
SUBCOMMITTEE NO. 2

Agenda

Senator Lois Wolk, Chair
Senator Jim Nielsen
Senator Fran Pavley



Wednesday, May 18, 2016
9:30 a.m.
State Capitol - Room 112

Consultants: Catherine Freeman

OUTCOMES

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VOTE-ONLY CALENDAR**0540 SECRETARY FOR NATURAL RESOURCES**

- 1. Implementation of AB 142 (Bigelow), Chapter 661, Statutes of 2015.** The budget requests a one-time appropriation of \$125,000 Environmental License Plate Fund (ELPF) to hire a contractor to compile a report, as required by AB 142. Pursuant to AB 142, the Upper Mokelumne Watershed Authority will reimburse the state \$125,000 for the study. AB 142 requires the Secretary for Natural Resources to submit a report that analyzes the suitability or non-suitability of certain sections of the Mokelumne River for state wild and scenic river designation to the Governor and the Legislature, by December 31, 2017.
- 2. Timber Regulation and Forest Restoration Public Process and Technical Support.** The budget requests to make ongoing \$230,000 (Timber Regulation and Forest Restoration Fund) to support public involvement processes, technical assistance, and scientific guidance (funds were previously a limited-term pilot project). The proposal also includes trailer bill language to permit providing reasonable per diem compensation to persons, other than public agency staff, who are serving on program advisory committees or working groups.
- 3. River Parkways and Cultural and Historical Endowment Reappropriation.** The state is currently providing statewide oversight and administering grant programs for propositions 12, 13, 40, 50, 84 and 1. This request would reappropriate the remaining balances of appropriations from the River Parkways and the California Cultural and Historical Endowment programs within these bond measures so that ongoing projects can be completed and so that the remaining funds can be awarded. Funds will be awarded through the current solicitation of River Parkways and the Museum Grant Program. Awards will be announced during the first quarter of 2016-17.
- 4. San Joaquin River Settlement (Proposition 84) and Fish Hatchery Expansion.** The budget requests to appropriate a total of \$32,531,000 (Proposition 84) for implementation of the San Joaquin River Restoration Settlement, of which \$15,983,000 will be used for the construction of a fish hatchery, and \$16,548,000 will be used to reimburse the Department of Water Resources and Department of Fish and Wildlife for work across all aspects of the San Joaquin River Restoration Project.

Staff Recommendation: Approve as proposed.

Vote: Item 3: 3-0

Items 1, 2, 4: 2-1 (Nielsen, no)

3100 CALIFORNIA SCIENCE CENTER AND CALIFORNIA AFRICAN AMERICAN MUSEUM

- 1. Bathroom and Drinking Fountain Renovations at the California African American Museum (CAAM).** The budget requests \$275,000 (Exposition Park Improvement Fund [EPIF]) that will provide funding for the complete and comprehensive renovation of four bathrooms and the replacement of the two wall-mounted drinking fountains inside the CAAM building both for employees and guests. CAAM receives 300 guests and patrons on a daily basis and renovating the bathrooms and replacing the drinking fountains will improve patrons experience and the overall appearance of the entire facility. *Staff recommends adding \$2 million (General Fund) to provide deferred maintenance and to improve exhibit and art storage at the museum.*
- 2. Exposition Park Public Safety Staffing.** The Office of Exposition Park Management (Expo Park) requests \$ 1.5 million (EPIF) annually, for two years, to provide funding to continue management of the Department of Public Safety by the California Highway Patrol. The resources are needed to provide professional safety and security for both the millions of visitors to the park, and the employees.
- 3. Exposition Park Reimbursement Authority Increase.** The Office of Exposition Park Management requests an increase of the annual baseline reimbursement authority from its current amount of \$508,000 to \$638,000, to pay for annual assessments levied against the EPIF and address critical deferred park maintenance, major repairs, and capital improvements and to help meet assessment obligations and improve overall security.
- 4. Office of Exposition Park Assistant General Manager.** The budget requests \$150,000 (EPIF) and one position (assistant general manager [GM]) to assist in park operations. The workload of the GM has increased greatly over the past two years. Examples of additional workload include: the addition of at least one National Football League (NFL) team with a possibility of a second NFL team, three major capital projects within the park-the building of a new soccer stadium, the renovation of the Coliseum, the construction of the Science Center Phase 3, increased special events, increased contracts and the prospective bid for the 2024 Olympic Games. Additionally, the office is requesting to include provisional language, which would allow augmentations to the EPIF for operational costs associated with major events at the park.
- 5. Increased Contracted Services.** The May Revision requests an increase of \$515,000 to provide funding for increased parking and landscaping contracts at Expo Park. Specifically, the request includes \$335,000 to fund a new parking operator contract beginning July 1, 2016, and \$180,000 for a 12-month period to reflect increased landscaping costs.

Staff Recommendation: Approve as proposed including an additional \$2 million General Fund for the California African American Museum.

Vote: To approve staff recommendation: 3-0

3340 CALIFORNIA CONSERVATION CORPS

1. **May Revise Technical Adjustment.** The May Revise requests an increase of \$10,000 (Proposition 39) to provide for a technical adjustment for program delivery costs within the Energy Corps program that were inadvertently omitted when preparing the Governor's budget.

Staff Recommendation: Approve as proposed.

Vote: 3-0

3480 DEPARTMENT OF CONSERVATION

1. **Legislative Proposal for Best Practices for Well Abandonment.** As follow up to the extensive budget and policy hearings on Aliso Canyon, adopt trailer bill language to require that, on or before January 1, 2019, the Division of Oil, Gas and Geothermal Resources shall develop, through a public process, with input from independent experts, stakeholders and the public, "best practices" for the design, maintenance, monitoring, operation, data reporting and plugging and abandonment of gas storage wells.

Staff Recommendation: Approve Item 1.

Vote: 2-1 (Nielsen, no)

3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CALFIRE)

1. **Reappropriations and Technical Adjustments (Spring Finance Letter).** The department has a residual balance of funds for managing seized illegal fireworks. This proposal would allow for ongoing fireworks management through the 2016 fireworks season. The spring finance letter also requests to correct a technical error in the January budget for contract county wage adjustments and reimbursements, including \$1,000 for lease revenue debt service.
2. **Aviation Contracts.** The budget requests to increase support for fixed-wing aviation contracted services by \$3.5 million in the budget year, and increasing to \$9 million in four years. This is the result of a new contract signed with DynCorp International, LLC (DynCorp) after a successful request for proposal (RFP) bid to provide fixed-wing and rotary fleet. DynCorp provides pilots to operate fixed-wing aircraft, as well as maintenance technicians for both the department's fixed-wing and rotary fleet. This item was heard on March 17 and held open.

- 3. Exclusive Use Helicopters.** Consistent with previous years, the May Revision requests \$10.4 million General Fund one-time in 2016-17 for exclusive use helicopter contracts and ground crew temporary help position authority. These resources will supplement CalFIRE's existing fleet on fire incidents as necessary during emergency operations throughout the State of California.

Staff Recommendation: Approve as proposed.

Vote: 3-0

3600 DEPARTMENT OF FISH AND WILDLIFE

- 1. Sacramento and San Joaquin River Tributaries.** The department requests \$816,000 (General Fund) and one permanent position to complete negotiations in tributaries to the Sacramento-San Joaquin rivers for settlements that create water supply and regulatory certainty for water users and improve ecological flow and habitat for species. This issue was heard and approved in 2015. This proposal would complete the project.
- 2. Loan Repayments—Oil Spill Response Trust Fund.** The May Revision requests a technical adjustment to allow the department loan authority from the Renewable Resources Trust Fund to the Oil Spill Response Trust Fund in order to allow the department to repay the balance of the loan, \$3.5 million. The May Revision also requests to extend the repayment of \$35 million of the \$40 million Oil Spill Response Trust Fund transferred to the General Fund as a loan. Trailer bill language is included to release the obligation of the state oil spill administrator to collect oil spill response fees otherwise required to maintain the fund balance and to update the required dates for the repayment of loans.

Staff Recommendation: Approve as proposed.

Vote: 2-1 (Nielsen, no)

3760 STATE COASTAL CONSERVANCY

- 1. Proposition 1 Proposal.** The budget requests \$12.4 million (Proposition 1) for local assistance and capital outlay and program delivery as follows: (1) local assistance and capital outlay: \$11.9 million; and, (2) program delivery of \$500,000. These amounts represent an incremental increase to the amounts proposed for appropriation to the conservancy. The funds would be used for purposes of protecting rivers, lakes, streams, coastal waters, and watersheds in the coastal and San Francisco Bay Area regions, consistent with the bond.

- Habitat Conservation Fund Reversions.** The spring finance letter requests reversion of the remaining reimbursement authority from several past years' items of appropriation from the Habitat Conservation Fund (Fund 0262). The conservancy expects no further reimbursements into these items of appropriation and no longer needs the remaining reimbursement authority associated with the items.

Staff Recommendation: Approve as proposed.

Vote: 3-0

3780 NATIVE AMERICAN HERITAGE COMMISSION

- Reappropriation.** The May Revision requests reappropriation of \$997,000 (General Fund) to provide for the completion of a geographic database of California Environmental Quality Act agencies as they pertain to tribal boundaries. The database is required by AB 52 (Gatto), Chapter 532, Statutes of 2014. The reappropriation is required because the delays in hiring for these activities. The commission states that the positions are filled and the project can be completed within the reappropriation timeframe.

Staff Recommendation: Approve as proposed.

