program designed for DOGGR regulatory staff.
- 3. AB 1420 Implementation.** The budget requests ten permanent positions and a baseline appropriation increase of \$1.4 million (\$1.2 million ongoing), from OGGAF. Positions and funding will be used to prevent possible pipeline releases by requiring that sensitive gas pipelines are tested on a periodic basis; pipelines are mapped accurately to determine potential threats; provide transparency to the public as to the location of gas pipelines relative to urban areas; and, to review and update existing regulations as required by AB 1420 (Salas), Chapter 601, Statutes of 2015.
- 4. Orphan Well Remediation** The spring finance letter requests an increase of \$1 million (OGGAF) to remediate hazardous orphaned wells. Additionally, the department requests provisional language to increase the expenditure limit on orphan well remediation. No position authority is requested.
- 5. Technical Adjustments.** The spring finance letter requests: (1) re-appropriation of \$10 million (OGGAF) shifting from data management to the Open Space Subvention Program at the Strategic Growth Council; and (2) reversion and reappropriation of \$180,000 (Proposition 84) to the California Farmland Conservancy Program.

**Staff Recommendation:** Approve as proposed.

**Vote:**



**3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION—HEARD ON MARCH 17**

- 1. Capital Outlay.** The Governor's budget requests funding for the following capital outlay proposals: (1) relocate the Potrero Forest Fire Station (\$400,000, General Fund); (2) phase five of the statewide communications system replacement (\$1.6 million, General Fund); (3) Ishi Conservation Camp domestic drinking water system replacement (\$871,000, General Fund); (4) replacement of water boilers at Fenner Canyon Conservation Camp (\$376,000, General Fund); and reappropriation of funding for twenty major capital outlay projects.
- 2. Information Technology and Information Security Staffing Modernization.** The budget requests \$3 million (\$2.8 million General fund and \$228,000 Special Funds), and 14 positions, to address increasing demands of information technology systems.
- 3. Public Information and Education (Drought).** The Governor's budget requests \$1.6 million (\$1.5 million General Fund and \$127,000 Special Funds), and five positions, starting in 2016-17, to increase staffing for public information and education. This extends, in part, increased funding for drought-related public information.
- 4. Drought.** The budget requests \$77 million (\$74 million General Fund and \$3 million SRA Fire Prevention Fund), one-time, and 454.8 temporary help positions, to address heightened fire conditions due to drought.
- 5. Fire Safety, Flame Retardants and Building Insulation.** The budgets requests \$125,000 (Building Standards Administrative Special Revolving Fund), on a one-time basis, for a contract to review, research, test and implement proposed building standards for fire safety of retardants in building insulation.
- 6. Board of Forestry Fire Protection Effectiveness Monitoring Services.** The budget requests \$425,000 (Timber Regulation and Forest Restoration Fund), for two years, to improve effectiveness monitoring assistance from academic institutions to support the evaluation of the environmental protection of the Forest Practice Act and rules.
- 7. Emergency Command Center Staffing.** The budget requests \$17 million (\$16.9 million General fund and \$28,000 various special funds), and 61.6 permanent positions, along with 34.3 two-year, limited-duration temporary help positions, to increase Emergency Command Center (ECC) staffing. The positions are requested to improve intake of emergency calls and allocate and manage resources for emergencies.
- 8. Situational Command Awareness Data Acquisition.** The Governor's budget requests \$7.6 million (\$7 million General Fund and \$600,000 special funds) and 12.8 positions beginning in the budget year, growing to \$13.2 million in two years, then leveling off to \$7.6 million after year three, ongoing. The proposal includes a request for eight vehicles, including one for a battalion chief, for ongoing field level support. Additionally, the request will require the department to lease new office space in order to accommodate the additional Sacramento-based positions.

- 9. Professional Standards Program.** The budget requests \$4.4 million (\$3.7 million ongoing) primarily from the General Fund, and 14 permanent positions to establish a professional standards program in headquarters, which would include a unit to provide additional oversight for internal investigations and adverse actions, as well as expand manager and supervisor training. The proposed positions would conduct administrative and background investigations, provide more training to managers and supervisors, and develop guidelines to promote consistent application of penalties.
- 10. Mobile Equipment Replacement Budget.** The budget requests a one-time \$6 million (General Fund) for mobile equipment replacement increase in 2016-17 to restore funding that was redirected in 2015-16 to purchase goods and services to address the removal of vegetation impacted by drought and pests.
- 11. Mount Bullion Conservation Camp: Emergency Sewer System Replacement.** The budget requests \$833,000 (Public Works Construction Fund) to replace sewage disposal system at Mount Bullion Conservation Camp in Mariposa County.
- 12. Reappropriation of Various Minor Capital Outlay Projects.** The spring finance letter requests reappropriation of the minor appropriations from the budget acts of 2014 and 2015. This is a result of a delay of the La Cima Conservation Camp wastewater treatment system and the Columbia Air Attack Base facility improvement projects.
- 13. Implementation of SB 295 and AB 864—Intrastate Pipeline Inspection Staffing.** The spring finance letter requests a \$1,137 million spending authority increase to the California Hazardous Liquid Pipeline Safety Fund and 17 permanent positions support the Office of the State Fire Marshal Pipeline Safety Division. The proposal would provide for sufficient staffing levels to develop, implement, and oversee new requirements related to SB 295 (Jackson), Chapter 607, Statutes of 2015 and AB 864 (Williams), Chapter 592, Statutes of 2015. *Assembly action: The Assembly Budget Subcommittee adopted trailer bill language to add annual reporting requirements in the implementation of this proposal as well as a clarification of the definition of oil.*

**Staff Recommendation:** Approve as proposed including, for Item 13, the Assembly adopted trailer bill language to add annual reporting and definition clarification for intrastate pipeline inspection staffing.

**Vote:**

**3560 STATE LANDS COMMISSION**

- 1. Abandonment of Becker Onshore Well.** The budget requests \$200,000 Oil Spill Prevention and Administration Fund (OSPAF) in 2016-17, and \$700,000 in 2017-18, to conduct Phase One activities related to the abandonment of the Becker onshore well. The well is part of the Summerland Oil Field developed in the late 1890s from shore and from wharfs that extended into the Pacific Ocean. This includes an adjustment made in in the spring finance letter.
- 2. Marine Invasive Species Program Database and Workload.** The budget requests \$400,000 and a continuing appropriation of \$75,000 from the Marine Invasive Species Control Fund (MISCF) to develop, implement, and maintain an automated interactive public facing web-based data entry portal that will collect data on the ballast water and biofouling management practices of commercial ships that arrive at California ports. The budget also requests \$135,000 (MISCF) to support one new senior environmental scientist position.
- 3. Removal of Dennett Dam.** The budget requests \$367,000 (General Fund) to remove Dennett Dam, located on the Tuolumne River in Stanislaus County. The funding request is contingent upon the Tuolumne River Preservation Trust providing an equal funding match.
- 4. Selby Slag Remediation.** The budget requests \$369,350 General Fund in FY 2016-17 to fund the state's obligation to pay a proportionate share of certain ongoing hazardous waste remediation costs at Selby, California. Pursuant to a 1989 Consent Judgment the state's share of the cost of remediation is 38 percent.
- 5. Spatially Indexed Records System.** The budget requests \$225,000 (General Fund) to prepare a spatially indexed records management system plan. The results of the planning phase of the project will ensure that staff and citizens will be able to access historical records, provide a method to efficiently locate and access records vital to the commission's mission to protect records in the event of a disaster.
- 6. Yosemite Slough.** The budget requests \$85,000 General Fund to fund the California State Land Commission's portion of 16 technical studies related to the remediation of Yosemite Slough in San Francisco.

**Staff Recommendation:** Approve as proposed.

**Vote:**

**3600 DEPARTMENT OF FISH AND WILDLIFE—MAJOR PROPOSALS HEARD ON MARCH 3**

1. **Gray Lodge Wildlife Area—Field 82.** The budget requests \$108,000 from the Fish and Game Preservation Fund (FGPF), State Duck Stamp Account, for a project at the Gray Lodge Wildlife Area to provide habitat for nesting and brood-rearing waterfowl and other wetland dependent species.
2. **Implementation of AB 96—Ivory Sale and Importation.** The budget requests \$1.8 million (General Fund) to implement enforcement of AB 96 (Atkins), Chapter 475, Statutes of 2015, banning illegal trade of elephant ivory and rhinoceros horns in California to protect African elephants and rhinoceros from extinction.
3. **Marine Resources Management and Assessment.** The budget requests an increase in spending authority of \$443,000 per year from the Marine Invasive Species Control Fund (MISCF) for three years to improve resource assessment and increase the monitoring of critical marine species, which will result in significant short and long-term biological, economic, and social benefits to the people of California.
4. **Proposition 50 Local Assistance Grants.** The budget requests \$2.1 million (Proposition 50) to award competitive grants that implement components of Water Security, Clean Drinking Water, Coastal and Beach Protection of 2002, the California Water Action Plan, and the Delta Stewardship Council's Delta Plan, consistent with the bond.
5. **Technical Adjustments, Reversions and Realignment of Funds.** The department requests a reversion of \$3 million (Proposition 84) in order to provide for availability of funds in 2016-17. The budget proposes to realign the Fish and Game Preservation Fund dedicated accounts, resulting in a \$6.2 million overall reduction, to better align the account's expenditure authority with revenues, to ensure the accounts remain structurally balanced. The budget requests an ongoing increase of \$13.5 million in Federal Trust Fund authority beginning in 2016-17. This request will establish adequate authority for the department to receive and expend federal grant funds vital to the department's operation.
6. **Proposition 1 Local Assistance.** The budget requests \$20 million (Proposition 1), one-time, to provide increased grant funding and for provisional language providing authority to award eligible grants from the 2015-16 grant solicitation cycle for watershed restoration projects.

