



## Senate Budget and Fiscal Review

# Subcommittee No. 2 2008 Agendas

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*California State Senate*  
SENATE BUDGET & FISCAL REVIEW  
**SUBCOMMITTEE No. 1**

**Agenda**

**March 8, 2004**  
**Upon Adjournment of Session – Room 113**

EDUCATION  
JACK SCOTT, CHAIR  
BOB MARGETT  
JOHN VASCONCELLOS

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## SUBCOMMITTEE NO. 2

## Agenda

Alan Lowenthal, Chair  
Darrell Steinberg  
Dave Cogdill



**Monday, March 24, 2008**  
**10:00 a.m. or upon adjournment of session**  
**Room 112**

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### **Resources—Environmental Protection—Energy**

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## **Overview**

### **1. Secretary of Resources – Mike Chrisman**

- Overview of Resources Agency Budget

### **2. LAO: Resources Agency in the Overall Subcommittee 2 Budget**

- Context of the Resources Agency in the Overall Budget

## Vote-Only Calendar

### Budget Balancing Reductions

Org Code	Description	(000) 2007-08	(000) 2008-09	GF Remaining (000)	Total Program Budget (000)
3125	California Tahoe Conservancy - Tahoe Conservancy Program	\$ -	\$ 22	\$ 200	\$ 5,713
3820	San Francisco Bay Conservation and Development Commission	\$ -	\$ 457	\$ 4,112	\$ 5,200

**Staff Recommendation.** Staff recommends that the Subcommittee accept all of the Governor's proposed budget balancing reductions shown in the chart above.

## 0540 Secretary for Resources

### 1. Implementation of the Federal Coastal Impact Assistance Program

**Background.** The California Ocean Resources Management Act was amended in 1991 to transfer responsibility for marine and coastal resource management, including outer continental shelf oil and gas lease sales and development, to the Secretary for Resources. The 2004 California Ocean Protection Act created the Ocean Protection Council, chaired by the Secretary for Resources. Through these two Acts the Secretary for Resources works on the implementation of various ocean protection programs, including offshore oil and gas platform decommissioning and actions for the West Coast Governor's Agreement on Ocean Health. Currently, the Resource Agency's California Ocean Resources Management Program has three positions to handle all of the program responsibilities.

The federal 2005 Energy Policy Act made \$30 million available to California (\$20 million to state, \$10 million to locals) from the Mineral Management Service's Coastal Impact Assistance Program (CIAP) for mitigating the impacts of offshore oil and gas development. The funds will be released to California when the federal Minerals Management Service (MMS) approves the state's Coastal Impact Assistance Plan. The plan is due to MMS on July 1, 2008. Currently, the Resources Agency anticipates to have the plan approved by the MMS by March 2008.

**Governor's Budget.** The Governor's Budget proposes \$110,000 in Federal Trust Fund for two positions to implement CIAP.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the proposal.

### 2. California River Parkways Grant Program

**Background.** The California River Parkways Grant program awards grants for the acquisition of land for river parkways or for the restoration, protection, and development of river parkways. River parkways provide passive recreational opportunities, such as trails for walking or bicycling, along rivers and streams. This program has publicly developed grant guidelines already in place.

The California River Parkways Grant Program was started with Proposition 50 (Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002) funds, which provided \$100 million for river parkway projects. The last of the Proposition 50 funds will be awarded in June 2008. Proposition 84, Section 75050(d) provides \$72 million for river parkway projects.

**Governor's Budget.** The Governor's Budget proposes \$28,365,000 in Proposition 84 bond funds for local assistance, capital outlay, and support grants. Additionally, the Budget proposes \$241,000 and 2 positions to work on the California River Parkways Program. The grant funds would be available for encumbrance until June 30, 2013.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the \$28,365,000 for local assistance and capital outlay only as one-time funds, and approve the \$241,000 for 2 positions as on-going funding.

### 3110 Special Resources Program

**Background.** The Special Resources Programs include the Tahoe Regional Planning Agency, the Yosemite Foundation Program, and the Sea Grant Program.

**Governor's Budget.** The Governor's budget proposes \$5 million for these three special resources programs. This is about the same amount as the expenditures in the current year. This program does not receive General Fund.

<b>Summary of Expenditures</b>				
<i>(dollars in thousands)</i>	<b>2007-08</b>	<b>2008-09</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Type of Expenditure</b>				
Tahoe Regional Planning Agency	\$4,045	\$4,045	\$0	0.0
Yosemite Foundation Program	840	840	0	0.0
Sea Grant Program	248	200	-48	-19.4
<b>Total</b>	<b>\$5,133</b>	<b>\$5,085</b>	<b>-\$48</b>	<b>-0.9</b>
<b>Funding Source</b>				
General Fund	\$0	\$0	\$0	0.0
Yosemite Foundation Account	840	840	0	0.0
California Environmental License Plate Fund	4,169	4,121	-48	-1.2
<i>Budget Act Total</i>	<i>5,009</i>	<i>4,961</i>	<i>-48</i>	<i>-1.0</i>
Harbors and Watercraft Revolving Fund	124	124	0	0.0
<b>Total</b>	<b>\$5,133</b>	<b>\$5,085</b>	<b>-\$48</b>	<b>-0.9</b>

## Yosemite Foundation Program

**Background.** This program funds restoration and preservation projects in Yosemite National Park. Funding for this program is provided from proceeds of personalized motor vehicle license plates sold by the Department of Motor Vehicles.

**Staff Recommendation.** No issues have been raised with this program. Staff recommends approval as budgeted.

## Sea Grant Program

**Background.** This program encourages research and education in the fields of marine resources and technology. This state Sea Grant Program provides state assistance to the University of California and the University of Southern California that is used to match funds for selected projects under the federal Sea Grant Program.

**Staff Recommendation.** No issues have been raised with this program. Staff recommends approval as budgeted.

## Tahoe Regional Planning Agency

**Background.** The Tahoe Regional Planning Agency (TRPA) was established by a congressionally approved compact between California and Nevada. The TRPA provides planning and enforceable regulations that preserve and enhance the environment and resources of the Lake Tahoe Basin. Funding for the agency is shared between Nevada (one-third) and California (two-thirds) according to the compact that established the agency.

### 1. Angora Fire Rebuilding Permit Review

**Background.** In June 2007, the Angora Fire destroyed 254 single family dwellings in El Dorado County. Another 12 homes were damaged to the point that the homeowners were forced to move out to allow repair work to be completed. Damage also occurred to public infrastructure, including erosion control improvements, utilities, and wetlands.

**Proposal.** TRPA is requesting an additional limited-term senior planner to complete expedited permit review and site inspections. TRPA senior planners have the authority to review and approve project applications and make certain management decisions and directions for unusual and complex situations. The additional senior planner is anticipated to significantly expedite the rebuilding process.

**Governor's Budget.** The Governor's Budget proposes \$95,000 from the California Environmental License Plate Fund for one limited-term position to assist in the Angora Fire rebuilding effort.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.



## 3460 Colorado River Board

**Background.** The Colorado River Board (CRB) of California was established in 1937 by State statute to protect California's rights and interests in the resources provided by the Colorado River and to represent California in discussions and negotiations regarding the Colorado River and its management.

**Governor's Budget.** The Governor's budget proposes a small increase in funding for CRB. The CRB is funded entirely by reimbursements from local water districts.

<b>Summary of Expenditures</b>				
<i>(dollars in thousands)</i>	<b>2007-08</b>	<b>2008-09</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Type of Expenditure</b>				
State Operations	\$1,605	\$1,614	\$9	0.6
<b>Total</b>	\$1,605	\$1,614	\$9	0.6
<i>Budget Act Total</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0.0</i>
Reimbursements	1,605	1,614	9	0.6
<b>Total</b>	\$1,605	\$1,614	\$9	0.6

### No Budget Change Proposals or Budget Balancing Reductions

## 3560 State Lands Commission

### 1. Budget Balancing Reductions

**Governor's Budget Balancing Reduction.** The Governor proposes a budget balancing reduction of \$335,000 General Fund and 1.9 positions from the Mineral Resources Management program. The positions are an engineer and a support staffer.

**Impact of Proposal.** The State Lands Commission engineers survey on the ground activities of drilling companies. The estimated revenue engineers bring to the state is approximately \$1.5 million per engineer.

**Staff Recommendation.** Staff recommends that the Subcommittee reject this proposal.

## 2. School Lands

**Background.** The State Lands Commission (SLC) manages approximately 470,000 acres of school lands held in fee ownership by the state. The school lands are held in statutory trust in the School Land Bank Fund (Fund), of which the SLC is trustee agency. The school lands are intended to provide an economic base in support of the public school system. The revenues from these lands are deposited into the State Teachers' Retirement Fund, which benefits STRS.

Currently, SLC has two staff members to manage the school lands. Management of the lands includes rent reviews, processing new lease applications, renewing leases, responding to public inquiries, and other management duties. Due to the workload of managing the 1,192 separate land parcels, the SLC has not placed staff time toward acquiring new parcels as investment properties for the Fund. Acquiring new land for the Fund requires performing due diligence activities, such as market appraisals, analysis of soil quality, water rights analysis, title conditions, etc. Since no new parcels are being acquired, the revenues into the Fund and into STRS are not being maximized. In 2006-07, the revenues for school lands were about \$6.2 million.

**Governor's Budget.** The Governor's Budget proposes \$120,000 from reimbursement for one full-time position to perform due diligence and property transaction activities. The reimbursement would be paid by the revenues received from the school lands.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

## 3. Marine Invasive Species Program Research

**Background.** Ships visiting California's ports transport with them non-native marine species. This transportation frequently happens in ballast water, which is the sea water vessels pick up for stability when they are not carrying cargo. This water can contain organisms, such as plants, that can be invasive and destructive to the California coastal habitat. It is estimated that about 7,000 organisms are moved around the world on a daily basis by ships (Carlton, 1999). One study estimated that in the United States the annual losses caused by invasive species are approximately \$120 billion (Pimental et. al. 2005).

The Marine Invasive Species Act of 2003 (Chapter 491, Statutes of 2003), directs the SLC to inspect 25 percent of vessels with qualifying voyages for compliance with ballast water management requirements. Two additional statutes have increased the State Lands Commission's responsibilities regarding marine invasive species. The Coastal Ecosystems Protection Act of 2006 initiated a phased implementation of performance standards for the discharge of ballast water. Under this Act, some vessels will be required to treat ballast water before discharging in California by 2009, and all vessels will be subject to the law by 2016. In addition, AB 740 (Laird, 2007) requires inwater cleaning of the submerged portion of a vessel

while in the waters of the state to be conducted using best available technologies economically achievable.

**Proposal.** The State Lands Commission (SLC) is requesting funds for contractors to work on requirements of the various marine invasive species laws. The SLC would use \$100,000 of the funds annually to install ballast water treatment systems on private vessels in order to study the performance of those treatment systems. There are 20 treatment systems that the SLC has deemed warranting evaluation. Additionally, the SLC would use \$75,000 of the funds annually to develop and review a procedure for approving and verifying compliance of ballast treatment systems.

The SLC proposes to use \$75,000 of the funds annually to collaborate with in-water cleaning and technology companies to develop and evaluate systems that can reduce the release of invasive species into California water. In addition, the SLC would use \$50,000 of the funds annually to investigate the links between in-water cleaning, the effectiveness of antifouling paints, and invasive species release.

**Governor's Budget.** The Governor's Budget proposes \$300,000 in contracting funds from the Marine Invasive Species Control Fund. The funds would be appropriated annually for three years. The funds would be broken down as follows:

\$100,000	Develop and test ballast water treatment systems
\$ 75,000	Develop a process for approval of ballast water treatment systems
\$ 75,000	Develop and test hull cleaning technology
\$ 50,000	Investigate links between in-water cleaning, the effectiveness of antifouling paints, and invasive species release

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

## 3640 Wildlife Conservation Board

### 1. Colorado River Acquisition, Protection and Restoration Programs

**Background.** Proposition 50, Section 79568(a) authorized \$50 million to the Wildlife Conservation Board for the acquisition, protection and restoration of land and water resources necessary to meet state obligations for regulatory requirements related to California's allocation of water supplies from the Colorado River. In the *2003-04 Budget Act*, the Legislature appropriated \$13,250,000 to the WCB for "the acquisition, protection and restoration of land and water resources along the Lower Colorado River".

**Governor's Budget.** The Governor's Budget proposes a reappropriation of \$160,000 in Proposition 50 bond funds for acquisition, protection and restoration of land and water resources along the Lower Colorado River.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

## 2. Public Access Program

**Background.** The Wildlife Conservation Board (WCB) is involved with providing access to preserved lands to accommodate the needs of the public, such as sports fishers and hunters. These public access projects are for the most part minor capital outlay projects, such as construction of fishing piers. In addition to constructing new facilities, the public access program replaces unsafe facilities and upgrades older facilities to meet ADA requirements. Due to an increase in bond funding, over the last 5 years the WCB acquired significant amounts of new land. Much of this new property remains undeveloped. The current list of public access projects has reached \$15 million.

**Governor's Budget.** The Governor's Budget proposes \$1 million from the Wildlife Restoration Fund for the public access program.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

## 3. Natural Communities Conservation Planning

**Background.** The Natural Communities Conservation Plan (NCCP) takes an ecosystem approach to conservation. The NCCP identifies and provides for the regional or area-wide protection and perpetuation of plants, animals, and their habitats, while allowing for compatible land use and economic activity. The planning process brings together private and government interests. The NCCP seeks to anticipate and prevent the controversies caused by species' listings by focusing on the long-term stability of natural communities.

There are currently 32 active NCCPs covering more than 7 million acres. So far, ten NCCPs have been approved and permitted and the rest are in the planning process.

**Governor's Budget.** The Governor's Budget proposes \$25 million from Proposition 84 bond funds for NCCP capital outlay.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

## 3680 Department of Boating and Waterways

**Background.** The Department of Boating and Waterways (DBW) is responsible for planning and developing boating facilities on waterways throughout California. It is also responsible for protecting the public's right to safe boating by providing subventions to local law enforcement agencies. The department is also responsible for boating safety and education, licensing yachts, aquatic weed control in the Sacramento-San Joaquin Delta, and beach erosion control along California's coast.

**Governor's Budget.** The Governor's Budget proposes \$84.8 million to support DBW, which is approximately 2 percent less than expenditures in the current year. (The majority of DBW's budget is not subject to appropriation in the budget act. Only \$7 million is subject to the Budget Act.) The department is not supported by the General Fund.

<b>Summary of Expenditures</b>				
<i>(dollars in thousands)</i>	<b>2007-08</b>	<b>2008-09</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Type of Expenditure</b>				
Boating Facilities	\$ 51,034	\$ 49,971	-\$1,063	-2.1
Boating Operations	20,722	22,658	1,936	9.3
Beach Erosion Control	5,478	6,821	1,343	24.5
Capital Outlay	6,140	5,420	-720	-11.7
Administration	2,486	2,491	5	0.2
<i>less distributed administration</i>	-2,486	-2,491	-5	0.2
<b>Total</b>	<b>\$ 83,374</b>	<b>\$ 84,870</b>	<b>\$1,496</b>	<b>1.8</b>
<b>Funding Source</b>				
General Fund	\$ -	\$ -	\$ -	0.0
Special Funds	4,700	7,000	2,300	48.9
<i>Budget Act Total</i>	<i>4,700</i>	<i>7,000</i>	<i>2,300</i>	<i>48.9</i>
Federal Trust Fund	11,314	12,436	1,122	9.9
Reimbursements	1,015	1,015	0	0.0
Harbors and Watercraft Revolving Fund	66,345	64,419	-1,926	-2.9
<b>Total</b>	<b>\$ 83,374</b>	<b>\$ 84,870</b>	<b>\$1,496</b>	<b>1.8</b>

## 1. Public Small Craft Harbor Loans

**Background.** The Department of Boating and Waterways' (DBW) goal is to expand and improve public boater access to California's waterways in environmentally acceptable areas. The demand for DBW boating facilities is driven mainly by aging existing facilities and the continued need for expanded and improved boating safety. The number of registered boats in the state is 968,000.

The public small craft harbor loans are provided to the local governments to construct and rehabilitate boating facilities.

**Governor's Budget.** The Governor's Budget proposes \$22,266,000 from the Harbors and Watercraft Revolving Fund for eight high-priority projects to provide public loans to develop marinas and expand/rehabilitate existing marina facilities. The proposed projects are:

- Los Angeles County – Alamitos Bay, Basins 2 & 3: \$9 million
- San Mateo County – Coyote Point Marina: \$218,000
- Orange County – Dana Point Harbor Marina: \$9 million
- Contra Costa County – Martinez Marina: \$338,000
- Santa Barbara County – Santa Barbara Harbor: \$720,000
- Santa Cruz – Santa Cruz Harbor: \$1,365,000
- San Francisco – San Francisco Marina, East Harbor: \$1,125,000
- Statewide – Emergency Loans: \$500,000

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

## 2. Launching Facility Grants

**Background.** The Launching Facility Grants are provided to local governments for launching facility projects. These projects include the construction of launching ramps, shore-side or floating restrooms, boarding floats, shore protection, car-trailer parking, utilities, landscaping and irrigation, and other ancillary items.

The proposed projects are:

- Marin County – Black Point BLF: \$279,000
- Marin County – Miller Park BLF: \$575,000
- Kern County – Brite Valley BLF: \$100,000
- San Mateo County – Coyote Point BLF: \$150,000
- El Dorado County – El Dorado Beach BLF: \$100,000
- El Dorado County – Tahoe Vista BLF: \$300,000
- Imperial County – Sunbeam Lake BLF: \$130,000
- Ventura County – Ventura Harbor BLF: \$450,000
- Statewide – Floating Restrooms: \$500,000
- Statewide – Ramp Repair and Modification: \$500,000

- Statewide – Non-Motorized Boat Launching Facilities: \$500,000
- Statewide – Signs: \$50,000
- Statewide – Vessel Pumpout: \$100,000

**Governor’s Budget.** The Governor’s Budget proposes \$3,734,000 from the Harbors and Watercraft Revolving Fund for 13 grants to local governments.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

### 3. Private Loans

**Background.** The Department of Boating and Waterways provides construction loans to owners of private marinas who would otherwise not receive financing for development. Most commercial lenders require that a borrower provide a deed of trust on the project real property as collateral. However, marina owners whose marinas are on publicly owned land do not own the marina real estate property, rather they operate a lease from the State Lands Commission or the federal government. The Department of Boating and Waterways has been providing these loans since 1980, and to date has loaned approximately \$50 million to private recreational marina owners. During that time, three loans have gone to default.

**Governor’s Budget.** The Governor’s Budget proposes \$5 million from the Harbors and Watercraft Revolving Fund for loans to private marinas.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

### 4. Abandoned Watercraft Abatement Fund

**Background.** Abandoned boats create both a safety and environmental hazard. SB 172 (Rainey, 1997) established the Abandoned Watercraft Abatement Fund (AWAF) for the purpose of providing grants to local governments to remove abandoned recreational vessels. Since 1998, the program has provided over \$3.3 million for the removal of abandoned vessels. Grants from the AWAF must be matched by a 10 percent local contribution.

**Governor’s Budget.** The Governor’s Budget proposes \$500,000 from the Harbors and Watercraft Revolving Fund for the administration of the Abandoned Watercraft Abatement Fund Program.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

## 5. SANDAG Regional Beach Sand Project – Stage 2

**Background.** The California Public Beach Restoration Act established the Public Beach Restoration Program (PBRP). The Department of Boating and Waterways was given authority under the Act to administer the PBRP and provide funds to local governments to assist in restoring beaches and coastal habitat. Beach restoration activities can restore and preserve safe coastal access, sustain coastal dependent economic activities such as recreation and tourism, provide safety from unstable coastal cliff falls, and restore habitat and foraging areas for numerous coastal and marine species. The San Diego coastline is in an acute state of sediment deficiency due to damming of rivers for flood control and water supply needs along with the construction of seawalls, which halt the natural flow of sand-size sediment to the coast.

The proposed project would restore eroded beaches in the Oceanside, Mission Beach and Silver Strand littoral cells. The project would be coordinated with the San Diego Association of Governments (SANDAG) and the seven coastal cities impacted. The project would restore 4.8 miles of coastal shoreline and create approximately 148 acres of new beach. This restoration would protect environmentally sensitive coastal habitats of the San Diego coastline as well as encourage coastal tourism and recreation. The total project cost for all three phases would be \$22-24 million, of which the State would provide \$19.5 million over three years.

**Governor's Budget.** The Governor's Budget proposes \$6.5 million from the Harbors and Watercraft Revolving Fund for restoring San Diego County beaches.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal as one-year funding, so that the department would return for the next stage of funding.

## 6. Permanent Federal Grant Increase Adjustment

**Background.** The federal Sport Fish Restoration and Boating Safety Fund receives funding from the federal excise taxes on fishing equipment and percentage of the excise tax attributed to fuel used in motorboats and small boat engines.

The Department of Boating and Waterways' (DBW) Multi-Media Public Education and Safety program focuses around providing grants to aquatic centers for on-the-water public safety training. Of the people who drown in California boating accidents, 80 percent do not wear life jackets. The program also does public service announcements and educational billboards.

The DBW Local Assistance program provides funds for local law enforcement to purchase patrol boats, trailers, engines, and other equipment necessary to ensure adequate enforcement of State boating safety laws and regulations. Boating laws are enforced by over 100 local law enforcement agencies throughout the state. In addition, the Local Assistance program provides funds for boating trails that mostly provide water access facilities.

**Governor's Budget.** The Governor's Budget proposes a baseline increase of \$2.4 million in federal funds for the following:



- \$700,000 – Education and Media
- \$1,300,000 – Local Assistance for boating enforcement
- \$400,000 – Local Assistance for boating trails

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

## 7. Capital Outlay – Statewide Minor Projects

**Background.** Minor capital outlay projects are projects that cost under \$400,000 to plan and construct. The Department of Boating and Waterways is requesting several statewide minor capital outlay projects.

*Studies.* The studies request would complete environmental documents and other necessary planning for larger projects before the preliminary plans are started. Studies can help identify problems and avoid delays further into the project.

*Emergency Repairs and Replacements.* These repairs result from natural disasters or other unforeseen needs to repair or replace boating infrastructure.

*Boating Trails.* Boating trails provide a safe place for non-motorized crafts such as kayaks to get in and out of the water.

*Low-Water Improvements.* Some construction is only feasible when the water levels in a lake or river are at a low point. These funds would be used for construction that is not always predictable due to low water flows.

**Governor’s Budget.** The Governor’s Budget proposes \$1.59 million from the Harbors and Watercraft Revolving Fund for the following:

- \$90,000 – Studies
- \$400,000 – Statewide Emergency Repairs and Replacements
- \$600,000 – Statewide Boating Trails
- \$500,000 – Statewide Low-Water Improvements

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposals.

## 8. Capital Outlay Projects

**Background.** The Department of Boating and Waterways has the statutory authority to undertake capital outlay projects. Each year the department conducts improvements on existing boating infrastructure and builds new boating facilities.

**Governor's Budget.** The Governor's Budget proposes from the Harbors and Watercraft Revolving Fund for the following projects:

- Lake Perris Ramp 5 Improvements – \$650,000
- Pyramid Lake, Bear Trap Boat-In Site – \$400,000
- Pyramid Lake Visitor Dock Improvement – \$550,000
- Lake Del Valle Visitor Dock Installation – \$400,000
- Lake Del Valle Boarding Float Improvements – \$320,000
- Millerton Lake North Shore Parking Expansion – \$500,000
- Millerton Lake Boating Information Sign Kiosks – \$150,000
- Silverwood Lake Sawpit Lighting Improvements – \$175,000
- Silverwood Lake Serrano Boat-In Improvements – \$325,000
- McArthur-Burney Visitor Dock Improvements – \$300,000
- Clear Lake State Park Fish Cleaning Station and Canopy – \$60,000

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposals.

## 9. Clean and Green Boating Program Coordinator Position

**Background.** The Boating Clean and Green Campaign was started in 1997 by the California Coastal Commission with the Department of Boating and Waterways (DBW) as a partner. The goal of the campaign was to raise boater awareness about pollution associated with boating, provide education about environmentally sound boating practices, provide more convenient pollution prevention services and outreach to publicize these services. Pollutants that are associated with boating activities include sewage, oil and fuel, detergents, solvents, paints, plastics, and other marine debris. There are over 900,000 registered boats in California, which can have an impact on the water resources of the state.

In 2006 the DBW assumed lead agency role over the program. The one coordinator position for the program became DBW responsibility.

**Governor's Budget.** The Governor's Budget proposes authority for one position to be funded out of existing operating expenses and equipment funding coming from the Harbors and Watercraft Revolving Fund.

**Staff Analysis.** The Department of Boating and Waterways already has one employee to manage grants for vessel sewage pumpout stations and media and education outreach to reduce vessel sewage discharges.

**Staff Recommendation.** Staff recommends that the Subcommittee reject the budget proposal.

## 3720 California Coastal Commission

### 1. Coastal and Marine Education Whale Tail License Plate Program

**Background.** The Whale Tail License Plate sales revenues are deposited into the California Beach and Coastal Enhancement Account and the Environmental License Plate Fund with a 50-50 split. The Coastal Commission receives the funds within the California Beach and Coastal Enhancement Account for the purposes of beach cleanup, educational outreach, and maintaining public beaches. With these funds the California Coastal Commission provides grants to non-profits and government agencies to provide education outreach in the community regarding coastal environments and protection.

Since the Whale Tail License Plate Grants Program was launched in 1998 the Coastal Commission has provided a total of 291 grants. In 2006 the Coastal Commission was able to fund only 26 percent of the proposals it received.

**Governor's Budget.** The Governor's Budget proposes \$284,000 in California Beach and Coastal Enhancement Account funds for a one-time augmentation to the Coastal Commission's budget. With the existing baseline this augmentation would bring the Coastal Commission's available grant program funds to \$743,000.

**Staff Recommendation.** Staff recommends the Subcommittee approve the budget proposal.

### 2. Budget Balancing Reduction – Coastal Management Program

**Governor's Budget Balancing Reduction.** The Governor's Budget proposes to reduce the Coastal Commission's Coastal Management Program by \$956,000 General Fund.

**Impact of Proposal.** The Coastal Commission is already stretched in resources and unable to enforce the Coastal Act in most of Northern California. Reducing the Commission's staff by another 15 positions would reduce the Commission's ability to review permits in a timely manner and to review updates to Local Coastal Plans (LCP). In 2007, the Commission reviewed 387 permits and 70 appeals. It also received 111 updates to LCPs in 2007.

**Staff Recommendation.** Staff recommends that the Subcommittee reject the proposed reduction.

## 3760 State Coastal Conservancy

**Background.** The State Coastal Conservancy (SCC) is authorized to acquire land, undertake projects, and award grants for the purposes of: (1) preserving agricultural land and significant coastal resources, (2) consolidating subdivided land, (3) restoring wetlands, marshes, and other natural resources, (4) developing a system of public accessways, and (5) improving coastal urban land uses. In general, the projects must conform to California Coastal Act policies and be approved by the conservancy governing board.

**Governor's Budget.** The Governor's budget proposes \$134 million for the State Coastal Conservancy in 2008-09. This is a 57 percent decrease over the current year budget due to decreased capital outlay funds.

<b>Summary of Expenditures</b>				
<i>(dollars in thousands)</i>	<b>2007-08</b>	<b>2008-09</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Type of Expenditure</b>				
Coastal Resource Development	\$5,211	\$5,058	-\$153	-2.9
Coastal Resource Enhancement	8,476	5,510	-2,966	-35.0
Administration	4,654	3,593	-1,061	-22.8
<i>less distributed administration</i>	<i>-4,654</i>	<i>-3,593</i>	<i>1,061</i>	<i>-22.8</i>
Capital Outlay	298,270	124,018	-174,252	-58.4
<b>Total</b>	<b>\$311,957</b>	<b>\$134,586</b>	<b>-\$177,371</b>	<b>-56.9</b>
<b>Funding Source</b>				
General Fund	\$819	\$0	-\$819	-100.0
Special Funds	41,942	36,772	-5,170	-12.3
Bond Funds	211,998	93,748	-118,250	-55.8
<i>Budget Act Total</i>	<i>254,759</i>	<i>130,520</i>	<i>-124,239</i>	<i>-48.8</i>
Federal Trust Fund	5,656	2,136	-3,520	-62.2
Reimbursements	51,542	1,930	-49,612	-96.3
<b>Total</b>	<b>\$311,957</b>	<b>\$134,586</b>	<b>-\$177,371</b>	<b>-56.9</b>

### 1. Public Access Program

**Background.** The Coastal Conservancy funds projects that provide public access to the coast and restore coastal waterfronts. The Conservancy's projects include 1) acquisition of trail easements; 2) acceptance of offers to dedicate; 3) design and construction of trail, stairways,

staging areas, restrooms, and interpretive signage; and 4) the provision of ADA accessible facilities. The Conservancy also provides operations costs to local agencies and non-profits to assist in opening up new access ways. These operations costs include funding for docents or security personnel, public education activities, and carrying out studies and surveys.

**Governor's Budget.** The Governor's Budget proposes \$700,000 for the Coastal Conservancy's Public Access, Education, and related programs. The funding sources are divided:

\$300,000	Coastal Access Account
\$400,000	Coastal License Plate Fund

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

## 2. Ocean Protection Council: Capital Projects and Science Applications

**Background.** The California Ocean Protection Council (COPC) works on a wide variety of problems on California's coast and ocean, including over-fishing, habitat destruction, invasive species, beach erosion, loss of economic vitality, poor water quality, lack of enforcement capabilities, and marine debris. COPC is currently working on an ocean mapping project that aims to map all state waters over the next four years.