Vote: 3-0

3790 DEPARTMENT OF PARKS AND RECREATION

- Vessel Operator Certification Program.** Harbors and Navigation Code (HNC) Section 678.7(a) authorizes a transfer totaling \$4 million (Harbors and Watercraft Revolving Fund) to the vessel operator certification account, of which \$1 million has been transferred to date. The department requests the balance of \$3 million be authorized for transfer in 2016-17. These funds will be used to support an existing appropriation to implement the requirements of SB 941 (Hill), Chapter 433, Statutes of 2014, which establishes the Vessel Operator Card Program.
- Community Outreach Pilot Program.** The budget requests \$690,000 over two years from the State Parks Protection Fund, and three positions, for a pilot project to engage underserved and underrepresented communities. The pilot is a component of the relevancy committee's initiative "Engaging Underserved Populations with State Parks." Specifically, the project would establish state park community liaisons in the Bay Area and Angeles districts who will conduct outreach and engage local community members to create exhibits, tours, demonstrations, and other programs. The department states that the goal of the project is to identify best practices in outreach, engagement, cultural relevancy, and partnerships that can be scaled throughout the state parks system.

- 3. Spring Finance Letter Capital Outlay Proposals.** The budget requests reappropriation of existing Capital Outlay appropriations to allow for the completion of projects currently in process. These include: (1) El Capitan State Beach: construct new lifeguard operations facility; Torrey Pines State Natural Reserve: utility modernization; (2) Gaviota State Park: main water supply upgrades; (3) Heber Dunes State Vehicular Recreation Area: water system upgrades; and, (4) McArthur-Burney Falls Memorial State Park: ramp and boarding float replacement. Spring finance letter reappropriations include Off-Highway Vehicle Fund projects, posted spring letter Proposition 84 items, South Yuba Bridge, updates to January proposals, and SPRF ongoing projects including Angel Island, Mendocino Headlands, Leo Carrillo, and McArthur-Burney.
- 4. Extensions of Liquidation.** The budget requests extension of liquidation for two local assistance grants in the Habitat Conservation Fund Program that supports acquisition, enhancement, restoration, and development of animal habitats. The projects were delayed due to technical studies and permit requirements.

Staff Recommendation: Approve as proposed.

Vote: Items 3, 4: 3-0 Items 1, 2: 2-1 (Nielsen, no)

3820 SAN FRANCISCO BAY CONSERVATION DEVELOPMENT COMMISSION (BCDC)

- 1. Co-Location to Regional Headquarters.** The May Revision requests funds to relocate BCDC offices into the Metropolitan Transportation Commission's new regional agency headquarters building in San Francisco at 375 Beale Street. This request requires a one-time augmentation of \$350,000 (General Fund) to provide funding for costs associated with BCDC's relocation to 375 Beale. BCDC does not have available funds for this co-location project, and is statutorily required to be located in San Francisco. This item has been heard multiple times in the subcommittee in 2014 and 2015 with recommendations to support the co-location move.

Staff Recommendation: Approve as proposed.

Vote: 2-1 (Nielsen, no)

3860 DEPARTMENT OF WATER RESOURCES

- 1. System Reoperation Program and Surface Storage Program.** The spring finance letter requests various reversions and appropriations anew to continue the system reoperation programs and surface storage program. The original work plan prepared in 2009 was to complete the studies by 2014. However, the study proved to be very complex and required extensive engagement with stakeholders. As a result, the project schedule was extended to 2017. Phase 3 of the study was completed in 2015. Phase 4 of the study was planned to be completed in 2017. However, two major statutes (Sustainable Groundwater Management Act and Proposition 1) were enacted in 2014 that have changed water management in California. The future analyses will need to incorporate and analyze the implementation of these statutes

in the evaluation of reoperation strategies. This necessitates extension of the study schedule to 2021. The surface storage program request (\$225,000 reversion and appropriation anew) continues studies for the various surface storage studies previously approved by the Legislature.

- 2. Spring Finance Letter Technical Adjustments, Reappropriations, Extensions of Liquidation and Reversions.** The spring finance letter requests reappropriations, extensions of liquidation periods, and technical adjustments for various funds. These technical changes are critical to various projects which cannot be completed by June 30, 2016. This includes the following previously approved proposals: (1) water recycling and desalination feasibility studies; (2) flood corridor program; (3) Yuba-Feather flood protection program; (4) desalination grant projects; (5) water use efficiency grants; (6) integrated regional water management program and grants; and, (7) Proposition 1 programs.
- 3. May Revision Loan Payment Deferrals.** The May Revision requests to defer repayment of: (1) \$1.1 million General Fund loan to the California Water Fund; and, (2) \$2.4 million (General Fund) to the Environmental Water Fund.

Staff Recommendation: Approve as proposed.

Vote: Items 1, 2: 3-0 Item 3: 2-1 (Nielsen, no)

3900 AIR RESOURCES BOARD (ARB)

- 1. Enhanced Fleet Modernization Program.** The budget requests requesting a one-time \$4.6 million direct appropriation from the Enhanced Fleet Modernization Subaccount (EFMS) in order to continue to partner with the Department of Consumer Affairs (DCA), Bureau of Automotive Repair (BAR), in managing the Enhanced Fleet Modernization Program (EFMP). ARB previously has a direct appropriation of \$2.8 million from EFMS for the ARB portion of operating EFMP. This proposal would increase ARB's 2016-17 spending authority by \$4.6 million, to a total of \$7.4 million. The ARB and BAR are required to reduce the number of passenger vehicles, light duty trucks, and medium duty trucks that are high polluters. The appropriation from the EFMS will allow ARB to meet the high demand for EFMP.
- 2. Litigating Civil Penalties.** The budget requests \$3.2 million from the Air Pollution Control Fund, and eight positions for program and litigation costs associated with litigating civil penalties concerning Volkswagen, and others for using "defeat devices" on diesel engines. Additionally, \$1 million is requested for a one-time equipment purchase and \$1 million is requested to contract with the State Attorney General. This proposal is for resources to thoroughly investigate and prepare a civil litigation case concerning Volkswagen, Audi and Porsche vehicles using defeat devices to circumvent emission test procedures. Current resources are inadequate to support work on this investigation and litigation because this case requires a major effort due to the number and types of vehicles and the volume of

documentation needed. This case is significant with potential penalties in the hundreds of millions of dollars. Proceeds from regulation violations are deposited in the Air Pollution Control Fund.

- 3. Sustainable Freight Action Plan and Implementation.** The budget requests eight positions and \$200,000 per year in contract funds from the Motor Vehicle Account. This includes one air resources supervisor 1, one staff air pollution specialist, one air resources engineer, and three air pollution specialists to meet the increased workload to negotiate, develop, and implement emission reduction measures and to further sustainable freight pathways to zero and near-zero emissions; develop and implement corridor level freight pilot projects; develop and implement a freight facility handbook; as well as provide support for other activities and deliverables to further sustainable freight.
- 4. SB 350 Implementation.** The budget requests three permanent full-time positions to support a better understanding of plug-in electric vehicle energy demand projections and environmental benefits associated with plug-in electric vehicle use in California, including in low-income and disadvantaged communities, evaluate and report on how to increase access to zero or near-zero transportation for low-income customers, and develop greenhouse gas planning targets, for the integrated resource plans (IRPs) they are tasked with developing for the electricity sector and investor-owned and public utilities, which will need to increase their overall renewable portfolio to 50 percent. These activities are critical so that the Air Resources Board can meet its obligations under SB 350 (De León), Chapter 547, Statutes of 2015, and the state can meet its near- and long-term climate goals and reduce dependence on traditional fossil fuels. *The LAO recommends adopting this on a limited-term basis, and the Assembly concurs with this action. Staff recommends a conforming action.*
- 5. Implementation of AB 1496 (Methane Emission Measurement).** The budget requests \$580,000 and four new permanent full-time positions, \$790,000 in annual contract funding, and \$60,000 for a one time equipment funding from the Cost of Implementation Account to meet the legislative requirements of AB 1496 (Thurmond), Chapter 604, Statutes of 2015, to carry out measurements of high-emission methane "hot spots" and conduct life-cycle greenhouse gas emission analysis in the natural gas sector.

Staff Recommendation: Approve as proposed with a conforming action on Item 4 to make the position funding limited-term.

Vote: to adopt staff recommendation including Assembly conforming action on item 4:

2-1 (Nielsen, no)

3940 STATE WATER RESOURCES CONTROL BOARD (SWRCB)

- 1. Drinking Water Program—Federally Mandated Inspections Workload.** The budget requests 10 positions and \$1.4 million (Safe Drinking Water Account (SDWA)) to increase compliance with United States Environmental Protection Agency (US EPA) federal requirements related to drinking water, for which the Division of Drinking Water (DDW) is

responsible. Specifically, the State Water Board requests 10 positions in the northern and southern California field operations branches. The DDW has a significant backlog in federally-mandated water system inspections (i.e., sanitary surveys), including small water systems in severely disadvantaged communities. These positions will increase the number of federally-required sanitary surveys completed annually.