**Staff Recommendation:** Approve as proposed with the following draft budget bill language:

*Item 3600-001-0001. No later than September 30, 2016, the department shall convene a group of relevant budget and policy legislative staff, the Legislative Analyst's office, and the Department of Finance, to discuss the department's structural budget imbalances, as well as the historical causes of, and potential options for, addressing those imbalances.*

**Vote:**

**3640 WILDLIFE CONSERVATION BOARD (WCB)**

- 1. Proposition 1.** The budget requests a total of \$41.9 million in local assistance project funding, that may also be made available for capital outlay. Of the total amount requested, \$38.4 million is requested for the WCB to continue the implementation of the stream flow enhancement program and \$3,500,000 is requested for the San Joaquin River Conservancy (SJRC), to continue implementation of the multi-benefit watershed protection and restoration program.
- 2. San Joaquin River—Proposition 40 Capital Outlay.** The budget requests \$2.5 million (\$1.5 million in expenditure authority and \$1 million in additional reimbursement authority) from Proposition 40 to allow the San Joaquin River Conservancy (SJRC) to implement its conservation, public access, recreation, and environmental restoration capital improvement programs.
- 3. Wildlife Restoration Fund.** The budget requests \$1 million from the Wildlife Restoration Fund for the purposes of the WCB's Public Access Program.

**Staff Recommendation:** Approve as proposed.

**Vote:**

**3720 CALIFORNIA COASTAL COMMISSION**

- 1. Local Coastal Programs.** The budget requests: (1) the conversion of the Local Coastal Program (LCP) enhancement pilot to baseline funding with 25 permanent staff positions; and, (2) baseline funding of \$3 million (General Fund) per year. This is in keeping with multiple years of recommendations by the Legislature to give the commission the ability to complete its statutory mandates.
- 2. State Tax Return Voluntary Contributions.** The budget requests to allocate \$430,000 from voluntary contributions on the state tax return to the "Protect Our Coast and Oceans Fund" to the commission as a one-time appropriation in 2016-17. Of this amount, \$365,000 would be a one-year local assistance budget line item to provide Whale Tail grants. The remaining \$65,000 would be a one-year state operations budget line item to support outreach and promotion for the "Protect Our Coast and Oceans" Fund.
- 3. Reappropriation of Local Coastal Program Grants.** The budget requests reappropriation of local assistance funds included in the enacted budgets for 2013-14 and 2014-15 for Local Coastal Program (LCP) grants to local governments.
- 4. Climate Resilience Projects.** The budget requests \$500,000 Coastal Trust Fund for climate change adaptation and climate resiliency planning and project work. These funds were originally part of the enacted budget for 2014-15 as a transfer from the Environmental

License Plate Fund (ELPF) to the Coastal Trust Fund for these purposes. Due to shortfalls in the ELPF for 2014-15, the commission was directed to not to spend \$500,000 in 2014-15.

- 5. Relocation of South Coast District Office.** The spring finance letter requests \$451,000 from the General Fund to be used for one-time moving and set up expenses for the relocation of the South Coast District Office in Long Beach and ongoing General Fund funding of \$411,000 for increased rent. The owner of the building, where the South Coast District Office is currently housed, has given notice to the Department of General Services that the lease will not be renewed under any circumstances.

**Staff Recommendation:** Approve as proposed.

**Vote:**

#### (MULTIPLE) STATE CONSERVANCIES AND COMMISSIONS

- 1. Coastal Conservancy (3760)—Coastal Access and Public Access Programs.** The budget requests \$850,000 to the Coastal Conservancy: \$500,000 from the Coastal Access Account and \$350,000 from the California Beach and Coastal Enhancement Account for purposes of local assistance and capital outlay to continue implementation of the Conservancy's Public Access, Education and related programs.
- 2. Coastal Conservancy (3760)—Bond Fund Appropriations.** The budget requests \$5.4 million in bond funding from the Water Quality, Supply, and Infrastructure Improvement Act of 2014 (Proposition 1) to the State Coastal Conservancy for the purposes of local assistance and capital outlay, program delivery, and planning and monitoring consistent with the bond act. The budget also requests reversion of the unencumbered balance from a previous appropriation from Proposition 84 and appropriation of \$25 million to the Coastal Conservancy from the same fund, for purposes of local assistance and capital outlay, which includes \$7 million in reimbursement authority.
- 3. Santa Monica Mountains Conservancy (3810)—Bond Fund Appropriations.** The budget requests \$200,000 (Conservancy Fund), \$775,000 (Proposition 40), \$300,000 (Proposition 50), and \$1.1 million (Proposition 84) for the acquisition, enhancement, restoration, of natural lands, improvement of public recreation facilities and state operations. This includes technical adjustments requested in the spring finance letter.
- 4. Los Angeles River Proposition 1 Funding.** The budget requests to appropriate \$14.1 million Proposition 1 to the Santa Monica Mountains Conservancy and \$20 million to the Rivers and Mountains Conservancy, from the Los Angeles River bond allocation. The Assembly budget committee instead allocated \$50 million to the Santa Monica Mountains Conservancy and \$50 million to the Lower Los Angeles and San Gabriel Rivers Conservancy. *Staff proposes this items be held open for conference committee.*

- 5. Rivers and Mountains Conservancy (3825)—Proposition 50 and Proposition 84 Reversion and Reappropriations.** The spring finance letter requests reversion from a 2012-13 Prop 50 capital outlay appropriation and requests a new \$168,000 Proposition 50 local assistance appropriation for 2016-17, with provisional language to allow the funds to be available for either local assistance or capital outlay, and available for encumbrance through June 30, 2019. The spring finance letter also requests a reversion of the unencumbered balance from 2015-16 Proposition 84 support appropriation to resolve a negative bond allocation balance.
- 6. San Joaquin River Conservancy (3830)—Proposition 40 Funding for Program Delivery.** The budget requests approval to shift program delivery funding from Proposition 84 to Proposition 40, in order to enable the conservancy to maintain the current level of staffing for program delivery without creating a negative bond allocation.
- 7. Baldwin Hills Conservancy (3835)—Proposition 40 Acquisition and Improvement Program.** The budget requests \$6 million in local assistance funding to provide grants for acquisitions and capital improvements from Proposition 40, pursuant to the bond act in order to implementing the conservancy's mission of acquiring and developing open space in the Baldwin Hills area.
- 8. San Diego River Conservancy (3845)—Reimbursement Authority.** The budget requests \$1 million in reimbursement authority to fully implement projects consistent with the conservancy's mission, and funded by other state agency grants.
- 9. Coachella Valley Mountains Conservancy (3850)—Propositions 12, 40 and 84 Reappropriations.** The conservancy requests reappropriations from the unexpended balances of 2013-14 capital appropriations to continue its approved mission.
- 10. Coachella Valley Mountains Conservancy (3850)—Multi-Benefit Ecosystem and Watershed Protection and Restoration Project Grants Program.** The spring finance letter requests \$6.8 million from Proposition 1 to implement the remaining years in its competitive Multi-Benefit Ecosystem and Watershed Protection and Restoration Project Grants Program, consistent with bond requirements.
- 11. Sierra Nevada Conservancy (3855)—Proposition 84 Reversions and Spring Finance Letter New Appropriation.** The budget requests reversion of the remaining balances Proposition 84 and a new local assistance appropriation of \$403,000 to be used to further the approved mission of the conservancy, consistent with bond requirements.
- 12. Sierra Nevada Conservancy (3855)—Proposition 84 Reversions and Spring Finance Letter New Appropriation.** The spring finance letter requests an increase to its reimbursement authority from \$50,000 by \$400,000, for a total of \$450,000, and two permanent positions to oversee a multi-year reimbursement contract with the Department of Housing and Community Development (HCD).

**13. Sacramento-San Joaquin Delta Conservancy (3875)—Augmentation to Support Administrations.** The budget requests a permanent baseline funding increase of \$10,000 from the General Fund to cover an increase in workers' compensation insurance.

**14. Sacramento-San Joaquin Delta Conservancy (3875)— Implementation for Restoration Water Quality, and Economic Development Projects.** The budget requests an increase of \$290,000 in its federal reimbursement authority to fully implement the projects funded by three Environmental Protection Agency grants and one economic development administration grant.