Proposition 84, Chapter 7, Section 75060 (g) provides \$90 million to California Ocean Protection Trust Fund, funds from which can only be used for ocean protection and related activities. The *2007-08 Budget Act* appropriated \$28 million of this amount, leaving \$62 million available.

The COPC proposes to use 2008-09 bond funds for: 1) seafloor mapping; 2) ocean observing; 3) ocean research; 4) invasive species; 5) habitat restoration; 6) beach erosion; 7) water quality; 8) marine debris; 9) coastal hazards; and 10) modernizing coastal economies.

**Governor's Budget.** The Governor's Budget proposes \$26,420,000 in Proposition 84 bond funds for the COPC projects and programs. This funding would be one-time, with the Conservancy requesting additional bond funds in future years consistent with a bond expenditure plan.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

## 3. Coastal Conservancy Programs

**Background.** The State Coastal Conservancy works on three major programs: coastal resource enhancement, public access and coastal resource development, and San Francisco Bay Conservancy. The Coastal Conservancy's capital outlay projects protect and improve rivers,

lakes, streams, watersheds, beaches, bays, coastal waters, and other natural resources of the coast and San Francisco Bay area; and promote the public's access to and enjoyment of the coast and San Francisco Bay shoreline; work on the California Coastal Trail; and provide trail connections to the coast from inland areas, including the development of regional river parkway systems.

**Project Selection.** In selecting projects to fund the Conservancy gives priority to projects that have landscape and habitat linkages, offer watershed protection, support relatively large areas of under-protected major habitat types, and have a non-state matching financial contribution.

**Project Focus.** In 2008-09 the Coastal Conservancy intends to work on projects focusing on: reducing erosion and siltation; eradicating invasive species; removing or modifying barriers to Anadromous fish; slowing or reversing resource depletion due to population growth and economic activities; restoring scarce plant and animal assemblages necessary for ecosystem health; reducing non-point source pollution through establishment of wetlands and other innovative means; and restoring and enhancing urban watersheds. In addition, the Coastal Conservancy's public access program will work on access facilities, urban waterfronts, and offers to dedicate.

**Available Funding.** Proposition 84 provides funds for the State Coastal Conservancy:

- \$45 million for Santa Ana River Parkway – Chapter 5, Section 75050 (i).
- \$135 million for protection of beaches, bays, coastal waters, and watersheds – Chapter 7, Section 75060 (b)
- \$45 million for protection of Monterey Bay – Chapter 7, Section 75060 (e)
- \$27 million for protection of San Diego Bay – Chapter 7, Section 75060 (f)

Proposition 84 provides funds for the San Francisco Bay Area Conservancy:

- \$108 million for the San Francisco Bay Area Conservancy Program – Chapter 7, Section 75060 (c)

**Governor's Budget.** The Governor's Budget proposes \$89,098,000 in Proposition 84 bond funds for the State Coastal Conservancy. The funds would be divided as follows:

Santa Ana River Parkway	\$13,400,000
San Francisco Bay Area Conservancy	\$24,000,000
Monterey Bay Watershed	\$11,500,000
San Diego Bay and Watershed	\$5,198,000
Statewide Conservancy Programs	\$35,000,000

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal with the following budget bill language:

Of the amount appropriated in this item, \$3,000,000 shall be allocated for projects under the direction of the San Diego River Conservancy.

## 3790 Department of Parks and Recreation

### 1. Off-Highway Motor Vehicle Recreation Grants and Cooperative Agreements

**Background.** The Department of Parks and Recreation Off-Highway Motor Vehicle Recreation (OHMVR) division provides grants for off-highway vehicle areas and recreational trails. The grants are available to cities, counties, some districts, non-profits, and the federal government. Approximately 85 percent of off-highway vehicle areas are on federal lands.

SB 742 (Steinberg, 2007) provided for increased funding for the OHMVR program through an increase in the off-highway vehicle sticker fee. In the last decade the amount of grant funding requested through the program has doubled, while the number of projects not funded has increased ten fold. The new revenue generated by SB 742 is anticipated to increase the available grant funding by 50 percent, from \$18 million to \$27 million annually. The OHMVR currently has seven positions to administer grants and ensure compliance with regulations.

**Governor's Budget.** The Governor's Budget proposes \$913,000 on-going from the Off-Highway Vehicle Trust Fund for eight positions to handle the increased volume of grant applications and monitoring for the OHMVR program.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

### 2. Off-Highway Motor Vehicle Recreation Program – SB 742 Implementation

**Background.** The Department of Parks and Recreation has eight Off-Highway Vehicle (OHV) parks. Though the number of OHV parks has stayed the same for the last decade, the number of visitors to OHV parks has increased from 1.5 million to 5 million annually. SB 742 (Steinberg, 2007) increased the green sticker fee from \$25 to \$50 per vehicle every two years in order to sufficiently fund OHV recreation in California.

**Governor's Budget.** The Governor's Budget proposes \$13,914,000 from the Off-Highway Vehicle Trust Fund for 76 positions to provide additional staffing for the Off-Highway Motor Vehicle Recreation Program.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

### 3. Route Designation Planning and Implementation – SB 742

**Background.** The Conservation and Enforcement Services Account (CESA) includes funding for conservation, law enforcement, and restoration activities in off-highway vehicle areas. Over

the past several years, demand for restoration funding has declined, leaving a balance of approximately \$14 million in CESA. SB 742 (Steinberg, 2007) states that 40 percent of the accumulated CESA funds will be distributed to the U.S. Forest Service and the Bureau of Land Management (BLM) with Challenge Cost-Share Agreements.

The cost-share agreements with the U.S. Forest Service and BLM will require the maintenance of viable and sustainable species populations, ongoing monitoring and attendant adaptive management, and the maintenance of soils conservation standards by the grant recipients.

**Governor's Budget.** The Governor's Budget proposes \$5.6 million from the Off-Highway Vehicle Fund for planning and implementation of off-highway vehicle routes.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

## 4. Deferred Maintenance

**Background.** Deferred maintenance is occurs when routine maintenance projects are delayed and the infrastructure corrodes to require greater repair. In 1998 the Department of Parks and Recreation calculated the park system's deferred maintenance backlog at \$270 million. Today, the list of deferred maintenance projects is over \$1.2 billion. Many deferred maintenance projects at the Department of Parks and Recreation have been deferred for so long that the infrastructure can no longer be repaired with small repairs but qualifies as a capital outlay project for which bond funds can be used.

**Governor's Budget.** The Governor's Budget proposes \$12,268,000 from Proposition 84 bond funds for deferred maintenance projects in state parks.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal but change the budget bill language to provide the fund for four years, instead of the requested six.

## 5. Natural Heritage Stewardship Program

**Background.** The Natural Heritage Stewardship Program aims to ensure that ecosystem and constituent elements are in a healthy condition and significant natural sites and features are protected and preserved. The program funds projects designed to correct problems of accelerated erosion, exotic species encroachment, suppression of natural fires and the buildup of fuels for fires, animal population imbalances, disease and vandalism.

The administration has a five-year \$8.6 million plan for this program.

**Governor's Budget.** The Governor's Budget proposes \$2 million from Proposition 84 bond funds for the Natural Heritage Stewardship Program.



**Staff Recommendation.** Staff recommends that the Subcommittee approve these funds, but that the Subcommittee approve \$1,804,000 for projects as one-time only.

## 6. Statewide Cultural Stewardship

**Background.** The State Park system includes 26 National Historic Landmarks and 94 properties listed on the National Register of Historic Places. There are more than 11,000 recorded archaeological sites and more than 3,000 historic structures scattered throughout the State Park system. The department does not have a dedicated funding source for cultural resources stewardship. In the past, the department received Proposition 12 bond funds for cultural resources, but all those funds have now been exhausted.

The Cultural Stewardship program would preserve and restore cultural resources in the State Park system with four program area emphases: historic adobe structures, historic cemeteries, archaeological sites, and museum collections. The currently identified needs of the cultural stewardship program exceed \$300 million.

**Governor's Budget.** The Governor's Budget proposes \$1,169,000 from Proposition 84 bond funds for planning and implementation of cultural stewardship projects as the first phase of a \$6.9 million five-year plan.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal with the project funds as one-time funds only.

## 7. Statewide Interpretative Exhibit Program

**Background.** In the State Park system, self-guided use of interpretive facilities such as museums, visitor centers, interpretive trails, and historic buildings serve approximately 8.4 million visitors annually. The department is proposing to construct and rehabilitate interpretive exhibits statewide. The Interpretative Exhibit Program includes projects such as rehabilitation of visitor center exhibits, development of outdoor exhibits, installation of historic house museum displays, and development of self-guided interpretive trails and updating of audiovisual systems. The department plans on selecting approximately 13-15 interpretive exhibit projects each year for the duration of the six-year program.

The *2007-08 Budget Act* provided the department with positions to administer Proposition 84 programs. Two of these positions will be directed to the Interpretative Exhibit Program, so no new positions are being requested.

**Governor's Budget.** The Governor's Budget proposes \$1,458,000 from Proposition 84 bond funds for the Interpretative Exhibit Program.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal with project funds as one-time funds only.

## 8. Local Assistance Program

**Background.** The Department of Parks and Recreation provides various grants to cities, counties, non-profit organizations, regional park districts, local park districts, museums, aquariums, zoos, and other public utility or community service districts. These local assistance grants are used for capital projects, including acquisition of real property, development, and rehabilitation.

**Governor's Budget.** The Governor's Budget proposes \$45,560,000 from various special funds and federal funds for the parks local assistance program. The funds are broken down as follows:

- \$3,655,000 – Habitat Conservation Fund
- \$27.1 million – Off-Highway Vehicle Fund
- \$9,726,000 – Recreational Trails Fund
- \$5,079,000 – Federal Trust Fund

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

## 9. Concessions

**Background.** The Department of Parks and Recreation contracts with vendors to provide certain services at state parks. These vendors pay the state to operate in state parks. The department collects approximately \$11 million in revenue annually from concessions contracts.

**Governor's Budget.** The Governor's Budget proposes to approve the following concessions and operating agreements:

- Angel Island State Park – Tours and Food Service Concession
- Lake Oroville State Recreational Area – Bidwell Canyon Marina Concession
- Old Town San Diego State Historic Park – Historic Replica of the Franklin House
- Pacheco State Park – Wind Turbine Concession

**LAO Recommendation.** The LAO recommends that the Legislature approve three of the concessions agreements and hold open the Pacheco State Park concessions agreement due to lack of sufficient information to evaluate the agreement. The department has not yet completed its final economic feasibility study for the Pacheco State Park wind turbine concession. Without this information, the LAO argues that the Legislature is not able to determine whether this proposal is in the state's interest. The LAO recommends the Legislature withhold approval of the Pacheco State Park wind turbine concession proposal, until the department has provided a final economic feasibility study.

**Staff Comment.** The department has assured staff that the project will not proceed until the economic feasibility study for the Pacheco State Park wind turbine concession is completed. The feasibility study is anticipated in early June 2008.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the concessions agreements.

## 10. Fire Prevention in Remote Areas

**Background.** High Risk Fire Zone areas are modeled by the Department of Forestry and Fire Protection to reflect the fire hazard of the area. The fire hazard measurement includes the speed at which a wildfire moves, the amount of heat the fire produces, and most importantly, the burning fire brands that the fire sends ahead of the flaming front. The fire hazard model considers the wildland fuels in the area as well.

The Department of Parks and Recreation has dozens of parks in high risk fire zones. This proposal would place park rangers in park districts located in high risk fire zones to specifically work on fire prevention, rapid response, and protection of public safety during fire events.

Public Resources Code Section 5008 directs the Department of Parks and Recreation to “protect the state park system and the state vehicular recreation area and trail system from damage and preserve the peace therein.” The code does not mention protecting specifically against fire danger.

**Governor’s Budget.** The Governor’s Budget proposes \$3 million from General Fund for fire prevention activities and 29 positions at state parks in high risk fire zones.

**Staff Recommendation.** Given the current General Fund shortfall staff recommends that the Subcommittee reject the budget proposal.

## 11. YMCA of San Diego County – Reappropriation

**Staff Proposal.** Staff proposes a reappropriation of a local park grant to the YMCA of San Diego County for their Border View Expansion project until June 30, 2009.

**Proposed Language.** Reappropriation, Department of Parks and Recreation. Notwithstanding any other provision of law, the period to liquidate encumbrances in the following citation is extended to June 30, 2009:

0005 – Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Bond Fund  
(1) Item 3790-102-0005(a)(5)(vx), Budget Act of 2000 (Ch. 52, Stats. 2000), YMCA of San Diego County: Border View Expansion

**Staff Recommendation.** Staff recommends that the Subcommittee reappropriate the funds.

## 12. City of Anaheim Maxwell Park Extension – Reappropriation

**Staff Proposal.** Staff proposes a reappropriation of a local park grant to the City of Anaheim until June 30, 2009.

**Proposed Language.** Reappropriation, Department of Parks and Recreation. Notwithstanding any other provision of law, the period to liquidate encumbrances in the following citation is extended to June 30, 2009:

0005—Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Bond Fund (1) Item 3790-102-0005, Budget Act of 2000, (Ch. 52, Stats. 2000), (a) 80.25 Recreational Grants, (5) Murray-Hayden Grants, (x) City of Anaheim: Maxwell Park Expansion Project from 15 to 21 acres.

**Staff Recommendation.** Staff recommends that the Subcommittee reappropriate the funds.

## 13. San Dieguito River Park – Reappropriation

**Staff Proposal.** Staff proposes a reappropriation of a local park grant to the San Dieguito River Park Joint Powers Authority in the City of Escondido until June 30, 2009.

**Proposed Language.** Reappropriation, Department of Parks and Recreation. Notwithstanding any other provision of law, the period to liquidate encumbrances in the following citation is extended to June 30, 2009:

0005 – Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Bond Fund (1) Item 3790-102-0005, Budget Act of 2000 (Ch. 52, Stats. 2000), (a) 80.25--Recreational Grants, (1) Competitive grants (non-project specific), (c) Non-motorized Trails Grants. This reappropriation is limited to a \$200,000 grant to the San Dieguito River Park Joint Powers Authority.

**Staff Recommendation.** Staff recommends that the Subcommittee reappropriate the funds.

## 3820 San Francisco Bay Conservation and Development Commission

**Background.** The San Francisco Bay Conservation and Development Commission (BCDC) implements and updates the San Francisco Bay Plan and the Suisun Marsh Protection Plan.

Under these plans, BCDC regulates and issues permits for: (1) all filling and dredging activities in the San Francisco, San Pablo, and Suisun Bays including specified sloughs, creeks, and tributaries; (2) changes in the use of salt ponds and other "managed wetlands" adjacent to the bay; and (3) significant changes in land use within the 100-foot strip inland from the bay. The commission's main objectives are to minimize fill in San Francisco Bay and maximize public access to the shoreline.

**Governor's Budget.** The Governor's Budget proposes \$5.6 million for the BCDC for 2008-09. This is about the same level of support as for current year.

<b>Summary of Expenditures</b>				
<i>(dollars in thousands)</i>	<b>2007-08</b>	<b>2008-09</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Type of Expenditure</b>				
Bay Conservation and Development	\$5,776	\$5,657	-\$119	-2.1
<b>Total</b>	<b>\$5,776</b>	<b>\$5,657</b>	<b>-\$119</b>	<b>-2.1</b>
<b>Funding Source</b>				
General Fund	\$4,530	\$4,569	\$39	0.9
<i>Budget Act Total</i>	<i>4,530</i>	<i>4,569</i>	<i>39</i>	<i>0.9</i>
Bay Fill Clean-Up and Abatement Fund	212	216	4	1.9
Federal Trust Fund	0	0	0	0.0
Reimbursements	1,034	872	-162	-15.7
<b>Total</b>	<b>\$5,776</b>	<b>\$5,657</b>	<b>-\$119</b>	<b>-2.1</b>

## 1. CalTRANS Interagency Agreement Amendment

**Background.** The San Francisco Bay Conservation and Development Commission (BCDC) must authorize most forms of development within the BCDC jurisdiction. The BCDC considers over 200 applications for permit actions every year. BCDC has four permit analysts to perform this work.

In 2005, CalTRANS and the BCDC entered into an interagency agreement for CalTRANS to provide financial support to BCDC so that BCDC's staff could offer more general coordination and priority permit review services on CalTRANS projects. The initial agreement was for three years. CalTRANS has been satisfied with the agreement, and wants to continue paying for a permit review analyst.

**Governor's Budget.** The Governor's Budget proposes \$184,000 from reimbursements for 2008-09 and \$190,000 for 2009-10 and 2010-11 for one position to review CalTRANS permit applications at the BCDC.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

## 3830 San Joaquin River Conservancy

**Background.** The San Joaquin River Conservancy (SJRC) acquires and manages public lands within the San Joaquin river parkway, which consists of approximately 5,900 acres on both sides of the San Joaquin River between Friant Dam and the Highway 99 crossing.

**Governor's Budget.** The Governor's Budget proposes \$1.5 million for the SJRC. This is a reduction of 65 percent over current year mainly due to capital outlay reimbursements.

**Wildlife Conservation Board.** The Wildlife Conservation Board (WCB) is designated to make land acquisitions on behalf of SJRC. The Governor's budget provides \$10 million in Proposition 84 bond funds to finance acquisitions and improvement projects for SJRC.

<b>Summary of Expenditures</b>				
<i>(dollars in thousands)</i>	<b>2007-08</b>	<b>2008-09</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Type of Expenditure</b>				
San Joaquin River Conservancy	\$464	\$498	\$34	7.3
Capital Outlay	3,853	1,000	-2,853	-74.1
<b>Total</b>	<b>\$4,317</b>	<b>\$1,498</b>	<b>-\$2,819</b>	<b>-65.3</b>
<b>Funding Source</b>				
Special Funds	\$347	\$372	\$25	7.2
Bond Funds	117	126	9	7.7
<i>Budget Act Total</i>	<i>464</i>	<i>498</i>	<i>34</i>	<i>7.3</i>
Reimbursements	3,853	1,000	-2,853	-74.1
<b>Total</b>	<b>\$4,317</b>	<b>\$1,498</b>	<b>-\$2,819</b>	<b>-65.3</b>

## 1. Proposition 84 Program Delivery

**Background.** The Conservancy currently has three positions. This proposal would fund one of the existing positions from bond funds to help implement the Conservancy's Proposition 84 program. The position is currently being funded out of Proposition 40 bond funds, but those funds are going to end.

The position would be responsible for helping the Conservancy acquire nearly 1,300 acres for approximately \$27.2 million, as well as planning, overseeing, and administering approximately \$6.8 million in numerous public access and recreation and habitat enhancement and restoration capital improvement projects.

**Governor's Budget.** The Governor's Budget proposes \$122,000 (\$717,000 over five years) from Proposition 84 bond funds for one existing position and related OE&E. The cost of the position is \$122,000 annually, the additional cost is due to OE&E.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

## 2. Environmental Restoration, Public Access, and Recreation

**Background.** The public access and recreation program provides educational and recreational opportunities for the benefit of the public as mandated by the Conservancy's enabling Act. The public access program undertakes projects set forth in the San Joaquin River Parkway Master Plan. The environmental restoration program strives to reverse degradation of the habitat values within the 5,900-acre Parkway area.

**Governor's Budget.** The Governor's Budget proposes \$2 million in Proposition 84 bond funds and \$2 million in reimbursements (total \$4 million) for environmental restoration, public access, and recreation projects. The reimbursements are bond funds coming from the Wildlife Conservation Board.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

## 3. Acquisitions

**Background.** The mission of the San Joaquin River Conservancy is to preserve and enhance the San Joaquin River Parkway's biological diversity, protect the cultural and natural resources, and provide educational and recreational opportunities to benefit the public, through acquisitions and conservation easements. There are 5,900 acres within the Conservancy's jurisdiction, of which approximately 1,841 acres remain to be acquired. The Conservancy estimates that the requested funds will allow for the acquisition of 400 additional acres. The Conservancy only purchases from willing sellers.

All of the San Joaquin River Conservancy's funds move through the Wildlife Conservation Board because the Conservancy does not have technical acquisition and legal expertise on staff. All of the funds are expended at the discretion of the Conservancy.

**Governor's Budget.** The Governor's Budget proposes \$8 million in Proposition 84 bond funds for land acquisition.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

### 3835 Baldwin Hills Conservancy

**Background.** The Baldwin Hills Conservancy (BHC) acquires and manages public lands within the Baldwin Hills area to provide recreational facilities, open space, wildlife habitat restoration, and educational services.

**Governor's Budget.** The Governor's budget proposes \$3.5 million to support BHC in 2007-08. This is 84 percent less than the estimated expenditures in the current year due to a loss of capital outlay bond funds.

<b>Summary of Expenditures</b>				
<i>(dollars in thousands)</i>	<b>2007-08</b>	<b>2008-09</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Type of Expenditure</b>				
Baldwin Hills Conservancy	\$448	\$576	\$128	28.6
Capital Outlay	19,373	4,050	-15,323	-79.1
<b>Total</b>	<b>\$19,821</b>	<b>\$4,626</b>	<b>-\$15,195</b>	<b>-76.7</b>
<b>Funding Source</b>				
Special Funds	\$334	\$345	\$11	3.3
Bond Funds	16,487	3,281	-13,206	-80.1
<i>Budget Act Total</i>	<i>16,821</i>	<i>3,626</i>	<i>-13,195</i>	<i>-78.4</i>
Reimbursements	3,000	1,000	-2,000	-66.7
<b>Total</b>	<b>\$19,821</b>	<b>\$4,626</b>	<b>-\$15,195</b>	<b>-76.7</b>



## 1. Acquisition and Improvement Program

**Background.** Baldwin Hills Conservancy land acquisitions are conducted in accordance with the 2002 Baldwin Hills Park Master Plan. The BHC work is accomplished through both direct Conservancy work and by providing grants to local agencies. The BHC is currently focusing on saving the Ballona Creek Watershed, of which approximately one-third is coastal sage scrub. The remaining two-thirds of the watershed is degraded by oil production and will require extensive restoration efforts. There are 528 unprotected acres of land in this area.

The land cost in the BHC area range from \$45,000 to \$200,000 per acre, because the land has oil deposits.

Proposition 84 (Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Act of 2006) dedicates \$10 million for the Baldwin Hills Conservancy.

**Governor's Budget.** The Governor's Budget proposes \$3.05 million in Proposition 84 bond fund for acquisition, restoration, and development. The Budget also proposes another \$1 million in reimbursements from other state and non-state entities.

The Governor's Budget also includes budget bill language for a General Fund loan to the Baldwin Hills Conservancy to meet cashflow needs due to delays in collecting reimbursements.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

## 2. Program Delivery Staff

**Background.** Currently the Baldwin Hills Conservancy (BHC) has three staff members. These staff members are currently fully involved with implementing the Conservancy's Proposition 40 bond funded projects.

The proposed new position would work on Proposition 84 bond project implementation. The analytical responsibilities of the position would be to provide the necessary assistance with identifying and tracking available project funds, coordinating agency grant contracts, managing capital improvement programs, preparing budget proposals and administering internal systems for bond related expenditures. The Conservancy estimates that it would take five years to fully implement the Proposition 84 bond program.

**Governor's Budget.** The Governor's Budget proposes \$116,000 in Proposition 84 bond funds for one position to work on acquisition and development activities.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the proposal.

## 3845 San Diego River Conservancy

**Background.** The San Diego River Conservancy (SDRC) acquires and manages public lands within the San Diego River Area. It acquires lands to provide recreational opportunities, open space, wildlife habitat, species protection, wetland protection and restoration, and protection and maintenance of the quality of the San Diego River.

**Governor's Budget.** The Governor's Budget proposes \$333,000 to support SDRC in 2008-09. This is 59 percent decrease from the level of expenditures as estimated in the current year due to a decrease in reimbursements.

<b>Summary of Expenditures</b>				
<i>(dollars in thousands)</i>	<b>2007-08</b>	<b>2008-09</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Type of Expenditure</b>				
San Diego River				
Conservancy	\$314	\$333	\$19	6.1
Capital Outlay	500	0	-500	-100.0
<b>Total</b>	<b>\$814</b>	<b>\$333</b>	<b>-\$481</b>	<b>-59.1</b>
<b>Funding Source</b>				
Special Funds	\$314	\$333	\$19	6.1
Bond Funds	0	0	0	0.0
<i>Budget Act Total</i>	<i>314</i>	<i>333</i>	<i>19</i>	<i>6.1</i>
Reimbursements	500	0	-500	-100.0
<b>Total</b>	<b>\$814</b>	<b>\$333</b>	<b>-\$481</b>	<b>-59.1</b>

### No Budget Change Proposals

## 3850 Coachella Valley Mountains Conservancy

**Background.** The Coachella Valley Mountains Conservancy (CVMC) acquires and holds, in perpetual open space, mountainous lands surrounding the Coachella Valley and natural community conservation lands within the Coachella Valley.

**Governor's Budget.** The Governor's Budget proposes \$11.9 million to support CVMC in 2008-09. This is about the same level of funds as the current year estimated expenditures.

<b>Summary of Expenditures</b> <i>(dollars in thousands)</i>	<b>2007-08</b>	<b>2008-09</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Type of Expenditure</b>				
Coachella Valley Mountains Conservancy	\$437	\$441	\$4	0.9
Capital Outlay	12,030	11,518	-512	-4.3
<b>Total</b>	<b>\$12,467</b>	<b>\$11,959</b>	<b>-\$508</b>	<b>-4.1</b>
<b>Funding Source</b>				
Special Funds	\$302	\$302	\$0	0.0
Bond Funds	11,582	11,588	6	0.1
<i>Budget Act Total</i>	<i>11,884</i>	<i>11,890</i>	<i>6</i>	<i>0.1</i>
Reimbursements	567	69	-498	-87.8
<b>Total</b>	<b>\$12,451</b>	<b>\$11,959</b>	<b>-\$492</b>	<b>-4.0</b>

## 1. Land Acquisition

**Background.** The Coachella Valley Mountains Conservancy in 2007 completed a Natural Community Conservation Plan (NCCP) that has been approved by the County of Riverside, eight cities, and various special districts. The NCCP includes habitat for approximately 27 natural communities or habitat types that sustain multiple endangered species. The NCCP is scheduled to be permitted by the California Department of Fish and Game and the U.S. Fish and Wildlife Service by March 15, 2008.

The Conservancy's goal is to acquire 20,392 acres over five years. In 2007, the Conservancy provided grants that allowed for the acquisition of 505 acres (with another 920 in escrow) and contributed funds to a 100 acre acquisition by the Wildlife Conservation Board, with more acquisitions to follow in prior to June 30, 2008. The average cost of the land in the Conservancy's area is \$7,541 per acre. The Conservancy only purchases from willing sellers. The majority of the time, the Conservancy gives the lands it acquires to other entities, such as local governments or non-profits, to manage.

**Governor's Budget.** The Governor's Budget proposes \$11,518,000 from various bond funds for funding acquisition of mountainous lands and natural community conservation lands. The funding would come from:

Proposition 84 \$11,514,000  
 Proposition 12 \$3,000  
 Proposition 40 \$1,000

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

### 3855 Sierra Nevada Conservancy

**Background.** Legislation was enacted in 2004, (AB 2600), to create a new Sierra Nevada Conservancy (SNC) to provide a vehicle for increasing and coordinating state and federal investments in the Sierra Nevada region. The region contains the mountains and the foothills of the Sierra Nevada range and certain adjoining areas, including Mono Basin, the Owens Valley, and part of the southern Cascade region. The jurisdiction covers all or portions of 22 counties from Shasta and Modoc counties in the north to Kern County in the south. Six geographic sub-regions have been defined within the conservancy boundaries. The conservancy is prohibited from acquiring fee title to land.

**Governor's Budget.** The Governor's Budget proposes \$21.7 million for the Sierra Nevada Conservancy in 2008-09. This is almost the same level of support as current year expenditures.

<b>Summary of Expenditures</b>				
<i>(dollars in thousands)</i>	<b>2007-08</b>	<b>2008-09</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Type of Expenditure</b>				
Sierra Nevada Conservancy	\$21,658	\$21,736	\$78	0.4
<b>Total</b>	\$21,658	\$21,736	\$78	0.4
<b>Funding Source</b>				
Special Funds	\$3,952	\$4,023	\$71	1.8
Bond Funds	17,506	17,513	7	0.0
<i>Budget Act Total</i>	<i>21,458</i>	<i>21,536</i>	<i>78</i>	<i>0.4</i>
Reimbursements	200	200	0	0.0
<b>Total</b>	\$21,658	\$21,736	\$78	0.4

## 1. Proposition 84 Local Assistance Grant Funding

**Background.** The Sierra Nevada Conservancy (SNC) was created by legislation in 2004. The SNC responsibilities are to:

- increase opportunities for tourism and recreation
- protect, conserve, and restore the region's physical, cultural, archaeological, historical, and living resources
- aid in the preservation of working landscapes
- protect and improve water quality
- assist the regional economy through the operation of the Conservancy's program
- undertake efforts to enhance public use and enjoyment of lands owned by the public

Proposition 84, Chapter 5 Section 75050(j), provides SNC with \$54 million for the protection and restoration of rivers, lakes and streams, their watershed and associated land, water, and other natural resources. In the *2007-08 Budget Act*, the Legislature appropriated \$17.5 million to the Conservancy.

**Governor's Budget.** The Governor's Budget proposes \$17 million in Proposition 84 bond funds for grants and cooperative agreements

The Governor's Budget also includes budget bill language allowing these funds to be available until June 30, 2011.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

## Discussion Items

### 0540 Secretary for Resources

**Governor's Budget.** The Governor's Budget proposes \$77.7 million for the Secretary for Resources. The majority of these funds are from bond funds, mainly for the CALFED science program and the San Joaquin River Restoration. This is about a 41 percent reduction from the current year level of support, mainly due to a loss in bond funds.