- 2. Governor's Budget and Spring Finance Letter Technical Adjustments, Reappropriations and Reversions.** The budget requests (1) reversion of unused state operations and local assistance authority; (2) re-appropriation of local assistance authority to align with encumbrance dates in Proposition 1; and, (3) the appropriation of funds in 84 to ensure the purpose of the bonds is met with the funding of new projects. Additionally, the SWRCB requests that these funds be available for encumbrance until June 30, 2019 and liquidation until June 30, 2021. The budget also requests a reappropriation to extend the encumbrance and liquidation period of the local assistance funds in the site cleanup subaccount (SCS) and the replacing, removing, or upgrading underground storage tanks (RUST) loans from the fiscal year 2015-16 appropriation. The SWRCB requests that the re-appropriated funds be available for encumbrance until June 30, 2018 and liquidation until June 30, 2021. The Governor's 2015-16 budget inadvertently left out this request for extended encumbrance and liquidation periods.
- 3. High Speed Rail Authority—Expedited Permitting.** The budget requests \$387,000 in annual reimbursement spending authority and 3.3 permanent positions to address federally-required water quality 401 certification needs and oversight of the high speed rail (HSR) project in order to meet the High Speed Rail Authority's (HSRA) requested permitting schedule. The scheduled 401 certification work requested by the HSRA will require approximately 17,500 hours of work over and above normal 401 certification workload, and then oversight once project certification is completed, as construction continues.
- 4. Leviathan Mine Workload.** The budget requests \$211,000 ongoing General Fund and 1.9 permanent positions to support workload needed to implement and oversee provisions set forth in the "Leviathan Mine Site Work and Cost Allocation Settlement Agreement" between Atlantic Richfield Company and state parties, including the Lahontan Water Board. Funded work would include review of remedial investigation and feasibility study work plans and reports prepared for the Leviathan Mine superfund site pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) and participating in the natural resource damage assessment (NRDA) regarding releases from Leviathan Mine site.
- 5. Drought Activities.** The budget requests an increase of \$21.4 million for one year for continued drought-related activities. Of this amount, \$5.4 million General Fund will support water rights activities, \$1.0 million Cleanup and Abatement Account will support water quality efforts, and \$15 million in one-time local assistance Cleanup and Abatement Account grants will support projects that provide water systems with both interim and permanent solutions to drought emergencies.
- 6. Proposition 1 Water Commission.** The budget requests one position and \$130,000 reimbursement authority to provide technical assistance and policy expertise under an

interagency agreement with the Department of Water Resources to support the development and implementation of the California Water Commission's Proposition 1 Water Storage Investment Program.

7. **Water Rights Permitting (Heard on April 7).** The budget requests seven positions and \$851,000 (Water Rights Fund) to process applications to appropriate water, petitions to change existing rights, wastewater change petitions, and licensing of water rights. The program is funded through fees charged to water right permit and license holders. The SWRCB estimates that this proposal would increase water right's permits, licenses, and application fees by approximately eight percent.
8. **Board Member Per Diem.** The Governor proposes \$335,000 (various special funds) for increased regional board member per diem payments. The proposal increases Regional Water Board member per diem from \$100 to \$500. It also authorizes board members to receive one day's per diem to review materials in preparation for board meetings. Further, it deletes provisions stating that board members receiving unrelated salary are not eligible for per diem and caps total statewide expenditures for board member per diem in lieu of the current cap for each regional board. This cap is in accordance with the increased per diem payments proposed and assumes each regional board meets once monthly. *This item was approved by the subcommittee as proposed. The Assembly budget subcommittee approved this proposal but reduced the per diem amount to \$250 per diem (maximum). Staff recommends taking a conforming action.*
9. **May Revision Loan Deferrals.** The May Revision requests deferral of a \$1.6 million General Fund loan to the Drinking Water Operator Certification Special Account until June 30, 2019.

Staff Recommendation: Approve as proposed with a conforming action on Item 8 to reduce the maximum per diem amount to \$250.

Vote: Items 2, 4, 6: 3-0 Items 1, 3, 7, 9: 2-1 (Nielsen, no)

Items 5, 8: 2-0 (Nielsen not voting). Administration confirmed that the reduction to \$250 also reduces the overall budget cap for this item.

3960 DEPARTMENT OF TOXIC SUBSTANCES CONTROL (HEARD ON APRIL 21)

1. **Hazardous Waste Management Permitting Support.** The Governor proposes an increase of \$1.2 million (Hazardous Waste Control Account) to make permanent eight, limited-term, positions that are set to expire at the end of the current year. These positions were previously provided to address a hazardous waste permit renewal backlog, as well as to update cost estimates associated with closing hazardous waste facilities.
2. **Enhanced Permitting Capacity and Support.** The department requests \$2.4 million from the Hazardous Waste Control Account, and 15 positions within the permitting division, to

fully implement process improvements under the permit enhancement work plan. The proposal is intended to sustain timely permitting actions, mitigate the incidence of facilities operating for extended periods of time on expired permits, and improve enforcement.

- 3. Trailer Bill Language.** The department requests trailer bill language to eliminate the option to pay a flat fee for a permit application in lieu of a fee for service so that permit applicants pay the full costs associated with permitting efforts. The Administration believes this will significantly reduce staff time on permit applications and align revenues with expenditures in the future.
- 4. Strategic Program Development.** The Governor requests an augmentation of \$747,000 (\$347,000 from Hazardous Waste Control Account and \$373,000 from the Toxic Substances Control Account), and conversion of five positions from limited-term to permanent. The department intends to have the five positions report, as a team, to the existing Special Assistant for Program Review. The team will work systematically through the department's core programs and support services to evaluate the strengths, weaknesses, opportunities, and threat in program and service functions. The team will prioritize areas or issues for development.
- 5. Office of Environmental Justice and Tribal Affairs.** The Governor requests an augmentation of \$881,000 (\$441,000 from Toxic Substances Control Account and \$440,000 from Hazardous Waste Control Account), and six positions, to create the proposed Office of Environmental Justice and Tribal Affairs. The proposal is intended to strengthen the coordination of environmental justice and tribal affairs activities and to enhance engagement with impacted communities. The office will also identify and address gaps within its own programs that may contribute to unequal environmental protections or outcomes in these communities, and broaden the transparency of and access to DTSC programs.
- 6. Independent Review Panel—Legislative Proposal.** The Legislature heard from the Senate appointee to the DTSC Independent Review Panel (IRP). In order to continue to facilitate this work, staff proposes to add two permanent positions with limited-term funding, to allow for more continuity of staffing for the IRP, with budget bill language requiring the department to provide access to the IRP to state facilities and workers in order to provide a more robust review of the department.

Staff Recommendation: Approve as proposed.

Vote: Items 1, 2, 4, 5, 6: 2-1 (Nielsen, no)

Item 3 : 2-1 (Nielsen, no)

3970 DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY

- 1. Settlement Fees for Public Service Announcements.** The May Revision requests \$150,000 (Integrated Waste Management Account), one-time, to develop public service announcements regarding the proper handling and disposal of universal and household hazardous waste, including electronic waste. This funding is the result of a settlement agreement that specifies the use of these funds.

Staff Recommendation: Approve as proposed.

Vote: 3-0

8570 CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE (CDFA)

- 1. Network of California Fairs Oversight.** The May Revision requests two permanent positions (one agricultural program supervisor and one attorney) and \$435,000 (Fair and Exposition Fund) in 2016-17 and \$392,000, ongoing, the Fairs and Expositions Branch to improve of the oversight of the activities of the 79 fairs (of which 77 are active) that make up the network of California fairs. The department workload includes supervision of fair meetings, legal counsel, and management of deferred maintenance funds.
- 2. Alternative Fuels Quality and Oversight Program.** The May Revision requests \$1.1 million (Cost of Implementation Account, Air Pollution Control Fund) in 2016-17 and \$1.4 million, annually thereafter, to establish the Alternative Fuels Quality and Oversight Program to regulate alternative transportation fuels. The funds will support 5.8 existing, but unfunded, positions in 2016-17 and an additional 2.5 existing, but unfunded, positions annually thereafter.
- 3. Medical Marijuana Regulation Projects.** The May Revision requests \$2 million (Medical Marijuana Regulation and Safety Act Fund [MMRSAF]), one-time, be allocated in 2016-17 for project management and support services of the licensing and track and trace solutions. The specific categories and estimates may change as CDFA completes its market research and makes decisions (e.g. whether the solution will be Software as a Service or not). However, the current estimates are as follows on the next page:

Workload	Cost Estimate
Vendor's Hardware	\$750,000
Systems Integrator	\$250,000
Security Evaluation	\$50,000
Technical Lead	\$150,000
Quality Manager	\$50,000
Data Manager	\$240,000
Requirements/Test	\$240,000
Training	\$50,000
Architect	\$220,000
Total	\$2,000,000

The CDFA also requests budget bill language allowing for a one-time MMRSF augmentation in 2016-17 upon approval of the Director of Finance and subject to a 30-day notification to the Joint Legislative Budget Committee. The provisional language will allow the CDFA to complete its market research and present its findings to the Director of Finance who will then determine the amount to be allocated and provide notification to the Joint Legislative Budget Committee. The CDFA anticipates market research will be completed in the Fall of 2016. Due to the short duration of the services (18 months) and the expertise needed with some of these positions, it is not feasible to hire state staff to perform these functions.

LAO Recommendation. “We recommend approval of the \$2 million request to provide one-time funding for contract management and support services. We further recommend the Legislature adopt modified budget bill language that will require CDFA to report specific information regarding the proposed IT projects as part of the 30 day notification letter to the Chairperson of the JLBC. Doing so would provide the Legislature with key information to inform its review of the proposed augmentation. Our recommended language is attached.”

Staff Recommendation: Approve as proposed with LAO recommended budget bill language to require CDFA to report specific information regarding the proposed IT projects (Item 3).

Vote: Item 1: 3-0

Items 2, 3: 2-1 (Nielsen, no)

(ENVIRONMENTAL JUSTICE AND LEAD EXPOSURE MAY REVISION PROPOSALS)**Issue 1: Environmental Justice Proposal**

Governor's May Revision Proposal. The May Revision includes \$904,000 (various special funds) to make permanent a pilot project designed to reduce adverse environmental impacts in the most vulnerable communities in California. The proposal supports increased enforcement and compliance initiatives in more areas identified as disadvantaged in the state. The proposal is a collaboration proposal between the Office of the Secretary and four of its boards and departments (Air Resources Board (ARB), CalRecycle, Department of Pesticide Regulation (DPR), and the State Water Board). Specifically, the request is for six permanent full-time positions for a total of \$904,000 annually, to increase coordinated enforcement and compliance efforts in areas of the state disproportionately burdened by the greatest concentration of environmental hazards.