**Staff Recommendation:** Approve all but item 4 as proposed. Hold open Item 4 (Los Angeles River Proposition 1 Funding) for further discussion and review.

**Vote:**



**3790 DEPARTMENT OF PARKS AND RECREATION—STATE OPERATIONS**

- 1. Goat Canyon Sedimentation Basin Maintenance.** The budget requests two-year funding of \$1.9 million annually from the California Tire Recycling Management Fund beginning in 2016-17 to maintain the Goat Canyon Sediment Basins at Border Field State Park by excavating and processing sediment and trash, disposing trash and reject material, exporting sediment, testing and monitoring of contaminants and conditions, and maintenance of infrastructure.
- 2. Hazardous Mine and Mill Remediation.** The budget requests one-time funding of \$1.2 million from the State Parks and Recreation Fund (SPRF) for permit monitoring, study, evaluation, alternative analysis, and implementation of remedial actions to abate contamination resulting from historic mining activities at Malakoff Diggins State Historic Park. Malakoff Diggins State Historic Park is currently under order issued by the Central Valley Regional Water Quality Control Board to protect human health, the environment, and waters of the State.
- 3. Local Assistance—Various Grant Funding and Operating Agreements.** Consistent with previous year appropriations, the budget requests funds in the amount of \$118.9 million from special and federal funds for the Local Assistance Program to provide grants to various agencies consistent with approved program guidelines. Funds are available for encumbrance or expenditure through June 30, 2018.
- 4. Operating Agreements.** The department requests approval to negotiate new or extend existing operating agreements for Dockweiler State Beach and Robert Crown Memorial State Beach consistent with statute.
- 5. Quagga and Zebra Mussel Infestation Prevention Program.** The budget requests an increase in ongoing support funding of \$186,000 from the Harbors and Watercraft Revolving Fund (HWRF) for program delivery of the Quagga and Zebra Mussel Infestation Prevention Grant Program. These funds will ensure successful administration of grants available to water body managers and owners of reservoirs that are open to the public and are currently un-infested by quagga and zebra mussels.

**Staff Recommendation:** Approve as proposed. The baseline funding, community outreach pilot, and public beach restoration program proposals will be heard after May Revision.

**Vote.**

**3790 DEPARTMENT OF PARKS AND RECREATION—CAPITAL OUTLAY PROGRAM**

<b>State Park</b>	<b>Title/Summary</b>	<b>Amount (Dollars in Thousands)</b>
<b>1. Angel Island State Park</b>	East Garrison Mooring Field. Requests funding for the construction phase of this continuing project from the Harbors and Watercraft Revolving Fund (HWRF). This existing project will improve safety and convenience of recreational boaters by restoring the abandoned mooring field at the East Garrison location of the park and will clean up the site by removing debris from the bay floor, as needed. This project will construct up to 32 mooring buoys.	\$582 (HWRF)
<b>2. Malibu Creek State Park</b>	New Stokes Creek Bridge. Requests funding for the working drawings phase of this continuing project from available Proposition 84 funds. This existing project will replace an existing, undersized arch culvert with a bridge to restore a secondary escape route for park visitors in the event of fire or other emergencies and provide a dedicated service entrance for park staff to access the district office, thereby eliminating the need to travel through the campground. In addition to increasing public safety, this project would also eliminate a significant portion of the park's deferred maintenance backlog, prevent ongoing damage to the existing road and restore the creek to its natural configuration.	\$233 (Prop 84)
<b>3. Reappropriation</b>	Capital Outlay Program. Requests reappropriation of the existing Capital Outlay appropriation for the preliminary plans phase of the Old Sacramento State Historic Park Boiler Shop Renovation project. Due to the acquisition process of this property, the renovation project has yet to start. The preliminary plans phase will begin once the acquisition transfer and settlement agreement is in place; currently anticipated to occur in Fall 2016.	\$726 (multiple funds)
<b>4. Statewide: Off-Highway Vehicle (OHV) Minor Capital Outlay Program.</b>	Requests funding from the Off-Highway Vehicle Trust Fund for the OHV minor capital outlay program. This will fund three minor projects at various State Vehicular Recreation Areas. These projects will provide for enhancements or improvements to address critical issues impacting health and safety that include park operations; public recreation and access; energy efficiency; and resource protection and restoration. The projects will enable or enhance program delivery.	\$1,716 (OHV Trust Fund)
<b>5. Topanga State Park</b>	Rebuild Trippet Ranch Parking Lot. Requests funding from available Proposition 84 funds for preliminary plans phase to rehabilitate the Trippet Ranch parking lot and surrounding area damaged by erosion and storm water. This project will reduce the safety risk to the public, reduce maintenance costs, and better support interpretive uses of the historic zone.	\$316 (Prop 84)

<b>State Park</b>	<b>Title/Summary</b>	<b>Amount</b> (Dollars in Thousands)
<b>6. El Capitan State Beach</b>	Entrance Improvements. Requests funding from available Proposition 84 funds for the preliminary plans phase to address safety and operational issues at the park entrance. This project will provide an alternate safe route for pedestrians and bicyclists; provide increased space for today's larger vehicles on the park road and entrance area; replace a culvert with a bridge to allow the endangered steelhead trout a barrier free passage; and replace the aging and damaged entrance kiosk.	\$358 (Prop 84)
<b>7. McGrath State Beach</b>	Campground Relocation and Wetlands Restoration. Requests funding from available Proposition 40 funds for preliminary plans phase to relocate the existing campground, maintenance yard, employee housing, campfire center, and day use parking. The campground and associated facility relocation/rehabilitation, including utility infrastructure replacement, is required due to yearly flooding, resulting in loss of major revenue generation and disruption of access to the operational and visitor use facilities. This project will assist in avoiding significant costs for ongoing clean-up and repair of deteriorating facilities due to regular flood damage.	\$1,029 (Prop 40)
<b>8. Prairie City State Vehicular Recreation Area</b>	Initial Erosion Control. Requests funding from the Off-Highway Vehicle Trust Fund for the preliminary plans phase to address erosion issues caused by storm water runoff. This project will include the installation of sediment basins, storm water spray fields, drainage crossings, and riparian areas. In addition, there will be drainage control measures including culverts, diversion ditches, and swales. The project will meet Best Management Practices (BMPs) for storm water management pursuant to the federal Clean Water Act. A comprehensive Watershed Assessment Study, performed through a separate effort, will be used as a detailed guide in implementing this project.	\$275 (OHV Trust Fund)
<b>9. McArthur-Burney Falls Memorial State Park</b>	Group Camp Development. Requests reimbursement authority for preliminary plans and working drawings phases to develop two adjoining group camps. Development of the group camps is expected to increase the park's group camping capacity by a total of 100 campers. This new project is to be fully reimbursed with non-state funds from Pacific Gas and Electric (PG&E) obligations.	\$62 (Reimb.)
<b>10. Statewide: Minor Capital Outlay Program</b>	Requests funding from available Proposition 84 funds for the state park system minor capital outlay program. This will fund one minor project in Sinkyone Wilderness State Park to replace dilapidated and failing vault toilets. These improvements are needed to address health and safety concerns related to sewage disposal and limit ongoing special repair/deferred maintenance costs.	\$395 (multiple funds)

<b>State Park</b>	<b>Title/Summary</b>	<b>Amount</b> (Dollars in Thousands)
<b>11. Statewide: Rec Trails Minor Capital Outlay Program</b>	Requests funding from available Proposition 84 funds for the recreational trails minor capital outlay program. This will fund three minor projects at various state park units. These projects will provide for enhancements or improvements to address critical safety issues that include park operations, public recreation and access, and resource protection and restoration. The projects will enable or enhance program delivery.	\$900 (Prop 84)

**Staff Recommendation:** Approve as proposed.

**Vote:**

**Issue 1: Aliso Canyon and Natural Gas Management Spring Finance Letter Proposals****BACKGROUND**

In late October 2015, a leak was discovered expelling natural gas from a well at the Aliso Canyon Natural Gas Storage Facility (Aliso Canyon) in Los Angeles County. The well, which was being used for injection and storage of gas by its operator, Southern California Gas Company (SoCalGas), was located in close proximity to residential neighborhoods. The Porter Ranch Community, one of the closest, experienced some of the most severe effects.

SoCalGas, in conjunction with state oversight agencies, attempted to plug the leak using conventional methods. However, these initial efforts were not successful, and in early December, a more complex solution (i.e. the drilling of a relief well) was initiated. In the meantime, SoCalGas provided temporary housing and filtration/purification systems for the neighboring communities.

As part of the state's response to Aliso Canyon, the Governor issued an Emergency Proclamation in January 2016, to direct multiple oversight agencies to focus on the following main activities: (1) addressing the immediate threat to public health and safety by directing efforts to plug the leak; (2) ensuring that accountability falls on the operators of the facility; (3) taking steps to prevent a similar event from occurring in the future; and, (4) implementing the necessary actions to ensure energy reliability.

In February 2016, the leak was declared under control and by March, residents had returned to their homes. Questions remain, however, about the state's role in regulation of natural gas facilities, the health and environmental impacts of natural gas emissions, and the ability of the state to provide safe and reliable energy.