<b>Summary of Expenditures</b>				
<i>(dollars in thousands)</i>	<b>2007-08</b>	<b>2008-09</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Type of Expenditure</b>				
Administration	\$ 166,365	\$ 97,583	-\$68,782	-41.3
<b>Total</b>	<b>\$ 166,365</b>	<b>\$ 97,583</b>	<b>-\$68,782</b>	<b>-41.3</b>
<b>Funding Source</b>				
General Fund	\$ 5,975	\$ 6,249	\$ 274	4.6
Special Funds	4,254	3,387	-867	-20.4
Bond Funds	136,734	68,091	-68,643	-50.2
<i>Budget Act Total</i>	<i>146,963</i>	<i>77,727</i>	<i>-69,236</i>	<i>-47.1</i>
Federal Trust Fund	2,959	3,210	251	8.5
Reimbursements	16,443	16,646	203	1.2
<b>Total</b>	<b>\$ 166,365</b>	<b>\$ 97,583</b>	<b>-\$68,782</b>	<b>-41.3</b>

### 1. San Joaquin River Restoration

**Background.** In 1988, the Natural Resources Defense Council (NRDC) sued the Bureau of Reclamation and the Friant Water Users Authority (FWUA) over the fish population levels in the river. In August of 2006, NRDC and FWUA entered into a settlement agreement, the goal of which is to "restore and maintain fish populations" in the San Joaquin River below the Friant Dam. The settlement specifies actions that will be taken over the next 20 years to restore the San Joaquin River. The intent is to restore approximately 150 miles of river from the Friant Dam to the confluence with the Merced River.

Under the agreement, the federal government will provide funds to restore the river, while FUWA agreed to actions that will increase flows in the river.

**State Role.** While the state is not a party to the lawsuit, The Department of Water Resources, the Resources Agency, and the California Environmental Protection Agency have entered into a memorandum of understanding (MOU) with the settling parties regarding the state's role in the restoration. These departments did not have the authority to enter into an MOU, and such an MOU does not place contractual obligations on the Legislature.

Proposition 84 (Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Act of 2006) provides \$100 million to the Resources Agency for San Joaquin River restoration. The Resources Agency estimates that costs for restoring the San Joaquin River will range from \$350 to \$800 million over 20 years.

In the *2007-08 Budget Act*, the Legislature provided \$13.8 million in one-time bond funds for studies, baseline monitoring, project planning, management, and other research costs; the establishment of a technical advisory committee; and the establishment, operation, and other costs of the Restoration Administrator.

**Governor's Budget.** The Governor's Budget proposes \$15,906,000 in Proposition 84 bond funds for San Joaquin River restoration, which would be provided to the Department of Water Resources (60%) and Department of Fish and Game (40%). These funds would be spent primarily on planning, design, and easement acquisition.

In addition, the Governor proposes the following budget bill language:

*The funds appropriated in this item for purposes of subdivision (n) of Section 75050 of the Public Resources Code may only be expended upon enactment of federal legislation to implement, and to fund the federal government's share of, the settlement agreement in N.R.D.C. v. Rodgers.*

*The funds appropriated in this item for purposes of Section 75050(n) of the Public Resources Code shall be available for encumbrance or expenditure until June 30, 2011, for purposes of support, local assistance, or capital outlay.*

**LAO 2007 Analysis.** The LAO pointed out that the Legislature has never been given an opportunity to evaluate the state's appropriate role in the restoration. The restoration effort is likely to require significant state contributions over the next several decades. The LAO thought that if the administration wishes to move forward with restoration activities, it should sponsor a policy bill to ratify the memorandum of understanding. Such a policy bill would allow the Legislature to fully evaluate the commitment the administration is proposing, as well as allowing the Legislature to determine the overall parameters of state involvement in the restoration. So far the administration has not introduced a bill to ratify the memorandum of understanding.

In addition, the LAO noted that the state is not directly responsible for the condition of the San Joaquin River that led to the lawsuit. Under the "polluter pays" principle, the responsible parties

– in this case the federal government and the water users – should bear the primary responsibility for the restoration of the river. Currently, the funding contribution of the responsible parties is subject to significant uncertainty. The settlement agreement, for example, provides that any party to the lawsuit can void the settlement if federal legislation to implement the settlement is not enacted by December 31, 2006. Such legislation has not yet been passed. The LAO advises against the state taking actions that potentially diminish the legal obligations of the responsible parties to restore the damage they have caused.

**Staff Recommendation.** Staff recommends that the Subcommittee hold this item open.



## 3125 California Tahoe Conservancy

**Background.** The California Tahoe Conservancy (CTC) acquires and manages land to protect the natural environment, provide public access and recreational facilities, and preserve wildlife habitat areas. It also awards grants to other agencies and nonprofit organizations for the purposes of its programs.

**Governor's Budget.** The Governor's Budget proposes \$13.9 million for the Tahoe Conservancy in 2008-09. This is an eighty percent decrease over the current year due to a decrease in bond funds.

<b>Summary of Expenditures</b>				
<i>(dollars in thousands)</i>	<b>2007-08</b>	<b>2008-09</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Type of Expenditure</b>				
Tahoe Conservancy	\$40,181	\$5,713	-\$34,468	-85.8
Capital Outlay	30,107	8,183	-21,924	-72.8
<b>Total</b>	<b>\$70,288</b>	<b>\$13,896</b>	<b>-\$56,392</b>	<b>-80.2</b>
<b>Funding Source</b>				
General Fund	\$243	\$222	-\$21	-8.6
Special Funds	6,902	5,434	-1,468	-21.3
Bond Funds	59,475	7,069	-52,406	-88.1
<i>Budget Act Total</i>	<i>66,620</i>	<i>12,725</i>	<i>-53,895</i>	<i>-80.9</i>
Reimbursements	1,380	500	-880	-63.8
Federal Trust Fund	2,070	450	-1,620	-78.3
Tahoe Conservancy Fund	218	221	3	1.4
<b>Total</b>	<b>\$70,288</b>	<b>\$13,896</b>	<b>-\$56,392</b>	<b>-80.2</b>

### 1. Implementation of the Environmental Improvement Program for the Lake Tahoe Basin

**Background.** The Environmental Improvement Program (EIP) represents a collaborative capital improvement approach toward meeting environmental and public access goals at Lake Tahoe. The EIP reflects a commitment to capital outlay, local assistance, and programmatic approaches to counter the rapid decline of the resources and public recreation values of the Lake Tahoe

Basin. Since 1998, the state has appropriated approximately \$221 million to the Tahoe Conservancy for the EIP implementation.

The Federal government recently announced a \$45 million allocation for the 2008 Federal fiscal year for the EIP implementation.

**Governor's Budget.** The Governor's Budget proposes \$8,183,000 for capital outlay funding to support the EIP implementation. The funds would come from the following sources:

- \$1,351,000 – Proposition 12
- \$383,000 – Habitat Conservation Fund
- \$708,000 – Lake Tahoe License Plate
- \$4,851,000 – Proposition 84
- \$890,000 – Reimbursements

**Staff Recommendation.** Staff recommends that the Subcommittee hold this item open.

## 2. Maintain Support Budget Baseline

**Background.** The Tahoe Conservancy has used up most of its program delivery allocations under Proposition 12, 40, and 50. The Conservancy's total support baseline is \$1,266,000, of which Propositions 12, 40, 50, and 84 can cover \$696,000. This leaves the Conservancy with a shortfall of \$558,000. In order to maintain the Conservancy's baseline budget, the Conservancy is requesting additional funds.

**Governor's Budget.** The Governor's Budget proposes a fund shift of \$558,000 for its support budget. The funds would come from the following sources:

- \$120,000 – Proposition 12
- \$39,000 – Proposition 40
- \$399,000 – Lake Tahoe Conservancy Account

**Staff Recommendation.** Staff recommends that the Subcommittee approve the \$399,000 from Lake Tahoe Conservancy Account, but reject the Proposition 12 and 40 bond funds.

## 3560 State Lands Commission

**Background.** The State Lands Commission (SLC) is responsible for the management of lands that the state has received from the federal government. These lands total more than four million acres and include tide and submerged lands, swamp and overflow lands, the beds of navigable waterways, and vacant state school lands.

**Governor's Budget.** The Governor's Budget proposes \$28.9 million to support the State Lands Commission. This is about the same level of support as for current year.

<b>Summary of Expenditures</b>				
<i>(dollars in thousands)</i>	<b>2007-08</b>	<b>2008-09</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Type of Expenditure</b>				
Mineral Resource Management	\$ 9,285	\$ 9,243	-\$42	-0.5
Land Management	9,742	8,823	-919	-9.4
Marine Facilities Division	10,684	10,691	7	0.1
Capital Outlay	232	182	(50)	-21.6
Administration	3,533	3,365	-168	-4.8
<i>less distributed administration</i>	<i>-3,533</i>	<i>-3,365</i>	<i>168</i>	<i>-4.8</i>
<b>Total</b>	<b>\$ 29,943</b>	<b>\$ 28,939</b>	<b>-\$1,004</b>	<b>-3.4</b>
<b>Funding Source</b>				
General Fund	\$ 10,929	\$ 9,642	-\$1,287	-11.8
Special Funds	14,875	14,931	56	0.4
Bond Funds	0	0	0	
<i>Budget Act Total</i>	<i>25,804</i>	<i>24,573</i>	<i>-1,231</i>	<i>-4.8</i>
Reimbursements	3,695	3,926	231	6.3
Land Bank Fund	444	440	-4	-0.9
<b>Total</b>	<b>\$ 29,943</b>	<b>\$ 28,939</b>	<b>-\$1,004</b>	<b>-3.4</b>

### 1. Energy Projects Workload

**Background.** The State Lands Commission (SLC) has jurisdiction over all ungranted tidelands, submerged lands, and the beds of navigable rivers, sloughs, lakes, etc. The SLC also has authority over certain school lands granted to the State for the benefit of public education. A

lease from the SLC is required in order for any entity to place a project on state-owned lands under the jurisdiction of SLC.

Interest in Liquefied Natural Gas (LNG) and other renewable energy such as geothermal is growing in California. This interest is mainly due to statute (SB 1078, Sher, 2002) that requires investor-owned utilities, starting in 2003, to increase procurement of power from renewable resources by one percent per year until it comprises 20 percent of their supply mix, and reach that level by 2017 at the latest.

When a renewable energy power facility is proposed on state lands under the SLC's jurisdiction, the SLC must review the application. An Environmental Impact Report (EIR) must be submitted with applications for marine oil terminal facilities, geothermal exploration and development, and hydrogen pipeline construction due to the significant potential for environmental effect including oil spills, gas leaks, greenhouse gas emissions, and other impacts. It takes the SLC 12-18 months to process an EIR for each individual project. The current backlog of applications with the SLC is 18 projects.

**Governor's Budget.** The Governor's Budget proposes \$85,000 from reimbursement for one full-time position to review applications for Liquefied Natural Gas and other energy related projects on state lands. The reimbursement would be paid by the project applicants.

**Staff Recommendation.** Staff recommends that the Subcommittee hold this item open.

## 2. Budget Balancing Reductions

**Governor's Budget Balancing Reduction.** The Governor proposes a budget balancing reduction of \$611,000 General Fund and 5.7 positions from the Land Management program.

**Impact of Proposal.** This proposal would lead to the loss of one auditor to renegotiate leases. Lease auditors bring in approximately \$300,000 in new revenue annually as lease rates on state lands are raised. The other five positions would come from legal and boundary staff, who assist the Attorney General in state land disputes, provide assistance to state agencies that purchase land, and review developments.

The State Lands Commission has stated that by imposing a lease cost on some currently non-rent paying public benefit leases the state could raise approximately \$800,000 in new revenue.

**Staff Recommendation.** Staff recommends that the Subcommittee hold open this item.

## 3. Huntington Beach Field Office Replacement

**Current Office Building.** The State Lands Commission Huntington Beach office has become infected with toxic mold, due to storm damage to the roof in 2000 that allowed water to seep into

the walls. Asbestos and lead paint have been previously identified in the building. Department of General Services estimates that mold and asbestos remediation would cost over \$250,000. However, the building is not ADA compliant and the remediation would not address that problem.

The current Huntington Beach facility houses four employees who are responsible for testing and accounting oil production for royalty computations. All crude oil produced from state leases is sampled, tested and measured for gravity, water content, solids content, and other factors. This testing is used for the royalty verification calculation process. Annually, the crude oil royalties provide between \$15 to \$20 million in revenues to the state.

**Proposed New Building.** The new office building and laboratory would be 2,775 square feet with an oil laboratory. The laboratory would be designed as an explosion-proof space. The project cost includes the required equipment. The new office building would be constructed on State Lands Commission owned land in Seal Beach.

The current office would be demolished and the land sold as state surplus. The cost estimate for the site of the current office is \$3 million.

**2007-08 Budget Action.** In the 2007-08 Budget, the Legislature appropriated \$308,000 for the preliminary plans phase of this project. The total project cost is estimated at \$2,418,000.

**Governor's Budget.** The Governor's Budget proposes \$182,000 General Fund for the working drawings phase of the capital outlay project.

**Staff Recommendation.** Staff recommends that the Subcommittee reject the budget proposal.

## 3640 Wildlife Conservation Board

**Background.** The Wildlife Conservation Board (WCB) acquires property in order to protect and preserve wildlife and provide fishing, hunting, and recreational access facilities. The WCB is an independent board in the Department of Fish and Game and is composed of the Director of the Department of Fish and Game, the Director of the Department of Finance, and the Chairman of the Fish and Game Commission. In addition, three members of the Senate and three members of the Assembly serve in an advisory capacity to the board.

**Governor's Budget.** The Governor's Budget proposes \$62 million to support the WCB in 2008-09 year. This is over a 93 percent reduction from estimated expenditures in the current year due to the current year reflecting many acquisition projects for which the funds were appropriated in prior years but expended in 2007-08. General Fund support for the board increased by slightly less than 6 percent in the budget year.

<b>Summary of Expenditures</b>				
<i>(dollars in thousands)</i>	<b>2007-08</b>	<b>2008-09</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Type of Expenditure</b>				
State Operations	\$ 4,356	\$ 4,346	-\$10	-0.2
Capital Outlay	871,043	57,668	-813,375	-93.4
<b>Total</b>	<b>\$ 875,399</b>	<b>\$ 62,014</b>	<b>-\$813,385</b>	<b>-92.9</b>
<b>Funding Source</b>				
General Fund	\$ 19,846	\$ 20,956	\$ 1,110	5.6
Special Funds	-4,791	1,758	6,549	-136.7
Bond Funds	849,368	38,300	-811,068	-95.5
<i>Total Budget Act</i>	<i>864,423</i>	<i>61,014</i>	<i>-803,409</i>	<i>-92.9</i>
Reimbursements	7,986	1,000	-6,986	-87.5
Oak Woodlands Conservation Fund	2,990	0	4,160	139.1
<b>Total</b>	<b>\$ 875,399</b>	<b>\$ 62,014</b>	<b>-\$806,235</b>	<b>-92.1</b>

## 1. Budget Balancing Reductions

**Governor's Budget.** The Governor proposes a budget balancing reduction of \$20,000 from the Board. The Board's total GF support budget is \$204,000. The remaining \$20 million in GF for the Board is a transfer to the Habitat Conservation Fund (see discussion below).

**Impact of Reduction.** General Fund makes up less than five percent of the total support appropriation for the Board. Some of the support functions paid for with General Fund would be shifted to special funds. Three positions are partially funded with General Fund.

**Staff Recommendation.** Staff recommends that the Subcommittee reduce the Board's budget by \$204,000. The Board has other resources to which it can shift the three positions partially funded with General Fund.

## 2. Increase in Position Authority

**Background.** The Wildlife Conservation Board (WCB) acquires, restores, develops, and enhances wildlife habitat and provides compatible public access for enjoyment of the state's wildlife resources. The WCB has 25 staff members to carry out its duties. The staff consists primarily of land agents and field agents, with supervisory and support staff. Since 2000, the voters have approved over \$1.9 billion in new bond funds for the WCB.

The current workload is 75 projects annually for each Senior Land Agent Specialist and 10 projects annually for each Public Land Management Specialist position.

**Governor's Budget.** The Governor's Budget proposes two new positions for the department from existing resources. The cost of these positions would be \$242,473 and the funding sources would be various bond funds and Wildlife Restoration Funds.

**Staff Recommendation.** Staff recommends that the Subcommittee reject the budget proposal and direct the Board to use these existing resources to fund the three positions previously partially funded from General Fund.

## 3. Habitat Conservation Fund

**Background.** Proposition 117, the mountain lion initiative, created the Wildlife Protection Act of 1990 (Act). The Act created the Habitat Conservation Fund (HCF), which requires an annual transfer of \$30 million into the fund. The Act requires if special funds are not available for transfer, General Fund monies must be used. These transfers will take place until 2020.

The \$30 million in HCF is divided as follows: \$21 million for the Wildlife Conservation Board, \$4.5 million to the Department of Parks and Recreation, \$4 million to the State Coastal Conservancy, and \$0.5 million to the Tahoe Conservancy.

The Wildlife Conservation Board uses the funds for the acquisition, restoration or enhancement of: habitat including native oak woodlands necessary to protect deer and mountain lions; habitat to protect rare, endangered, threatened, or fully protected species; enhancement, or restoration of wetlands, aquatic habitat for spawning and rearing of anadromous salmonids and trout resources and riparian habitat.

**Governor's Budget.** The Governor's Budget proposes \$21 million in General Fund to be transferred to the Habitat Conservation Fund.

**LAO Recommendation.** Based on the allowed uses of Habitat Conservation Fund and the availability of environmental mitigation funds from Proposition 1E, the LAO believes that the Legislature can appropriate funds from Proposition 1E to Habitat Conservation Fund—satisfying the requirements of Proposition 117. Therefore, The LAO recommends that the Legislature appropriate \$9.9 million from Proposition 1E to Habitat Conservation Fund in the budget year and about \$21 million per year thereafter. Also, the LAO recommends the Legislature adopt budget bill language directing Wildlife Conservation Board to spend those funds in a manner that both provides mitigation for Department of Water Resources' flood control projects and meets the criteria of Proposition 117.

**Proposed Budget Bill Language.** Budget Bill Language modifications (*in italics*):

3640-301-0262—For capital outlay, Wildlife Conservation Board, payable from the Habitat Conservation Fund.....\$20,668,000

Schedule:

(1) 80.10.000—*Wildlife Conservation Board Projects (Unscheduled)....\$10,705,000*

(2) 80.10.101—*Flood Control - Mitigation....\$9,963,000*

Provisions:

1. Funds appropriated in this item are provided in accordance with the Wildlife Conservation Law on 1947 and, therefore, shall not be subject to Public Works Board review.

2. The amount appropriated in this item is available for expenditure for capital outlay or local assistance until June 30, 2011.

3. *Of the amount appropriated in this item, \$9,963,000 shall be available for expenditure by the Wildlife Conservation Board for projects required under law to mitigate the impacts of flood control projects constructed by the Department of Water Resources pursuant to the Disaster Preparedness and Flood Prevention Bond Act of 2006 and consistent with the requirements of the Habitat Conservation Fund.*

3640-311-0383—For transfer by the Controller from the Natural Resources Infrastructure Fund to the Habitat Conservation Fund...\$10,871,000

Provisions:

1. *The funds transferred in this item shall be used for purposes consistent with the requirements of the Habitat Conservation Fund.*



3860-311-6052—*For transfer by the Controller from the Disaster Preparedness and Flood Prevention Bond Fund of 2006 to the Habitat Conservation Fund...\$10,129,000*

*Provisions:*

*1. The funds transferred in this item shall be used for purposes consistent with the requirements of the Habitat Conservation Fund and the requirements of Section 5096.821 of the Public Resources Code.*

**Staff Recommendation.** Staff recommends that the Subcommittee hold this item open.

## 4. Trailer Bill

**Background.** The Natural Heritage Preservation Tax Credit Act of 2000 (Act) requires the Wildlife Conservation Board to implement a program under which a donor of qualified property, upon approval of the Board, may receive a tax credit for a portion of the value of property that is donated to the state, a local government, or a nonprofit organization designated by a local government, in order to protect wildlife habitat, open space, and agricultural land. The Act establishes the Natural Heritage Preservation Tax Credit Reimbursement Account in the General Fund, into which are paid bond funds from local governments or specified state departments that are authorized to expend the moneys to acquire property under the Act. Upon appropriation, the moneys in the account are required to be used to reimburse the General Fund for tax credits claimed under the Act.

**Proposed Trailer Bill Language.** The Governor proposes trailer bill language to allow \$4,882,610 to be transferred from the Natural Heritage Preservation Tax Credit Reimbursement Account into the General Fund. Also, the trailer bill allows the State Controller to transfer, within 60 days of receipt of funds into the Natural Heritage Preservation Tax Credit Reimbursement Account and notification to the Legislature, those funds to the General Fund.

**Staff Recommendation.** Staff recommends that the Subcommittee approve amended trailer bill language. The amendment would be to keep the phrase “upon appropriation of the Legislature” in Section 1, 37036(b), rather than take it out as the Governor proposed.

## 3720 California Coastal Commission

**Background.** The California Coastal Commission, following its initial creation in 1972 by a voter initiative, was permanently established by the State Coastal Act of 1976. In general, the act seeks to protect the state's natural and scenic resources along California's coast. It also delineates a "coastal zone" running the length of California's coast, extending seaward to the state's territorial limit of three miles, and extending inland a varying width from 1,000 yards to several miles. The commission's primary responsibility is to implement the act's provisions. It is also the state's planning and management agency for the coastal zone. The commission's jurisdiction does not include the San Francisco Bay Area, where development is regulated by the San Francisco Bay Conservation and Development Commission.

**Governor's Budget.** The Governor's Budget proposes \$17.7 million to support the Coastal Commission in 2008-09. This is slightly higher than estimated expenditures for the current year.

<b>Summary of Expenditures</b>				
<i>(dollars in thousands)</i>	<b>2007-08</b>	<b>2008-09</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Type of Expenditure</b>				
Coastal Management Program	\$ 16,071	\$ 16,736	\$665	4.1
Coastal Energy Program	879	912	33	3.8
Administration	1,812	1,914	102	5.6
<i>less distributed administration</i>	<i>-1,712</i>	<i>-1,814</i>	<i>-102</i>	<i>6.0</i>
<b>Total</b>	<b>\$ 17,050</b>	<b>\$ 17,748</b>	<b>698</b>	<b>4.1</b>
<b>Funding Source</b>				
General Fund	\$ 11,709	\$ 11,809	100	0.9
Special Funds	1,307	1,863	556	42.5
<i>Budget Act Total</i>	<i>13,016</i>	<i>13,672</i>	<i>656</i>	<i>5.0</i>
Federal Trust Fund	2,513	2,544	31	1.2
Reimbursements	1,521	1,532	11	0.7
<b>Total</b>	<b>\$ 17,050</b>	<b>\$ 17,748</b>	<b>698</b>	<b>4.1</b>

## 1. Budget Balancing Reduction – Energy Program

**Governor’s Budget Balancing Reduction.** The Governor proposes a budget balancing reduction of \$52,000 General Fund from the Coastal Energy Program.

**Impact of Reduction.** The Coastal Energy Program addresses coastal energy issues, including, but not limited to, offshore oil and gas development, alternative energy projects, electricity generating power plant expansion and development, and siting and development of liquefied natural gas and desalination facilities. No positions would be lost as a result of this reduction, but available resources would be restricted.

**Staff Recommendation.** Staff recommends that the Subcommittee hold this item open.

## 2. Budget Balancing Reduction – Administration Program

**Governor’s Budget Balancing Reduction.** The Governor proposes a budget balancing reduction of \$173,000 General Fund from the Administration Program.

**Impact of Reduction.** The Administration Program provides administrative support including accounting, budgeting, business services, support services, information technology, and personnel to other departmental programs. This reduction would lead to the loss of two positions.

**Staff Recommendation.** Staff recommends that the Subcommittee hold this item open.

## 3. Trailer Bill Language

**Background.** The California Coastal Commission is responsible for reviewing coastal development permits in accordance with the State Coastal Act of 1976. Currently all coastal development permit fees are deposited into the Coastal Access Account. Funds in the Coastal Access Account are available, upon appropriation of the Legislature, to the State Coastal Conservancy for grants to public agencies and non-profit agencies to provide or improve facilities that provide access to the shoreline of the sea.

Recently the Coastal Commission has seen increasing workload, particularly in the review of complex development proposals, such as desalination and natural gas facilities. Accordingly, backlogs in the commission’s permitting and enforcement activities have developed.

**Governor’s Proposal.** The Governor proposes trailer bill language to make funds in the Coastal Access Account also available to the Coastal Commission, upon appropriation from the Legislature.

**LAO Recommendation.** The LAO believes that fees levied on permittees/developers should, along with other non-General Fund funding sources, cover the commission’s costs to issue and

enforce permits to the extent practical. This is because there is a direct link between the activities carried out by the commission and those who directly benefit from them through their development actions. The LAO points out that funding such activities would be consistent with the Legislature's actions in requiring that the costs of most other environmental regulatory programs, such as those protecting air and water quality, be largely if not totally reimbursed through industry fees and assessments.

The LAO recommends the enactment of legislation to create a special fund in the commission's budget into which fee revenues would be deposited, with expenditures from the fund subject to appropriation by the Legislature. The LAO thinks that the Legislature's oversight of, and accountability for, the uses of the funds are facilitated by depositing the fees into a special fund.

**Staff Recommendation.** Staff recommends that the Subcommittee hold this issue open.

## 4. Operating Expenses, Equipment, and Information Technology

**Background.** The Operating Expenses and Equipment (OE&E) budget is used by departments to pay for costs associated with keeping an office functional, such as paying rent and repairing or replacing worn equipment.

The Coastal Commission's OE&E budget was reduced in 2001 due to State budget reductions, and has not been increased to its pre-reduction level. Due to the budget constraints, much of the equipment such as computers and copiers has not been replaced and is in use past its guaranteed useful life.

The Commission has six offices for which the rent has been increasing. The Ventura and Eureka offices are not ADA accessible. The Department of General Services is negotiating leases in different office space for the Commission, but that new space will have increased rent as well as moving costs associated with going to a new space.

**Governor's Budget.** The Governor's Budget proposes \$524,000 from the Coastal Access Account for increasing the operating expenses and equipment baseline budget of the Coastal Commission and providing a one-time information technology augmentation.

**\$319,000      Baseline Augmentation (on-going)**

\$141,000      Facilities Operations  
\$ 53,000      T1 Network Connection  
\$125,000      Equipment Replacement

**\$205,000      One-time Costs**

\$205,000      IT Hardware and Equipment Replacement

**Staff Concerns.** The Coastal Commission has indicated that if these funds are approved, they will shift some of their existing operating expenditures and equipment (OE&E) funding to pay

for positions that would be eliminated with the Governor's budget balancing reductions. This shift in funding is inappropriate unless specifically requested by the Legislature.

**Staff Recommendation.** Staff recommends the Subcommittee hold this item open since the funding source is dependent upon the passage of the trailer bill.

## 5. Civil Fine Authority – Informational Item

**Background.** Currently, in order for the commission to issue a fine or penalty, the commission must file a case in the superior court. This process is cumbersome and results in few fines and penalties issued by the commission due to the high cost of pursuing enforcement through the courts. The Coastal Commission's enforcement fine and penalty revenues are required to be transferred to the Violation Remediation Account in State Coastal Conservancy, to be used to carry out the general purposes of the Coastal Act.

**LAO Recommendation.** The LAO recommends the enactment of legislation enabling the commission to issue fines and penalties directly for enforcement actions, rather than through the court process, as an additional means to stabilize funds available to the commission. Based on the LAO's review of other state and local regulatory agencies in the resources area, those which administratively assess fines/penalties tend to have fines as a growing source of support for their enforcement activities. By contracts, the commission's budget of enforcement fines and penalty revenues remain stable at \$150,000, with no change from the current year.

The LAO recommends the enactment of legislation enabling the commission to issue fines and penalties directly for enforcement actions, rather than through the court process, as an additional means to stabilize funds available to the commission. The LAO also recommends the enactment of legislation to create a special fund in the commission's budget into which penalty revenues would be deposited, with expenditures from the fund subject to appropriation by the Legislature.

**Staff Recommendation.** This is an informational item only. No recommendation.

## 3780 Native American Heritage Commission

**Background.** The Native American Heritage Commission (NAHC) preserves and protects California Native American cultures. The commission's powers and duties include identifying and cataloging important geographic sites, helping Native Americans gain access to these sites, protecting burial and sacred sites, and ensuring that remains are treated appropriately. The commission also works to mitigate the negative impacts of development on the state's Native American cultural resources.

**Governor's Budget.** The Governor's budget proposes \$792,000 to support the NAHC in 2008-09, before the Budget Balancing Reduction. This is approximately the same level of expenditures as estimated in the current year. Chart does not include the Budget Balancing Reduction.

<b>Summary of Expenditures</b>				
<i>(dollars in thousands)</i>	<b>2007-08</b>	<b>2008-09</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Type of Expenditure</b>				
Native American Heritage	\$785	\$792	\$7	0.9
<b>Total</b>	<b>\$785</b>	<b>\$792</b>	<b>\$7</b>	<b>0.9</b>
<b>Funding Source</b>				
General Fund	\$780	\$786	\$6	0.8
<i>Budget Act Total</i>	<i>780</i>	<i>786</i>	<i>6</i>	<i>0.8</i>
Reimbursements	5	6	1	20.0
<b>Total</b>	<b>\$785</b>	<b>\$792</b>	<b>\$7</b>	<b>0.9</b>

**No Budget Change Proposals.**

### 1. Budget Balancing Reduction

**Governor's Budget Balancing Reduction.** The Governor proposes a budget balancing reduction of \$79,000 General Fund to the Commission's budget.