The resources requested through this proposal are intended to increase coordination among Cal-EPA boards and departments and with local, state, and federal regulatory and law enforcement agencies to facilitate compliance and enforcement efforts across all media (air, water, toxics, solid waste, and pesticides). The efforts of this team are intended to improve the involvement of disadvantaged communities in the decision making processes that affect their health and local living conditions.

Specifically the proposal includes the following:

Department	Request	Fund Source
Air Resources Board	\$140,000 (one position)	Air Pollution Control Fund
Department of Pesticide Regulation	\$140,000 (one position)	Department of Pesticide Regulation Fund (Mill Assessment)
State Water Resources Control Board	\$140,000 (one position)	Underground Storage Tank Cleanup Fund
CalRecycle	\$140,000 (one position)	Multiple special funds
Cal-EPA	\$344,000 (two positions)	Unified Program Account

Staff Comments. The proposal's intent is laudable, and to the extent that the funds are being used to increase enforcement within the specific authorizations set forth in statute, then the proposal is within the scope of the Cal-EPA budget. The secretary should be prepared to discuss:

- (1) Why the State Water Board is using the Underground Storage Tank Cleanup Fund rather than the Waste Discharge Permit Fund for an enforcement positions that likely will focus on waste discharge;
- (2) Why Cal-EPA is using the Unified Program Account which is derived from fees collected by each certified unified program agency, and was assessed on persons regulated by the program, rather than the General Fund or fines and penalties.
- (3) How the secretary will measure and report outcomes to the public on this new program.

Staff Recommendation. Approve as proposed.

Vote: 2-1 (Nielsen, no)

Issue 2: Lead Exposure Proposals

Governor's May Revision Proposal. The Governor's May Revision includes two proposals intended to reduce lead and pesticide exposure, particularly related to children's health.

- 1. Local Lead Water Testing and Public Education (State Water Board).** The May Revision requests \$480,000 Safe Drinking Water Account and two positions for the State Water Board to: (1) address US Environmental Protection Agency-identified deficiencies in the State Water Board reporting of public water system compliance with federal reporting requirements, and (2) develop and implement guidance documents based on the federal Lead and Copper Rule to improve tools for public water systems and their customers, including local educational agencies.

This two-part request is for \$480,000 Safe Drinking Water Account for two years, and \$240,000 ongoing in out-years and two Division of Drinking Water (DDW) positions to provide resources to improve the ability of the DDW to provide more accurate, timely, and complete reporting of California drinking water data. The two-year limited-term resources will work to develop and distribute guidance and informational documentation based on the federal Lead and Copper Rule for public water systems to help improve local public health outcomes.

- 2. Listing Lead Acid Batteries (Department of Toxic Substances Control [DTSC]).** The May Revision proposes \$255,000 (Toxic Substances Control Account), and two positions, to evaluate listing lead acid batteries as "priority products" subject to safer consumer product regulations. As part of a hazardous waste source reduction initiative, DTSC will conduct research, engage with stakeholders, evaluate options, and implement recommended actions to better protect the people and environment of California from adverse impacts related to the manufacture, use, recycling and disposal of lead acid batteries.

Staff Comments. Staff recommends approval of the Governor's proposal. The state's data on lead exposure needs improvement. These proposals move the state toward better reporting and data on both exposure and source of lead in the environment. In order to put the state fully into compliance with the US Environmental Agency Lead and Copper Rule, the state would need a total of four new positions.

Staff Recommendation. Approve as proposed with two additional positions to the state water board for full federal compliance.

Vote: 2-1 (Nielsen, no)

Issue 3: Pesticide Air Monitoring Network

Governor's May Revision Proposal. The May Revision requests \$2.3 million (Department of Pesticide Regulation Fund and Air Pollution Control Fund civil penalties) and five positions to the Department of Pesticide Regulation (DPR) and Air Resources Board (ARB) to expand the current network of year-round pesticide air monitoring, enhance pesticide laboratory analysis capabilities, and resume previously suspended seasonal ambient pesticide monitoring to better evaluate the impact of pesticides on children's health and in disadvantaged communities.

Specifically the proposal requests \$2.3 million in 2016-17 and \$1.6 million 2017-18 to expand and strengthen California's existing pesticide air monitoring network as follows:

- 1. Department of Pesticide Regulation.** The DPR is requesting \$1 million in 2016-17 and \$962,000 in 2017-18 (DPR Fund). Funding will be used to; (1) revise the site selection process to include the consideration of children's health (schools) and environmental justice factors; (2) increase the number of communities being monitored from six to eight; (3) increase the number of pesticides and time periods monitored; and, (4) conduct three intensive seasonal monitoring studies each year. This request includes \$62,000 for one-time purchases for DPR supplies, services, and equipment; a \$70,000 DPR contract for sampling remote site(s), a \$100,000 DPR contract to improve the sampling and laboratory methods, and a \$548,000 DPR contract with California Department of Food and Agriculture for additional laboratory analyses.
- 2. Air Resources Board.** The ARB is requesting \$1.3 million in 2016-17 and \$596,000 in 2017-18 for a two-year limited term. Of the 2016-17 requested funds, \$715,000 in one-time equipment purchases and \$136,000 in maintenance expenses will be funded by civil penalty revenues from the Air Pollution Control Fund (APCF). Of the 2017-18 requested funds, \$136,000 in maintenance expenses will be funded by civil penalty revenues from the APCF. The DPR Fund will cover the remainder of the ARB's costs in 2016-17 (\$463,000) and 2017-2018 (\$460,000). The requested funds will be used to expand the current network of year-round pesticide air monitoring stations, enhance pesticide laboratory analysis capabilities, and resume seasonal ambient pesticide monitoring in environmental justice communities. This proposal includes provisional language specifying that APCF civil penalties can be used for the one-time equipment and maintenance costs.

Staff Comments. Increased protection of individuals exposed to pesticides is part of the core mission of DPR. The departments should be prepared to discuss:

1. What data was used to determine that this proposal is necessary, including exposure data?
2. How will outcomes be measured for this two-year pilot program?
3. How will residents be apprised of concerns raised by the increase monitoring—including should the pilot project determine that there are unacceptable levels of pesticides in certain areas?

Staff Recommendation. Approve as proposed.

Vote: 2-1 (Nielsen, no)

MAY REVISION DROUGHT PROPOSALS AND JANUARY BUDGET UPDATE**Issue 1: Drought Proposals**

Governor's January Budget (Open Items). The following items are currently open from the January budget. Specifically, the subcommittee held open the Department of Water Resources item to determine if the \$42 million salinity barriers would be necessary after May Revision. Staff was directed at during the April 7 hearing to add LAO recommended reports on measureable outcomes and lessons learned to the final item.

- 1. 3600 Department of Fish and Wildlife—Augmentation for Drought Activities.** The budget requests \$17.7 million (\$2 million Hatcheries and Inland Fisheries Fund and \$15.7 million General Fund), and a continuation of 13 limited-term positions provided in 2015 for emergency drought response. The department plans to focus on high-priority areas including: (1) emergency help for winter- and spring-run Chinook salmon on the Sacramento River; (2) monitoring salmon and smelt populations; (3) preventative management actions to avoid commercial fishery impacts; and, (4) increased enforcement and general monitoring.
- 2. 3860 Department of Water Resources—Drought Activities (Heard on April 7).** The Governor's 2016-17 budget includes \$64 million (General Fund) in support of continuing emergency response activities associated with the state's current drought. The proposal has three main elements: (1) \$17 million in support of 25 positions that are undertaking drought response activities; (2) \$5 million to assist disadvantaged communities with emergency water supply and public health issues associated with drought conditions; and (3) \$42 million for Delta salinity barrier construction work (the removal in fall 2016 if installed in spring 2016, and the reinstallation, if necessary, in spring 2017).

Governor's May Revision Proposals. The Governor's budget proposed \$323.1 million to continue the state's emergency response to the drought. This included several proposals that assumed the drought would continue at levels in previous years, statewide. Drought conditions continue, particularly in Southern California, leading the Administration to propose additional funding to continue its drought efforts statewide, and to address impacts of the multi-year drought on forests and wildlife. The budget removes \$42 million (General Fund) to reflect that the removal of the salinity barriers in the Delta will not be necessary.

- 1. Tree Removal.** The May Revision includes \$11 million (General Fund) to CalFIRE to assist in the removal and disposal of trees in high hazard areas. This includes: (1) \$6 million for grants to local entities for removal of hazardous trees that pose a threat to public health and safety; (2) \$5 million for equipment and personnel for hazardous tree removal and fuels reduction efforts; and, (3) trailer bill language to allow small biomass facilities to defer certain system interconnection costs.
- 2. Department of Fish and Wildlife.** The May Revision includes \$4.2 million (General Fund), on a one-time basis, for the following delta smelt-related proposals: (1) \$2 million for a habitat restoration and food production adaptive management pilot project; (2) \$1.8 million for enhanced aquatic weed control; and, \$400,000 for continued monitoring and targeted studies. The budget also reflects a decrease of \$4.2 million to reflect improved

conditions in the north, reducing the necessity for fish recues and water infrastructure and conveyance improvements.