Several state agencies have jurisdiction over natural gas reliability and safety, and events such as the Aliso Canyon leak, including the following:

- **Office of Emergency Services (OES).** Provides incident command structure, including a physical post on-site role to coordinate local, state and federal response and information sharing.
- **Division of Oil, Gas and Geothermal Resources (DOGGR).** Regulates natural gas injection wells, investigates leaks, and provides the follow-up on-site monitoring and testing to ensure the well is operating within state rules. AB 1420 (Salas), Chapter 601, Statutes of 2015, requires DOGGR to test certain pipelines less than four inches in diameter and in urban areas.
- **California Air Resources Board.** Regulates air quality, including monitoring and emission controls, for public and environmental health, and for greenhouse gas emission reductions.
- **Division of Occupational Safety and Health.** Regulates and ensures on-site worker safety at the facility.

- **California Public Utilities Commission (CPUC).** Provides ratemaking oversight for investor-owned utilities (IOUs), including SoCalGas, and determines costs for responding to, and repairing the leak. Regulates intra-state utility pipelines.
- **Federal Energy Regulatory Commission (FERC).** Regulates many aspects of interstate gas transmission pipeline operations.

## GOVERNOR'S PROPOSALS

**Air Resources Board (ARB)—Neighboring Air Quality Monitoring Near Oil and Gas Operations.** The ARB is requesting a total of \$2.3 million from the Oil, Gas and Geothermal Administrative Fund (OGGAF) to support neighborhood air quality monitoring near oil and gas facilities. This cost includes \$579,000 for four new permanent full-time air pollution specialists, a one-time equipment request of \$1.4 million and an additional \$340,000/year for equipment maintenance and consumables to support air monitoring of toxic compounds, methane, particulate matter, and meteorological parameters, at and around, communities near oil and gas-related facilities. The resources will enable short-term (three to four months per site) community monitoring near oil and gas activities and source testing to identify potential areas of elevated risk. The information will inform health risk assessments as well as the need for further mitigation. The monitoring resources will also enable the ARB to more effectively and quickly deploy short-term monitoring capabilities in response to unanticipated events, such as the natural gas leak at Aliso Canyon. Additionally, the ARB also requests trailer bill language (TBL) authorizing the use of the Oil, Gas and Geothermal Resources Fund (OGGAF).

**Office of Environmental Health Hazard Assessment—Neighboring Air Quality Monitoring Near Oil and Gas Operations.** The Office of Environmental Health Hazard Assessment (OEHHA) is requesting a total of \$350,000 and two new permanent full-time positions, to be funded by direct appropriation from the OGGAF to support the ARB in its proposed project to monitor neighborhood air quality near oil and gas facilities. This cost includes \$300,000 for the positions and \$50,000 per year in contracts. The resources will enable OEHHA to support ARB in the identification of chemical hazards and the characterization of potential risks in California communities related to ongoing oil and gas production activities and from unanticipated events such as the natural gas leak at Aliso Canyon. Additionally, OEHHA also requests TBL authorizing the use of the OGGAF.

**Department of Conservation, Division of Oil, Gas, and Geothermal Resources (DOGGR)—Underground Gas Storage Regulation.** The DOC requests 20 permanent positions and a baseline appropriation increase of \$4,172,000 (\$3,269,000 ongoing) from OGGAF. Many of the gas storage facilities have been in operation for decades, and the aging wells and infrastructure need to be constantly monitored, inspected, and evaluated for potential threats to health and safety. The leak at the Aliso Canyon gas storage facility has highlighted some shortcomings in the existing regulations and associated oversight of gas storage facilities and operations. The new regulations will focus on the integrity of the wells, reservoir, and facilities, requiring all aspects of the gas storage operations are in compliance and the operations are safe. The emergency regulations address: (1) requiring complete project data from operators of underground storage facilities; (2) requiring the department to impose minimum and maximum reservoir pressure limits; (3) requiring operators of natural gas storage facilities to monitor wells for the presence of

gas in the annuli (any void between any piping, tubing or casing and the piping) of well casings by monitoring annular pressure and gas flow in the well; (4) require functional testing of all surface and subsurface safety valve systems, master valves, and pipeline isolation valves; (5) require operators to inspect wellhead assembly and attached pipelines for each well used in gas storage projects; and, (6) require operators to develop comprehensive risk management plans to be subject to department approval.

**Department of Conservation—Oil and Gas Studies.** The DOC requests a two-year, limited-term, appropriation of \$2.95 million in 2016-17, and \$2.5 million in 2017-18 from OGGAF. Funding will be used to contract for services to conduct and complete additional independent scientific studies. In accordance with recommendations from the California Council on Science and Technology (CCST), the department proposes to: (1) identify opportunities for water conservation and reuse in the oil and gas industry; (2) determine if there is a relationship between wastewater injection and earthquakes in California; (3) evaluate the potential for subsidence due to oil and gas operations; (4) provide for ongoing topical analysis and consultation with the Lawrence Livermore National Lab (under current contract with the department) to provide DOGGR with technical support in evaluating oil field operations and testing; and, (5) contract with the Department of Toxic Substances Control to conduct a waste study for the purposes of identifying oil production wastes that may be impacted by or contain well stimulation chemicals to determine whether they exhibit hazardous waste characteristics.

**California Energy Commission—Natural Gas Electricity System Interactions and Grid Reliability.** This proposal requests baseline authority for three permanent positions, one-time contract funds of \$1 million for technical assistance, and ongoing contract funds of \$150,000, for a total request of \$1.7 million from the Public Interest Research, Development, and Demonstration Fund to improve the Energy Commission's technical ability to monitor, model, and analyze the interaction of California's electricity and natural gas systems for grid reliability. This includes pipeline and system dispatch modeling, underground storage operations, forward price monitoring and financial risk assessment, and relationships between weather and gas balances as they influence electric reliability. It will allow the Energy Commission to fulfill its reliability contingency planning authority for the natural gas system, as it has for the electricity system. Authority for a two-year encumbrance period for the one-time technical assistance funds is also requested.

This proposal also requests TBL that repeals the annual fund transfer of \$10 million from the Public interest Research, Development, and Demonstration Fund to the Alternative and Renewable Fuel and Vehicle Technology Fund, authorized by Health and Safety Code Section 44273.

**California Public Utilities Commission—Expanded Gas Storage/Transmission Infrastructure Review.** The CPUC requests funding of \$1.5 million (Public Utilities Commission Utilities Reimbursement Account) for ten new permanent full-time positions: three senior utilities engineers - specialist, one public utilities regulatory analyst v, two public utilities regulatory analyst iv, and four utilities engineers. These new positions will address numerous urgent tasks related to the natural gas leak at the Aliso Canyon Gas Storage Field, including investigating its causes, implementing measures to prevent future leaks, increasing inspection levels and performing leak surveys, staffing related rulemakings and enforcement actions,

analyzing larger issues of gas supply and reliability (including the role of gas storage), supporting and participating in proceedings at other state and federal agencies, and providing technical advice to commissioners. The CPUC also submitted a separate proposal to add a new Division of Safety Advocates that will be discussed under the department's other budget proposals.

## ISSUES FOR LEGISLATIVE CONSIDERATION

The gas leak at Aliso Canyon illustrates challenges when an energy commodity is de-regulated and the responsibility for safety, reliability and emission controls are spread out amongst multiple state agencies. Unlike electricity, where every kilowatt of generation is tracked, natural gas is treated more as a commodity similar to petroleum. Little scrutiny is given to out-of-state production and transmission, and even within the state, regulation of emission and safety procedures raise concerns. The following are issues the Legislature may wish to consider:

**Accountability and Reporting.** There is no single point of contact within the Administration who can provide a continuity of information from the point natural gas enters the state, to the injection of gas into storage fields, extraction from those fields, and then finally the venting or combustion of the gas into energy. As gas travels through the state, it falls under the jurisdictions of no less than five state and federal agencies, for safety, reliability and for emission controls.

**Working Together.** As we move forward from the disaster at Aliso Canyon, it is clear that the state must do a better job of coordinating state agencies as it manages the transmission and production of natural gas, for safety, reliability and for emission controls. Regulators from the ARB focus on emission concerns, while DOGGR regulates the injection into wells. The federal government regulates the safety of transmission (though it is California's first responders who are called in case of emergency), and, finally, the CPUC is involved in the back-end of safety as it considers costs to the consumers within its jurisdiction as a ratemaking entity. During the Aliso Canyon event, only the Office of Emergency Services (OES) was able to provide multi-agency direction. On an ongoing basis, OES is not an appropriate lead agency.

The state has multiple, ongoing, multi-agency teams that provide services to a broad array of regulated entities. For example, the state's timber harvest plan reviews are conducted jointly with the departments of Forestry and Fire Protection, Fish and Wildlife and Regional Water Quality Control Boards. It would be prudent to consider how, within the context of natural gas transmission and production, state and federal agencies should work with the regulated entities and with each other to ensure the highest quality of work, in the most efficient manner, for the public good.