**Impact of Reduction.** This reduction would lead to the loss of 1.4 positions and would reduce the number of Commission meetings to one annually.

**Staff Recommendation.** Hold open.

## 3790 Department of Parks and Recreation

**Background.** The Department of Parks and Recreation (DPR) acquires, develops, and manages the natural, cultural, and recreational resources in the state park system and the off-highway vehicle trail system. In addition, the department administers state and federal grants to local entities that help provide parks and open-space areas throughout the state.

The state park system consists of 277 units, including 31 units administered by local and regional agencies. The system contains approximately 1.4 million acres, which includes 3,800 miles of trails, 300 miles of coastline, 800 miles of lake and river frontage, and about 14,800 campsites. Over 80 million visitors travel to state parks each year.

**Governor's Budget.** The Governor's Budget proposes \$569 million for Parks and Recreation. This is a decrease of 15.7 percent from current year due to a decrease in special funds and bond funds. The chart below does not reflect the proposed budget balancing reduction to the department's General Fund.

<b>Summary of Expenditures</b>				
<i>(dollars in thousands)</i>	<b>2007-08</b>	<b>2008-09</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Type of Expenditure</b>				
Support of the Department of Parks and Recreation	\$ 426,626	\$ 418,808	-\$7,818	-1.8
Local Assistance Grants	92,880	45,560	-47,320	-51.0
Capital Outlay	155,565	104,785	-50,780	-32.6
<b>Total</b>	<b>\$ 675,071</b>	<b>\$ 569,153</b>	<b>-105,918</b>	<b>-15.7</b>
<b>Funding Source</b>				
General Fund	\$ 161,213	\$ 150,533	-10,680	-6.6
Special Funds	273,899	242,553	-31,346	-11.4
Bond Funds	141,554	115,318	-26,236	-18.5
<i>Budget Act Total</i>	<i>576,666</i>	<i>508,404</i>	<i>-68,262</i>	<i>-11.8</i>
Federal Trust Fund	53,786	17,732	-36,054	-67.0
Reimbursements	43,794	42,262	-1,532	-3.5
Harbors and Watercraft Revolving Fund	825	755	-70	-8.5
California Missions Foundation Fund	0	0	0	0.0
<b>Total</b>	<b>\$ 675,071</b>	<b>\$ 569,153</b>	<b>-105,918</b>	<b>-15.7</b>

Department of Parks and Recreation capital outlay items will be discussed on May 12.

## 1. Diesel Vehicle Emissions Retrofit

**Background.** Diesel particulate matter has been identified as a toxic air contaminant in California. On December 8, 2005 the California Air Resources Board adopted a fleet rule to reduce diesel particulate matter emissions from fleets operated by public agencies and utilities based on a phased implementation schedule. This rule requires vehicle modification or replacement of any State-owned one-road heavy-duty diesel fueled vehicles. The Department of Parks and Recreation has 151 such diesel vehicles. Of those, 82 must be retrofitted by December 2009.

**Governor's Budget.** The Governor's Budget proposes one-time \$910,000 in General Fund for retrofitting about 150 diesel vehicles and an establishment of an ongoing program for reporting and record keeping to maintain compliance.

**Staff Recommendation.** Staff recommends that the Subcommittee hold this item open for staff to explore alternative funding sources.

## 2. Park Closures

**Governor's Budget Balancing Reduction.** The Governor proposes a budget balancing reduction of \$13,322,000 General Fund to the department's budget. Of this amount, \$8.9 million would come from park operations and \$4.4 million from related administrative costs. This would result in the closure of 48 out of 278 parks, as well as reductions/elimination of life-guards on state beaches in San Diego, Orange, and Santa Cruz counties. This reduction would result in the lay-off of 129 employees and would also reduce fee revenues generated by these parks by \$3.7 million.

**LAO Recommendation.** The LAO believes that increasing fee revenues by \$25 million will be sufficient to allow the department to avoid closures of any state parks or beaches. The LAO recommends the department increase its fees to keep up with inflation over the last decade. The LAO recommends the department target fee increases to high-demand parks to minimize any potential impact on attendance. The LAO states that its increased revenue projection would be sufficient to fully offset the Governor's budget-balancing reduction of \$13.3 million in General Fund, thereby avoiding park or beach closures and the potential loss of \$3.7 million in fee revenues due to the closures.

In addition, the LAO recommends that in order to slow the growth in the department's deferred maintenance, the LAO recommends that the remaining revenue from the fee increase (about \$11.7 million) be used for ongoing maintenance of the state park system. They also recommend that the budget bill provide the requisite increased expenditure authority for ongoing maintenance.



*Current Park Fee Structure.* Some parks and state beaches have no entrance fees while other parks do charge a fee for use. (Typically, entrance fees are assessed on vehicles entering the park, rather than on individual visitors. At most state parks, visitors can walk in for free.) Fees charged for use of the state park system vary considerably. Entrance fees vary between \$2 and \$10 per vehicle, with most parks charging from \$5 to \$7 per vehicle. The department also charges fees for camping. Camping site fees vary from \$9 to \$200 per night, with most fees between \$15 and \$40 per night, depending on the demand for camping sites and/or the costs of operating them. While the bulk of the department's fee revenues come from parking and camping fees, some parks charge for other services, such as tours or access to specific attractions. Also, it is important to note that the largest component of state park system attendance is unpaid—that is people visiting parks that do not charge entrance fees or walking into state parks.

Because fees vary by location, service provided, and time of year, it is difficult to compare specific fee levels over time. Rather, the LAO used the average fee revenue generated per paid visitor to make comparisons across time. In 2006–07, the last year for which data are available, fee revenue per paid visitor to the state park system was \$2.83. (As was mentioned above, most park entrance fees are charged per vehicle or per campsite. Therefore the individual cost of using the park is typically much less than the posted fee level.) Fee reductions in the late 1990s led to declining fee revenues per visitor. To some extent, these previous fee reductions were reversed early in this decade, leading to rising fee revenues per visitor. However, they have now returned to previous levels. Once fee revenues are adjusted for inflation, the LAO found that the real value of fee revenue per visitor has declined. To keep up with inflation over the last decade, fee revenue per visitor would be \$3.81 per paid visit, rather than the actual revenue of \$2.83 per paid visit. In 2006–07 year, total fee revenues were approximately \$25 million lower than they would have been had fees kept up with inflation over the last decade.

*Park Maintenance.* The department estimates that almost 80 million people visited the system in 2006–07. The size and breadth of the state park system, heavy usage by the public, and the fact that so much of the system's infrastructure is exposed to the elements means that the department has a significant obligation to perform maintenance activities. The budget does not propose new ongoing maintenance funding over 2007-08 for the state park system.

Based on its internal facility management program, the department estimates that its ongoing maintenance needs exceed its maintenance budget by almost \$120 million per year. (This imbalance between ongoing maintenance funding and identified need has persisted for many years.) Over the years, the difference between ongoing maintenance needs and available funds has created a backlog of deferred maintenance projects—currently estimated at \$1.2 billion. Typically, these projects encompass the replacement or rehabilitation of an existing asset that has not been adequately maintained—such as water or sewer systems. Given the current shortfall between the department's maintenance budget and its estimated maintenance requirements, this backlog will likely continue to grow over time unless corrective action is taken.

*Impact of Fees on Park Attendance.* In the past, concerns have been raised about the effects of proposed fee increases on attendance at the state park system. The LAO finds that while park

system attendance varies over time, paid attendance to the system does not seem to be very sensitive to changes in park fees. Specifically, the long-term trend of increasing paid attendance does not seem to change significantly due to increases in fees. As reflected in the figure, paid attendance has remained relatively stable during the period of fee increases that began around 2002–03 and continued in subsequent years.

**Staff Recommendation.** Staff recommends that the Subcommittee direct staff to lead a working group on the issue and present an alternative to the committee.

## 3810 Santa Monica Mountains Conservancy

**Background.** The Santa Monica Mountains Conservancy (SMMC) acquires, restores, and consolidates lands in the Santa Monica Mountains Zone for park, recreation, or conservation purposes. The SMMC was established by the Legislature in 1980.

**Governor's Budget.** The Governor's Budget proposes \$21.6 million for the Santa Monica Mountains Conservancy in 2008-09. This is about 11 percent less than in current year due to a reduction in bond funds.

<b>Summary of Expenditures</b>				
<i>(dollars in thousands)</i>	<b>2007-08</b>	<b>2008-09</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Type of Expenditure</b>				
Santa Monica Mountains Conservancy	\$1,208	\$1,250	\$42	3.5
Capital Outlay	23,180	20,367	-2,813	-12.1
<b>Total</b>	<b>\$24,388</b>	<b>\$21,617</b>	<b>-\$2,771</b>	<b>-11.4</b>
<b>Funding Source</b>				
Special Funds	\$1,248	\$646	-\$602	-48.2
Bond Funds	23,140	20,971	-2,169	-9.4
<b>Total</b>	<b>\$24,388</b>	<b>\$21,617</b>	<b>-\$2,771</b>	<b>-11.4</b>

### 1. Missing Supplemental Report

**Report Requested.** During the 2007-08 Budget Sub-Committee hearings the Senate expressed concern that the Santa Monica Mountains Conservancy and the San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy may not be working together in the optimal fashion toward the same goal of protecting and restoring habitat along the Los Angeles River. A supplemental report was requested to provide information on the ways the two conservancies have collaborated on protection and restoration efforts, as well as a cost estimate for the next five years of projects the two conservancies intend to undertake.

**Report Not Submitted.** The Supplemental Report was due Jan 10, 2008. The administration has informed the Subcommittee that the report is currently under review, but has not stated when the review is anticipated to be complete.

**Staff Recommendation.** Staff recommends that the Subcommittee hold open all new appropriations to the Santa Monica Mountains Conservancy until the Supplemental Report is received.

## 2. Capital Outlay – Acquisition and Local Assistance Grants

**Background.** The Santa Monica Mountains Conservancy's (SMMC) strategic plan is to purchase, preserve, protect, restore and enhance land to form an interlinking system of urban, rural and river parks, as well as open space, trails, and wild-life habitats accessible to the general public. In addition, the SMMC forms partnerships with other agencies, including federal, state, county, city, resources conservation districts, water districts, park and open space district.

The cost of land in the SMMC operations area is estimated at \$10,000 per acre. SMMC pays full-market value to acquire privately owned watershed property.

Proposition 84 (Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Act of 2006) dedicates \$56 million in bond funds specifically for the Santa Monica Mountains Conservancy. Chapter 5, Section 75050 provides \$36 million and Chapter 7, Section 75060 provides an additional \$20 million. Of this amount, \$17 million was appropriated to the SMMC in the *2007-08 Budget Act*. To date, the Conservancy has encumbered \$8 million.

**Governor's Budget.** The Governor's Budget proposes \$20 million in Proposition 84 bond funds for land acquisition and local assistance grants.

**Staff Recommendation.** Staff recommends that the Subcommittee hold the budget proposal open.

## 3. Capital Outlay and Grants

**Background.** The Santa Monica Mountain Conservancy (SMMC) was established in 1980 to acquire land and operate programs for conservation, parkland and recreations purposes. The SMMC has support in the local community, and receives donations and other gifts, in addition to settlements. The SMMC would use these alternative-source funds to fulfill its mission.

**Governor's Budget.** The Governor's Budget proposes \$367,000 in spending authority to the SMMC from the gifts the SMMC has received from the public.

**Staff Recommendation.** Staff recommends that the Subcommittee hold the budget proposal open.

#### 4. Capital Outlay and Local Assistance Grants Reappropriation

**Background.** In the *2004 Budget Act*, the Santa Monica Mountains Conservancy received a capital outlay appropriation. The original appropriation was for \$12.4 million.

**Governor's Budget.** The Governor's Budget proposes \$2 million for reappropriation.

**Staff Recommendation.** Staff recommends that the Subcommittee hold the budget proposal open.

## 3825 San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy

**Background.** The San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy (SGLAC) acquires and manages public lands in the San Gabriel basin, along the San Gabriel river and its tributaries, the lower Los Angeles river and its tributaries, and the San Gabriel Mountains. The conservancy acquires land to provide open space, low-impact recreational and educational uses, water conservation, watershed improvement, and wildlife and habitat restoration and protection.

**Governor's Budget.** The Governor's Budget proposes \$9.2 million for the SGLAC for 2008-09. This is about 79 percent less than in current year due to a reduction in bond funds.

<b>Summary of Expenditures</b>				
<i>(dollars in thousands)</i>	<b>2007-08</b>	<b>2008-09</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Type of Expenditure</b>				
San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy	\$1,187	\$1,220	\$33	2.8
Capital Outlay	43,058	8,000	-35,058	-81.4
<b>Total</b>	<b>\$44,245</b>	<b>\$9,220</b>	<b>-\$35,025</b>	<b>-79.2</b>
<b>Funding Source</b>				
Special Funds	\$324	\$348	\$24	7.4
Bond Funds	43,896	8,872	-35,024	-79.8
<i>Budget Act Total</i>	<i>44,220</i>	<i>9,220</i>	<i>-35,000</i>	<i>-79.2</i>
Reimbursements	25	0	-25	-100.0
<b>Total</b>	<b>\$44,245</b>	<b>\$9,220</b>	<b>-\$35,025</b>	<b>-79.2</b>

### 1. Proposition 84, Capital Outlay and Grants

**Background.** The Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Act of 2006 (Proposition 84), Chapter 5, Section 75050 provides \$36 million to the Conservancy. The funds are intended for restoration and protection of rivers, lakes and streams, watersheds and their associated land, water, and other natural resources.

In the *2007-08 Budget Act* the Legislature provided \$25 million in Proposition 84 bond funds to the Conservancy for capital outlay projects, and an additional \$2.4 million over five years to pay for staffing and administration costs associated with the bond-funded projects.

**Governor's Budget.** The Governor's Budget proposes \$8 million in Proposition 84 bond funds for capital outlay for the Urban Lands and River Parkway programs.

**Staff Recommendation.** Staff recommends that the Subcommittee hold this issue open until the missing joint report with Santa Monica Mountains Conservancy is provided to the Subcommittee.

## SUBCOMMITTEE NO. 2

## Outcomes

Alan Lowenthal, Chair  
Darrell Steinberg  
Dave Cogdill



Monday, March 24, 2008  
Outcomes

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### Resources—Environmental Protection—Energy

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## Vote-Only Calendar

### Budget Balancing Reductions

Org Code	Description	(000) 2007-08	(000) 2008-09	GF Remaining (000)	Total Program Budget (000)
3125	California Tahoe Conservancy - Tahoe Conservancy Program	\$ -	\$ 22	\$ 200	\$ 5,713
3820	San Francisco Bay Conservation and Development Commission	\$ -	\$ 457	\$ 4,112	\$ 5,200

**Action:** Accepted all of the Governor's proposed budget balancing reductions shown in the chart above.

**Vote:** 3-0

### 0540 Secretary for Resources

#### 1. Implementation of the Federal Coastal Impact Assistance Program

**Action:** Approved \$110,000 in Federal Trust Fund for two positions to implement CIAP.

**Vote:** 3-0

#### 2. California River Parkways Grant Program

**Action:** Approved \$28,365,000 in Proposition 84 bond funds for local assistance, capital outlay, and support grants. The grant funds would be available for encumbrance until June 30, 2013.

**Vote:** 3-0

**Substitute Motion Action:** Approved \$241,000 and 2 positions to work on the California River Parkways Program.

**Substitute Motion Vote:** 2-1 (Cogdill)

## **3110 Special Resources Program**

### **1. Angora Fire Rebuilding Permit Review**

**Action:** Approved \$95,000 from the California Environmental License Plate Fund for one limited-term position to assist in the Angora Fire rebuilding effort at TRPA.

**Vote:** 3-0

## **3460 Colorado River Board**

**Action:** AAB

**Vote:** 3-0

## **3560 State Lands Commission**

### **1. Budget Balancing Reductions – Mineral Management**

**Action:** Rejected the Governor's proposed budget balancing reduction of \$335,000 General Fund and 1.9 positions from the Mineral Resources Management program. The positions are an engineer and a support staffer.

**Vote:** 2-1 (Cogdill)

### **2. School Lands**

**Action:** Approved \$120,000 from reimbursement for one full-time position to perform due diligence and property transaction activities. The reimbursement would be paid by the revenues received from the school lands.

**Vote:** 3-0

### 3. Marine Invasive Species Program Research

**Action:** Approved \$300,000 in contracting funds from the Marine Invasive Species Control Fund. The funds will be appropriated annually for three years. The funds will be broken down as follows:

\$100,000	Develop and test ballast water treatment systems
\$ 75,000	Develop a process for approval of ballast water treatment systems
\$ 75,000	Develop and test hull cleaning technology
\$ 50,000	Investigate links between in-water cleaning, the effectiveness of antifouling paints, and invasive species release

**Vote:** 2-1 (Cogdill)

## 3640 Wildlife Conservation Board

### 1. Colorado River Acquisition, Protection and Restoration Programs

**Action:** Approved a reappropriation of \$160,000 in Proposition 50 bond funds for acquisition, protection and restoration of land and water resources along the Lower Colorado River.

**Vote:** 3-0

### 2. Public Access Program

**Action:** Approved \$1 million from the Wildlife Restoration Fund for the public access program.

**Vote:** 2-1 (Cogdill)

### 3. Natural Communities Conservation Planning

**Action:** Approved \$25 million from Proposition 84 bond funds for NCCP capital outlay.

**Vote:** 2-1 (Cogdill)

## 3680 Department of Boating and Waterways

### 1. Public Small Craft Harbor Loans

**Action:** Approved \$22,266,000 from the Harbors and Watercraft Revolving Fund for eight high-priority projects to provide public loans to develop marinas and expand/rehabilitate existing marina facilities. The proposed projects are:

- Los Angeles County – Alamitos Bay, Basins 2 & 3: \$9 million
- San Mateo County – Coyote Point Marina: \$218,000
- Orange County – Dana Point Harbor Marina: \$9 million
- Contra Costa County – Martinez Marina: \$338,000
- Santa Barbara County – Santa Barbara Harbor: \$720,000
- Santa Cruz – Santa Cruz Harbor: \$1,365,000
- San Francisco – San Francisco Marina, East Harbor: \$1,125,000
- Statewide – Emergency Loans: \$500,000

**Vote:** 3-0

### 2. Launching Facility Grants

**Action:** Approved \$3,734,000 from the Harbors and Watercraft Revolving Fund for 13 grants to local governments.

**Vote:** 3-0

### 3. Private Loans

**Action:** Approved \$5 million from the Harbors and Watercraft Revolving Fund for loans to private marinas.

**Vote:** 3-0

### 4. Abandoned Watercraft Abatement Fund

**Action:** Approved \$500,000 from the Harbors and Watercraft Revolving Fund for the administration of the Abandoned Watercraft Abatement Fund Program.

**Vote:** 3-0

## 5. SANDAG Regional Beach Sand Project – Stage 2

**Action:** Approved \$6.5 million from the Harbors and Watercraft Revolving Fund for restoring San Diego County beaches as one-year funding.

**Vote:** 3-0

## 6. Permanent Federal Grant Increase Adjustment

**Action:** Approved a baseline increase of \$2.4 million in federal funds for the following:

- \$700,000 – Education and Media
- \$1,300,000 – Local Assistance for boating enforcement
- \$400,000 – Local Assistance for boating trails

**Vote:** 3-0

## 7. Capital Outlay – Statewide Minor Projects

**Action:** Approved \$1.59 million from the Harbors and Watercraft Revolving Fund for the following:

- \$90,000 – Studies
- \$400,000 – Statewide Emergency Repairs and Replacements
- \$600,000 – Statewide Boating Trails
- \$500,000 – Statewide Low-Water Improvements

**Vote:** 3-0

## 8. Capital Outlay Projects

**Action:** Approved funding from the Harbors and Watercraft Revolving Fund for the following projects:

- Lake Perris Ramp 5 Improvements – \$650,000
- Pyramid Lake, Bear Trap Boat-In Site – \$400,000
- Pyramid Lake Visitor Dock Improvement – \$550,000
- Lake Del Valle Visitor Dock Installation – \$400,000
- Lake Del Valle Boarding Float Improvements – \$320,000
- Millerton Lake North Shore Parking Expansion – \$500,000
- Millerton Lake Boating Information Sign Kiosks – \$150,000
- Silverwood Lake Sawpit Lighting Improvements – \$175,000
- Silverwood Lake Serrano Boat-In Improvements – \$325,000
- McArthur-Burney Visitor Dock Improvements – \$300,000

- Clear Lake State Park Fish Cleaning Station and Canopy – \$60,000

**Vote:** 3-0

## 9. Clean and Green Boating Program Coordinator Position

**Action:** Rejected authority for one position to be funded out of existing operating expenses and equipment funding coming from the Harbors and Watercraft Revolving Fund.

**Vote:** 3-0

## 3720 California Coastal Commission

### 1. Coastal and Marine Education Whale Tail License Plate Program

**Action:** Approved \$284,000 in California Beach and Coastal Enhancement Account funds for a one-time augmentation to the Coastal Commissions budget.

**Vote:** 3-0

### 2. Budget Balancing Reduction – Coastal Management Program

**Action:** Rejected the Governor’s proposal to reduce the Coastal Commission’s Coastal Management Program by \$956,000 General Fund.

**Vote:** 2-1 (Cogdill)

## 3760 State Coastal Conservancy

### 1. Public Access Program

**Action:** Approved \$700,000 for the Coastal Conservancy’s Public Access, Education, and related programs. The funding sources are divided:

\$300,000 Coastal Access Account  
 \$400,000 Coastal License Plate Fund

**Vote:** 2-1 (Cogdill)

## 2. Ocean Protection Council: Capital Projects and Science Applications

**Action:** Approved \$26,420,000 in Proposition 84 bond funds for the COPC projects and programs. This funding would be one-time, with the Conservancy requesting additional bond funds in future years consistent with a bond expenditure plan.

**Vote:** 2-1 (Cogdill)

## 3. Coastal Conservancy Programs

**Action:** Approved \$89,098,000 in Proposition 84 bond funds for the State Coastal Conservancy with budget bill language. The funds would be divided as follows:

Santa Ana River Parkway	\$13,400,000
San Francisco Bay Area Conservancy	\$24,000,000
Monterey Bay Watershed	\$11,500,000
San Diego Bay and Watershed	\$5,198,000
Statewide Conservancy Programs	\$35,000,000

Budget bill language: Of the amount appropriated in this item, \$3,000,000 shall be allocated for projects under the direction of the San Diego River Conservancy.

**Vote:** 2-1 (Cogdill)

## 3790 Department of Parks and Recreation

### 1. Off-Highway Motor Vehicle Recreation Grants and Cooperative Agreements

**Action:** Approved \$913,000 on-going from the Off-Highway Vehicle Trust Fund for eight positions to handle the increased volume of grant applications and monitoring for the OHMVR program.

**Vote:** 3-0



## 2. Off-Highway Motor Vehicle Recreation Program – SB 742 Implementation

**Action:** Approved \$13,914,000 from the Off-Highway Vehicle Trust Fund for 76 positions to provide additional staffing for the Off-Highway Motor Vehicle Recreation Program.

**Vote:** 3-0

## 3. Route Designation Planning and Implementation – SB 742

**Action:** Approved \$5.6 million from the Off-Highway Vehicle Fund for planning and implementation of off-highway vehicle routes.

**Vote:** 3-0

## 4. Deferred Maintenance

**Action:** Approved \$12,268,000 from Proposition 84 bond funds for deferred maintenance projects in state parks until 2012.

**Vote:** 3-0

## 5. Natural Heritage Stewardship Program

**Action:** Approved \$2 million from Proposition 84 bond funds for the Natural Heritage Stewardship Program with projects as one-time funding.

**Vote:** 3-0

## 6. Statewide Cultural Stewardship

**Action:** Approved \$1,169,000 from Proposition 84 bond funds for planning and implementation of cultural stewardship projects with the project funds as one-time funds.

**Vote:** 3-0

## 7. Statewide Interpretative Exhibit Program

**Action:** Approved \$1,458,000 from Proposition 84 bond funds for the Interpretive Exhibit Program with project funds as one-time funds only..

**Vote:** 3-0

## 8. Local Assistance Program

**Action:** Approved \$45,560,000 from various special funds and federal funds for the parks local assistance program. The funds are broken down as follows:

- \$3,655,000 – Habitat Conservation Fund
- \$27.1 million – Off-Highway Vehicle Fund
- \$9,726,000 – Recreational Trails Fund
- \$5,079,000 – Federal Trust Fund

**Vote:** 3-0

## 9. Concessions

**Action:** Approved the following concessions and operating agreements:

- Angel Island State Park – Tours and Food Service Concession
- Lake Oroville State Recreational Area – Bidwell Canyon Marina Concession
- Old Town San Diego State Historic Park – Historic Replica of the Franklin House
- Pacheco State Park – Wind Turbine Concession

**Vote:** 3-0

## 10. Fire Prevention in Remote Areas

**Action:** Rejected \$3 million from General Fund for fire prevention activities and 29 positions at state parks in high risk fire zones.

**Vote:** 3-0

## 11. YMCA of San Diego County – Reappropriation

**Action:** Approved a reappropriation of a local park grant to the YMCA of San Diego County for their Border View Expansion project until June 30, 2009.

**Reappropriation Language:** Reappropriation, Department of Parks and Recreation. Notwithstanding any other provision of law, the period to liquidate encumbrances in the following citation is extended to June 30, 2009:

0005 – Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Bond Fund (1) Item 3790-102-0005(a)(5)(vx), Budget Act of 2000 (Ch. 52, Stats. 2000), YMCA of San Diego County: Border View Expansion

**Vote:** 3-0

## 12. City of Anaheim Maxwell Park Extension – Reappropriation

**Action:** Approved a reappropriation of a local park grant to the City of Anaheim until June 30, 2009.

**Reappropriation Language:** Reappropriation, Department of Parks and Recreation. Notwithstanding any other provision of law, the period to liquidate encumbrances in the following citation is extended to June 30, 2009:

0005—Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Bond Fund (1) Item 3790-102-0005, Budget Act of 2000, (Ch. 52, Stats. 2000), (a) 80.25 Recreational Grants, (5) Murray-Hayden Grants, (x) City of Anaheim: Maxwell Park Expansion Project from 15 to 21 acres.

**Vote:** 3-0

## 13. San Dieguito River Park – Reappropriation

**Action:** Approved a reappropriation of a local park grant to the San Dieguito River Park Joint Powers Authority in the City of Escondido until June 30, 2009.

**Reappropriation Language:** Reappropriation, Department of Parks and Recreation. Notwithstanding any other provision of law, the period to liquidate encumbrances in the following citation is extended to June 30, 2009:

0005 – Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Bond Fund (1) Item 3790-102-0005, Budget Act of 2000 (Ch. 52, Stats. 2000), (a) 80.25--Recreational Grants, (1) Competitive grants (non-project specific), (c) Non-motorized Trails Grants. This reappropriation is limited to a \$200,000 grant to the San Dieguito River Park Joint Powers Authority.

**Vote:** 3-0

## **3820 San Francisco Bay Conservation and Development Commission**

### **1. CalTRANS Interagency Agreement Amendment**

**Action:** Approved \$184,000 from reimbursements for 2008-09 and \$190,000 for 2009-10 and 2010-11 for one position to review CalTRANS permit applications at the BCDC.

**Vote:** 3-0

## **3830 San Joaquin River Conservancy**

### **1. Proposition 84 Program Delivery**

**Action:** Approved \$122,000 (\$717,000 over five years) from Proposition 84 bond funds for one existing position and related OE&E. The cost of the position is \$122,000 annually, the additional cost is due to OE&E.

**Vote:** 3-0

### **2. Environmental Restoration, Public Access, and Recreation**

**Action:** Approved \$2 million in Proposition 84 bond funds and \$2 million in reimbursements (total \$4 million) for environmental restoration, public access, and recreation projects. The reimbursements are bond funds coming from the Wildlife Conservation Board.

**Vote:** 3-0

### **3. Acquisitions**

**Action:** Approved \$8 million in Proposition 84 bond funds for land acquisition.

**Vote:** 2-1 (Cogdill)

## 3835 Baldwin Hills Conservancy

### 1. Acquisition and Improvement Program

**Action:** Approved \$3.05 million in Proposition 84 bond fund for acquisition, restoration, and development. The Budget also proposes another \$1 million in reimbursements from other state and non-state entities.

The Governor's Budget also includes budget bill language for a General Fund loan to the Baldwin Hills Conservancy to meet cashflow needs due to delays in collecting reimbursements.

**Vote:** 2-1 (Cogdill)

### 2. Program Delivery Staff

**Action:** Approved \$116,000 in Proposition 84 bond funds for one position to work on acquisition and development activities.

**Vote:** 2-1 (Cogdill)

## 3845 San Diego River Conservancy

**Action:** AAB

**Vote:** 3-0

## 3850 Coachella Valley Mountains Conservancy

### 1. Land Acquisition

**Action:** Approved \$11,518,000 from various bond funds for funding acquisition of mountainous lands and natural community conservation lands. The funding will come from:

Proposition 84 \$11,514,000

Proposition 12 \$3,000

Proposition 40 \$1,000

**Vote:** 3-0

## **3855 Sierra Nevada Conservancy**

### **1. Proposition 84 Local Assistance Grant Funding**

**Action:** Approved \$17 million in Proposition 84 bond funds for grants and cooperative agreements

The Governor's Budget also includes budget bill language allowing these funds to be available until June 30, 2011.