3. **Local Assistance for Small Communities.** The May Revision includes \$5 million (General Fund) to the Department of Water Resources (DWR) to provide emergency drinking water support for small communities. This is in addition to \$5 million included in the January budget.
4. **Public Education.** The May Revision reduces by \$3 million (General Fund) in the DWR budget to reflect the reduced need for statewide water saving public education campaigns.
5. **Drought Preparedness and Resilience for Urban Water Agencies.** To effect long-term water conservation, the May Revision includes \$4.5 million (General Fund) to DWR and the State Water Resources Control Board (SWRCB) to review and update local water shortage contingency plans, develop recommendations for new water use efficacy targets, and to establish a permanent urban water use efficiency data tracking system.
6. **Facilitation Support for Groundwater Sustainability Agencies.** The May Revision includes \$1 million (General Fund) for DWR to support local public agencies with facilitations services as they implement new groundwater laws.
7. **Statewide Agricultural Land Use Data.** The May Revision includes \$1 million (General Fund), one-time, to DWR to support the use of remote sensing technology to establish statewide agricultural land use data, in order to support new groundwater law requirements. *The Assembly suggests adopting budget bill language to require DWR to collaborate with other state agencies that have agricultural land-use data.*
8. **Salinity Barriers Reduction and Reappropriation.** The May Revision reduces by \$42 million (General Fund) originally intended for the installation of emergency salinity barriers in the Delta. The May Revision requests reappropriation of various special funds should the barriers be necessary in 2017.

Staff Comments. Staff recommends approval of the Governor's proposals. The May Revision proposals address current needs and appropriately amend down various costs will focusing efforts on emerging issues. Staff have concerns with the biomass interconnection trailer bill language and recommend this be moved to conference for further review.

Staff Recommendations.

- (1) Approve as revised with agriculture budget bill language on Item 7.
- (2) Approve LAO recommended reporting language requiring the department to, on or before January 1, 2020, provide the Legislature with a plan for ongoing program reforms, and an evaluation of the success of the reforms put forth in this proposal.
- (3) Reject without prejudice the biomass interconnection trailer bill language included in the tree removal proposal for further review during conference committee.

Vote: Motions to adopt staff recommendation. Items 1, 2: 3-0; Item 3: 2-1 (Nielsen, no).

(MULTIPLE) CANNABIS CULTIVATION TRAILER BILL**Issue 1: Cannabis Trailer Bill Language**

Governor's May Revision Proposal. The subcommittee heard the Governor's budget implementation of medical marijuana laws passed in 2015 on March 3 and approved the proposals on May 5. The Governor submitted trailer bill language (TBL) with the May Revision to revise and clarify the certain aspects of the of the medical marijuana legislative package passed last year. The proposal includes the following changes, all within the Business and Professions Code:

- 1. Clarifying Agency Roles in Protecting Streams.** The TBL clarifies that the State Water Resources Control Board (state water board), rather than the California Department of Food and Agriculture (CDFA), is the agency responsible for ensuring individual and cumulative effects of water diversion and discharge do not affect instream flows needed for fish (migration, spawning, and rearing) and to maintain natural flow variability. The state water board must consult with CDFA and the California Department of Fish and Wildlife (DFW) in developing requirements. Requirements established by the state water board and DFW to protect instream flows must be included in CDFA's cannabis cultivation licenses.
- 2. Licensing and Enforcement.** The TBL establishes requirements for water supply information when growers apply for a license from CDFA as follows:
 - For the first five years, requires that all CDFA licenses must include a pending application, registration or other water right documentation filed with the state water board.
 - Beginning 2020, all licenses must have a valid water right. *Business & Prof. Code, Section 19332.2*

The TBL specifies that CDFA licenses will include applicable in-stream flow requirements set by SWRCB and DFW. *Business & Prof. Code, Section 19332.2e*. The TBL specifies that CDFA licenses must also specify that they are not effective until the licensee has received a DFW-issued lake and streambed alteration agreement or is told by CDFW that it is not needed. *Business & Prof. Code, Section 19332.2*.

- 3. Coordination of DFW and SWRCB.** The TBL gives DFW the authority to advise a cultivator that a streambed alteration agreement is not necessary if the license includes streamflow and other protective measures specified by DFW and the state water board. Also allows DFW to develop a general agreement for cannabis cultivation. *Fish and Game Code Sections 1602(c) and 1617*. The TBL clarifies state water board has enforcement authority if water is diverted or used for cannabis cultivation and: (1) a CDFA license is required, but not obtained; or (2) the diversion does not comply with the requirements to protect instream flows established by the state water board or DFW. This impacts Water Code, sections 1831(cease and desist order) and 1847 (administrative fines).
- 4. Process to Protect Instream Flows.** The TBL provides interim requirements directing the state water board (through existing process for adopting water quality policies) to establish

interim requirements to protect instream flows pending development of long-term requirements. This is designed to enable the state water board to act quickly to address impacts to fish and wildlife. Once requirements are developed, the state water board and DFW will implement a coordinated registration program for small irrigation operations (similar to existing registration program in all or portions of five North Coast counties). *Business & Prof. Code, Section 19332(e)*.

The TBL authorizes DFW to create, using emergency regulations, interim requirements to protect fish and wildlife from the impact of diversions from cannabis cultivation. These interim requirements may be in addition to the state water board's instream flow measures. DFW interim requirements remain in place until long-term requirements to protect instream flows are adopted by the state water board. *Business & Prof. Code, Section 19332(e)*.

The TBL provides long-term requirements directing the state water board, in consultation with CDFW, to adopt principles and guidelines to maintain instream flows where cannabis cultivation has the potential to substantially affect instream flows. *Business & Prof. Code, Section 19332(e)*.

- 5. Environmental Review.** The TBL exempts the state water board and DFW streamflow requirements from the California Environmental Quality Act (CEQA). For the long-term flows, however, the legislation requires an impacts analysis with less potential for delay: the state water board must identify significant environmental impacts and alternatives or mitigation to reduce them, and it must consider public comments on the analysis prior to adoption. *Business & Prof. Code, Section 19332(e)*.

Staff Comments. Staff commends the efforts of the Administration to provide clarification to the package of laws passed in 2015. Many of these changes are necessary in order to allow departments to move forward with regulation of this newly legal product. However certain questions have been raised about the trailer bill language including:

1. If this is cleanup legislation, why would we insert lengthy water and instream flow requirements into the Business and Professions Code, rather than simply reference existing or enhanced water codes?
2. Why are we treating marijuana crops differently than other crops? Should we expect special treatment of, say, alfalfa or almond crops? Why not simply require marijuana growers to adhere to California's strict water laws?
3. CEQA exemptions should be used only in the most dire of situations. To be sure, the state needs to move quickly to address concerns about instream flows and water quality concerns, particularly in the north state. What other options have been explored for expediting this proposal?

Staff Recommendation. Reject proposal without prejudice in order to work with the Administration address various concerns raised above. Staff recommends the Administration set up a working group with legislative policy and budget staff specifically on the water and agriculture aspects of the cannabis trailer bill to work through necessary language changes.

Vote: 3-0 to reject without prejudice.

3480 DEPARTMENT OF CONSERVATION**Issue 1: Williamson Act Contracts**

Background. The Williamson Act allows cities and counties to enter into contracts with landowners to restrict certain property to open space and agricultural uses. In return for these restrictions, the property owners pay reduced property taxes because the land is assessed at a lower-than-maximum level. The amount of the state subvention to localities is based on the amount and type of land under contract, but is always less than the actual reduction in local property tax revenues. The Department of Conservation (DOC), which administers the program, estimates that individual landowners save anywhere from 20 percent to 75 percent in reduced property taxes each year, depending upon their circumstances.

The contracts entered into between local governments and property owners are ten-year contracts. Such contracts are typically renewed each year for an additional year, such that the term on the contract remains at a constant ten years. In the event the contract is not renewed, the tax on the property gradually returns over a ten-year period to the level at which comparable but unrestricted land is taxed. The Williamson Act subventions were eliminated in the 2008 budget; however, those holding contracts are obligated to continue to prevent their land from development. Should a landowner decide to cancel the contract prior to reaching full term, the landowner is required to pay a cancellation fee equal to 12.5 percent of the cancellation valuation of the property.

Statute requires that the first \$2.5 million of the revenue be deposited in the Soil Conservation Fund at the DOC. All funds in excess of this amount are returned to the General Fund.

Governor's January Proposal. The Governor's budget continues to support statute and makes no change to the funding amounts.

Alternative Proposal. An alternative proposal suggests that instead of returning funds to the General Fund, these monies should be directed to the DOC for land and open space protections, soil protections, sustainable agriculture practices and other beneficial practices including the support of resource conservation districts. In past years, the amount directed to the General Fund has ranged from \$0 to \$23 million depending on the number of contract cancelations, which is dependent upon the overall real estate sector economy, averaging about \$4 million per year.

Subcommittee Options. The subcommittee may consider: (1) continue with the existing program pursuant to statute, sending all funds in excess of \$2.5 million to the General Fund; (2) propose to direct those funds to other purposes, such as the DOC resource protection programs; or, (3) raise the cap on the amount directed to the department to \$5 million to allow for more funding in good years.

Motion and Vote: To raise the cap on the amount directed to the department to \$5 million to allow for more funding in good years. **Vote: 3-0.**

3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CALFIRE)**Issue 1: Helicopter Procurement (Heard on March 17)**

Background. The subcommittee heard extensive testimony from the department, Legislative Analyst's Office, and stakeholders at its March 17 hearing. The subcommittee members expressed support for the replacement of the helicopter fleet, but requested more information prior to approval of the request. After that date, the Department of General Services (DGS) received several bids for the helicopter procurement. However, a technical issue arose in the procurement, whereupon DGS and CalFIRE determined it necessary to re-issue the Invitation for Bid. The department has kept legislative staff involved throughout the process and has been open with any changes necessary to the bid procedures.

Governor's January Proposal. The Governor's January budget includes a one-line "miscellaneous adjustment" in the amount of \$100 million that the Department of Finance has indicated is a placeholder for the helicopter purchase.