**Addressing Gaps in Safety, Reliability and Emissions:** Multiple state and federal agencies regulate the safety of natural gas within the state.

- **Interstate Pipeline Transmission.** The primary federal regulatory responsibility for interstate pipeline safety rests with the Pipeline and Hazardous Materials Safety Administration (PHMSA) within the Department of Transportation.



- **Intrastate Pipeline Transmission.** The safety of intrastate transmission pipeline lines is the responsibility of state regulators who generally delegate safety responsibility to the owner of the pipeline. In many cases these pipelines are owned and operated by investor-owned utilities, but other intra-state pipelines are owned and operated by private companies and not subject to CPUC regulation. The State Fire Marshall, under the Hazardous Liquid Pipeline Safety Act of 1981, exercises exclusive safety regulatory and enforcement authority over intrastate hazardous liquid pipelines but not for non-liquid hazardous material pipelines.
- **Injection into and Containment within Holding Fields and Tanks.** Regulation of injection of natural gas into storage wells and the containment of the wells within the fields is responsibility of DOGGR.
- **Emissions.** The ARB, in conjunction with regional semi-autonomous air boards, is responsible for regulating emissions within the state. Natural gas contributes to ozone through the production process and to greenhouse gas emissions through leakage, both of which are regulated by ARB.

**Best Practices in Procurement and Storage.** While there are any number of best practices for individual procedures in the handling of natural gas, there is no single entity that can certify that a cubic foot of natural gas entering and used within the state has been developed and transported using best practices. On the electricity side, there are several checks to ensure that cleaner electricity is certified for use within the state's renewable portfolio standard (RPS), but there is no similar standard for natural gas. Within the natural gas procurement, there is no RPS, and therefore no standards that the state uses to determine if the gas procured has followed the safest route and procedures from cradle to grave.

**Expending Existing funding.** There are various available to the state to assist the state following the reduction of the flow of natural gas resulting from the leak at Aliso Canyon. These include: (1) greenhouse gas emission reduction funds both allocated for state programs and directly to the IOUs; and, (2) fund collected in balancing accounts for energy efficiency held by the IOUs.

**Clarifying well exemptions.** Concerns have been raised about the role of hydraulic fracturing in the failure of the well at the Aliso Canyon natural gas storage facility. The failure of the well resulted in the release of an estimated 100,000 metric tons of methane, a potent greenhouse gas and short-lived climate pollutant, and other gases resulting in significant public and environmental health and safety and climate impacts. Given the age of gas storage wells at most gas storage facilities in the state, and the state's recognition of the high potential risks associated with these facilities, it is important that all activities that put the integrity of gas storage wells potentially at risk be conducted under the oversight of the state's regulator.

**Staff Comments.** The Governor's proposal is a positive step moving toward a better understanding of natural gas safety concerns, particularly where the state has clear and existing jurisdiction. Both the reality of the state's previous efforts to address natural gas safety and reliability, and public expectations of these basic responsibilities, has raised concerns about the system. The proposals put forth by the Administration seem to address the *basic responsibility* of government in regulating potentially dangerous materials, whether to individual public health or the environment. The state, given the seriousness of the issues Aliso Canyon, brought forward, in terms of public health and environmental safety of the entirety of the system, should move beyond basic responsibility and should provide the Legislature with options to improve how we monitor and regulate natural gas transmission and storage.

The legislature may wish to consider the budget bill, trailer bill and supplemental reporting language to clarify the proposal and to provide accountability to the public as the Administration moves forward with implementation of these proposals.

**Staff Recommended Actions.**

1. Approve the funding and proposals as requested, subject to the passage of statute to provide accountability and reporting to the Legislature.
2. Approve draft trailer bill language to provide accountability and transparency as follows:
  - a. Establish a single point of contact within Secretary for Natural Resources, to be responsible for natural gas safety, appointed by the Governor and subject to Senate confirmation.
  - b. Provide mechanisms for state agencies to work together, similar to timber harvest plans, that would ensure efficiency and coverage of all aspects of natural gas transmission and storage.
  - c. Provide for reporting, on an annual basis, on the Administration's efforts to improve natural gas safety within the state.
3. Provide a contract to the California Center for Science and Technology (who have previously provided the Legislature with reports on natural gas extraction) to study natural gas transmission and storage within the state, and the regulation therein, in coordination with the California Energy Commission, to provide the Legislature with recommendations regarding: (1) gaps in regulation that could impact public and environmental health and safety; (2) areas where market mechanisms are not sufficient to protect public health and safety; (3) how the state could require best practices from cradle to grave in the natural gas system; and, (4) where the state should focus increased enforcement of the system.

**Vote:**

## 8570 CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

The California Department of Food and Agriculture (CDFA) serves Californians by promoting and protecting a safe, healthy food supply, and enhancing local and global agricultural trade, through efficient management, innovation, and sound science, with a commitment to environmental stewardship. The goals of CDFA are to: (1) promote and protect the diverse local and global marketability of the California agricultural brand which represents superior quality, value, and safety; (2) optimize resources through collaboration, innovation, and process improvements; (3) connect rural and urban communities by supporting and participating in educational programs that emphasize a mutual appreciation of the value of diverse food and agricultural production systems; (4) improve regulatory efficiency through proactive coordination with stake holders; and, (5) invest in employee development and succession planning efforts.

**Governor's Budget.** The Governor's budget includes \$439 million (\$80.6 million General Fund) for support of the CDFA, a decrease of approximately \$10 million, mainly due to one-time costs.

### EXPENDITURES BY FUND (in thousands)

Fund	Actual 2014-15	Estimated 2015-16	Proposed 2016-17
General Fund	\$ 69,477	\$ 90,070	\$ 80,659
Motor Vehicle Account, State Transportation Fund	7,565	7,801	9,504
Department of Agriculture Account, Department of Food and Agriculture Fund	132,599	148,003	146,885
California Agricultural Export Promotion Account	16	10	10
Fair and Exposition Fund	1,527	1,318	1,317
Drainage Management Subaccount	23	1,178	1,178
Harbors and Watercraft Revolving Fund	4,813	4,914	5,764
Milk Producers Security Trust Fund	6	-	-
Federal Trust Fund	78,365	110,218	90,568
Reimbursements	12,554	18,162	18,170
Pierces Disease Management Account	4,246	3,300	3,294
Antiterrorism Fund	549	552	551
Analytical Laboratory Account, Department of Food and Agriculture Fund	488	534	516
Specialized License Plate Fund	240	509	492
Greenhouse Gas Reduction Fund	11,872	62,152	76,598
Cost of Implementation Account, Air Pollution Control Fund	72	147	156
Medical Marijuana Regulation and Safety Act Fund	-	-	3,355
Municipal Shelter Spay-Neuter Fund	194	194	-
Prevention of Animal Homelessness and Cruelty Fund	-	-	194
<b>Total Expenditures (All Funds)</b>	<b>\$324,606</b>	<b>\$449,062</b>	<b>\$439,211</b>

**VOTE-ONLY CALENDAR**

- 1. Avian Influenza Prevention and Response.** The budget requests one permanent position and \$192,000 in 2016-17, and \$167,000 ongoing, General Fund, for the Animal Health and Food Safety Services Division to meet current and continued threats to animal health and the food supply posed by highly pathogenic avian influenza outbreaks.
- 2. Citrus Pest and Disease Prevention Program.** The budget requests an increase of \$1 million (Department of Food and Agriculture Fund) in 2016-17 and 2017-18 respectively to enhance the Asian Citrus Psyllid and Huangiongbing Mitigation Project. The increased authority will allow the department to add funds to existing commercial pesticide applicator contracts to initiate suppression and control activities in newly detected areas and initiate new contracts in areas as the program expands.
- 3. Use of Antimicrobial Drugs on Livestock (SB 27).** The budget requests eight permanent positions and \$1.4 million (General Fund) ongoing for the Animal Health and Food Safety Services and Inspection services Divisions to implement SB 27 (Hill), Chapter 758, Statutes of 2015. SB 27 introduces new limits on antibiotic use in livestock; provides for antimicrobial availability through licensed retail stores and/or new regulations that address access; requires that CDFA develop antimicrobial stewardship guidelines including antibiotic selection and administering policy for veterinarians and best management practices for veterinarians, farmers and ranchers; requires CDFA to track antimicrobial sales as well as collect information about farm practices; comprehensively sample pathogens to analyze for resistance trends; and prepare a report for the Legislature by 2019.
- 4. Prevention of Animal Homelessness and Cruelty Program (AB 485).** The budget requests \$194,000 in Prevention of Animal Homelessness and Cruelty Fund authority to implement the provisions of AB 485 (Williams), Chapter 557, Statutes of 2015, which allows a taxpayer to designate that a specified amount in excess of their tax liability be transferred to the fund to be distributed to eligible animal control agencies and shelters for the sole purpose of supporting spay and neuter activities that would result in the prevention and elimination of cat and dog cruelty and homelessness.