**Vote:** 2-1 (Cogdill)

## Discussion Items

### 0540 Secretary for Resources

#### 1. San Joaquin River Restoration

**Action:** Approved \$15,906,000 in Proposition 84 bond funds for San Joaquin River restoration, which would be provided to the Department of Water Resources (60%) and Department of Fish and Game (40%). These funds would be spent primarily on planning, design, and easement acquisition.

In addition, approved the following budget bill language:

*The funds appropriated in this item for purposes of subdivision (n) of Section 75050 of the Public Resources Code may only be expended upon enactment of federal legislation to implement, and to fund the federal government's share of, the settlement agreement in N.R.D.C. v. Rodgers.*

*The funds appropriated in this item for purposes of Section 75050(n) of the Public Resources Code shall be available for encumbrance or expenditure until June 30, 2011, for purposes of support, local assistance, or capital outlay.*

**Vote:** 3-0

### 3125 California Tahoe Conservancy

#### 1. Implementation of the Environmental Improvement Program for the Lake Tahoe Basin

**Action:** Approved \$8,183,000 for capital outlay funding to support the EIP implementation. The funds will come from the following sources:

- \$1,351,000 – Proposition 12
- \$383,000 – Habitat Conservation Fund
- \$708,000 – Lake Tahoe License Plate
- \$4,851,000 – Proposition 84
- \$890,000 – Reimbursements

**Vote:** 3-0

## 2. Maintain Support Budget Baseline

**Action:** Held open

**Vote:** No vote taken

## 3560 State Lands Commission

### 1. Energy Projects Workload

**Action:** Approved \$85,000 from reimbursement for one full-time position to review applications for Liquefied Natural Gas and other energy related projects on state lands. The reimbursement would be paid by the project applicants.

**Vote:** 3-0

### 2. Budget Balancing Reductions

**Action:** Held open

**Vote:** No vote taken

### 3. Huntington Beach Field Office Replacement

**Action:** Held open

**Vote:** No vote taken



## 3640 Wildlife Conservation Board

### 1. Budget Balancing Reductions

**Action:** Reduced the Board's budget by \$204,000 General Fund.

**Vote:** 3-0

### 2. Increase in Position Authority

**Action:** Held open

**Vote:** No vote taken

### 3. Habitat Conservation Fund

**Action:** Held open

**Vote:** No vote taken

### 4. Trailer Bill

**Action:** Approved Governor's trailer bill language with an amendment. The amendment would be to keep the phrase "upon appropriation of the Legislature" in Section 1, 37036(b), rather than take it out as the Governor proposed.

**Vote:** 2-1 (Cogdill)

## 3720 California Coastal Commission

### 1. Budget Balancing Reduction – Energy Program

**Action:** Rejected the Governor proposed budget balancing reduction of \$52,000 General Fund from the Coastal Energy Program.

**Vote:** 2-1 (Cogdill)

### 2. Budget Balancing Reduction – Administration Program

**Action:** Rejected the Governor proposed budget balancing reduction of \$173,000 General Fund from the Administration Program.

**Vote:** 2-1 (Cogdill)

### 3. Trailer Bill Language

**Action:** Held open

**Vote:** No vote taken

### 4. Operating Expenses, Equipment, and Information Technology

**Action:** Held open

**Vote:** No vote taken

### 5. Civil Fine Authority – Informational Item

This is an informational item only. No vote taken.

## **3780 Native American Heritage Commission**

### 1. Budget Balancing Reduction

**Action:** Held open

**Vote:** No vote taken

## **3790 Department of Parks and Recreation**

### 1. Diesel Vehicle Emissions Retrofit

**Action:** Held open

**Vote:** no vote taken

### 2. Park Closures

**Action:** Held open

**Vote:** No vote taken. Directed staff to lead a working group on the issue and present an alternative to the committee.

## **3810 Santa Monica Mountains Conservancy**

### 1. Missing Supplemental Report

Informational item

### 2. Capital Outlay – Acquisition and Local Assistance Grants

**Action:** Held open

**Vote:** No vote taken

### 3. Capital Outlay and Grants

**Action:** Held open

**Vote:** No vote taken

### 4. Capital Outlay and Local Assistance Grants Reappropriation

**Action:** Held open

**Vote:** No vote taken

## **3825 San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy**

### 1. Proposition 84, Capital Outlay and Grants

**Action:** Held open

**Vote:** No vote taken

## SUBCOMMITTEE NO. 2

## Agenda

Alan Lowenthal, Chair  
Darrell Steinberg  
Dave Cogdill



Monday, April 7, 2008  
10:00 a.m.  
Room 112

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### Resources—Environmental Protection—Energy

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling 916-324-9335. Requests should be made one week in advance whenever possible.

## Vote-Only Calendar

### Budget Balancing Reductions

Org Code	Description	(000) 2007-08	(000) 2008-09	(000) GF Remaining	Total Program Budget (000)
3480	Department of Conservation - Geologic Hazards and Mineral Resources	\$ -	\$ 512	\$ 4,605	\$ 25,848
3540	CALFIRE - Administration	\$ -	\$ 4,764	\$ 42,878	\$ 66,306
3540	CALFIRE - Fire Protection	\$ -	\$ 44,652	\$ 419,626	\$ 905,363
3600	Department of Fish and Game - Administration	\$ -	\$ 964	\$ 8,671	\$ 44,349

**Staff Recommendation.** Staff recommends the Subcommittee accept the Governor's proposed reductions.

## 3480 Department of Conservation

### 1. Well Record Scanning

**Background.** The Department of Conservation's Division of Oil, Gas, and Geothermal Resources (Division) regulates the oil, gas, and geothermal well operations throughout the State and administers laws for the conservation of petroleum and geothermal resources. The Division maintains records for every well drilled in the State. Currently, there are 82,000 active wells and about 110,000 plugged wells in the State. For each of these well records there are microfiche copies of these records, but the copies produced from the microfiche have turned out to be of low quality.

The Division conducted a pilot project from 2005-06 to 2006-07 to scan one district's records to PDF files on DVDs. The pilot project cut down on the time required to access records and received positive stakeholder feedback. There are six district offices. The Division wants to expand the scanning of records to two divisions that comprise about 150,000 of the 190,000 wells in the State.

**Governor's Budget.** The Governor's Budget proposes \$500,000 from the Oil, Gas, and Geothermal Administrative Fund annually for three years to scan oil and gas well records to PDF and TIFF files on DVDs.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

### 2. Abandoned Mine Lands Unit Staffing

**Background.** There are approximately 47,000 abandoned mines in California, and nearly 70 percent of them are on public lands. These mines pose a hazard to the public; in the last five years seven people have died when they fell into abandoned mines in California. The Department of Conservation Abandoned Mine Lands Unit (AMLU) was created in 1997, and is responsible for conducting and maintaining an inventory of the State's abandoned mines on public and private lands. In 2002, the AMLU was also given the task of remediating priority hazardous abandoned mine features on public lands. Since 2002, the AMLU has remediated 346 hazardous abandoned mine features.

**Governor's Budget.** The Governor's Budget proposes to make two limited-term positions permanent. No new funding is requested, but the positions cost \$209,000 from the Abandoned Mine Reclamation and Minerals Fund Subaccount.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

### 3. Minerals Classification Funding

**Background.** The Mineral Land Classification Program collects and analyzes information on the State's mineral resources, including their location, annual production amounts and estimates of future demands and consumption rates. Mineral resource maps and reports generated by the program are provided to local lead agencies for long range land-use planning to protect access to the mineral resources of the future. The mineral resource maps can be used by local governments to make informed land use decisions so that economical sources of aggregate are available for future use. The program currently has four employees who map the mineral resources of the State.

**Aggregate.** Aggregate is sand and gravel used in construction projects, such as the building of roads. One mile of an eight-lane highway can use 200,000 tons of aggregate. Government use accounts for about one-half of the construction aggregate use in California.

**Governor's Budget.** The Governor's Budget proposes \$350,000 from the Mine Reclamation Account for mapping the locations of aggregate. This proposal includes three redirected positions.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

### 4. Increased Recycling Enforcement

**Background.** The California Beverage Container Recycling and Litter Reduction Act (Act) states that in order to encourage recycling a California Redemption Value (CRV) is charged for certain beverage containers. The CRV is then paid to recycling centers that collect the beverage containers specified in the Act. Currently there are 21.9 billion beverages sold in California, of which 13 billion were redeemed for CRV. In 2001, the Department of Justice estimated that the annual program fraud for CRV was \$40 million.

**Auditors.** In the *2006-07 Budget Act* the Legislature authorized eight limited-term auditors for the recycling program. All of the positions were filled, and these new auditors identified \$8 million of fraud in 2006-07. With the auditors already working for the program, this brought the total fraud identification to \$18 million. Thus each of the new auditors was halting approximately \$1 million in fraud to the state. With the 2006-07 added positions, the program currently has 13 auditors.

**Governor's Budget.** The Governor's Budget proposes \$945,000 from the California Beverage Container Recycling Fund and to make 8 positions permanent for fraud detection.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.



## 5. Court-Ordered Vested Rights Determinations

**Background.** The Department of Conservation's State Mining and Geology Board (Board) has certain responsibilities under the Surface Mining and Reclamation Act of 1975 (SMARA). When local government lacks mining or environmental expertise, or is negligent with SMARA regulatory enforcement, the Board is mandated under SMARA to assume lead agency responsibilities. Since 2002, the Board has assumed lead agency authority for two counties, ten cities, and ten marine sand dredging operations, for a total of 50 mines.

The California Court of Appeal, Third Appellate District ruled that Yuba County failed to adequately give proper notice and hearing to the Western Aggregates vested rights determination. The Court of Appeal placed upon the Board the task of conducting a public hearing and making a determination of Western Aggregates' vested rights, setting a precedent for additional vested rights determinations on any of the other 50 mines for which the Board acts as Lead Agency under SMARA.

The public hearing and determination process is lengthy, taking up to 14 months for a single mine. The process involves publicly displaying all relevant documents and evidence, analyzing evidence, preparing the report and holding a public hearing.

**Governor's Budget.** The Governor's Budget proposes \$125,000 in reimbursement authority for the State Mining and Geology Board to conduct vested rights determinations for mines under Board authority as a lead agency.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

## 6. Orphan Well Elimination

**Background.** Orphan wells are oil wells that have no responsible party, leaving the State to plug and abandon them. There are 396 orphan wells in California, and they pose a hazard to the environment and public safety if left unattended. In 1976 the Department of Conservation's Division of Oil, Gas, and Geothermal Resources (Division) was made responsible for remediating orphan wells. Since then, the Division has plugged 1,131 orphan wells.

The current budget for plugging orphan wells is \$1 million annually.

**Governor's Budget.** The Governor's Budget proposes an additional \$1 million annually for four years (\$4 million total) from the Oil, Gas, and Geothermal Administrative Fund to plug 264 orphan wells in the State.

**Proposed Trailer Bill Language.** The Governor's proposal includes trailer bill language to make the \$2 million an annual appropriation. The trailer bill would also eliminate a reporting requirement on the progress the program is making, which is currently due October 2009.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal and the trailer bill language.

## 7. Agricultural Land Conservation

**Background.** California farms and rangeland comprise nearly 30 million acres, which represents about 60 percent of the State's privately owned land. The Department of Conservation's California Farmland Conservancy Program (CFCP) was established in 1996 and provides grants to local non-profits who use the funds to purchase agricultural conservation easements from willing sellers. These easements ensure that the land is used only for agricultural purposes. Local governments must concur that the easement is consistent with their local planning.

The CFCP has administered over \$70 million in previously appropriated bond funds for grants to purchase agricultural conservation easements, in addition to planning.

**Governor's Budget.** The Governor's Budget proposes \$10 million from Proposition 84 bond funds to purchase permanent agricultural land easements. Of this amount, \$5 million would be for easements in 2008-09 and \$4.155 million for easements in 2009-10. A three year limited-term support appropriation of \$165,000 a year is also included. (The remaining \$350,000 is a standard set aside for the cost of selling the bonds.)

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

## 8. SB 1021 Implementation

**Background.** The Department of Conservation (DOC) administers the California Beverage Container Recycling and Litter Reduction Act (Act) of 1986. The goal of the Act is to reach 80 percent recycling rate for beverage containers included in the program. The Act allows the DOC to award grant money to cities and counties and certified community conservation corps for recycling and litter abatement activities.

**SB 1021.** SB 1021 (Padilla, SB 1021) authorizes the expenditure of \$15 million from the California Beverage Container Recycling Fund for the placement of source-separated beverage container recycling receptacles in multifamily housing units.

**Proposal.** The Governor's proposal is for staff to administer SB 1021. These staff would be 18-month limited term positions. They would evaluate the full grant proposals, process grant proposals, submit recommendations for awarding the grants, award the grants, and prepare and process grant agreement documents for the grantees. In addition, staff would manage the grants, provide technical assistance to the grantees, prepare and process invoices, and review quarterly grant status reports.

**Governor's Budget.** The Governor's Budget proposes three limited-term positions to administer the grant funds provided in SB 1021. The funding comes from the California Beverage Container Recycling Fund. The funds requested are:

- 2008-09: \$318,500
- 2009-2010: \$155,000

**Staff Analysis.** The Budget Act does not make program appropriations retroactively. If the department needs funds for the 2007-08 fiscal year, those funds would have to be requested through the *2007-08 Budget Act* or as a deficiency request sent to the Joint Legislative Budget Committee. It is unwise to allow for a new practice to circumvent the current budget process.

**Staff Recommendation.** Staff recommends that the Subcommittee approve budget proposal.

## 9. Field Rules Implementation

**Background.** The Department of Conservation's Division of Oil, Gas, and Geothermal Resources (Division) regulates oil, gas, and geothermal well operations throughout the State and administers laws for the conservation of petroleum and geothermal resources. The Division's mission is to prevent damage to life, health, property, and natural resources by ensuring that wells are properly drilled, operated for production and injection purposes, repaired, and plugged. The Division also enforces oilfield regulations.

**Field Rules.** The Division establishes Field Rules for those fields where the geologic and engineering information is available to accurately describe subsurface conditions. The Field Rules identify downhole conditions and well construction information that the oil industry should consider when drilling and completing onshore oil and gas wells. Permits for drilling cannot be approved unless the well operator's drilling plans meet the Field Rules. Due to the rapid increase in oil prices, the number of well drilling and rework permits issued have risen from 2,000 in 1999 to 3,500 in 2006. The division currently has eight positions (all filled) to review permits.

**Governor's Budget.** The Governor's Budget proposes \$129,000 (\$116,000 on-going) from the Oil, Gas, and Geothermal Administrative Fund to support one position to evaluate and update the effective administration of operational Field Rules for California oil and gas fields.

**Staff Recommendation.** Staff recommends that the Subcommittee reject the budget proposal.

## 3540 Department of Forestry and Fire Protection

### 1. State Fire Training Program Adjustment

**Background.** The State Fire Training Division (SFT) administers a statewide fire service course delivery system. The SFT works through and with accredited academies and registered instructors to oversee an average of 1,800 classes with over 36,000 fire service students annually. Currently, there are only three training specialists statewide to inspect academies and ensure

quality control. These three specialists are also responsible for providing training courses and certification to the academies.

**Governor's Budget.** The Governor's Budget proposes \$647,000 from the California Fire and Arson Training Fund for four positions for the State Fire Training Division.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

## 2. State Fire Marshal Trailer Bill

**Bill Intent.** The proposed trailer bill would direct the State Fire Marshal to invoice local government and private entities for the amount sufficient to recover the costs of the services provided. These services include fire and life safety building code inspections, plan review, construction consulting, fire watch, and investigation. The proposed trailer bill would also allow a city or county that performs inspections for structures may charge the owner of the structure a sufficient fee to pay for the cost of the inspection. There are no new mandates in this trailer bill.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the proposed trailer bill language.

## 3. Agency Accounting Workload – Proposition 40

**Background.** In 2006 the Secretary for Resources signed a two-year contract with CALFIRE for accounting services of the Proposition 40 bond fund spending.

**Governor's Budget.** The Governor's Budget proposes \$147,000 in reimbursements from the Secretary for Resources Proposition 40 bond funds for two positions to conduct accounting of Proposition 40 spending. This proposal is a two-year extension of an existing contract that is expiring.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

## 4. General Fee/Cost Increases

**Background.** The Department of Forestry and Fire Protection (CALFIRE) has certain non-discretionary contracts with the Department of General Services for which the costs are increasing. These are telecommunications service fees in the area of System Service, Radio System Maintenance cost, and Microwave System. The State Fire Marshal must also pay the California Building Standards Commission a fee when building codes are proposed for change. The Commission fee has increased by about \$250,000. In addition, the Department of General Services fleet asset management fee now covers all of CALFIRE's 2,572 engines, while in 2006-07 it covered only 146 vehicles.

In addition to fees, fuel costs are increasing. In 2005-06, CALFIRE engines consumed approximately 2.5 million gallons of gas and 1.1 million gallons of diesel, and its planes consumed another 1.4 million gallons of aviation fuel.

**Governor's Budget.** The Governor's Budget proposes \$2,221,000 from General Fund for cost increases to non-discretionary fees and fuel costs.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

## 5. Arson and Bomb Unit

**Background.** Each year approximately 160,000 pounds of illegal fireworks are seized in California. Due to environmental and safety reasons, existing statute requires that the State Fire Marshal dispose of seized illegal fireworks. The cost of safely disposing of the illegal fireworks is approximately \$6 per pound. To cover the cost of illegal firework disposal, SB 839 (Calderon, 2007) established the State Fire Marshal Fireworks and Enforcement Fund to receive 65 percent of penalties from the possession of illegal fireworks "to enforce, prosecute, dispose of, and manage dangerous fireworks and to educate public safety agencies in the proper handling and management of dangerous fireworks."

**Governor's Budget.** The Governor's Budget proposes \$1,119,000 from the Fireworks and Enforcement Fund for five new positions to establish an Arson and Bomb Unit within the State Fire Marshal. The Unit would conduct enforcement and disposal of illegal fireworks.

**Staff Recommendation.** Staff recommends that the Subcommittee reject the budget proposal.

## 6. Budget Balancing Reductions – State Fire Marshal

**Governor's Budget Balancing Reduction.** The Governor's Budget proposes a budget balancing reduction of \$315,000 General Fund from the Office of the State Fire Marshal.

**Impact of Reduction.** This reduction would eliminate two positions from the Office of the State Fire Marshal. The State Fire Marshal activities are important to ensuring fire safety in state owned buildings and apartment complexes, as well as new construction.

**Staff Recommendation.** Staff recommends that the Subcommittee reject this budget balancing reduction.

## 7. Budget Balancing Reductions – Resource Management

**Governor’s Budget Balancing Reduction.** The Governor’s Budget proposes a budget balancing reduction of \$2,953,000 General Fund from Resource Management at CALFIRE.

**Impact of Reduction.** This reduction would eliminate 21 positions from the Resources Management Branch. This reduction would limit the amount of vegetation management the department conducts. This reduction would also limit the review of Timber Harvest Plans and growing of seedlings in nurseries to replant burnt or logged forests.

**Staff Recommendation.** Staff recommends that the Subcommittee reject this budget balancing reduction.

## 3600 Department of Fish and Game

### 1. Quagga Mussel Fund Shift

**Background.** The Quagga Mussel is a highly invasive freshwater mussel that is capable of devastating aquatic ecosystems and impacting water infrastructure. Early estimates indicate that the establishment of this species in California waters can result in costs to the state of at least \$70 million in infrastructure costs and \$40 million in annual maintenance. The Quagga Mussel is spread by boats that are moved from one body of water to another.

**Past Legislative Action.** As a response to the Quagga Mussel, the Legislature in 2007-08 designated the Department of Fish and Game (DFG) as the lead agency in charge of the initial emergency response. DFG was provided funds to reimburse the Department of Food and Agriculture for border inspection stations at Yermo, Vidal, Blythe and Truckee to inspect for the Quagga Mussel. Since the start of the emergency response, 64 vessels carrying Quagga Mussels have been stopped.

**Governor’s Budget.** The Governor’s Budget proposes to streamline the Quagga Mussel border inspection station funding by reducing the DFG budget by \$2,379,000 General Fund and increasing the Department of Food and Agriculture budget by a like amount.

**Staff Recommendation.** Staff recommends that the Subcommittee accept the budget proposal.

## 2. Reimbursement and Federal Trust Fund Expenditure Authority Correction

**Background.** The Department of Fish and Game is engaged in an ongoing examination of their budgeting practices. In the past, levels of federal and reimbursement support were overstated. The department's proposal is to correct those errors. The impact of the reduction would be:

	Reimbursement Adjustment (000)		
	2007-08	Adjustment	2008-09
Program 20	54,048	-35,593	18,455
Program 25	2,587	-1,138	1,449
Program 30	7,231	-3,011	4,220
Program 40	2,002	1,464	3,466
Program 50	3,877	-2,995	882
<b>TOTAL</b>	<b>69,745</b>	<b>-41,273</b>	<b>28,472</b>

	Federal Trust Fund Adjustment (000)		
	2007-08	Adjustment	2008-09
Program 20	26,339	1,429	27,768
Program 25	14,595	-7,290	7,305
Program 30	13,530	-3,062	10,468
Program 40	2,152	749	2,901
Program 45	553	1,702	2,255
Program 50	532	-502	30
<b>TOTAL</b>	<b>57,701</b>	<b>-6,974</b>	<b>50,727</b>

**Governor's Budget.** The Governor's Budget proposes to reduce the Federal Trust Fund expenditure authority by \$6,974,000 and the Reimbursement authority by \$41,273,000, for a total reduction of \$48,247,000. This reduction is due to past budgeting errors that are now being corrected.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the proposal.

## 3. Fulfilling California's Wildlife Conservation Commitment

**Background.** The Fish and Game Preservation Fund has numerous dedicated accounts that can only be used for specific purposes. The dedicated accounts receive their funding from fee revenue. Increasingly, fee payers are requesting increased services for the fees that they pay.

The Department of Fish and Game is proposing to increase services from a series of dedicated accounts with balances that can support the increased service levels. Specifically, DFG would undertake wetlands projects for waterfowl; increase administrative spending to assist landowners in creating wildlife habitat; conduct disease surveillance in endangered bighorn sheep; expand the California condor recovery program; and examine the role of wild pigs as disease vectors for agricultural crops.

**Governor's Budget.** The Governor's Budget proposes \$507,000 from the Fish and Game Preservation Fund for two positions to help meet public use demands for recreational opportunities, surveys, restoration, and habitat incentive programs. Specifically, the funds would come from:

- \$150,000 from the Duck Stamp Account
- \$50,000 from the Private Lands Wildlife Habitat and Enhancement Program dedicated account
- \$27,000 from the Bighorn Sheep dedicated account
- \$80,000 from the Endangered and Rare Species dedicated account
- \$200,000 from the Wild Pig dedicated account

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

## 4. Wetlands Restoration on Private Lands

**Background.** The California Waterfowl Habitat Program was established in 1993 to provide private landowners with technical assistance and financial incentives to manage wetland habitat. The program makes annual payments to private landowners for them to implement habitat practices for a 10-year duration in accordance with a detailed management plan written by Department of Fish and Game biologists. Since its inception, the program has grown to include over 29,000 acres of habitat.

The California Landowner Incentive Program (LIP) is an effort to reverse the decline of at-risk species in the Central Valley of California through enhancement and management of private lands. The program focuses on wetlands, native grasslands, and riparian habitat.

**Governor's Budget.** The Governor's Budget proposes \$470,000 from Proposition 12 bond funds for incentives to private land owners for management activities that benefit important species and habitats.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.



## 5. Improving Public Services

**Proposal.** This proposal impacts four areas:

- DFG's South Coast Region 5 – Three new permanent positions within existing reimbursement authority (\$469,000) to provide staffing for new contracts with Los Angeles County and Orange County on public works projects.
- Lake and Streambed Alteration Program – Five new permanent positions (\$670,000).
- Habitat Conservation Branch – One new permanent position from reimbursements to coordinate the development of program elements, policy and work to establish landscape level, multi-regional Safe Harbor Agreements and/or Voluntary Local Programs.
- Office of the General Counsel – One new permanent position (\$165,000) from Special Deposit Fund.

**Governor's Budget.** The Governor's Budget proposes \$835,000 from the Fish and Game Preservation Fund and the Special Deposit Fund for 9.5 permanent positions to work on various Fish and Game programs.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

## 6. Technical Program Realignment

**Background.** The proposed realignment includes:

- Shifting \$726,000 General Fund from Program 20, Biodiversity Conservation, to:
  - Program 25: Hunting, Fishing, and Public Use – \$175,000
  - Program 30: Management of Department Lands and Facilities – \$51,000
  - Program 40: Law Enforcement – \$500,000
- Shifting \$1,070,000 General Fund and Fish and Game Preservation Fund to provide proper funding of Personal Services brought about per Budget Letter 06-33, Employee Compensation.

**Governor's Budget.** The Governor's Budget proposes technical realignments in the Department of Fish and Game budget with a net zero change (for both special funds and General Fund).

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

## 7. Fishery Resource Assessment

**Background.** The Department of Fish and Game (DFG) works with the Pacific States Marine Fisheries Commission (PSMFC) to conduct recreational fishery research, data collection, and data entry. The PSMFC compiles and stores the data, and completes catch estimates. This information is then used to improve management of recreational marine fisheries, ensure the

long-term health of California's marine fish stocks, and increase recreational angling in California.

**Governor's Budget.** The Governor's Budget proposes redirection of existing Federal Trust Fund monies for six new positions to support, monitor, and implement management work for the California Recreational Fisheries Survey.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

## 8. Enhance Communications

**Background.** The Fish and Game Commission (Commission) began to broadcast its meetings on cable television in 2003. In 2004, the Commission moved to live internet broadcasts of its meetings. In 2006, the average number of hits was 44,000 per Commission meeting. However, the funding for internet broadcasting came from various private grants that have now been exhausted.

**Governor's Budget.** The Governor's Budget proposes \$120,000 from the Fish and Game Preservation Fund for coverage of Fish and Game Commission meetings via live-stream and archive internet access.

**Staff Analysis.** Similar programs are currently being scaled back or eliminated for other state agencies due to the budget shortfall.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

## 9. Salton Sea Restoration and Departmental Support

**Background.** The State is obligated to perform environmental restoration of the Salton Sea as a result of the Colorado River Quantification Settlement Agreement (QSA) and implementing legislation. The Department of Fish and Game (DFG) and the Department of Water Resources (DWR) subsequently completed the Salton Sea Ecosystem Restoration Study and Programmatic Environmental Impact Report in June 2007 on behalf of the Resources Agency.

Proposition 84 provides \$47 million for deposit into the Salton Sea Restoration Fund. DFG currently receives \$2.7 million annually from this fund and has eight positions working on Salton Sea restoration and management activities.

**Proposal.** This proposal would fund the following activities: habitat restoration, land access, air and water quality mitigation, monitoring and adaptive management, and provide funding to DWR. This proposal would implement habitat restoration measures consisting of Saline Habitat Complex pilot tests and contaminant studies, site evaluations for Saline Habitat Complex, and

engineering designs, environmental documentation, cost estimates, and other requirements for Saline Habitat Complex. As part of the proposal, DFG would reopen a closed fish hatchery.

**Governor's Budget.** The Governor's Budget proposes \$10,750,000 one-time funding from the Salton Sea Restoration Fund for three positions to implement restoration concepts and activities developed in the Salton Sea Restoration Program.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

## 10. Federal and State Audit Compliance

**Background.** The Department of Fish and Game (DFG) has repeatedly been criticized by state and federal audits for ineffective control and management of property and capital assets. The Corrective Action Plan of the 2003 Federal Audit directed DFG to develop a statewide physical inventory of all assets over \$5,000 purchased with federal grant funds, including equipment and land.

Currently this inventory work is being conducted by the DFG Business and Contracts Management Branch (BCMB). DFG states that the BCMB's current staff is taken up with baseline workload, including processing survey reports and reviewing monthly claim schedules for equipment purchases. If DFG is unable to demonstrate how federal funds were used, the department could lose future federal funds and even have to repay funds that were inappropriately spent.

**Governor's Budget.** The Governor's Budget proposes \$141,000 from the Fish and Game Preservation Fund and two temporary positions to conduct a statewide property and asset inventory in compliance with recent state and federal audits. The funds would be used for:

- \$80,000 – Temporary Help
- \$53,600 – Travel and per diem
- \$7,400 - Equipment

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

## 11. Minor Capital Outlay Proposals

**Background.** The main drivers of capital outlay needs for the Department of Fish and Game are the improvement or replacement of aging buildings, the improvement of newly acquired lands, and increasing hatchery production levels as mandated by statute. The Governor's Budget proposes the following minor capital outlay projects:

*Project Planning.* Conduct studies and budget cost estimates for selected capital outlay projects. These studies include initial investigations, feasibility studies, cost estimates, and other surveys as necessary for future project development. Also, these funds would pay for Department of

General Services to prepare budget cost estimates and schematics for major capital outlay projects.

*Field 18 Wetlands Enhancement – Gray Lodge Wildlife Area.* Construct wetland swales, loafing bars, and islands. This project will improve the wildlife area’s ability to manage wetland water supplies by replacing and upgrading water control structures, pipes, and levees.

*Field 56 Wetland and Riparian Restoration – Los Banos Wildlife Area.* This project would restore 60 acres of wetland and riparian habitat by constructing wetland swales and basins to provide additional habitat, as well as install five water control structures to manage water within the units.

*Mud Slough Pipe Replacement.* This project will replace three existing 48” corrugated metal risers and pipes at a critical crossing over with three new concrete weirs with 40’ pipe.