Governor's May Revision Proposal. The May Revision requests are \$12 million (General Fund) to purchase one helicopter in 2016-17, with provisional language to allow, upon notification to the Joint Legislative Budget Committee, the following:

- a. Department of Finance (DOF) to augment the item for the actual single helicopter procurement cost, related fees, and support costs following JLBC notification. The notification will include: (a) the model of helicopter being acquired; (b) the cost per unit; (c) procurement cost by fiscal year; and, (d) delivery schedule.
- b. DOF to augment the item for capital outlay costs associated with studies, acquisition, preliminary plans, and working drawings for helicopter facility modifications.

Staff Comments. The May Revision request strikes an appropriate balance between the need to move forward with procurement of the helicopters and the need for staff, stakeholders and the public to be well-informed of the final cost of the full procurement. Staff anticipates that the department will present a proposal in the 2017-18 budget cycle with details including long-term capital outlay costs, staffing and operations costs, and projected decreases in maintenance costs related to the helicopter procurement. Prior to further purchase of helicopters, the department will be required to discuss its assessment of the selected vehicle and its capabilities long-term for the CalFIRE mission.

LAO Recommendation. The LAO has posted a recommendation to modify the proposed language to provide some limits on the augmentations the Administration could make regarding the purchase of the single helicopter and the capital outlay augmentations associated with the proposal.

Staff Recommendation. Approve May Revision proposal with LAO recommendations.

Vote: 3-0 to approve staff recommendation.

Issue 2: Professional Standards Program (Heard on March 17)

Governor’s Proposal. The Governor’s budget proposes \$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.

Under the proposal, much of the workload in 2016–17 would focus on developing and standardizing policies and processes, as well as training all department managers and supervisors on implementing these procedures. After 2016–17, the nature of the workload would shift to focusing on ongoing training, document review, routine investigations, and oversight. The program is, in part, a response to recent concerns regarding the department’s hiring and promotion practices and other allegations of employee misconduct.

LAO Recommendation. “Given the uncertainty about the department’s ongoing workload related to the new professional standards program, we recommend that the Legislature approve the additional ongoing resources proposed on a three–year limited–term basis. This timeframe would allow the department to fully implement the program over a period of time before evaluating the program’s ongoing workload needs. This would also provide an opportunity for the Legislature and administration to evaluate the effectiveness of the proposed program before committing ongoing resources.”

Staff Comments. In the hearing on March 17, representatives from one of the 13 CalFIRE employee unions objected to the proposal, stating that this was an over–reaction to a single incident at the academy. The director testified that in 2015, CalFIRE processed over 70 letters of warning, 60 terminations with cause, 100 notices of adverse actions, 47 equal employment opportunity investigations, and countless other investigations, such as employee and citizen complaints.

The subcommittee asked the department to meet with the union leadership. The department leadership met with the union in three dedicated meetings totaling over 10 hours from March through April, in addition to informal telephone conversations. While staff respects the union position, any large department with complex human interactions including living situations, public encounters, stressful situations, should warrant a thorough professional standards program. Much like the California Highway Patrol, when it reconsidered how it manages professional standards, this proposal seems like a step forward for CalFIRE.

Staff recommends approving the proposal on a three–year basis with annual reporting to the budget committees in the budget process on how the program is working.

Staff Recommendation. Hold open. (no action taken)

Issue 3: Legislative Proposals

Background. The subcommittee may wish to consider these priority items for the budget.

- 1. State Responsibility Area (SRA) Local Assistance (~~\$10 million General Fund SRA Fund~~).** In the 2014-15 budget, the Legislature added \$10 million (SRA Fire Prevention Fund) for local grants pursuant to Public Resources Code 4214 (d), which specifies that the allowable fire prevention activities from the SRA Fund includes grants to fire safe councils, local conservation corps, grants to nonprofit organizations that can complete a fire prevention project applicable to the SRA, public education to reduce the fire risk in the SRA, and other fire prevention activities. In the 2015-16 budget, the Legislature again included \$5 million for similar purposes. The Governor's budget did not continue this funding and no explanation has been given as to why this is not an ongoing, baseline, expenditure for the SRA Fire Prevention Fund.
- 2. Contract County Capital Outlay (\$250,000 General Fund).** In previous years, contract counties (those counties providing wildland fire services in their respective jurisdictions while not duplicating services), have received minor capital outlay funding as a part of their contracts. According to the Attorney General, the contracts are based on "like" funding, which includes minor capital outlay. This amount totals about \$250,000 per year, which was eliminated in 2013. The Department of Finance considers this part of the reductions made during the fiscal downturn. However, the policy decision to eliminate these funds from the contracts that was not related to the fiscal outlook of the state. This cut was not enumerated for the Legislature in budget reduction proposals in previous years, and therefore should be considered as part of the baseline for contract counties. The Senate included this item in its 2015-16 budget. The item was removed from the final budget after negotiation with the Department of Finance.
- 3. Forest Health Trailer Bill Language (Heard on March 17).** Staff proposes to add trailer bill language to provide guidance to CalFIRE in its spending of greenhouse gas emission reduction funds. Draft trailer bill and budget bill language would specify: (1) Wildlife Conservation Board be charged with allocating \$25 million (in collaboration with CalFIRE) for working forest conservation easements, and including two positions for this collaboration; (2) of the amount provided \$5 million would be invested in prescribed fire and/or managed ignition landscape projects; (3) landscape level projects would be subject to certain limitations in order to achieve maximum benefit to forest health; (4) exceptions would be made for direct high hazard zones as part of the Tree Mortality Task Force; (5) for a period of three years, Tuolumne County would be required to fund the project with the existing \$80 million Housing and Urban Development disaster resilience grant; and, (6) the Air Resources Board will provide to the Legislature a greenhouse gas emission inventory for the forest and working lands sector.

Staff Recommendation. Staff recommends approving the items as outlined above.

Vote. Items 1, 3: 2-1 (Nielsen, no) (with correction noted above on agenda); Item 2: 3-0.

3790 DEPARTMENT OF PARKS AND RECREATION**Issue 1: Base Funding to Maintain Operations**

Governor's Proposal. The Governor's budget requests another one-time increase of \$16,968,000 in spending authority from the State Parks and Recreation Fund to sustain its operations and maintain its base support budget. Additionally, the proposal requests a one-time redirection of \$31,000,000 in fuel tax revenues to the State Parks and Recreation Fund (SPRF) to maintain fund solvency.

Legislative Analyst's Office (LAO) Analysis and Recommendation. The LAO provides the following analysis:

Continues One-Time SPRF Augmentation. The Governor proposes a one-time \$17 million increase in SPRF spending authority. This would provide a similar funding level from SPRF as in the past two fiscal years. (Similar one-time increases were included in the past two budgets as well.) The department anticipates providing an ongoing budgetary solution as part of the 2017-18 budget.

Redirect Fuel Taxes From OHV Trust Fund to SPRF. Due to the structural shortfall in SPRF and the depletion of the SPRF fund balance, the administration requests a one-time redirection of \$31 million in fuel tax revenues to SPRF. This money would otherwise be deposited in the OHV Trust Fund to support the state's eight State Vehicular Recreation Areas (SVRAs) and other programs for Off Highway Vehicle (OHV) users. The OHV Trust Fund balance is significant. Even with the proposed transfer, the Governor's budget estimates a year-end fund balance of \$149 million in 2016-17.

OHV Revenue Transfer Is Legal . . . We note that fuel tax revenues have been redirected from the OHV Trust Fund in the past. Specifically, the 2011 Budget Act provided for a redirection to the General Fund of about \$10 million per year in fuel tax revenue that had previously been designated for deposit in the OHV Trust Fund. At that time, the California Attorney General issued an opinion that such a redirection was legal because (1) the OHV Trust Fund was established by the Legislature, and (2) the redirected revenue is not subject to constitutional restrictions on spending gas tax revenues since it is from OHVs rather than from motor vehicles used on public streets and highways. Thus, the Governor's proposed redirection to SPRF would be legal for the same reasons.

. . . But Raises Policy Questions. Current statute requires that this fuel tax revenue go to the OHV Division. Consequently, the proposed redirection would not only reduce revenues to support OHV activities, it would also represent a policy shift in the use of the funds. The revenue deposited in the OHV Trust Fund is intended to reflect tax revenues from purchases made by OHV users. Therefore, using the money for SVRAs and other activities that support OHV recreation provides a direct benefit to these tax payers. However, if the Legislature does not wish to redirect this money to SPRF, it would need to either (1) provide a one-time transfer from another funding source—such as the General Fund—to maintain parks funding at its current level or (2) reduce the level of state funding for parks operations and capital projects. We note that in 2015, the Legislature adopted budget trailer legislation requiring the California Department of Transportation to reevaluate how the amount of fuel sales attributable to recreational use

of OHVs is calculated. That report was due January 1, 2016 but has not yet been provided to the Legislature. The report could potentially impact the amount of revenue for the OHV Trust Fund.

LAO Recommendations. One-Time Augmentation Makes Sense but Requires Decision on Fund Source. We find that the one-time \$17 million augmentation to SPRF makes sense, as the amount of the augmentation is consistent with the past two years and will allow DPR to maintain current service levels. We have no specific recommendations with regard to the administration's proposed redirection of fuel tax revenue to SPRF to address the fund's structural shortfall in 2016–17. The transfer is legal and the fund that the revenue would otherwise go to—the OHV Trust Fund—can support it. However, we do note that it reduces funding available for OHV activities. The only alternative that we have identified is a transfer from the General Fund. We recommend the Legislature choose the funding source that aligns with its priorities regarding OHV-related activities and other competing General Fund priorities.