**Staff Recommendation:** Approve as proposed.

**Vote:**

**Issue 1: Nutritional Incentive Matching Grant Program**

**Background.** AB 1321 (Ting), Chapter 442, Statutes of 2015, created a program within the Office of Farm to Fork at the California Department of Food and Agriculture (CDFA) to award grants to certified farmers' markets that increase the amount of nutrition benefits available to low-income consumers when purchasing California fresh fruits, nuts, and vegetables. AB 1321 specified that grants would not be issued by CDFA until sufficient funds are available. The 2015 Budget Conference Committee approved \$2.5 million in funding for this program, but it was stricken from the final budget agreement.

The program allows up to one-third of grant funds to be awarded to small business that provide matching nutritional incentives, in order to reach low-income Californians residing in areas with limited access to farmers markets. The program prioritizes disadvantaged communities with a high prevalence of diabetes and obesity to ensure a focus on expanding access to fresh, health food. The state anticipates receiving federal matching funds for this program.

The program is modeled after the Market Match program, launched in 2009 to "match" or double the amount of nutrition benefits available to low-income families for purchasing fresh, locally-grown fruits and vegetables at farmers' markets. Market Match has since leveraged \$450,000 in incentives to create over \$2 million in revenue for participating California growers. From 2009 to 2012, Market Match increased CalFresh redemption at participating farmers' markets from 132 percent to 700 percent. This increase generated a six-fold return on investment in sales, with 69 percent of farmers reporting new shoppers and 67 percent reporting earning more income.

**Governor's Proposal.** The Governor's January budget did not include funding for this program.

**Staff Comments.** Given the signing of AB 1321 and the interest of both the Legislature and Administration in this program, it is unclear why no funds were included in the budget for this purpose. This program clearly provides for improved healthy food choices for low-income individuals and families, and promotes education about farming and food through access to farmers markets and small businesses associated with the program.

A \$5 million state investment in the program, matched by \$5 million in federal funds, could generate an additional \$60 million in sales, hundreds of new farm jobs, and boost healthy food access to \$45 million for almost 300,000 low-income California families.

The Subcommittee may wish to ask the department to comment on the effectiveness of the program absent a proposal from the Governor.

**Staff Recommendation.** Approve \$5 million (General Fund) to CDFA for the Nutrition Incentive Matching Grant Program.

**8660 CALIFORNIA PUBLIC UTILITIES COMMISSION****VOTE-ONLY CALENDAR**

- 1. AB 693 Multifamily Affordable Housing Solar Roofs Program (previously heard on March 10, 2016).** The budget proposes \$262,000 from the Public Utilities Commission Reimbursement Account (PUCURA) and 1.75 permanent positions, annually through fiscal year 2030, to administer and evaluate the Multifamily Affordable Solar Roofs Program as required by AB 693 (Eggman), Chapter 582, Statutes of 2015. The program would provide monetary incentives (annually, \$100 million or 10 percent, whichever is less, of the investor-owned utilities cap-and-trade allowance revenues) for the installation of qualified solar energy systems on multifamily affordable housing properties. AB 693 requires the CPUC to decide the most appropriate program administration structure for the program and to complete assessments of the program every third year, so that the CPUC can evaluate and adjust the program so that the program goals are being met. The proposed staff would provide analysis and support for a commission rulemaking, and manage program implementation and administration.
- 2. SB 793 Green Tariff Renewables (previously heard on March 10, 2016).** The budget proposes \$160,000 from PUCURA for three years to fund limited-term staff to administer the Green Tariff Shared Renewables (GTSR) program as modified by SB 793 (Wolk), Chapter 587, Statutes of 2015. SB 43 (Wolk), Chapter 413, Statutes of 2013, established GTSR and the CPUC recently finalized the first stage of implementation. The first GTSR customers for each utility began enrolling in the first quarter of 2016. SB 793 requires the CPUC to create a nonbinding estimate of reasonably anticipated GTSR bill credits and bill charges for a period of up to 20 years. The requested budget authority will facilitate the administration of this program, and help to provide transparency and predictability of charges and credits associated with the provision of green tariff and enhanced community renewable options.
- 3. SB 541 For-Hire Transportation Carriers: CPUC Enforcement (previously heard on March 10, 2016).** The budget proposes \$372,000 from PUCURA for two years for a \$250,000 contract and limited-term staffing to implement SB 541 (Hill), Chapter 718, Statutes of 2015. CPUC has authority over 11,000 non-rail passenger carriers and 1,000 household goods movers, and is required to license carriers, and investigate and enforce safety and consumer protection laws for passenger stage corporations, transportation charter-party carriers, private carriers of passengers, and household goods carriers. A 2014 State Auditor report found that the CPUC's transportation enforcement branch does not adequately ensure that passenger carriers comply with state law. SB 541 requires the CPUC to hire an independent entity to assess the agency's capabilities, in consultation with carrier trade associations, related to specific goals and to report its findings to the Legislature. The additional staff resources are intended to administer the contract, develop outreach, and address the report's findings.

- 4. SB 350 Clean Energy and Pollution Reduction Act and AB 802 Energy Efficiency (Enacted Legislation) (previously heard on March 10, 2016).** The budget proposes \$3.35 million annually from the PUCURA for 23 permanent positions to implement SB 350 (de León), Chapter 547, Statutes of 2015, and AB 802 (Williams), Chapter 590, Statutes of 2015, which will result in new areas of work including the development of an integrated resources planning (IRP) process and modeling capabilities and electrification of the entire transportation sector; and work in the areas of energy efficiency (EE) and renewable portfolio standard (RPS). Some of the key changes of these two pieces of legislation are:
- Encourages widespread transportation electrification, such as funding electric vehicle charging infrastructure.
  - Requires doubling of EE savings from electricity and natural gas end users by 2030 and expands California’s definition of energy efficiency.
  - Increases target to obtain 40 percent of total retail electricity sales from renewable resources by December 31, 2024; 45 percent by December 31, 2027; and 50 percent by December 31, 2030 (from 33 percent by 2020).
  - Requires resource optimization and for CPUC to adopt processes for investor-owned utilities and publically-owned utilities to file integrated resource plans to ensure utilities are meeting RPS requirements, helping the state meet its greenhouse gas (GHG) targets, and minimizing costs for ratepayers, and ensuring system reliability.
  - Expresses intent for regional expansion of the California Independent System Operator (CAISO).
  - Considers disadvantaged communities in the CPUC decision-making process.

These changes will result in new workload for CPUC that includes the expansion of renewable procurement and energy efficiency targets; creates a new integrated resource planning structure; establishes new policies and procedures for transportation electrification; manage the regionalization of the CAISO; consider impacts on disadvantaged communities; provide oversight, as well as legal, technical and policy support, for a minimum of five new and four amended rulemaking proceedings as well as for an expected 5-10 new utility applications annually, and facilitate the processing of a minimum of 350 advice letters. Without additional resources, the ability of CPUC to manage the increase in proceedings and oversight will be hampered and other workload may suffer as well. The Legislative Analyst’s Office has not raised any concerns with this request for funding and positions.

- 5. Ongoing Implementation of SB 1414 Demand Response Programs (April Finance Letter).** The Administration requests ongoing funding of \$131,000 from the PUCURA and to convert the current limited-term position doing this work to a permanent position to continue the implementation of certain provisions of SB 1414 (Wolk), Chapter 627, Statutes of 2014. SB 1414 requires the CPUC to develop and implement consumer protection rules for residential customers who participate in demand response programs.

**6. eFiling Administration Support (eFAST) Platform Creation and Business Configuration Projects (previously heard on March 10, 2016).** The budget proposes \$5.35 million in 2016-17 from various CPUC funds for a one-time software customization (for a total IT contract of \$7.1 million over 2016-17 and 2017-18, and 6.3 permanent positions in 2016-17, and an additional 3.7 positions in 2017-18 for a total of 10 positions on an on-going basis. The proposed funding will be distributed across 10 funds. With this proposal the CPUC intends to implement a standard, enterprise-wide technology platform, known as eFiling Administration Support (eFAST) which will serve as the hub for customer interaction. This platform will provide the foundation for and automate:

- Maintaining customer accounts and contacts.
- Receipt, processing, and disposition of documents and data.
- Submittal of inquiries and follow-up responses.
- Receipt of payments for various fees and programs.
- Scaling, configuring and deploying for future business applications.

CPUC uses many manual processes to perform its work. These processes can be time consuming, costly, and can impede transparency and result in delays. Automating some of these processes would be an improvement at CPUC.

**7. Human Resources Workforce Planning and Development (previously heard on March 10, 2016).** The budget proposes \$672,000 annually for workforce and succession planning and training to fund two permanent positions and four two-year limited-term positions from funding sources distributed across CPUC special funds. This request emerged from analysis of past training needs assessment reports from 2005 and 2011, and an analysis of the work output over the 2014-15 year. Further, the CPUC's overall training needs assessment identified, through internal and external reports, the number of staff necessary to effectively execute the critical training/employee development needs in support of the CPUC's mission. CPUC asserts that in order to mitigate workforce performance issues and to continue building an effective and efficient CPUC, a strong and specialized learning and development unit is necessary. This unit is focused on recruitment, development, and retention of employees. Deliverables from this proposal include a strategic workforce and succession plan; training modules and pop-up learning events; a leadership program; recruitment efforts to bring on and train entry-level employees; reduced dependence on retired annuitants; and the development of a library of core training. In addition, CPUC will conduct an “engagement survey” to assess its progress in this area.