**Governor’s Budget.** The Governor’s Budget proposes \$530,000 for the following minor capital outlay projects:

- Project Planning: \$160,000 total - \$60,000 from the Fish and Game Preservation Fund and \$100,000 from Reimbursements
- Field 18 Wetland Enhancement, Gray Lodge Wildlife Area: \$297,000 from Reimbursements
- Field 56 Wetland and Riparian Restoration, Los Banos Wildlife Area: \$46,000 from Reimbursements
- Mud Slough Pipe Replacement: \$27,000 from Reimbursements

**Staff Recommendation.** Staff recommends that the Subcommittee approve these minor capital outlay proposals.

## 12. Improve Information Technology Security Support With No Additional Costs

**Background.** The Department of Fish and Game (DFG) has utilized contractors to support on-going information technology functions. Many of these on-going functions are no longer in the areas of emerging technologies. In addition, many essential IT functions are not currently being performed at DFG due to lack of staffing. These functions include e-mail spam filtering, network monitoring and response, spyware blocking, pop-up blocking, virus response, and server software security updates.

**Proposal.** DFG would convert funding for six contractor positions to nine in-house IT personnel for on-going IT support and security functions.

**Governor’s Budget.** The Governor’s Budget proposes to provide position authority for nine new positions at the Information Technology Branch without increased costs.

**Staff Comment.** In a very difficult fiscal year, the state may not wish to expand the state workforce.

**Staff Recommendation.** Staff recommends that the Subcommittee reject the budget proposal.

### 13. Administration Augmentation

**Background.** The proposed position would work at both the Examination Unit and the Classification and Policy Unit. The Examination Unit plans, develops, administers, and evaluates exams needed by the Department of Fish and Game under delegated authority of the State Personnel Board (SPB); conducts job analysis to legally ensure exams are job related; publishes the Job Opportunity Bulletin; updates vacancy listings on SPB's and DFG's Internet web sites; plans recruitment activities for targeted DFG classifications; and maintains the Human Resources Branch's intranet and internet web sites.

The Classification and Policy Unit is responsible for all of the DFG's personnel management services statewide. The unit provides services to protect the rights of all department employees as well as provides the guidance, tools, and resources necessary for supervisors and managers to carry out their personnel management responsibilities in accordance with civil service laws and rules and collective bargaining agreements.

**Position Justification.** The Examination Unit has experienced a rise in the number of exams being requested and administered, and an increase in the number of examinations being given on an open, rather than promotional, basis. In the last few years, workload increases associated with post and bid provisions of the collective bargaining agreements, supervisory training, the expansion of the conflict of interest code, succession planning and facilitating an organizational restructuring have added to the responsibilities of personnel analysts at the Classification and Policy Unit.

Currently, DFG has approximately one human resources position for each 50 departmental positions. As part of the Governor's 2008-09 Budget, DFG is requesting an additional 58 permanent positions.

**Governor's Budget.** The Governor's Budget proposes one additional full-time position for the department's Human Resources Branch.

**Staff Comment.** In this very difficult fiscal year, it may not be advisable for the state to expand its administrative workforce. The department has argued that the new position is needed to handle the human resources workload from the new positions for 2008-09, but not all of those positions have been approved. Also, the Governor's Executive Order S-01-08 has placed a hiring freeze on all General Funded positions, allowing some of the current human resources workers to spend more of their time on hiring special funded employees.

**Staff Recommendation.** Staff recommends that the Subcommittee reject the budget proposal.

## 14. Budget Balancing Reduction – Hunting, Fishing, Public Use

**Governor’s Budget Balancing Reduction.** The Governor’s Budget proposes a budget balancing reduction of \$1,189,000 General Fund to the Hunting, Fishing, & Public Use program.

**Impact of Reduction.** This reduction would impact the department’s effort to implement the bottom trawl statute and the Mariner Life Management Act. It would also reduce avian influenza monitoring.

**Staff Recommendation.** Staff recommends that the Subcommittee reject this proposed reduction to the Hunting, Fishing and Public Use program.

## 15. Budget Balancing Reduction – Biodiversity Conservation

**Governor’s Budget Balancing Reduction.** The Governor’s Budget proposes a budget balancing reduction of \$3,580,000 General Fund from the Biodiversity Conservation program.

**Impact of Reduction.** This reduction would be distributed as shown in this chart:

Program Area	2007-08 (000)	2008-09 (000)	Position Reduction
Fisheries Restoration Grants	\$1,400	\$400	
Timber Harvest Plans		\$350	2
Marine Life Protection Act		\$430	
CEQA		\$200	2
Endangered Species Act		\$500	4
Coho Salmon Recovery		\$400	3
Water Projects - Statewide		\$450	3
Natural Community Conservation Planning (NCCP)		\$850	8
<b>TOTAL REDUCTION</b>	<b>\$1,400</b>	<b>\$3,580</b>	<b>22</b>

**Staff Recommendation.** Staff recommends that the Subcommittee reject this proposed reduction to the Biodiversity Conservation program.

## 16. Budget Balancing Reduction

**Governor’s Budget Balancing Reduction.** The Governor’s Budget proposes a budget balancing reduction of \$2,634,000 General Fund to Enforcement.

**Impact of Reduction.** This reduction would eliminate 36 fish and game wardens from the department.

**Staff Recommendation.** Staff recommends that the Subcommittee reject the proposed reduction to Enforcement.

## Discussion Items

### 3340 California Conservation Corps

**Background.** The California Conservation Corps (CCC) assists federal, state and local agencies, and nonprofit entities in conserving and improving California's natural resources while providing employment, training, and educational opportunities for young men and women. The Corps provides on-the-job training and educational opportunities to California residents aged 18 through 23, with projects related to environmental conservation, fire protection, and emergency services. Some activities traditionally associated with the Corps are tree planting, stream clearance, and trail building. The Corps also develops and provides funding for 11 community conservation corps.

**Governor's Budget.** The Governor proposes \$112 million for the California Conservation Corps for 2008-09. This is a 6.5 percent increase over the current year level of support primarily due to an increase in bond funds.

<b>Summary of Expenditures</b>				
<i>(dollars in thousands)</i>	<b>2007-08</b>	<b>2008-09</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Type of Expenditure</b>				
Training and Work Program	\$ 62,265	\$ 96,071	\$33,806	54.3
Capital Outlay	43,641	16,740	-26,901	-61.6
Administration	7,783	7,870	87	1.1
<i>less distributed administration</i>	-\$7,783	-\$7,870	-87	1.1
<b>Total</b>	<b>\$ 105,906</b>	<b>\$ 112,811</b>	<b>\$ 6,905</b>	<b>6.5</b>
<b>Funding Source</b>				
General Fund	\$ 40,576	\$ 37,638	-\$2,938	-7.2
Collins-Dugan California Conservation Corps Reimbursement Account	24,075	24,246	171	0.7
Other Special Funds	654	630	-24	-3.7
Bond Funds	40,601	50,297	9,696	23.9
<b>Total</b>	<b>\$ 105,906</b>	<b>\$ 112,811</b>	<b>\$ 6,905</b>	<b>6.5</b>

## 1. Proposition 84 Bond Funds

**Background.** The Safe Drinking Water, Water Quality, Flood Control, River and Coastal Protection, and Parks Bond Act of 2006 (Proposition 84), Chapter 5, Section 75050, provides \$45 million to the California Conservation Corps. Of this amount, \$32.5 million must go to the local conservation corps.

**Governor's Budget.** The Governor's Budget proposes \$33.3 million in Proposition 84 bond funds for 2008-09 and \$4 million in Proposition 84 bond funds for 2009-10. The 2008-09 funding would be divided with \$3 million for state operations and \$30.3 million for local assistance. The 2009-10 funding would be entirely for state operations. No new positions are being requested.

**Staff Analysis.** The local conservation corps have only been able to show a list of projects they would implement totaling \$14 million. It would be premature to provide all of the available Proposition 84 bond funds to the local conservation corps before there were projects that those funds could be used toward responsibly.

The requested state operations funding would pay for projects at the state level but would not pay for any positions. Since the funding is not attached to positions and the projects would not be on-going, in this case it is not prudent to fund state operations into the future.

**Missing Report.** The Legislature ordered the California Conservation Corps (CCC) to submit a supplemental report outlining the CCC's strategic plan for enhancing the training and educational opportunities for corpsmembers. The report was due January 10, 2007 and has still not been received. Without this report, it is difficult for the Legislature to evaluate what kinds of programs should be funded for the CCC.

**Staff Recommendation.** Staff recommends that the Subcommittee hold this item open to wait for the Supplemental Report that was due in 2007.

## 2. Budget Balancing Reduction

**Governor's Proposed Budget Balancing Reduction.** The Governor proposes a budget balancing reduction of \$3,764,000 General Fund from the California Conservation Corps. The administration proposes to reduce the work week for corpsmembers by four hours (\$2 million savings), close three non-residential centers thereby eliminating 75 corpsmember positions (\$1 million savings), reduce funding provided by the state to local conservation corps (\$337,000 savings), increase the monthly fee paid by corpsmembers for housing and other costs (\$165,000 savings), and reduce staff at CCC headquarters (\$207,000 savings).

**LAO Recommendation.** Because corpsmembers generate reimbursement revenues for CCC, the proposed reductions in the corpsmember work week and the elimination of corpsmember positions will reduce the reimbursement revenue available to support CCC operations.



Specifically, these proposals will save \$3 million in General Fund, but cost the state \$3.4 million in lost reimbursement revenue used to support CCC programs.

In the budget year, after accounting for certain technical adjustments, the reimbursement-funded Collins–Dugan Account is projected to have a fund balance—about \$2 million—sufficient to offset the proposed \$1 million General Fund reduction achieved by closing three non-residential centers while leaving a minimally adequate fund reserve. Therefore, the LAO recommends increasing CCC’s budget-year expenditure authority from the Collins–Dugan Account by \$1 million—thereby avoiding the need to close the centers in the budget year while still achieving \$1 million in General Fund savings.

Because current reimbursement rates do not cover the entire cost of CCC’s training and work program, our budget solution—relying on reimbursement funding to offset a \$1 million General Fund reduction—is not sustainable in the long term. The LAO acknowledges that while their recommended fund shift can be accomplished in the budget year, it will leave the Collins–Dugan Account with a modest balance of less than \$1 million at the end of the budget year. It will be necessary for CCC to either raise reimbursement rates or increase the percentage of corpsmember hours spent on reimbursable projects in order to avoid additional programmatic cuts in the long term. Therefore, the LAO also recommends the Legislature direct CCC to make every effort to increase reimbursement revenues in the budget year.

The LAO has no concerns with the proposed General Fund reductions involving funding for the local corps, increasing the housing cost for corpsmembers, and eliminating two administrative positions (totaling \$709,000). Therefore, the LAO recommends the Legislature approve a total of \$1.7 million of the Governor’s proposed budget-balancing actions.

One of the key legislative goals for CCC is to provide work training and education for corpsmembers. However, if CCC is required to reduce the corpsmember work week as proposed by the administration, the LAO is concerned that corpsmember training and education would correspondingly be reduced. Because these activities generally do not generate reimbursement revenues, CCC is likely to reduce these activities rather than reimbursement-generating projects in implementing the proposed work-week reduction. The LAO believes that this would reduce CCC’s ability to meet its core statutory mission to provide training and job skills to corpsmembers. Therefore, the LAO recommends the Legislature reject the proposed General Fund budget-balancing reduction of \$2 million in the budget year.

**Staff Recommendation.** Staff recommends that the Subcommittee:

- Increase appropriation from the Collins–Dugan Account by \$1 million to offset the same General Fund reduction, as recommended by the LAO
- Reject \$2 million General Fund reduction in the budget year, as recommended by the LAO
- Reduce General Fund contribution to the local conservation corps by \$337,000 as proposed by the Governor
- Reduce Headquarters budget by \$207,000 as proposed by the Governor
- Reject the increase in maintenance fees

## 3480 Department of Conservation

**Background.** The Department of Conservation (DOC) is charged with the development and management of the state's land, energy, and mineral resources. The department manages programs in the areas of: geology, seismology, and mineral resources; oil, gas, and geothermal resources; agricultural and open-space land; and beverage container recycling.

**Governor's Budget.** The Governor proposes \$1.4 billion for the Department of Conservation for 2008-09. This is a modest increase over current year expenditures, due to an increase in special funds. The majority of the DOC's budget goes toward recycling ("bottle bill").

<b>Summary of Expenditures</b>				
<i>(dollars in thousands)</i>	<b>2007-08</b>	<b>2008-09</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Type of Expenditure</b>				
Geologic Hazards and Mineral Resources Conservation	\$ 25,140	\$ 25,848	\$ 708	2.8
Oil, Gas, and Geothermal Resources	19,916	22,177	2,261	11.4
Land Resource Protection	31,174	15,178	-15,996	-51.3
Beverage Container Recycling and Litter Reduction	1,277,638	1,374,220	96,582	7.6
Office of Mine Reclamation	6,966	6,597	-369	-5.3
Administration	13,590	13,748	158	1.2
<i>less distributed administration</i>	-13,590	-13,748	-158	1.2
<b>Total</b>	<b>\$ 1,360,834</b>	<b>\$ 1,444,020</b>	<b>\$ 83,186</b>	<b>6.1</b>
<b>Funding Source</b>				
General Fund	\$ 5,043	\$ 5,117	\$ 74	1.5
Special Funds	1,316,728	1,415,633	98,905	7.5
Bond Funds	27,037	11,042	-15,995	-59.2
<i>Budget Act Total</i>	<i>\$ 1,348,808</i>	<i>\$ 1,431,792</i>	<i>\$ 82,984</i>	<i>6.2</i>
Federal Trust Fund	1,835	1,824	-\$11	-0.6
Bosco-Keene Renewable Resources Investment Fund	1,050	1,135	85	8.1
Reimbursements	9,141	9,269	128.00	1.4
<b>Total</b>	<b>\$ 1,360,834</b>	<b>\$ 1,444,020</b>	<b>\$83,186.00</b>	<b>6.1</b>

## 1. Farm Land Preservation Enforcement

**Background.** The Department of Conservation (DOC) operates two programs to preserve farmland in California. The Williamson Act was established in 1965 and allows the landowner to pay lower property taxes in exchange for agreeing to maintain the land as farmland for ten years. The Williamson Act contract is renewed each year for another 10-year period unless the landowner cancels the renewal.

The California Farmland Conservancy Program (CFCP) was established in 1996 and provides grants to local non-profits who use the funds to purchase agricultural conservation easements from willing sellers. Local governments must concur that the easement is consistent with their local planning.

**Previous Budget Actions.** In 2003, due to budget constraints, the farmland preservation audits were moved from the Department of Finance to a reduced internal audit process at DOC. The shift to an internal process reduced the number of audits conducted from five to two. In the 2003-04, 2004-05, and 2005-04 budget years bond funds were used to fund and/or supplement the audit program. In 2006-07, funding for the audit program was changed to the Soil Conservation Fund on a two-year limited term basis.

**Penalties Collected.** With the limited-term staff, DOC has been able to collect large amounts of penalties from Williamson Act and CFCP violations. In 2005-06, the penalties collected were over \$26 million. The penalties are used to reimburse the Soil Conservation Fund for the cost of the audits, and the rest of the penalty funds are placed into the General Fund.

**Governor's Budget.** The Governor's Budget proposes \$910,000 from the Soil Conservation Fund to pay for 5 positions to enforce the Williamson Act and the California Farmland Conservancy Program. These funds would make permanent a two-year increase to the enforcement budget, and add \$14,000 for salary increases.

**Staff Recommendation.** Staff recommends that the Subcommittee hold this item open.

## 2. Education and the Environment Initiative

**Background.** SB 926 (Torlakson, 2001) created the Office of Education and the Environment within the California Integrated Waste Management Board (CIWMB). AB 1548 (Pavley, 2003) directed the development of the Education and the Environment Initiative (EEI) model curriculum and make the EEI model curriculum available to California's K-12 public schools. The Office of Education and Environment must also ensure materials produced and distributed in public schools are aligned to the Education Principles and Concepts, and coordinate with all state agencies to develop and distribute environmental education materials.

**Proposal.** The Department of Conservation (DOC) wants to partner with the EEI to include information on recycling in the model curriculum. The goal of DOC is to reach an 80 percent recycling rate. The current recycling rate is 60 percent. DOC believes that by educating K-12 students about the impact of recycling on the environment, it can raise the long-term recycling rate. Current statute allows a state department to contribute funds to the account financing EEI activities.

**Governor's Budget.** The Governor's Budget proposes \$1,167,000 from the California Beverage Container Recycling Fund to support the Education and the Environment Initiative in 2008-09. In addition, \$917,000 from the California Beverage Container Recycling Fund is requested for 2009-10.

**Staff Analysis.** The funding source is intended to increase recycling efforts in the state. Though educating children on the merits of recycling will ultimately impact recycling rates, staff thinks that the recycling fund should not pay for the entire increase to the program. This program should also receive funding from other departments impacted by the Education Initiative, especially CalEPA departments.

**Staff Recommendation.** Staff recommends that the Subcommittee hold open this item.

## 3540 Department of Forestry and Fire Protection

**Background.** The California Department of Forestry and Fire Protection (CALFIRE), under the policy direction of the Board of Forestry, provides fire protection services directly or through contracts for timberlands, rangelands, and brushlands owned privately or by state or local agencies. In addition, CALFIE: (1) regulates timber harvesting on forestland owned privately or by the state and (2) provides a variety of resource management services for owners of forestlands, rangelands, and brushlands.

**Governor's Budget.** The Governor's Budget proposes \$1.38 billion for support of the Department of Forestry and Fire Protection in 2008-09. This is a 14 percent increase over current year expenditures, mainly due to increased capital outlay expenditures. The chart below does not reflect the proposed budget balancing reductions.

<b>Summary of Expenditures</b>				
<i>(dollars in thousands)</i>	<b>2007-08</b>	<b>2008-09</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Type of Expenditure</b>				
Office of the State Fire Marshal	\$ 16,109	\$ 21,910	\$ 5,801	36.0
Fire Protection	1,017,579	905,363	-112,216	-11.0
Resource Management	63,779	65,382	1,603	2.5
Capital Outlay	114,337	389,991	275,654	241.1
Administration	68,216	66,306	-1,910	-2.8
<i>less distributed administration</i>	-67,579	-65,644	1,935	-2.9
<b>Total</b>	<b>\$ 1,212,441</b>	<b>\$ 1,383,308</b>	<b>\$ 170,867</b>	<b>14.1</b>
<b>Funding Source</b>				
General Fund	\$ 784,931	\$ 654,051	-\$130,880	-16.7
Special Funds	15,639	46,358	30,719	196.4
Bond Funds	116,405	391,525	275,120	236.4
<i>Budget Act Total</i>	<i>\$ 916,975</i>	<i>\$ 1,091,934</i>	<i>\$174,959</i>	<i>19.1</i>
Federal Trust Fund	31,747	22,577	-9,170	-28.9
Forest Resources Improvement Fund	1,615	7,504	5,889	364.6
Timber Tax Fund	33	34	1	3.0
Reimbursements	262,071	261,259	-812	-0.3
<b>Totals</b>	<b>\$ 1,212,441</b>	<b>\$ 1,383,308</b>	<b>\$170,867</b>	<b>14.1</b>

## 1. Fire & Life Safety Staff Augmentation

**Background.** Under Health and Safety Code 13108, the State Fire Marshal (SFM) is responsible for the protection of life and property from fire and panic in all state-owned and state-occupied buildings. Currently there are 28,579 buildings that fall under the jurisdiction of Health and Safety Code 13108. SFM has 89 positions total to cover the responsibilities of building inspections for fire code compliance.

AB 900 (Solorio, 2007) provides \$7.7 billion from bonds and General Fund to the California Department of Corrections and Rehabilitation (CDCR) for rehabilitation activities and capital outlay. The capital outlay portion of AB 900 allows CDCR to add 40,000 new beds to the prison system, as well as 13,000 new beds to local jail facilities.

The Deputy State Fire Marshal classification is a peace officer position, and it takes approximately 8 months for the law enforcement background check to be completed and another two years to train a new recruit. Currently, SFM has 8 Fire and Life Safety applicants in the background investigation process.

**Governor's Budget.** The Governor's Budget proposes \$1,954,000 from reimbursements for 15 positions to review construction plans for fire and life safety issues in the construction of new prison space in accordance with AB 900. The reimbursement would come from the AB 900 funding, which provides both bond and General Fund.

**Staff Recommendation.** Staff recommends that the Subcommittee hold this item open until Subcommittee 4 can review the Department of Corrections and Rehabilitation's progress on AB 900 implementation.

## 2. Additional Battalion Chief Staffing

**Background.** Prior to July 1, 2006, the Battalion Chief (BC) classification earned more with overtime than the management position Unit Chief. Thus there were few BCs willing to promote into the levels of management. As the workforce aged, a number of managers at the Unit Chief level had retired, leaving a number of vacancies. The Department of Personnel Administration and CALFIRE reached an agreement to address the inversion issue within CALFIRE, and the managers began to again earn more than the BCs.

Additionally, on July 1, 2006, the Bargaining Unit 8 contract changed the working hours for the BC classification from 84 to 72 hours per week. However, the incumbent BCs employed prior to July 1, 2006 retained the 84-hour work week.

As promotions and retirements take place, more BC positions are converting to 72-hour work weeks. Thus the department is experiencing a shortage of BC positions.

**Governor's Budget.** The Governor's Budget proposes \$2,263,000 (\$926,000 on-going) from General Fund for 28 PY for the Battalion Chief Classification.

**Missing Report.** On January 10 of each year, CALFIRE must provide a report to the Legislature regarding the department's increased fire prevention activities in state responsibility areas and outside state responsibility areas. This report has not been received for 2008.

**Staff Recommendation.** Staff recommends that the Subcommittee hold this item open until the missing report is received.

### 3. Statewide Fire Suppression Cost-Recovery Unit

**Background.** Health and Safety Code Section 13009 states that any person who commits arson or negligently starts a fire is liable for the cost of fighting that fire. CALFIRE routinely investigates the causes of fires. However, to collect enough evidence to stand in court takes a great deal more effort than simply determining that the fire was caused by arson. It can take 3,000 hours of investigation and litigation for each cost-collection case. Currently CALFIRE redirects internal resources to cost-recovery efforts. Between 2001 and 2006 the CALFIRE cost-recovery team collected \$16.8 million from 34 cases, with an average annual collection of \$2.8 million. The proposed cost-recovery unit would develop procedures and policies for cost-recovery investigations.

**Cost Recovery.** The department estimates that the proposed cost-recovery unit would earn approximately \$12.5 million for the General Fund.

**Governor's Budget.** The Governor's Budget proposes \$2,475,000 from General Fund for 14 positions to establish a Statewide Fire Suppression Cost-Recovery Unit.

**Staff Recommendation.** Staff recommends that the Subcommittee hold this item open

### 4. Board of Forestry Program Number

**Background.** The Board of Forestry and Fire Protection is a government-appointed body within the CALFIRE. It is responsible for developing the general forest policy of the state, for determining the guidance policies of the Department and for representing the state's interest in federal forestland in California.

The Board is charged with protecting the forest resources of all the wildland areas of California that are not under federal jurisdiction. These resources include; major commercial and non-commercial stands of timber, areas reserved for parks and recreation, the woodland, brush-range watersheds, and all such lands in private and state ownership that contribute to California's forest resource wealth.

**Staff Recommendation.** Staff recommends that the Subcommittee adopt a budget bill change to give the Board of Forestry its own program number, thus creating a line-item within CALFIRE's

budget for the Board of Forestry. This will allow for better transparency for Board of Forestry expenditures.

## 5. Firefighting Safety Fund

**Trailer Bill.** This bill would create a Firefighting Safety Account within the Insurance Fund and would require the Department of Insurance to impose an annual assessment on all premiums written on commercial and residential fire and multiperil insurance policies. The assessment would be deposited into the Firefighting Safety Account, as specified. This bill would allow the Legislature to appropriate money from the Firefighting Safety Account only for the purpose of funding firefighting activities within certain state departments. This bill would also allow insurers to recover the amount of the assessment in an equitable fashion from insureds.

**Funds in Budget Year 2008-09.** The funding from this proposed trailer bill would backfill the \$44 million budget balancing reduction as well as pay for the Southern California Wildfire Action Plan Recommendations proposal for \$33 million.

**Department of Insurance Testimony.** In February 2008 the Secretary for Insurance testified in front of the full Senate Budget Committee that this trailer bill was most likely unconstitutional.

**Staff Recommendation.** Staff recommends that the Subcommittee reject the proposed trailer bill language.

## 6. Southern California Wildfire Action Plan Recommendations

**Proposal.** After the 2007 Southern California wildfires, meetings were held to discuss steps that could be taken to reduce future costs in a large fire by improving resources available for deployment. Recommendations included better coordination with military agencies, increasing staffing on engines during peak and transition fire season to four staff per engine (instead of three), replacement of CALFIRE's aging helicopter fleet, replacement of defective parts on the S-2T aircraft and existing helicopters, and AVL tracking of firefighting assets.

**Governor's Budget.** The Governor's Budget proposes \$33,113,000 from the Insurance Fund Firefighting Safety Account for 388 positions to implement recommendations of the Southern California Wildfire Action Plan.

**Staff Recommendation.** Staff recommends that the Subcommittee reject this budget proposal since there is no reliable funding source at this time.

## 7. LAO State Responsibility Area Fee Proposal

**State Responsibility Area.** The state is responsible for wildland firefighting in State Responsibility Areas (SRA). These SRA are primarily privately-owned timberlands, rangelands,



and watersheds. Lands owned by the federal government or incorporated within existing city limits are excluded from the SRA. Also, if the density of houses is greater than three units per acre, the Board of Forestry generally removes these lands from SRA and local governments become responsible for fire protection. Existing law requires the department to provide wildland fire protection on the SRA. The law allows the department to provide other emergency services—such as structure fire protection or medical emergency response—in SRAs when resources are available and it is within the department’s budget.

**Increasing Cost of Fire Protection.** The department’s fire protection budget is divided into baseline fire protection and emergency expenditures. The baseline budget includes normal day-to-day costs, such as salaries and benefits for employees, the costs of operating facilities, and other regular firefighting costs. The budget also includes funding for the E-Fund which is used to pay for costs of fire protection beyond budgeted expenditures, such as overtime or special equipment rentals. The E-Fund expenditures are typically associated with large wildland fires that vary considerably in number and severity year-to-year. Actual fire protection expenditures (including E-Fund) in 1997–98 were \$408 million. In the current year, the department estimates total fire protection expenditures (including E-Fund expenditures beyond the budget appropriation) will be over \$1 billion—a 150 percent increase. (Excluding E-Fund expenditures—the most volatile portion of the department’s fire protection budget—costs have nonetheless still increased by 120 percent over this period.)

**Fee Proposal.** The LAO recommends that the Legislature create a new fee on SRA lands and use a portion of the revenues to offset the proposed General Fund reduction for the department’s fire protection program—thus avoiding the need to close facilities in the budget year. Specifically, the LAO recommends that the Legislature enact a fee assessed on property owners in SRA that would pay for 50 percent of the state’s General Fund baseline cost for fire protection. The LAO recommends that E-Fund costs be excluded from this baseline, as E-Fund costs are often caused by large fire events that are of statewide significance. Based on the 2007- 08 enacted budget, fee revenues from the LAO’s proposed fee would be about \$265 million. The Legislature may wish to adopt an SRA fee along these lines, but one that reflects a different level of cost sharing between the state and the beneficiaries. Whatever the cost sharing level is, the LAO recommends that the Legislature design the fee such that it recovers a specified percentage of the state’s General Fund baseline fire protection budget. This will ensure that the fee payers continue to pay an equitable share of the state’s General Fund cost for fire protection over time.

**Staff Recommendation.** No recommendation, informational item only.

## 8. LAO Recommendation – Timber Harvest Plan Fee Increase

**Timber Harvest Plans.** Under the state Forest Practice Act, logging operations must comply with a timber harvest plan (THP). The THP describes the proposed logging methods and projected production from an area, as well as any environmental mitigation measures that the timber harvesters will undertake to prevent or offset damage to natural resources, such as fish or wildlife. The Department of Forestry and Fire Protection (CalFire) has the statutory

responsibility to review these plans, approve or deny them, and to monitor compliance with the plan during logging operations. In addition to CalFire's review of THPs, the Department of Conservation, the State Water Resources Control Board and the Department of Fish and Game (DFG) also participate in the review and enforcement of THPs under their own statutory authorities. Under current statute, there is no THP review fee in place to pay for the general cost of reviewing or monitoring compliance with THPs. (However, there is a fee in place that pays for a small portion of DFG's cost for THP review.)

**LAO Recommendation.** The LAO recommends the enactment of legislation establishing a Timber Harvest Plan review fee that would generate revenues sufficient to pay for the total cost of THP review in all relevant agencies. Timber harvesters benefit from the review and approval of THPs—required under statute—because the approval of a THP allows timber harvesters to begin revenue-generating timber harvesting. Thus, the LAO believes it is appropriate that timber harvesters pay the full cost of reviewing and enforcing THPs.

The LAO recommends the Legislature create a new THP fee in statute, to be assessed on the value of timber harvested under each THP. The fee should be set at a level such that total fee revenues are equivalent to the state's cost of THP review and enforcement as well as BOE's administrative costs. The LAO also recommends the Legislature give BOE the authority to adjust the fee level such that it continues to fully cover program costs, as the market value of timber (and thus the amount of revenues raised by the fee) fluctuates. Finally, the LAO recommends the Legislature create a new special fund for these fee revenues and that it make direct appropriations out of this new fund to the relevant agencies. The fee could be collected by the State Board of Equalization (BOE), which already collects a tax on timber yield.