Information on Progress-to-Date Should Be Provided. While we understand that DPR is still in the process of developing and implementing changes to address its budgetary and programmatic challenges, it should be able to report on the status of its current efforts and how successful its changes have been thus far. Therefore, we recommend that the Legislature require the department to report at legislative budget hearings this spring on the following items:

- The implementation of the Parks Forward Commission recommendations and Transformation Team progress, including expected completion dates.
- The Revenue Generation program—including a description of the revenue-generating projects that have been completed or are currently underway, the amount of additional revenue these projects have generated, and where and how this revenue has been spent.
- The range of options the department is considering to achieve a long-term budget solution, including the role that the department anticipates revenue generation playing.

Staff Comments. Staff concurs with the LAO's assessment of the OHV transfer and the overall budget assessment. As pointed out, the transfer is legal and the OHV Trust Fund is able to support this on a one-time basis. The Assembly approved the item and adopted budget bill language stating: *"it is the intent of the Legislature that his OHV fund transfer be one-time in nature for the purpose of maintaining existing service levels at state parks with the expectation that the department will provide a sustainable solution to balance the State Parks and Recreation Fund as part of the Governor's January 10, 2017 budget proposal."*

Staff Recommendation. Approve as proposed with Assembly-proposed budget bill language.

Vote: 2-1 (Nielsen, no)

Issue 2: Public Beach Restoration Program

Governor's Spring Finance Letter Proposal. The spring finance letter requests an increase of \$2.6 million from the Public Beach Restoration Fund (PBRF) to administer its previously proposed Public Beach Restoration Act projects. Additionally, this proposal requests an increase of \$700,000 from the Harbors and Watercraft Revolving Fund (HWRF) to support a Beach Erosion Control project. Previously-requested funding was calculated based on an assumed 50-50 state-local cost-share ratio. However, the Public Beach Restoration Act requires the funding of the nonfederal project cost for restoration, nourishment, or enhancement of non-state public beaches to be 85 percent with a 15 percent match from local sponsors, provided as funds or in-kind services. The proposed increase of \$2.6 million seeks to fix this technical funding discrepancy and provide the 85-15 state to local match ratio.

Harbors and Navigation Code § 69.9(b) specifies that any funding from PBRF must be split 40-60 between projects north and south of the border between the counties of San Luis Obispo and Monterey, respectively. Since there were not sufficient projects in the northern region approved for 2016-17, the department requests provisional language that will allow for these critical projects to proceed regardless of geographic location.

Recent Reports on Beach Nourishment and Sedimentation. Multiple recent reports from the Scripps Institute and UC Davis indicate that beach nourishment projects may have a negative impact on this fragile environment. Impacts include: (1) burying sand-dwelling invertebrates; (2) reducing prey availability for shorebirds and fish; (3) and, contributing to the long-term negative impacts of ecosystems.

Dam Removal Projects Increase Sediment. At the same time, recent dam removal projects have yielded surprisingly positive results regarding sedimentation. The removal of the Elwha dam in Washington State carried such significant amounts of sediment from behind the dam rebuilding riverbanks and gravel bars and, in and around the river's mouth, that it created some 70 acres of new beach and riverside estuary habitat for Dungeness crabs, sand lance, surf smelt, clams, and other species.

Staff Comments. Staff has concerns with continued increases in the beach replenishment program while little is being done to increase sediment deposits from dam removal in the same areas. The state is investing \$250 million (bond funds) in the Klamath Dam removal but no funding was proposed for Southern California dam removal—including the well-documented Matilija Dam in Ventura County.

Staff Recommendation. Approve as proposed on a one-time basis. Include supplemental reporting language requiring the Secretary for Natural Resources to report to the Legislature, on or before January 10, 2017, on what obstacles exist to funding to both beach replenishment projects and natural sedimentation projects such as dam removal with this fund source.

Vote: 2-1 (Nielsen, no)

Issue 3: California History Interpretation Pilot Program

Governor's May Revision Proposal. The department requests an increase of \$348,000 (State Parks Protection Fund) to fund a two-year pilot project to develop and improve public interpretation through a new collaborative partnership with the University of California at California Citrus State Historic Park and El Presidio de Santa Barbara State Historic Park. A successful pilot project will establish the foundation for a new model for interpretation of history and culture through state parks. This project, along with the community liaison project included in the Governor's January budget, is intended to create culturally relevant interpretive and environmental programs, making services more relevant to a broader and more diverse group of people. The department will also seek expansion of this project through partnerships and philanthropic support.

The pilot program's purpose is to identify, analyze, develop, and test structures, curriculum, practices, and partnerships for establishing and stewarding an enhanced interpretation and education program system-wide. This improved framework will make park interpretation as culturally-relevant and inclusive to as many visitors as possible and, in doing so; institutionalize inherent opportunities for civic dialogue and engagement within the state park system.

The ultimate goal is to develop a program framework for integrating applied scholarship through partnerships with California's public higher education systems that can be taken to scale throughout the state park system. Such programs could then be expanded to other historical and cultural programs, as well as to other academic programs customized for the needs of each park, region, or community across the state.

Staff Comments. The department's proposal is innovative. The department should be prepared to discuss the following:

1. What other pilot programs are being considered to increase cultural and historical awareness in state parks?
2. Was a request for proposals issued for this pilot program? What other entities would be interested in such a project?
3. How will the department evaluate the effectiveness of this pilot program and with what criteria?

Staff Recommendation. Approve as proposed.

Vote: 2-1 (Nielsen, no)

3860 DEPARTMENT OF WATER RESOURCES (HEARD ON APRIL 7)**Issue 1: Delta Habitat Conservation and Conveyance Program (DHCCP)**

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

Governor's January Proposal. The budget requests the conversion of 38 limited-term positions to permanent positions. These positions are intended to carry out the preliminary design phase activities within components of the Delta Habitat Conservation and Conveyance Program (DHCCP). This proposal includes no funding request as the positions are funded by the State Water Project and have no impact on the state's annual budget act.

Previous Subcommittee Action. The subcommittee held this proposal open on April 7.

Alternate Proposal. Staff recommends the department amend its January proposal as follows:

- The conversion of only three positions (the only ones currently filled) to permanent to be consistent with prior Legislative action to not approve as permanent until filled; and
- The extension of 17 of the limited-term positions for two additional years.

Since the development of the January BCP, the timeline for when the Environmental Impact Report (EIR) will be final, and subsequently when the Department will begin filling the positions, has been identified as Fall 2016. Since the staffing need will not be for a complete fiscal year, the department should reduce the overall number of positions that would be needed in 2016-17, and is also proposing that those be limited-term to ensure appropriate oversight before they would be made permanent.

Staff Recommendation. Staff recommends approving the revised proposal from 38 permanent positions to three permanent positions and 17 two-year limited-term positions. This is comparable to the anticipate workload and should be supported.

Staff further recommends supplemental reporting language requiring the Administration to report to the Legislature the financial assurances required in order to complete the WaterFix proposal, on or before November 30, 2016.

Recommendation: Approve: (1) alternate position request; and, (2) proposed supplemental reporting language.

Vote: To approve staff recommended compromise highlighted above: 2-1 (Nielsen, no).

3900 CALIFORNIA AIR RESOURCES BOARD

Issue 1: Short-Lived Climate Pollutant (SLCP) and Post 2020 Proposals

Background. This item was heard and held open on April 21.

Governor’s Proposals. The Governor’s budget includes several proposals funded by the COIA. These are in addition to several major programs funded by the GGRF. The COIA proposals include:

Summary of Governor’s Proposals to Develop Regulations for Post-2020 GHG Goals

Proposal	Funding and Positions Requested	Primary Justification
Clean Bus and Truck Standards	\$1.2 million and four positions	Governor’s GHG goals, AB 32, and federal air standards
Advanced Clean Cars Program	\$580,000 and four positions	Governor’s GHG goals and federal air standards
SLCP (SB 605)	\$1.4 million and five positions	SLCP strategy, AB 32, and Governor’s GHG goals

GHG = greenhouse gas and SLCP = short-lived climate pollutant. Source: Legislative Analyst’s Office.

LAO Recommendation. “We recommend modifying the Governor’s proposal in two ways: (1) rejecting requests related to the Administration’s long-term GHG goals and implementing the SLCP strategy and (2) identifying alternative funding sources for air quality activities.”

Staff Comments. The LAO provides a good analysis of the issues surrounding SLCP and the regulatory approach provided by ARB. After the LAO analysis was completed, the Administration reported on strategies to achieve GHG emission reductions from SLCP, which have a number of co-benefits including the reduction of public health, air and water quality impacts. Other funding sources, such as the Air Pollution Control Fund and Inspection Repair Fund have been suggested for the various proposals and concerns have been raised about funding proposals before the ARB adopts the SLCP plan.

Staff Recommendations. Approve with the following changes:

1. Shift funding to the Air Pollution Control Fund for the SLCP;
2. Add budget bill language requiring the ARB to adopt the SLCP plan prior to expenditure of funds;
3. Shift funding to the Vehicle Inspection Repair Fund for the remaining two proposals on a one-time basis.

Vote: 2-1 (Nielsen, no)

Issue 2: Motor Vehicle Insurance Account Assessment (MVIA)

Background. Because the state is self-insured, when traffic accidents occur, Department of General Services (DGS) pays any settlements or judgements from the MVIA, Fund 0026. Pursuant to the State Administrative Manual, DGS pays the first \$1 million liability per accident. All state agencies pay annual premiums to Office of Risk Management (ORIM). When a settlement or a judgement is made against the state concerning an automobile accident, ORIM pays the settlement of judgement and the affected department reimburses the MVIA the amount in excess of \$1 million.

In 2011, an ARB employee was involved in an accident that resulting in a judgement against the state. Initially, DGS budgeted \$3 million for the settlement. The judge increased the settlement to \$10 million. In anticipation of the victim receiving a judgement in this case, DGS began increasing the ARB MVIA assessment in 2012-13. The state is appealing the case and the outcome will not be known until midyear. Assuming the judgement stands and is neither increased nor decreased, this one-time expenditure authority increase will be the final MVIA assessment increase and the ARB payment will be reduced beginning in 2017-18.