- 8. AB 1266 Electric and Gas Corporations—Excess Compensation (previously heard on March 10, 2016):** The budget proposes \$160,000 annually from the PUCURA for two new permanent half-time positions for proceedings and reviews of excess compensation, as required by AB 1266 (Gonzalez), Chapter 599, Statutes of 2015.

Every three years, all utilities regulated by the CPUC are required to undergo a general rate case to request funding for distribution and generation costs associated with their service. CPUC reviews executive compensation as part of this process. AB 1266 prohibits an electrical or gas corporation from recovering from taxpayers' expenses for excess compensation (greater than \$1 million) paid to an officer of the utility for five years following a triggering event occurring after January 1, 2013, unless approved by the CPUC. The bill requires an electrical or gas corporation to file an application to the CPUC prior to paying or seeking recovery of excess compensation. CPUC is required to open a proceeding to evaluate the application and issue a written determination whether excess compensation should be recovered in rates or, if previously authorized in rates, should be refunded to taxpayers.

- 9. Rail Transit Safety (April Finance Letter).** The Administration proposes an increase of \$701,000 from the Public Transportation Account for five permanent positions (three inspectors, a supervisor, and an analyst) and four Department of General Services truck leases to allow the CPUC's safety inspection and accident investigation levels to keep up with the significant expansion of rail transit systems. The rail transit safety branch currently has a total of eight positions that help to ensure that rail transit agencies construct, maintain, and operate their lines to promote and safeguard the health and safety of its employees, passengers, and the public. The number of rail transit systems has increased from 12 in 2009 to 14 in 2015, statewide ridership has increased significantly over the same period of time, and fatalities have increased. In addition, ten rail transit lines are currently under construction. These inspectors are necessary to keep up with significant system growth and expansion which will likely continue as additional funds are made available in the future for transit projects. The CPUC anticipates that up to 80 percent of the requested funds will be reimbursable with federal funds.

**Staff Recommendation:** Approve all of the above vote-only issues as budgeted.

**Vote:**

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**Issue 1: Division of Safety Advocates**

**Background.** Most utility infrastructure was installed decades ago and is now reaching the end of its useful life. In recent years, failures of utility systems in California have highlighted the need to proactively evaluate critical infrastructure and to identify needed maintenance and funding beyond what has been requested in routine utility rate applications.

The CPUC currently reviews safety as part of its constitutional mandate to set rates within the investor-owned utilities within the state. The CPUC requires IOUs to establish safety protocols and is responsible for ensuring those orders are completed. The CPUC currently has established a safety and enforcement division (SED) with over 200 positions. According to the CPUC, these positions focus on compliance and do not intervene in ratemaking proceedings. Specifically, according to the budget proposal, “SED only serves in an advocacy function in orders instituting investigations, in which it effectively becomes the prosecutor against the utility whose alleged misconduct is the subject of the proceeding.” Much of the role of the SED is auditing IOU safety statements and practices.

The Office of Ratepayer Advocates (ORA) provides analysis of CPUC proceedings but is not directly mandated to intervene on risk assessment and safety issues, though it has, in the past, included discussion of safety in its commentary during proceedings.

**Governor’s Proposal.** The spring finance letter requests 11 permanent positions and \$1.7 million (Public Utilities Commission Reimbursement Account), to be used to create the Division of Safety Advocates, an independent division within the CPUC. Similar to when the CPUC established the Public Staff Division in 1984 (statutorily created as Office of Ratepayer Advocates in 1996) in response to unprecedented utility requests for general rate increases, the CPUC requests to establish a Division of Safety Advocates in response to unprecedented failures of utility infrastructure over the past five years. The CPUC has described the proposal as establishing a safety intervenor in proceedings before the commission.

According to the CPUC’s interpretation, Senate Bill 636 (Hill), Chapter 548, Statutes of 2014, prohibits the commission staff cannot serve in both advisory and advocacy capacities in the same proceeding. Thus, in proceedings where SED serves in an advisory capacity, it cannot independently present testimony or evidence on general safety issues. Similarly, the commission’s various industry divisions may be able to identify safety concerns in various proceedings, but generally are not parties; they provide staff support to the administrative law judge. “Given the complex and technical nature of many proceedings, having SED and/or other industry division staff (such as energy division staff, for example) serve as an advocate would limit the commissioners’ and administrative law judges’ ability to receive technical support and advice.”

The CPUC states, “Although the CPUC’s SED staff may serve as advisory staff to the judge, this information is not part of the evidentiary record, thus the judge cannot rely on it for the truth of the matter. Again, this is similar to why, in 1984, the Commission created what is now known as ORA. At that time, the utilities were collectively requesting over \$13 billion in rate increases. The ORA was formed to provide testimony and develop the record to ensure that Californians received utility service at just and reasonable rates.”

“To date, intervenors have focused on safety only to the extent it impacts rates and costs. No party presents testimony that reviews proposals based only on safety irrespective of the cost impact. Therefore, the commission's ability to proactively consider safety matters is limited. Accordingly, in 2014, the commission created a new regulatory model for evaluating safety proposals and assessing risk within the general rate case process.

“ORA's role is to advocate for the lowest rates for customers of the regulated utilities, consistent with safe and reliable service levels. While ORA is mandated to represent customers primarily on cost of service issues, it must also consider the safety and reliability of the utility service. Although ORA recognizes the foundational requirement that utility operations must be safe and that utilities must have adequate funding to operate safely, ORA's mandate to keep rates low is fundamentally at odds with the need to increase expenditures on safety-related investments.”

**Staff Comments.** The CPUC's effort to ensure safety is laudable. The proposal before the budget committee, however, is major change in policy at the CPUC, and an expansion of its existing mandates. Establishing a safety intervenor would be unprecedented without statutory direction and has implications for how the state handles safety issues during proceedings at the commission. The CPUC has stated that: (1) the idea of a safety intervenor has been discussed for several years; (2) the idea of a safety intervenor may be temporary, until such expertise is found outside the CPUC such as in other ratemaking cases with outside intervenors; and, (3) the ORA, the Legislatively established rate intervenor, cannot appropriately intervene on safety issues.

Staff has several concerns about the proposal and issues for legislative consideration.

**Why Not a Policy Bill?** Though trailer bill has been used to establish policy in many arenas, in this case there have been several bills that have moved through the legislative process that are directly related to safety and reform of the CPUC. Given these bills, it is unclear why we would make this kind of policy change in the budget process without input from experts within the Legislature and stakeholders.

**Should We be Using Existing Resources?** The budget proposal analysis provided by the CPUC offers a second alternative, in which the commission would increase the use of existing resources. Given that the state is embarking on a new method of intervening in ratemaking cases, should the Administration and Legislature consider other options such as adding to the mandates of the ORA or, separately, mandating that SED staff who are actively working in the field be tapped for proceedings on a rotating basis, given their real-world experience? The ORA, contrary to what the CPUC has stated in its budget proposal, has advocated in the past for increased rates when it felt the proceeding warranted additional costs to ratepayers, and could do so again should its mandate be clarified to include safety.

**Will the Safety Intervenor Have any Influence?** By focusing on rate cases—the end of the risk assessment process—a safety intervenor is placed in the position of either taking the side of the ratepayer advocate or the utility. Instead of influencing a utility's rate case application, the safety intervenor may not be able to add as much value as the title might suggest.

**Should the CPUC be Focusing on Safety Assurance?** The SED provides the CPUC with audits, investigations, and data analysis regarding safety within the IOUs. Significant proceedings with safety impacts should be audited by the existing SED. Should the CPUC use its existing resources more effectively?

**To Whom is the Safety Intervenor Accountable?** The budget proposal suggests the new division head/intervenor will be accountable to the CPUC, but will replicate, in part, the model of the ORA. If this is the case, it is not clear why the CPUC has not suggested an appointed position, confirmable by the Senate, to give the Legislature and public the accountability that it desires after years of safety concerns at the IOUs.

**Staff Recommendation.** Hold Open

**Vote:**

**Issue 2: Information Technology Restructuring (April Finance Letter)**

**Governor's Proposal:** The April finance letter requests \$3.4 million distributed across 12 CPUC funds and 24 permanent positions for its information technology service branch.

**Background:** Over the past two decades, the CPUC's operational IT needs have grown dramatically, while a commensurate investment has not been made in IT staff. As a result, CPUC has insufficient IT staff resources to support its mission-critical programs, provide public transparency, and ensure information security. An internal redirect of \$1.9 million in the last two prior fiscal years allowed it to procure IT services, however there is still a backlog of IT projects and the CPUC's approach to information security continues to be largely tactical and reactive. Important strategic work, such as completing an inventory of information assets or developing a risk management and privacy plan, has been delayed or deferred. The delays in completing this work put the CPUC out of compliance with state information security requirements, and put its business and consumer data at risk.