**Staff Comment.** Timber industry representatives have raised concerns with staff over the cost of the increased THP fee. Industry representatives state that the proposed LAO fee of \$24 million would mean an increase of approximately \$60,000 per THP. Industry representatives proposed several possible efficiencies to the THP review process, including:

- Coordination and consolidation of THP permitting between the various permitting agencies
- Joint work plans for multi-agency review teams
- An MOU between DFG and CALFIRE to have concurrent streambed alteration permit (1600 permit) and THP issuance for non-fish bearing crossings, with CALFIRE as the approving agency

**Staff Recommendation.** Staff recommends that the Subcommittee examine the possibility of efficiencies in the THP review process, but not take a vote on this informational item.

## 3600 Department of Fish and Game

**Background.** The Department of Fish and Game (DFG) administers programs and enforces laws pertaining to the fish, wildlife, and natural resources of the state. The Fish and Game Commission sets policies to guide the department in its activities and regulates fishing and hunting. The DFG currently manages about 850,000 acres including ecological reserves, wildlife management areas, hatcheries, and public access areas throughout the state.

**Governor's Budget.** The Governor's Budget proposes \$401 million for support of the Department of Fish and Game for 2008-09. This is a reduction of \$140 million, or 26 percent, over current year expenditures. This reduction is primarily due to a reduction in bond funds and reimbursements.

<b>Summary of Expenditures</b>				
<i>(dollars in thousands)</i>	<b>2007-08</b>	<b>2008-09</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Type of Expenditure</b>				
Biodiversity Conservation Program	\$ 315,329	\$ 195,835	-\$119,494	-37.9
Hunting, Fishing, and Public Use	69,988	60,293	-9,695	-13.9
Management of Department Lands	56,084	48,919	-7,165	-12.8
Enforcement	61,730	60,308	-1,422	-2.3
Communications, Education, and Outreach	918	2,630	1,712	186.5
Spill Prevention and Response	35,679	31,786	-3,893	-10.9
Fish and Game Commission	-	1,345	1,345	100.0
Capital Outlay	2,725	530	-2,195	-80.6
Administration	45,422	44,349	-1,073	-2.4
<i>less distributed administration</i>	<i>-45,422</i>	<i>-44,349</i>	<i>1,073</i>	<i>-2.4</i>
<b>Totals</b>	<b>\$ 542,453</b>	<b>\$ 401,646</b>	<b>-\$140,807</b>	<b>-26.0</b>
<b>Funding Source</b>				
General Fund	\$ 96,294	\$ 83,665	-\$12,629	-13.1
Special Funds	178,143	169,210	-8,933	-5.0
Bond Funds	134,562	57,611	-76,951	-57.2
<i>Budget Act Total</i>	<i>408,999</i>	<i>310,486</i>	<i>-98,513</i>	<i>-24.1</i>
Federal Trust Fund	58,219	51,289	-6,930	-11.9
Reimbursements	70,895	35,286	-35,609	-50.2
Salton Sea Restoration Fund	2,741	2,855	114	4.2
Harbors and Watercraft Revolving Fund	5	5	0	0.0
Special Deposit Fund	1,456	1,585	129	8.9
Coastal Wetlands Account	138	140	2	1.5
<b>Total</b>	<b>\$ 542,453</b>	<b>\$ 401,646</b>	<b>-\$140,807</b>	<b>-26.0</b>

## 1. Court Ordered Suction Dredge Program Review

**Background.** Suction Dredging is the practice of vacuuming river or lake bottoms for gold. In 1994 the Department of Fish and Game (DFG) adopted regulations to implement the suction dredge program, as required by statute. Since that time, the DFG and the National Marine Fisheries Service have listed ten fish species as threatened or endangered.

In 2005, the Karuk Tribe of California filed a complaint for declaratory relief against DFG in Alameda County Superior Court alleging DFG's issuance of suction dredge permits in the Klamath, Scott, and Salmon River watersheds violated the California Environmental Quality Act (CEQA) because of the potential for suction dredge mining in these watersheds to result in significant impacts to the newly listed Coho salmon.

**Court Order.** On December 20, 2006, the Alameda County Superior Court ordered DFG by June 2008 to "...conduct a further environmental review pursuant to CEQA of its suction dredge mining regulation and to implement, if necessary, via rulemaking, mitigation measures to protect the Coho salmon and/or other special status fish species...". The Court found that DFG has a legal obligation under CEQA to consider new information concerning the environmental effects of suction dredge mining on Coho salmon and other fish species of special concern.

**Current Fee Structure.** The current suction dredge permit fees are set in statute (Fish and Game Code 5653 (c)) and collect about \$150,000 annually.

**Governor's Budget.** The Governor's Budget proposes \$1 million General Fund for 2008-09 for an environmental review pursuant to the California Environmental Quality Act on the department's suction dredge program and mining regulations. This proposal also includes authority for \$500,000 General Fund for 2009-10.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the funds with trailer bill language that establishes a moratorium on the Department of Fish and Game issuance of further suction dredge permits until the CEQA document is completed.

## 2. San Joaquin River Restoration Implementation

**Background.** In 1988, the Natural Resources Defense Council (NRDC) sued the Bureau of Reclamation and the Friant Water Users Authority (FWUA) over the fish population levels in the river. In August of 2006, NRDC and FWUA entered into a settlement agreement, the goal of which is to "restore and maintain fish populations" in the San Joaquin River below the Friant Dam. The settlement specifies actions that will be taken over the next 20 years to restore the San Joaquin River. The intent is to restore approximately 150 miles of river from the Friant Dam to the confluence with the Merced River.

Under the agreement, the federal government will provide funds to restore the river, while FWUA agreed to actions that will increase flows in the river.

While the state is not a party to the lawsuit, The Department of Water Resources, the Resources Agency, and the California Environmental Protection Agency have entered into a memorandum of understanding (MOU) with the settling parties regarding the state's role in the restoration. This MOU has been incorporated into the Court's Final Order, and as such the duties described in the MOU may have become contractual between the State, the Federal Government and the local parties.

The projects that the Department of Fish and Game intends to undertake as part of a twenty-year program would restore flows, river-associated habitats, and naturally reproducing and self-sustaining populations of salmon and other fishes to the San Joaquin River. The specific projects would involve the planning and construction of fish-ways, fish screens, fish barriers, fish access channels, river channel improvements, and physical habitat developments.

**Governor's Budget.** The Governor's Budget proposes \$6,327,000 in Reimbursement authority for the first phase of the San Joaquin River Restoration Project. The reimbursement is coming from the Secretary for Resources' Proposition 84 bond funds. The proposal also includes the following budget bill language:

*The funds appropriated in this item for purposes of subdivision (n) of Section 75050 of the Public Resources Code may only be expended upon enactment of federal legislation to implement, and to fund the federal government's share of, the settlement agreement in N.R.D.C. v. Rodgers.*

*The funds appropriated in this item for purposes of Section 75050(n) of the Public Resources Code shall be available for encumbrance or expenditure until June 30, 2011, for purposes of support, local assistance, or capital outlay.*

**Staff Analysis.** Concerns have been raised by the Settlement Agreement parties regarding the Governor's Budget bill language.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal with the following budget bill language:

*Expenditure of the funds appropriated in this item shall continue only so long as the United States Bureau of Reclamation continues to provide federal funds and continues to carry out federal actions to implement the settlement agreement in N.R.D.C. v. Rodgers.*

*The funds appropriated in this item for purposes of Section 75050(n) of the Public Resources Code shall be available for encumbrance or expenditure until June 30, 2011, for purposes of support, local assistance, or capital outlay.*

### 3. Quagga Mussel – AB 1683

**Background.** A highly invasive fresh-water Quagga Mussel, related to the Zebra Mussel, can reproduce at very rapid rates. It has spread throughout the eastern United States, and is known for hindering water for domestic, municipal, industrial and agricultural purposes by clogging

pipes and other water delivery infrastructure. The Quagga Mussel was discovered in California on January 17, 2007. The Quagga Mussel was found in Lake Mead, Lake Havasu and on the Metropolitan Water District intake pumps. DFG has expressed concern that the species could cause potentially wide-spread damage to drinking water pumping systems and other related infrastructure.

**AB 1683.** AB 1683 (Wolk, 2007) requires DFG to develop Quagga Mussel control and eradication plans, as well as assist water agencies in the development and implementation of their plans of control and eradication if the Quagga is discovered in their systems. Also, AB 1863 required DFG to inspect waters and water facilities in the state for Quagga Mussel presence.

**Governor's Budget.** The Governor's Budget proposes \$428,000 from the Fish and Game Preservation Fund for four positions to implement AB 1683.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

**Questions:**

1. What actions is the department currently taking to contain the Quagga Mussel?
2. Is the department planning to alter its strategy to contain the Quagga Mussel for the coming year?
3. How do the department's activities integrate with the activities of the Department of Food and Agriculture and the Department of Boating and Waterways?

## 4. Anadromous Fish Management

**Background.** The Department of Fish and Game (DFG) Anadromous fish management has three components: Coastal Salmonid Monitoring Plan, the Coho Recovery Plan Implementation, and Coastal Steelhead and Chinook Recovery.

*Coastal Salmonid Monitoring Plan.* The State of California does not have in place a coast-wide program to monitor the status and trend of salmon and steelhead populations. The DFG and the National Marine Fisheries Service have partnered on the development of the California Coastal Salmonid Monitoring Plan to monitor Anadromous fishes on the entire coast of California. The emphasis of the plan is to gather the data needed to manage fishing and hatcheries, and to de-list the federal and state-listed species. The six temporary staff would be used to collect data in collaboration with universities, Tribes, counties, and watershed groups.

*Coho Recovery Plan Implementation.* The DFG adopted a Coho Recovery Strategy in 2004 that sets forth detailed actions to recover the species to the point of de-listing. However, no funding has been provided for implementation. Two positions would be added to this program. This proposal would decrease the Coho salmon recovery period from 300 years to 50 years.

*Coastal Steelhead and Chinook Recovery.* The DFG approved a Steelhead Restoration and Management Plan in 1996, but no funding has been provided for the implementation of this plan. Nearly all salmon and steelhead runs on the coast are now listed as threatened or endangered.

**Governor's Budget.** The Governor's Budget proposes \$10,856,000 from Proposition 84 bond funds for grant funds and eight permanent and six temporary positions to support the Coastal Salmonid Monitoring Plan Implementation, Coho Recovery Plan Implementation, and Coastal Steelhead and Chinook Recovery.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the positions for the four-year plan but approve grant funds as one-time only.

**Questions:**

1. California salmon are in crisis. The current salmon run is 80 percent lower than the previous years' salmon run. What is the department doing to bring back the salmon?
2. The funding requested is for monitoring and implementation. But the implementation strategy for Coho Salmon Recovery would still take 50 years. How much would it cost to implement the Coho Salmon Recovery plan in 10 years? What would be the cost of Coastal Steelhead and Chinook recovery?
3. The Anadromous Fish Management proposal is a long-term plan and not a response to the current salmon crisis. Why has the department not submitted proposals for responding to the current salmon decline crisis?

## 5. San Francisco Bay Physical Oceanographic Real Time System (PORTS)

**Background.** The Physical Oceanographic Real Time System (PORTS) was developed in 1995 by a partnership between the Marine Exchange of the San Francisco Bay Region, the National Oceanic and Atmospheric Administration, and Office of Spill Prevention and Response (OSPR). The PORTS is a 24-hour-a-day program which measures the currents, depth, salinity and wind in the San Francisco and Suisun Bays. Measurements are taken every six minutes and are available by telephone or on-line. The PORTS disseminated important safety information to recreational boaters, ferry boats, merchant shipping and the whole range of users of the bays. The system has also been used in cases of oil spills to help in containment efforts.

**Current Funding.** Currently, the PORTS program is funded for \$126,000 through the OSPR local assistance program, but not from funding specifically for PORTS. The PORTS program also receives \$35,000 annually from the Department of Boating and Waterways.

**Governor's Budget.** The Governor's Budget proposes \$250,000 from the Oil Spill Prevention and Administration Fund for maintenance of the San Francisco PORTS system.

**Staff Recommendation.** Staff recommends that the Subcommittee approve this proposal as one-time funds with the following Supplemental Report Language:



On or before January 10, 2009, the department shall submit to the Legislature, including budget and fiscal committees of both houses, a report on 1) the condition of the current California ports' ocean and atmospheric condition measurement systems and 2) the cost of upgrading these systems and making them compatible with each other for each California port.

## 6. OSPR Administrative Fund

**OSPR Background.** Office of Spill Prevention and Response (OSPR) was established in 1990 by the Lempert-Keene-Seastrand Oil Spill Prevention and Response Act. The primary program objectives are to prevent and respond to oil spills affecting marine waters of the state. The Department of Fish and Game is the lead agency to implement the act.

The Oil Spill Prevention and Response Act, in response to the groundings of the Exxon Valdez in Alaska and the American Trader off Huntington Beach, required the Department of Fish & Game to develop a comprehensive oil spill prevention and response program for the State. This program includes various requirements relating to oil spill contingency planning, prevention, response, containment, and cleanup.

The Office of Spill Response and Prevention (OSPR) within the Department of Fish and Game is responsible for carrying out the provisions of the Lempert-Keene Act. OSPR is headed by an administrator who is considered a chief deputy director. The administrator is appointed by the Governor, serves at the Governor's pleasure, and is subject to Senate confirmation.

**Oil Spill Prevention and Administration Fund.** To support the program, the 1990 Act set a 4-cent fee on each barrel of crude oil or petroleum product delivered to a marine terminal. These fees are deposited into the Oil Spill Prevention and Response Administration Fund (Fund). Not only does the fund provide money to the Office of Spill Prevention and Response in the Department of Fish and Game (OSPR), it also funds oil spill prevention programs at the State Lands Commission (SLC), Coastal Commission, and the San Francisco Bay Conservation and Development Commission (BCDC).

A report by the California Research Bureau found that by 2001 the inflation-adjusted value of the 4-cent fee had declined over 20 percent to about 3-cents. SB 849 (Torlakson), in 2001, increased this fee to 5-cents.

**Increased OSPR Responsibilities.** Over time the Legislature increased the responsibilities of OSPR significantly, such as requiring OSPR to collect and review oil spill contingency plans from non-tank vessels in addition to oil tankers. Also, a report by the California Research Bureau found that OSPR had not conducted any drills in the first 10 years of its existence, despite the fact that drills are required by state law.

OSPR found the cost of mandated programs exceeded the fee-generated revenues, and in response to the declining reserve, OSPR reduced its budget by \$1.9 million and eliminated 10

positions beginning in FY 98/99. To achieve this reduction, OSPR eliminated oil spill response research, reduced training, delayed equipment replacement, and restricted travel. Funds for research were not restored until 2001, when the fee was increased.

**DOF Audit.** SB 849 also required the Department of Finance to conduct an audit of OSPR, including a review of how the fund was being spent. DOF found that fee revenues exceeded fund expenditures and had been growing a balance since FY 03-04. DOF projected that if expenditures remained steady, the Fund would have a balance of about \$45 million by FY 06-07. The audit suggested using the excess fund balance to strengthen OSPR's prevention, readiness, and response activities.

**Senate Hearing.** On November 30, 2007, the Senate Committee on Natural Resources and Water and the Senate Committee on Governmental Organization held a joint oversight hearing of OSPR's response to a container ship's collision with the San Francisco Bay Bridge, an incident that led to the spill of 58,000 gallons of bunker oil into the San Francisco Bay. At that oversight hearing, OSPR administrators stated that they would develop a management plan for the surplus funds in the Oil Spill Prevention and Administration Fund.

**Question:** What has OSPR done to create a management plan for prevention and readiness that will responsibly spend down surplus funds in the Oil Spill Prevention and Administration Fund?

## 7. LAO Recommendation – Fee Increases

**LAO Recommendation.** Several of the program areas proposed for reductions are regulatory program activities that currently receive some fee-based support or could be supported with revenues from new fees, based on the “polluter pays” principle and the “beneficiary pays” principle. In the case of the fees recommended by the LAO, the department is responding to proposals by the regulated community that impact natural resources. Because the department's efforts in these programs are driven directly by the activities of the regulated community, the LAO thinks it is appropriate that the regulated community pay the full cost of operating these regulatory programs. In particular, the following program areas have existing fees or could be supported by fees:

- *California Endangered Species Act Review.* State law requires the protection of all species that are designated as threatened or endangered. The department has statutory responsibility to enforce these laws and is also empowered to grant permits for “incidental take” of protected species where activities—such as development—can be done in a way that does not threaten protected species' long-term survival. Currently, there is no existing fee for this activity in statute.
- *Natural Communities Conservation Plan (NCCP) Review.* In state law, there is an alternative to the Endangered Species Act approach of looking at individual species. Under the Natural Communities Conservation Planning Act, government agencies and/or private entities can create long-term, ecosystem-based conservation plans designed to protect multiple threatened or endangered species. This system allows for a more comprehensive approach to species protection, while at the same time giving the proponents of a plan assurances about future regulation, thereby allowing them to

proceed with projects that may impact species in the future. Under state law, the department is required to review and approve any proposed NCCP. Existing law allows the department to recover its costs through fees, but currently there is no fee in place.

**Staff Recommendation.** Informational item, no recommendation.

# **SUBCOMMITTEE NO. 2      Agenda Addendum**

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**Alan Lowenthal, Chair  
Darrell Steinberg  
Dave Cogdill**



**Monday, April 7, 2008  
10:00 a.m.  
Room 11**

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## **Resources—Environmental Protection—Energy**

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling 916-324-9335. Requests should be made one week in advance whenever possible.

## Discussion Items

### 3540 Department of Forestry and Fire Protection

#### 1. Efforts to Contract with Certified Disabled Veteran Business Enterprises Update – Informational Item

**Existing Law.** Existing law provides that state agencies have a goal of assigning 3 percent of contracted services to certified disabled veteran businesses. California Department of Forestry and Fire Protection (CALFIRE) has acknowledged past lapses in meeting this goal, but believes it has made significant progress with this objective. On the other hand, all parties acknowledge that the goal is just that, and is not as strong as a binding requirement for a certain percentage of contracts to go to qualified disabled contractors.

Though existing law also establishes a goal of 25 percent of all contracts be awarded to certified small businesses, these small businesses are entitled to a 5 percent competitive advantage with certain bids to state agencies. Disabled contractors are not covered by this provision nor are they guaranteed a contract even when their price is the same as that of a non-disabled contractor. Similarly, state agencies, including CALFIRE, do not set aside a specific portion of their contracting budgets for certified disabled contractors.

**Report.** As part of the *2005-06 Budget Act*, the Legislature requested a report from CALFIRE on its efforts to contract with certified disabled veteran businesses, as directed by current law. In this report, CALFIRE identified inconsistent policies at the department related to contracting with veteran-owned businesses. The report indicated that CALFIRE conducted eight hired equipment dispatching training workshops throughout the state for CALFIRE fire dispatchers in 2005. A total of 64 dispatchers from 21 of CALFIRE's dispatching centers received training on CALFIRE's emergency equipment hiring and dispatching policies and a special emphasis was placed on how CALFIRE provides preferential hiring opportunities to disabled veteran business enterprises.

**Current Contracting.** During the first half of 2007-08, CALFIRE had a DVBE participation of 2.46 percent. In the 2006-07 fiscal year, CALFIRE awarded 2.2 percent of its contract for goods and services to disabled veteran businesses. This was up from 2005-06, when only 1.24 percent of contracts were awarded to disabled veterans.

Also, CALFIRE awarded 18.56 percent of its contacts to small businesses in the first half of 2007-08. In 2006-07, CALFIRE has awarded 16.4 percent of its contracts to small businesses, and in 2005-06 the rate was 13.3 percent.

**Staff Recommendation.** Informational item, no recommended action.

## SUBCOMMITTEE NO. 2

## Outcomes

Alan Lowenthal, Chair  
Darrell Steinberg  
Dave Cogdill



Monday, April 7, 2008

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### Resources—Environmental Protection—Energy

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## Vote-Only Calendar

### Budget Balancing Reductions

Org Code	Description	(000) 2007-08	(000) 2008-09	(000) GF Remaining	Total Program Budget (000)
3480	Department of Conservation - Geologic Hazards and Mineral Resources	\$ -	\$ 512	\$ 4,605	\$ 25,848
3540	CALFIRE - Administration	\$ -	\$ 4,764	\$ 42,878	\$ 66,306
3540	CALFIRE - Fire Protection	\$ -	\$ 44,652	\$ 419,626	\$ 905,363
3600	Department of Fish and Game - Administration	\$ -	\$ 964	\$ 8,671	\$ 44,349

**Action:** None

### 3480 Department of Conservation

#### 1. Well Record Scanning

**Action:** Approved as budgeted

**Vote:** 2-0 (Steinberg)

#### 2. Abandoned Mine Lands Unit Staffing

**Action:** None

#### 3. Minerals Classification Funding

**Action:** Approved as budgeted

**Vote:** 2-0 (Steinberg)

#### 4. Increased Recycling Enforcement

**Action:** Approved as budgeted

**Vote:** 2-0 (Steinberg)

#### 5. Court-Ordered Vested Rights Determinations

**Action:** Approved as budgeted

**Vote:** 2-0 (Steinberg)

#### 6. Orphan Well Elimination

**Action:** Approved as budgeted

**Vote:** 2-0 (Steinberg)

#### 7. Agricultural Land Conservation

**Action:** Approved as budgeted

**Vote:** 2-0 (Steinberg)

#### 8. SB 1021 Implementation

**Action:** None

#### 9. Field Rules Implementation

**Action:** None

### **3540 Department of Forestry and Fire Protection**

#### 1. State Fire Training Program Adjustment

**Action:** Approved as budgeted

**Vote:** 2-0 (Steinberg)



## 2. State Fire Marshal Trailer Bill

**Action:** Approved as budgeted

**Vote:** 2-0 (Steinberg)

## 3. Agency Accounting Workload – Proposition 40

**Action:** Approved as budgeted

**Vote:** 2-0 (Steinberg)

## 4. General Fee/Cost Increases

**Action:** Approved as budgeted

**Vote:** 2-0 (Steinberg)

## 5. Arson and Bomb Unit

**Action:** Reject budget proposal

**Vote:** 2-0 (Steinberg)

## 6. Budget Balancing Reductions – State Fire Marshal

**Action:** None

## 7. Budget Balancing Reductions – Resource Management

**Action:** None

## **3600 Department of Fish and Game**

### 1. Quagga Mussel Fund Shift

**Action:** Approved as budgeted

**Vote:** 2-0 (Steinberg)

## 2. Reimbursement and Federal Trust Fund Expenditure Authority Correction

**Action:** Approved as budgeted

**Vote:** 2-0 (Steinberg)

## 3. Fulfilling California's Wildlife Conservation Commitment

**Action:** Approved as budgeted

**Vote:** 2-0 (Steinberg)

## 4. Wetlands Restoration on Private Lands

**Action:** Approved as budgeted

**Vote:** 2-0 (Steinberg)

## 5. Improving Public Services

**Action:** None

## 6. Technical Program Realignment

**Action:** Approved as budgeted

**Vote:** 2-0 (Steinberg)

## 7. Fishery Resource Assessment

**Action:** None

## 8. Enhance Communications

**Action:** Approved as budgeted

**Vote:** 2-0 (Steinberg)

## 9. Salton Sea Restoration and Departmental Support

**Action:** None

## 10. Federal and State Audit Compliance

**Action:** Approved as budgeted

**Vote:** 2-0 (Steinberg)

## 11. Minor Capital Outlay Proposals

**Action:** Approved as budgeted

**Vote:** 2-0 (Steinberg)

## 12. Improve Information Technology Security Support With No Additional Costs

**Action:** Reject budget proposal

**Vote:** 2-0 (Steinberg)

## 13. Administration Augmentation

**Action:** Reject budget proposal

**Vote:** 2-0 (Steinberg)

## 14. Budget Balancing Reduction – Hunting, Fishing, Public Use

**Action:** None

## 15. Budget Balancing Reduction – Biodiversity Conservation

**Action:** None

## 16. Budget Balancing Reduction – Enforcement

**Action:** Reject cut to budget

**Vote:** 2-0 (Steinberg)

## **Discussion Items**

### **3340 California Conservation Corps**

#### 1. Proposition 84 Bond Funds

**Action:** None

#### 2. Budget Balancing Reduction

**Action:** None

### **3480 Department of Conservation**

#### 1. Farm Land Preservation Enforcement

**Action:** None

#### 2. Education and the Environment Initiative

**Action:** None

## **3540 Department of Forestry and Fire Protection**

### **1. Fire & Life Safety Staff Augmentation**

**Action:** None

### **2. Additional Battalion Chief Staffing**

**Action:** None

### **3. Statewide Fire Suppression Cost-Recovery Unit**

**Action:** None

### **4. Board of Forestry Program Number**

**Action:** A separate program number was created for the Board of Forestry administratively

### **5. Firefighting Safety Fund**

**Action:** None

### **6. Southern California Wildfire Action Plan Recommendations**

**Action:** None

### **7. LAO State Responsibility Area Fee Proposal**

**Action:** None

### **8. LAO Recommendation – Timber Harvest Plan Fee Increase**

**Action:** None

## **3600 Department of Fish and Game**

### **1. Court Ordered Suction Dredge Program Review**

**Action:** None

### **2. San Joaquin River Restoration Implementation**

**Action:** None

### **3. Quagga Mussel – AB 1683**

**Action:** None

### **4. Anadromous Fish Management**

**Action:** None

### **5. San Francisco Bay Physical Oceanographic Real Time System (PORTS)**

**Action:** None

### **6. OSPR Administrative Fund**

**Action:** None

### **7. LAO Recommendation – Fee Increases**

**Action:** None

## SUBCOMMITTEE NO. 2

## Agenda

Alan Lowenthal, Chair  
Darrell Steinberg  
Dave Cogdill



Monday, April 14, 2008  
10:00 a.m.  
Room 112

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### Resources—Environmental Protection—Energy

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## Vote-Only Calendar

### Items from the April 7 Hearing

#### 1. Budget Balancing Reductions

Org Code	Description	(000) 2007-08	(000) 2008-09	(000) GF Remaining	Total Program Budget (000)
3480	Department of Conservation - Geologic Hazards and Mineral Resources	\$ -	\$ 512	\$ 4,605	\$ 25,848
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3540	CALFIRE - Fire Protection	\$ -	\$ 44,652	\$ 419,626	\$ 905,363
3600	Department of Fish and Game - Administration	\$ -	\$ 964	\$ 8,671	\$ 44,349

**Staff Recommendation.** Staff recommends that the Subcommittee accept the budget balancing reductions shown above.

#### 2. Various Departments – Approve

Org Code	Department	Issue	Amount (000)
3480	Conservation	Abandoned Mine Lands Unit Staffing	\$ 209
3480	Conservation	SB1021 Implementation	\$ 473
3600	DFG	Improving Public Services	\$ 835
3600	DFG	Fishery Resource Assessment	\$ -
3600	DFG	Salton Sea Restoration	\$ 10,750
3600	DFG	Anadromous Fish Management	\$ 10,856
3600	DFG	Quagga Mussel AB 1683	\$ 428

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposals shown in the chart above.



### 3. Various Departments – Reject

Org Code	Department	Issue	Amount (000)
3480	Conservation	Field Rules Implementation	\$ 129
3540	CALFIRE	State Fire Marshal BBR	\$ 315
3540	CALFIRE	Resource Management BBR	\$ 2,953
3540	CALFIRE	Southern California Wildfire Action Plan Recommendations	\$ 33,113
3600	DFG	Hunting, Fishing, Public Use BBR	\$ 1,189
3600	DFG	Biodiversity Conservation BBR	\$ 3,580

**Staff Recommendation.** Staff recommends that the Subcommittee reject the budget proposals and reject the budget balancing reductions shown in the chart above.

### 4. California Conservation Corps Budget Balancing Reduction

**Governor’s Proposed Budget Balancing Reduction.** The Governor proposes a budget balancing reduction of \$3,764,000 General Fund from the California Conservation Corps (CCC). The administration proposes to reduce the work week for corpsmembers by four hours (\$2 million savings), close three non-residential centers thereby eliminating 75 corpsmember positions (\$1 million savings), reduce funding provided by the state to local conservation corps (\$337,000 savings), increase the monthly fee paid by corpsmembers for housing and other costs (\$165,000 savings), and reduce staff at CCC headquarters (\$207,000 savings).

**LAO Recommendation.** Because corpsmembers generate reimbursement revenues for CCC, the proposed reductions in the corpsmember work week and the elimination of corpsmember positions will reduce the reimbursement revenue available to support CCC operations. Specifically, these proposals will save \$3 million in General Fund, but cost the state \$3.4 million in lost reimbursement revenue used to support CCC programs.

In the budget year, after accounting for certain technical adjustments, the reimbursement-funded Collins–Dugan Account is projected to have a fund balance—about \$2 million—sufficient to offset the proposed \$1 million General Fund reduction achieved by closing three non-residential centers while leaving a minimally adequate fund reserve. Therefore, the LAO recommends increasing CCC’s budget-year expenditure authority from the Collins–Dugan Account by \$1 million—thereby avoiding the need to close the centers in the budget year while still achieving \$1 million in General Fund savings.

Because current reimbursement rates do not cover the entire cost of CCC’s training and work program, our budget solution—relying on reimbursement funding to offset a \$1 million General Fund reduction—is not sustainable in the long term. The LAO acknowledges that while their recommended fund shift can be accomplished in the budget year, it will leave the Collins–Dugan Account with a modest balance of less than \$1 million at the end of the budget year. It will be necessary for CCC to either raise reimbursement rates or increase the percentage of

corpsmember hours spent on reimbursable projects in order to avoid additional programmatic cuts in the long term. Therefore, the LAO also recommends the Legislature direct CCC to make every effort to increase reimbursement revenues in the budget year.