May Revision Proposal. The May Revision requests one-time expenditure authority from the Air Pollution Control Fund (APCF) to reimburse ORIM for a payment made by DGS on behalf of the Air Resources Board (ARB) for a \$10 million judgement associated with a car accident in 2011.

Staff Comments. Staff is concerned that: (1) the amount to be paid is under appeal and therefore it is not certain that the full \$10 million will be necessary; and (2) this type of payment usually is drawn from multiple funds, not a single funding source; (3) the size of the fund balance or fund source should not determine payout, rather that this should be considered well ahead of time, or be drawn from the General Fund.

Staff Recommendations. Due to the timing of the issue, staff recommends approval of this proposal. Staff further recommends the ARB report, at budget hearings in 2017, on its plan to address future insurance claims.

Vote: 2-1 (Nielsen, no)

Issue 3: Specialty Equipment Market Association (SEMA) Proposed Fee

Proposal. Manufacturers of emissions-related motor vehicle parts submit applications to the California Air Resources Board for executive orders evidencing that a part does not reduce the effectiveness of a motor vehicle pollution control device or cause a vehicle to fail to comply with applicable state or federal emissions standards.

SEMA participants state that applying for and obtaining an executive order from the ARB for aftermarket part is currently taking up to two years for processing and they believe that implementing a fee to provide funds directly to ARB for additional staff to reduce processing would be beneficial. SEMA proposes trailer bill language that would impose a fee on applications submitted to the ARB board under California Vehicle Code Section 27156. Fees received by the ARB would be credited to the Executive Order Processing Fund, a special fund established for the purpose of facilitating the timely processing of applications submitted under California Vehicle Code Section 27156.

Staff Comments. The proposal emerged late in the budget process and the department has not had time to fully vet the issue. In concept, the proposals makes sense—establishing a fee would be necessary should the budget support additional positions to move this program more quickly. However without a thorough analysis by the ARB, staff cannot recommend an appropriate fee amount, nor advise whether or not this proposal should be considered in isolation.

Staff Recommendations. No action. Request the ARB work with the SEMA constituents over the summer to determine if a fee is appropriate, at what amount, and with what metrics for success.

Vote: No action

3940 STATE WATER RESOURCES CONTROL BOARD**Issue 1: Public Water System Consolidation**

Background. SB 88 (Committee on Budget and Fiscal Review), Chapter 27, Statutes of 2016, provided new, limited authority for the state water board to order consolidation of failing water systems. The limited authority provides a mechanism for the state water board to ensure safe, reliable drinking water where an existing water system is unable to do so and the failing system can be economically consolidated with a nearby system. The new authority has enabled the State Water Board to commence consolidation of several failing water systems, and one consolidation will be complete in June 2016.

The state water board has encountered circumstances when the consolidation authority is unavailable, but consolidation makes public health and economic sense. The present authority does not allow the State Water Board to order consolidation when a disadvantaged community lies within a city and is served by a small failing system. A common example is a mobile home or trailer park located within a city, but served by its own well and distribution system. Similarly, the consolidation authority is not available to address unsafe water served by certain schools, labor camps, and institutions located within a city.

Proposed Trailer Bill Language. The proposed trailer bill addresses these concerns in a targeted fashion. The trailer bill:

- Addresses the “donut hole” where certain failing water systems are located within a city. Allows the State Water Board to order consolidation where a disadvantaged community, within a city but served by a separate small water system serving 5-14 residences, consistently fails to provide safe drinking water.
- Provides similar authority to address non-community water systems, such as schools and labor camps, serving disadvantaged communities located in cities.
- Allows what are often the most economical consolidations to proceed, because these are water systems already surrounded by infrastructure for an existing public water system.
- Maintains existing financial and legal protections for the public water systems that would be ordered to consolidate with a failing system.

Staff Recommendation. Staff concurs with the concern that there is a gap in the ability of the state to facilitate water interconnections. Staff recommends approving the proposal as placeholder in order for the Legislature and public to review the proposed language (posted on the Department of Finance website) through conference committee.

Vote: 2-1 (Nielsen, no)

Issue 2: Drinking Water Program Expenditure Cap

Background. SB 83 (Committee on Budget and Fiscal Review), Chapter 24, Statutes of 2015, established a statutory cap for 2016-17 on the amount of funds received for the State Water Board's administration of the California Safe Drinking Water Act. The amount of the cap was set at \$30.4 million. The amount of the cap was incorrectly calculated and did not take proper account of all the sources of funds used to support the administration of the California Safe Drinking Water Act, nor did it account for additional program costs to satisfy statutory obligations.

May Revision Proposal. The May Revision includes proposed trailer bill that will increase the cap to \$38 million which properly accounts for the additional fund sources and program expenditures.

Proposed Trailer Bill Language. The proposed trailer bill would amend Health and Safe Code Section 116590, as follows:

- (a) Funds received by the state board pursuant to this chapter shall be deposited into the Safe Drinking Water Account that Account, which is hereby established, and shall be available for use by the state board, upon appropriation by the Legislature, for the purpose of providing funds necessary to administer this chapter. Funds in the Safe Drinking Water Account shall not be expended for any purpose other than as set forth in this chapter.
- (b) A public water system may be permitted to may collect a fee from its customers to recover the fees paid by the public water system pursuant to this chapter.
- (c) The total amount of funds received for state operations program costs to administer this chapter for fiscal year 2016–17 shall not exceed ~~thirty million four hundred fifty thousand dollars (\$30,450,000)~~ thirty eight million fifty eight thousand dollars (\$38,058,000) and the total amount of funds received for administering this chapter for each fiscal year thereafter shall not increase by more than 5 percent of the amount received in the previous fiscal year plus any changes to salary, benefit, and retirement adjustments contained in each annual Budget Act.
- (d) This section shall become operative on July 1, 2016.

Staff Recommendation. Staff concurs that the trailer bill language is necessary to continue program delivery as required by the budget.

Vote: 2-1 (Nielsen, no)

3970 DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY (CALRECYCLE)**Issue 1: Beverage Container Recycling Program**

Convenience Zone Pilot Programs. An overview of this program was heard on April 21. The Administration, the Legislative Analyst's Office (LAO), and members of the public testified that a reform package would stabilize funding within the Beverage Container Recycling Fund (BCRF) for the program. The LAO overview of the program provided at the hearing is available at lao.ca.gov. Immediate concerns have been raised regarding the closure of multiple recycling centers due to the scrap value of recycled materials, thus challenging the ability of retailers to provide recycling opportunities to consumers.

The Administration is in year two of a multi-year study about convenience zones. Convenience zones increase the geographic dispersal of locations where beverage containers can be redeemed. A convenience zone is required by law to have within the zone's boundaries, a recycling center that redeems all California Redemption Value (CRV) containers. A convenience zone with a recycler inside its boundaries is considered a served zone. Convenience zone recyclers provide opportunities to redeem containers near where beverages were purchased.

Staff Comments. Staff has met with stakeholders and agrees that the Administration should come up with an interim program reform that addresses the following items: (1) processing fee offsets; (2) enforcement relief; (3) handling fees; and, (4) processing payments. In the interim, staff recommends providing the Administration with more information regarding convenience zones. In addition to the data being gathered by the department, a real-world convenience zone study would inform the department of other methods of recycling, particularly in areas that are very challenged by convenience.

- 1. Convenience Pilot Programs.** Allow up to three jurisdictions (one, each, urban in northern and southern California, and one rural) to create a convenience pilot program that would waive convenience requirements. This would sunset June 30, 2020. A total of \$100,000 per jurisdiction would be included in the pilot program.

Staff Recommendation. Staff recommends approval of the convenience zone pilot program.

Vote: 3-0

8570 CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE (CDFA)**Issue 1: Pest Prevention Funding**

Background. The following is a summary of funding for three programs (all funds including federal, special funds and state funds):

Program	2014-15*	2015-16 (estimated)	2016-17 (proposed)
Plant Health and Pest Prevention Services Division	\$126.3	\$122.2	\$131.0
<i>Asian Citrus Psyllid/ Huanglongbing (HLB)</i>	\$ 23.7	\$26.6	\$27.7
Pierce's Disease Management	\$21.1	\$23.9	\$21.4

*2014-15 represents past year actual expenditures

* In 15-16 we have budget authority for \$162.2 million, but we will likely only realize about \$122.2 million

Increase General Funding Requested. The subcommittee received a request to increase funding for the above programs by \$5 million each. This would be a partial a restoration of the \$22 million General Fund reduction in 2013 that was mostly backfilled by industry funds and federal funds.

Staff Comments. Staff concurs that pest prevention is a serious and important mission of the state, and that the beneficiaries should continue to contribute to pest prevention that benefits specific industries such as wine grape growers or citrus. However, there is a role for the General Fund to play, upon availability. This should be directed to areas were industry is not able to fully address issue facing a broader stakeholder group.

As discussed in the April 21 hearing, the use of neonicotinoids in residential areas is causing concern for wild bee populations. Meetings with industry have confirmed that residential application of neonicotinoids are of particular concern.

Staff Recommendation. Approve \$15 million with the following budget bill language:

Of the amount provided, \$5 million may be used for Pierces disease management; \$5 million may be used for overall pest health and pest prevention; and \$5 million shall be used for Asian Citrus Psyllid control as follows: (1) \$4.25 million for residential application by California Department of Food and Agriculture in quarantine areas; and \$750,000 for an interagency agreement with the California Department of Pesticide Regulation to provide a consumer product database for a residential level study the impacts of ornamental uses of neonicotinoids, including the impacts of neonicotinoid treated seed and plants sold at the retail level.

Vote: 2-0 (Nielsen not voting)