CPUC's IT branch currently has 45 authorized positions. The 24 additional positions (including one office technician) would work in seven key IT areas at the CPUC as described below:

- **IT service desk** configures and supports all staff electronic devices. (Three positions).
- **Information security** ensures compliance with security and privacy policies, standards, and procedures issued by the California Information Security Office. (Five positions).
- **Enterprise services and infrastructure** works to ensure the speed, capacity, and reliability of IT systems and storage. (Four positions).
- **Application and project portfolios** includes services for application development, design, systems analysis, coding and maintenance. (Six positions).
- **Mobility support** enables staff to work from anywhere as is often required for field staff.
- **IT acquisitions** is responsible for IT procurement and contract management and workload has grown substantially in the last five years. (Four positions).
- **Enterprise architecture** is a new function to improve the effective and efficient management and oversight of the application of IT to the operation of state agencies. (One position.)

**Staff Question:**

1. Given the salaries of IT staff in the San Francisco Bay Area, will CPUC be able to fill these positions if they are located there? Has CPUC considered alternatives to filling these positions in San Francisco, such as locating some of the proposed IT staff in Sacramento?

**Staff Comments:** At current IT staffing levels, the CPUC cannot keep pace with its growing operational workload and it lacks the IT resources to appropriately support its mission-critical programs and information security, provide public transparency, and inform decision-makers.

**Staff Recommendation:** Approve as proposed

**Vote:**

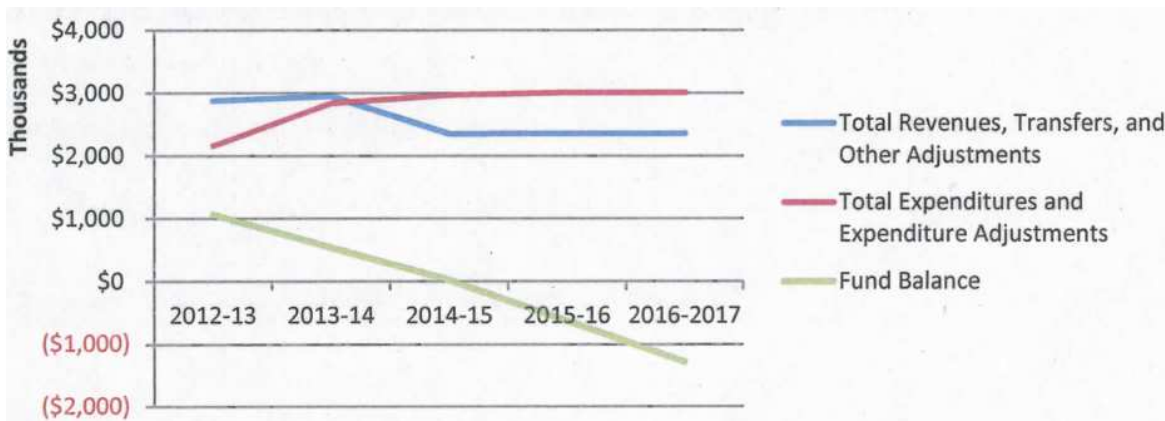
### Issue 3: Transportation Rate Fund Trailer Bill Language (April Finance Letter)

**Governor’s Proposal:** The April finance letter requests the Public Utilities (PU) Code be amended to increase the maximum fee to that can be charged to household goods movers from 0.7 percent to 1.0 percent to maintain solvency in the Transportation Rate Fund.

**Background:** The Public Utilities Commission Transportation Rate Fund (Fund 0412) is used to fund CPUC’s work to license and regulate household goods movers (1,045 movers as of March 31, 2016) that move household goods and personal belonging over the public highways in California. The fund supports 15 positions that perform this work. The fund’s main source of revenue is quarterly fees household goods movers pay to the CPUC. The PU Code Section 5003.2 currently sets the maximum rate for this quarterly fee at 0.7 percent of household goods mover’s gross revenue (set in 2006), which is the rate the CPUC has charged since 2006.

Quarterly fees are based on gross reported household good’s movers’ incomes, and revenue has decreased in recent years. In addition, in 2013-14, expenditures increased significantly (by about \$650,000) due to a change in how CPUC overhead for increases in employee compensation and other adjustments is allocated, rather than as a result of program growth. As shown in the figure below, these changes are resulting in expenditures exceeding revenues.

#### Transportation Rate Fund Revenues Have Declined and Expenditures Have Increased



**Staff Comments:** Staff has no concerns with the proposal, but notes that some portion of the household goods carrier market is unlicensed which may have contributed to the decline in revenues. CPUC has an effort underway to reengage management at Yelp, Craigslist, and other online bulletin boards to reduce postings from unlicensed moving companies, to use these boards as leads to unlicensed carriers, and to increase litigation against such carriers. The CPUC will also provide additional tools to investigators to increase the number of sting operations, particularly in local jurisdictions where the district attorney is willing to prosecute criminal cases.

**Staff Recommendation:** Approve as proposed.

**Vote:**

**Issue 4: Ongoing Implementation of AB 327 (April Finance Letter)**

**Governor's Proposal:** The April finance letter requests ongoing funding of \$527,000 from the Public Utilities Commission Utilities Reimbursement Account (PUCURA) and to convert five limited-term public utility regulatory analyst positions to permanent to support the continued implementation of select provisions of AB 327 (Perea), Chapter 611, Statutes of 2013.

**Background:** AB 327 restructured the rate design for residential electric customers, created a net energy metering (NEM) program, and specified that the CPUC may require the procurement of eligible renewable energy resources in amounts greater than what is required in statute. The 2014 Budget Act provided 11 two-year limited term positions to implement AB 327.

According to the request, the five positions are for work that is anticipated to go on into the foreseeable future. AB 327 fundamentally changed the work under these programs and will require monitoring and additional proceedings to address changes required due to technical innovations or market events.

**Staff Comment:** Based on additional information CPUC provided about the anticipated workload of each of the five positions, request for permanent positions is justified for four of the five positions. For one of the requested positions, the ongoing workload will only last three to five years.

**Staff Recommendation:** Approve, as proposed, for four of the five positions permanent funding and positions and approve limited-term funding for the fifth position of only three years.

**Vote:**



**Issue 5: Additional Funds Needed for Legal Costs**

**Governor's Proposal:** The April finance letter requests \$6.0 million from the PUCURA to retain the services of outside counsel so that the CPUC can cooperate with the two criminal investigations that are currently underway.

**Background:** There are currently two criminal investigations looking into alleged improper communications between certain CPUC staff with regulated entities. One investigation was opened by the State Attorney General's office and the second was opened by the Federal U.S. Attorney. The CPUC is cooperating with both agencies and has retained outside counsel to handle these matters. The CPUC entered into two contracts with outside legal firms. Thus far the CPUC's outside counsel has exhausted the original approved contract of \$6,291,000 in total.

The total costs for work done under the two contracts will be \$12.3 million (this includes the original \$6.3 million). The total costs for DLA Piper alone will be \$10.3 million. The total costs for Leone & Alberts alone will be \$2.1 million. Leone & Alberts deals with public records requests related to the two criminal investigations. (The CPUC handles all other public records requests in-house.) DLA Piper represents the CPUC in cooperating with two separate criminal investigations, one federal and one state. DLA Piper's services include court appearances, court filings, negotiations, responding to discovery, document production, witness preparation, and legal advice.

The criminal and civil investigations of the CPUC by state and federal agencies are ongoing and expanding in scope. From the initial two subpoenas and search warrant, the CPUC is now responding to a total of eight subpoenas and three search warrants from state and federal criminal investigators. A substantial amount of legal resources has been required to interview witnesses, research and review millions of documents, and in all other ways, comply with all applicable legal documents in the representation of CPUC. This is expected to continue.

**Staff Comment:** According to the CPUC, it is not using these funds to represent any individual employees.

**Staff Recommendation:** Approve as proposed.

**Issue 6: SB 178 Cleanup: Proposed Trailer Bill Language**

**Proposal:** Trailer bill language is proposed to amend Section 1546.2 of the Penal Code that would clarify that nothing limits the authority of the CPUC Commission or the California Energy Commission to obtain any energy or water supply and consumption information pursuant to the powers granted to them under the Public Utilities Code or the Public Resources Code and other applicable state laws.

**Background:** SB 178 (Leno), Chapter 651, Statutes of 2015, created the California Electronic Communications Privacy Act (CalECPA), which generally requires law enforcement entities to obtain a search warrant before accessing data on an electronic device or from an online service provider.

**Staff Comment:** The proposed trailer bill language makes it clear that the general references to a “government entity” in SB 178 do not limit the CPUC or the California Energy Commission from obtaining any energy or water supply and consumption information pursuant to the powers granted to them under the Public Utilities Code or the Public Resources Code and other applicable state laws.

**Staff Recommendation:** Approve the proposed placeholder trailer bill language.

**Vote:**