The LAO has no concerns with the proposed General Fund reductions involving funding for the local corps, increasing the housing cost for corpsmembers, and eliminating two administrative positions (totaling \$709,000). Therefore, the LAO recommends the Legislature approve a total of \$1.7 million of the Governor's proposed budget balancing actions.

One of the key legislative goals for CCC is to provide work training and education for corpsmembers. However, if the CCC is required to reduce the corpsmember work week as proposed by the administration, the LAO is concerned that corpsmember training and education would correspondingly be reduced. Because these activities generally do not generate reimbursement revenues, CCC is likely to reduce these activities rather than reimbursement-generating projects in implementing the proposed work-week reduction. The LAO believes that this would reduce the CCC's ability to meet its core statutory mission to provide training and job skills to corpsmembers. Therefore, the LAO recommends that the Legislature reject the proposed General Fund budget-balancing reduction of \$2 million in the budget year.

**Staff Recommendation.** Staff recommends that the Subcommittee:

- Increase appropriation from the Collins–Dugan Account by \$1 million to offset the same General Fund reduction, as recommended by the LAO
- Reject the \$2 million General Fund reduction in the budget year, as recommended by the LAO
- Reduce the General Fund contribution to the local conservation corps by \$337,000 as proposed by the Governor
- Reduce the Headquarters budget by \$207,000 as proposed by the Governor
- Reject the increase in maintenance fees

## 5. CALFIRE – Board of Forestry Program Number

**Background.** The Board of Forestry and Fire Protection is a government-appointed body within the CALFIRE. It is responsible for developing the general forest policy of the state, for determining the guidance policies of the Department and for representing the state's interest in federal forestland in California.

**Staff Recommendation.** Staff recommends that the Subcommittee adopt a budget bill change to give the Board of Forestry its own program number, thus creating a line-item within CALFIRE's budget for the Board of Forestry. This will allow for better transparency for Board of Forestry expenditures.

## 6. Department of Fish and Game – Court Ordered Suction Dredge Program Review

**Background.** Suction Dredging is the practice of vacuuming river or lake bottoms for gold. In 1994 the Department of Fish and Game (DFG) adopted regulations to implement the suction dredge program, as required by statute. Since that time, the DFG and the National Marine Fisheries Service have listed ten fish species as threatened or endangered.

In 2005, the Karuk Tribe of California filed a complaint for declaratory relief against the DFG in Alameda County Superior Court alleging the DFG's issuance of suction dredge permits in the Klamath, Scott, and Salmon River watersheds violated the California Environmental Quality Act (CEQA) because of the potential for suction dredge mining in these watersheds would result in significant impacts to the newly listed Coho salmon.

**Court Order.** On December 20, 2006, the Alameda County Superior Court ordered the DFG by June 2008 to "...conduct a further environmental review pursuant to CEQA of its suction dredge mining regulation and to implement, if necessary, via rulemaking, mitigation measures to protect the Coho salmon and/or other special status fish species...". The Court found that DFG has a legal obligation under CEQA to consider new information concerning the environmental effects of suction dredge mining on Coho salmon and other fish species of special concern.

**Current Fee Structure.** The current suction dredge permit fees are set in statute (Fish and Game Code 5653 (c)) and collect about \$150,000 annually.

**Governor's Budget.** The Governor's Budget proposes \$1 million General Fund for 2008-09 for an environmental review pursuant to the California Environmental Quality Act on the department's suction dredge program and mining regulations. This proposal also includes authority for \$500,000 General Fund for 2009-10.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the funds with trailer bill language that establishes a moratorium on the Department of Fish and Game issuance of further suction dredge permits until the CEQA document is completed.

## 7. Department of Fish and Game – San Joaquin River Restoration Implementation

**Background.** In 1988, the Natural Resources Defense Council (NRDC) sued the Bureau of Reclamation and the Friant Water Users Authority (FWUA) over the fish population levels in the river. In August of 2006, NRDC and FWUA entered into a settlement agreement, the goal of which is to "restore and maintain fish populations" in the San Joaquin River below the Friant Dam. The settlement specifies actions that will be taken over the next 20 years to restore the San Joaquin River. The intent is to restore approximately 150 miles of river from the Friant Dam to the confluence with the Merced River.

Under the agreement, the federal government will provide funds to restore the river, while FUWA agreed to actions that will increase flows in the river.

While the state is not a party to the lawsuit, The Department of Water Resources, the Resources Agency, and the California Environmental Protection Agency have entered into a memorandum of understanding (MOU) with the settling parties regarding the state's role in the restoration. This MOU has been incorporated into the Court's Final Order, and as such the duties described in the MOU may have become contractual between the State, the Federal Government, and the local parties.

The projects that the Department of Fish and Game intends to undertake as part of a twenty-year program would restore flows, river-associated habitats, and naturally reproducing and self-sustaining populations of salmon and other fishes to the San Joaquin River. The specific projects would involve the planning and construction of fish-ways, fish screens, fish barriers, fish access channels, river channel improvements, and physical habitat developments.

**Governor's Budget.** The Governor's Budget proposes \$6,327,000 in Reimbursement authority for the first phase of the San Joaquin River Restoration Project. The reimbursement is coming from the Secretary for Resources' Proposition 84 bond funds. The proposal also includes the following budget bill language:

*The funds appropriated in this item for purposes of subdivision (n) of Section 75050 of the Public Resources Code may only be expended upon enactment of federal legislation to implement, and to fund the federal government's share of, the settlement agreement in N.R.D.C. v. Rodgers.*

*The funds appropriated in this item for purposes of Section 75050(n) of the Public Resources Code shall be available for encumbrance or expenditure until June 30, 2011, for purposes of support, local assistance, or capital outlay.*

**Staff Analysis.** Concerns have been raised by the Settlement Agreement parties regarding the Governor's Budget bill language.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal with the following budget bill language:

*Expenditure of the funds appropriated in this item shall continue only so long as the United States Bureau of Reclamation continues to provide federal funds and continues to carry out federal actions to implement the settlement agreement in N.R.D.C. v. Rodgers.*

*The funds appropriated in this item for purposes of Section 75050(n) of the Public Resources Code shall be available for encumbrance or expenditure until June 30, 2011, for purposes of support, local assistance, or capital outlay.*

## Budget Balancing Reductions

Org Code	Description	(000) 2007-08	(000) 2008-09	(000) GF Remaining	Total Program Budget (000)
0540	Secretary for Resources - CALFED Bay-Delta Program	\$ 87	\$ 607	\$ 5,465	\$ 43,420
3860	Department of Water Resources - Continuing Formulation of the California Water Plan	\$ -	\$ 1,583	\$ 14,249	\$ 626,183
3860	Department of Water Resources - Public Safety and Prevention of Damage	\$ 200	\$ 5,373	\$ 48,360	\$ 622,948
3860	Department of Water Resources - Services Program	\$ -	\$ 136	\$ 1,221	\$ 9,541

**Staff Recommendation.** Staff recommends that the Subcommittee accept the Governor's proposed budget balancing reductions shown in the chart above.

## 3860 Department of Water Resources

### 1. Salton Sea Interim Restoration Implementation

**Background.** California's interstate apportionment of the Colorado River water is limited to 4.4 million acre-feet during normal hydrologic years. However, California uses about 800,000 acre-feet more Colorado River water than the state's annual apportionment. Due to increasing water demands in Arizona and Nevada and directives from the federal government, California must reduce its use of Colorado River water to its "normal apportionment". As part of the negotiations for California's water usage, the Quantification Settlement Agreement (QSA) was adopted and subsequently enacted into state law. The restoration of the Salton Sea ecosystem is a part of the QSA.

Proposition 84 provides \$47 million for transfer into the Salton Sea Restoration Fund. Current law requires monies in the Salton Sea Restoration Fund to be used for: 1) environmental and engineering studies related to the restoration of the Salton Sea and the protection of fish and wildlife dependent on the sea; 2) implementation of conservation measures necessary to protect the fish and wildlife species dependent on the Salton Sea, including adaptive management measures; and 3) administrative, technical, and public outreach costs related to the restoration, air quality mitigation, and implementation of conservation measures necessary to protect the fish and wildlife species.

This funding request would continue implementation of those environmental measures and activities for protection of air quality and fish and wildlife resources that are identified in the Salton Sea Restoration and Management Program. Implementation of these measures and activities is necessary to mitigate air quality impacts and preserve as much of the historic wildlife species diversity and abundance as possible. The activities undertaken would be habitat restoration, land access (both easements and temporary entry permits), air and water quality mitigation, and monitoring and adaptive management.

**Governor's Budget.** The Governor's Budget proposes \$3 million in Reimbursements for the mitigation and conservation concepts and activities developed in the Salton Sea Restoration and Management Program to support air quality mitigation and endangered species conservation work. The reimbursement will come from the Department of Fish and Game Salton Sea Restoration Fund (into which are deposited Prop 84 funds).

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

### 2. Suisun Marsh Plan of Protection

**Background.** The Suisun Marsh is the largest contiguous brackish water marsh on the west coast of North America. It is a part of the San Francisco Bay-Delta estuary ecosystem. Encompassing 116,000 acres, the Suisun Marsh includes 52,000 acres of managed wetlands, 27,700 acres of upland grasses, 6,300 acres of tidal wetlands, and 30,000 acres of bays and sloughs.

Two policies drive state actions in the Suisun Marsh: the 1977 Suisun Marsh Preservation Act and the State Water Resources Control Board's water rights decisions. In response to a water rights decision, the Department of Water Resources and the United States Bureau of Reclamation developed the Plan of Protection, which proposed construction of large facilities and distribution systems to meet salinity standards, and implementation of a water quality monitoring station network throughout the Marsh.

**New Staff Responsibilities.** The two additional staff would:

- Provide engineering and environmental review for maintenance and improvement activities on aging facilities originally constructed in the marsh in the late 1970s.
- Provide engineering and environmental review of proposed activities within or near the marsh to ensure project facilities can continue to operate and function properly.
- Provide coordination and review of project facility operations to ensure additional requirements under revised biological opinions, such as the Fish and Wildlife Service and National Oceanic and Atmospheric Administration.
- Monitor, report, and coordinate with agencies on existing and future permit requirements for operation, maintenance, and improvement of existing project facilities in Suisun Marsh.

**Governor's Budget.** The Governor's Budget proposes \$299,000 from State Water Project funds for two permanent positions to carry out new tasks associated with continuing implementation of the 1984 Suisun Marsh Plan of Protection.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

### 3. California/Nevada Water Allocation of the Truckee River

**Background.** In 1972, the Pyramid Lake Piute Tribe sued the State of California over water rights for the entire Truckee River and Lake Tahoe basin. This lawsuit led the State Water Resources Control Board to suspend the approval of any new surface water rights for the Truckee River.

Federal Legislation in 1990 precipitated negotiation of the Truckee River Operating Agreement (TROA), a new interstate water agreement. The TROA is completed and is anticipated to be signed in 2008. The implementation of TROA will create new surface and groundwater allocations for the California portion of the Lake Tahoe and Truckee River watersheds.

The TROA provides that there will be a Watermaster to administer the agreement, and that the costs of the Watermaster will be paid by the agreement parties. The Department of Water Resources has been a party to the TROA negotiations since 1990. The current DWR budget for the TROA is \$335,000 annually, but those costs are expected to rise as the TROA moves from the negotiating phase to the implementation phase.

**New DWR Responsibilities.** The TROA would require DWR to initiate a number of new activities, including:

- Assist in local efforts to develop ground water wells, monitor well locations, track new wells, and prepare an annual well report
- Prepare Annual Water Use Reports in the Lake Tahoe and Truckee River Basins
- Use models to track TROA operations
- Serve as lead the state agency to support the Biological Resources Monitoring Program to aid in the assurance that California's objectives for managing biological resources are being met in the Lake Tahoe and Truckee River Basin for operation of water supplies in storage, annual accounting, and reporting of all water use on the California side of the basin
- Develop a management plan with the Department of Fish and Game and California and local interests on exchanges and releases of California's Joint Program Fish Credit Water and Environmental Credit Water to provide the environmental and recreational needs in California

**Governor's Budget.** The Governor's Budget proposes \$350,000 in Federal Trust Funds for one (three-year) limited-term position to work on Truckee River Operating Agreement Implementation.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

#### 4. Proposition 50 Technical Reversions and Appropriations: Water Conservation and Water Supply Reliability

**Background.** The CALFED Water Use Efficiency Program identified agricultural and urban grant programs as important mechanisms for improving water use efficiency in the state. The Department of Water Resources received Proposition 50 bond funds for water conservation grants, and in 2004 and 2007 held a competitive grant process. To date, DWR has selected and funded over 100 projects in water use efficiency. However, \$3,826,000 in previously appropriated funds remains unexpended since not enough projects were submitted for grants that met the program criteria.

The CALFED Groundwater Storage Program works on water supply reliability. Through this program, DWR provided assistance to local agency partners, including technical support, facilitation services, and financial assistance. In addition, DWR provided service contracts for engineering and facilitation services.

**Governor's Budget.** The Governor's Budget proposes \$6,449,000 from Proposition 50 bond funds for 14.5 existing positions to work on water conservation and water supply reliability projects. \$5,001,000 of these funds would come from reverting unused Proposition 50 bond funds from years 2004-05, 2005-06, and 2006-07.

- \$3.2 million for Water Use Efficiency technical assistance and science



- \$896,000 for Water Use Efficiency grants
- \$2,353,000 for Water Supply Reliability for 14.5 existing positions to support local agency partners in planning and implementing conjunctive management studies for increasing water supply reliability as part of comprehensive integrated regional water management plans

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

## 5. Urban Streams Restoration and River Protection Programs

**Background.** The Urban Streams Restoration Program provides grants to local government and non-governmental sponsors for multi-objective projects designed to solve urban flooding and erosion problems while restoring natural environmental values of streams. Because streams are dynamic systems, a problem left unaddressed at one location will often cause other changes in the system, frequently resulting in additional or larger problems. The applications for the Urban Streams Restoration funds have outpaced available funds each year grants have been available.

The River Protection Program provides funding for the acquisition and restoration of riparian habitat, river aquatic habitat, and other lands in close proximity to rivers and streams and for river and stream trail projects. Through this program DWR provided The Nature Conservancy with a \$5 million non-competitive grant for land acquisition in Tehama County as part of the much larger flood damage reduction effort by DWR, the Army Corps of Engineers, and others. The project is intended to increase the level of flood protection in Hamilton City from a less than 1-in-10 chance of flooding to at least a 1-in-75 chance of flooding annually. The environmental restoration element of this project includes the active restoration of approximately 1,500 acres of native riparian habitat along the Sacramento River.

The Nature Conservancy completed one acquisition in 2002, but the project subsequently ran into problems. There is now a willing seller of land to allow the project to continue. However, due to the project delays these funds reverted on June 30, 2007.

**Governor's Budget.** The Governor's Budget proposes \$9,643,000 from various bonds for local assistance in urban streams restoration. The funds would be divided as follows:

- \$7,370,000 from Proposition 84 for local assistance Urban Streams Restoration grants
- \$2,273,000 from Proposition 13 for local assistance for activities to be undertaken by The Nature Conservancy as part of the Sacramento River Hamilton City Area Flood Damage Reduction Project.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the Proposition 13 funding but reject the Proposition 84 funding since the Proposition 84 funding is being appropriated through a policy bill (SBX2 1, Perata).

## 6. Capital Outlay

**Projects.** The Governor's Budget proposes multiple capital outlay projects:

- **Mid-Valley Area Levee Reconstruction Project** – \$2,782,000 (\$1,976,000 Prop 1E and \$806,000 Reimbursements) for the acquisition and construction phases, including \$290,000 for 1.5 existing positions. This project would restore levee sections of the Sacramento River Flood Control Project in Reclamation Districts between the Tisdale Bypass and the Sacramento Bypass to original design standards. This project reduces the risk of flooding to approximately 3,000 people and \$170 million in property in the Mid-Valley area. The total project cost is estimated at \$42,660,000.
- **South Sacramento County Streams** – \$1,624,000 (\$1,180,000 Prop 1E and \$444,000 Reimbursements) for construction, including \$459,000 to support 2.2 existing positions. This project would improve South Sacramento's level of flood protection from the Morrison Creek Stream from a 50-year level to an over 200-year level. This project protects 100,000 people and reduces the risk of damage to approximately \$700 million in property. The total project cost is estimated at \$89,620,000.
- **West Sacramento Project** – \$1,300,000 (\$1 million Prop 1E and \$300,000 Reimbursements) for construction, including \$780,000 for 3.5 existing positions. This project would provide 200-year flood protection to the City of West Sacramento and surrounding areas. This project would protect 40,000 people and \$2 billion in property. The total project cost is estimated at \$380,120,000.
- **Merced County Streams Project, Bear Creek Unit** – \$2,300,000 (\$1.3 million Prop 1E and \$1 million Reimbursements) for construction, including \$780,000 for three existing positions. This project would create the General Reevaluation Report (GRR) with the City and County of Merced and the U.S. Army Corps of Engineers for a future project that would provide 100-year flood protection to the City of Merced. The cost of the GRR will be \$4 million.
- **Sutter Bypass East Borrow Canal Water Control Structures** – \$4,000,000 from Proposition 1E for construction and 0.6 existing position. This project will complete construction of two replacement facilities in the East Borrow Canal of the Sutter Bypass: Weir 2 and Willow Slough Weir.
- **Frazier Creek/Strathmore Creek Feasibility Study** – \$250,000 in Reimbursements for a study, including \$119,000 for 0.5 existing positions. Also, this project would use \$340,000 from Proposition 84. This project is the second year of a three-year feasibility study for flood control improvements on Frazier Creek and Strathmore Creek in Tulare County near the community of Strathmore.
- **Rock Creek-Keefer Slough Feasibility Study** – \$237,000 in Reimbursement Authority for a study, including \$190,000 for one existing position. Also, this project would use \$526,000 from Proposition 84. This project would complete a feasibility study and initiate design for a public flood safety control project for the Rock Creek-Keefer Slough watershed.
- **White River/Deer Creek Feasibility Study** – \$250,000 in Reimbursement Authority for a study, including \$119,000 for 0.5 existing positions. Also, this project would use \$340,000 from Proposition 84. This project is the second year of a three-year feasibility study for flood control improvements on White River and Deer Creek in Tulare County.

**Staff Recommendation.** Staff recommends that the Subcommittee approve these capital outlay proposals.

## 7. Franks Tract Pilot Project

**Governor's Budget.** The Governor's Budget proposes \$3,450,000 in Proposition 13 bond funds for the working drawings and construction phases of the Franks Tract Pilot Project.

**Staff Recommendation.** Staff recommends that the Subcommittee reject the budget proposal since the funds are being appropriated through SBX2 1 (Perata).

## 8. Critical Support for Department of Water Resources Programs

**Background.** The Department of Water Resources has received over a hundred new positions in 2007-08 for which there were no corresponding increases in support personnel. For 2008-09, the department has requested over 200 new positions from bond funds, for which there is no corresponding support personnel increase.

The positions requested are:

- 4 temporary positions for Office of the Chief Counsel retired annuitants
- 5 permanent positions for Procurement and Contracting
- 3 permanent positions for Personnel
- 1 permanent position for Labor Relations Office
- 6 permanent positions for Division of Technology Services
- 3 permanent positions for Division of Fiscal Services

**Governor's Budget.** The Governor's Budget proposes \$1,682,000 for 18 new permanent positions and four temporary positions to provide administrative support. The funds would come from distributed administration divided between the department's various non-bond funding sources.

**Staff Recommendation.** Staff recommends that the Subcommittee reject the budget proposal.

## 9. CERS Reduction in Reliance on Personal Consultants

**Background.** The Department of Water Resources California Energy Resources Scheduling (CERS) division was established in 2001 to administer and handle all legal matters related to the department's energy contracts entered into during the 2000-01 energy crisis. These contracts will be fully paid in 2015, but will have a large reduction in 2012. CERS currently has 45 state employees and five consultants.

**Governor's Budget.** The Governor's Budget proposes to replace three consultants with three civil service employees. The replacement of these consultants would result in savings of \$38,000 in the budget year.

As the CERS energy contracts expire, the new positions would be moved to the State Water Project (SWP).

**Staff Analysis.** The CERS energy contracts would see a marked drop-off in 2012, at which time more staff would be freed up for this work. Staff does not find it advisable to add permanent employees for a four-year span of work during difficult budget times. Since it is not clear why the State Water Project needs these employees, transferring them to the SWP does not justify the need for these employees in the long term.

**Staff Recommendation.** Staff recommends that the Subcommittee reject the budget proposal.

## 10. Bay-Delta Modeling, Reporting, Review, and Support

**Proposal.** Four new positions for the State Water Project are proposed: two Engineer of Water Resources positions, one Senior Engineer of Water Resources position, and one Office Technician position. These positions will work on four areas:

- Development, maintenance, and application of currently unsupported Particle Tracking Model (PTM)
- Development of the State Water Project Delivery Reliability Report and support analyses using DWR's modeling tools
- Development of new tools to analyze complex Delta hydrodynamic, water quality, and statewide surface, and groundwater modeling results
- Clerical support for the administration section

The Engineer of Water Resources will develop, maintain, and apply the currently unsupported Particle Tracking Model (PTM) module of the Delta Simulation Model II to improve understanding of historical or proposed Delta flow patterns and their potential effects on fish.

**Governor's Budget.** The Governor's Budget proposes \$600,000 from State Water Project funds (off-budget) for four permanent positions to support and enhance modeling tools used by DWR for planning and management of the State's water resources system.

**Staff Analysis.** In the 2007-08 Budget Act, the department received authority for five new positions to develop and enhance modeling tools for the Sacramento-San Joaquin Delta river system. These five positions will develop real time forecasting for water deliveries at a statewide level, validate how well statewide models are doing in terms of producing results, develop and enhance the engine that runs a statewide groundwater-surface water interaction model, and develop a new advanced multi-dimensional hydrodynamic model.

The new requested positions would be for updating a current model that DWR uses for many of its programs to analyze structural and operational changes in the Delta. It contains three parts:

(1) hydrodynamics, (2) water quality, and (3) particle tracking. With the exception of particle tracking, the tasks of the requested positions and the positions granted last year largely overlap. These new positions may not be necessary as staff could be redirected to the highest priority project.

**Staff Recommendation.** Staff recommends that the Subcommittee reject the budget proposal.

### 3840 Delta Protection Commission

**Background.** The Delta Protection Commission (DPC) was created by statute in 1992 to develop a long-term resources management plan for land uses within the Sacramento-San Joaquin Delta. This plan is implemented by local governments in their land use planning processes. Broadly speaking, the main goal of the commission is to protect and enhance the overall quality of the Delta environment for agriculture, wildlife habitat, and recreational activities.

**Governor's Budget.** The Governor's budget proposes \$408,000 for the DPC. This is a 14.5 percent decrease over the current year.

<b>Summary of Expenditures</b>				
<i>(dollars in thousands)</i>	<b>2007-08</b>	<b>2008-09</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Type of Expenditure</b>				
Delta Protection	\$477	\$408	-\$69	-14.5
<b>Total</b>	<b>\$477</b>	<b>\$408</b>	<b>-\$69</b>	<b>-14.5</b>
<b>Funding Source</b>				
Special Funds	\$172	\$165	-\$7	-4.1
<i>Budget Act Total</i>	<i>172</i>	<i>165</i>	<i>-7</i>	<i>-4.1</i>
Harbors and Watercraft Revolving Fund	238	233	-5	-2.1
Reimbursements	67	10	-25	-37.3
<b>Total</b>	<b>\$477</b>	<b>\$408</b>	<b>-\$69</b>	<b>-14.5</b>

## 1. Increased Member Contributions/Reimbursements

**Background.** The Delta Protection commission wants to increase its member agency contribution by \$10,000 annually from \$72,000 to \$82,000 per member agency.

The Delta Commission has stated that it needs the additional program management funding to:

1. Effectively meet the mandate of the Delta Protection Act
2. Implement the policies and recommendations for the Commission's Land Use and Resource Management Plan for the Primary Zone of the Delta
3. Implement the 2006-11 Strategic Plan Goals and Annual Tasks adopted by the Commission in July 2006
4. Permanently reclass existing analysis level position to management level

**Finance Letter.** The Governor's spring finance letter proposes \$128,000 from Reimbursements (\$56,000 one-time) to support program management and administrative enhancements to the Commission. The reimbursements would come from the Commission's member agencies.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

## Discussion Items

### 3860 Department of Water Resources

**Background.** The Department of Water Resources (DWR) protects and manages California's water resources. In this capacity, the department maintains the State Water Resources Development System, including the State Water Project. The department also maintains public safety and prevents damage through flood control operations, supervision of dams, and water projects. The department is also a major implementing agency for the CALFED Bay-Delta Program, which is putting in place a long-term solution to water supply reliability, water quality, flood control, and fish and wildlife problems in the San Francisco Bay Delta.

Additionally, the department's California Energy Resources Scheduling (CERS) division manages billions of dollars of long-term electricity contracts. The CERS division was created in 2001 during the state's energy crisis to procure electricity on behalf of the state's three largest investor owned utilities (IOUs). The CERS division continues to be financially responsible for the long-term contracts entered into by the department. (Funding for the contracts comes from ratepayer-supported bonds.) However, the IOUs manage receipt and delivery of the energy procured by the contracts. (More on the CERS division of DWR is included in the Energy and Utilities section of this report.)

**Governor's Budget.** The Governor's Budget proposes \$2.38 billion to support DWR in the budget year. This is a 6.6 percent decrease over estimated expenditures in the current year, mainly the result of a decrease in capital outlay funding. General Fund support for the department is proposed to decrease by 25 percent. An additional \$5.3 billion in CERS funding is not subject to the Budget Act (these funds are primarily for energy payments related to the 2001 electricity crisis).

<b>Summary of Expenditures</b> <i>(dollars in thousands)</i>	<b>2007-08</b>	<b>2008-09</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Type of Expenditure</b>				
California Water Plan	\$ 522,070	\$ 626,183	\$ 104,113	19.9
State Water Project Infrastructure	844,621	860,468	15,847	1.9
Public Safety and Prevention of Damage	696,103	622,948	-73,155	-10.5
Central Valley Flood Protection Board	-	2,000	2,000	100.0
Services	9,356	9,541	185	2.0
California Energy Resources Scheduling	5,524,273	5,316,063	-208,210	-3.8
Capital Outlay	483,096	266,222	-216,874	-44.9
Administration	63,848	65,470	1,622	2.5
<i>less distributed administration</i>	<i>-63,848</i>	<i>-65,470</i>	<i>-1,622</i>	<i>2.5</i>
Loan Repayment Program	-4,013	-4,013	0	0.0
<b>Total</b>	<b>\$ 8,075,506</b>	<b>\$ 7,699,412</b>	<b>-\$376,094</b>	<b>-4.7</b>
<b>Funding Source</b>				
General Fund	\$ 198,844	\$ 148,290	-\$50,554	-25.4
Special Funds	553,765	435,668	-118,097	-21.3
Bond Funds	1,701,843	1,743,790	41,947	2.5
<i>Budget Act Total</i>	<i>2,454,452</i>	<i>2,327,748</i>	<i>-126,704</i>	<i>-5.2</i>
Federal Trust Fund	12,978	13,531	553	4.3
State Water Project Funds	-	-	-	-
DWR Electric Power Fund	5,524,273	5,316,063	-208,210	-3.8
Bosco-Keene Renewable Resources Investment Fund	20	0	-20	-100.0
Reimbursements	83,783	42,070	-41,713	-49.8
<b>Total</b>	<b>\$ 8,075,506</b>	<b>\$ 7,699,412</b>	<b>-\$376,094</b>	<b>-4.7</b>



## 1. State Water Project Dam Safety, Seismic Monitoring, and New Facilities Maintenance

**Background.** The Department of Water Resources (DWR) owns and operates 24 dams. In 2002, the Dam Safety Program was established to manage safety activities for dams operated and maintained by the DWR Division of Operations and Maintenance (O&M). DWR currently has 118 earthquake monitoring sites at the State Water Project (SWP) facilities. DWR is planning to upgrade and expand this seismic network in the near future by replacing field equipment and adding new seismic stations.

**Proposal.** The Governor's proposal is for:

- SWP Dam Safety – One new position for \$188,000 to manage dam-safety related projects, including review and maintenance of the 24 dams; analysis of dam performance; and maintenance, repair, and procurement of seismic instrumentation of SWP dams and facilities.
- SWP Seismic Monitoring – One new position for \$116,000 to install, calibrate, and maintain sensitive seismic monitoring equipment at SWP-facilities throughout the state.
- Operation and Maintenance of the East Branch of the California Aqueduct – Two new positions at \$249,000 to maintain and repair new SWP facilities on the East Branch Extension of the California Aqueduct.

**Governor's Budget.** The Governor's Budget proposes \$553,000 from State Water Project Funds to support SWP dam safety, SWP seismic monitoring, and operation and maintenance for the SWP facilities at the East Branch Extension of the California Aqueduct.

**Missing Report.** Senate Budget Subcommittee 2 requested a report on the State Water Project expenditures in lieu of bringing the State Water Project on-budget. Currently, State Water Project expenditures are not reflected in the Budget. This report has not yet been received.

**Staff Recommendation.** Staff recommends that the Subcommittee hold this item open due to the missing report.

## 2. Cyber Security for Flood Emergency Response and the State Water Project

**Proposal.** The new position is requested to support the Department of Water Resources' (DWR) Information Security Officer in providing cyber security for departmental cyber assets, flood emergency response, and the State Water Project. Specifically, the new position would be involved with writing grants for Federal Homeland Security funding for disaster preparedness, cyber security, and infrastructure protection to ensure the integrity of DWR's critical business systems, and the State's water supply and flood control systems. This position would also write regular updates to the DWR Operational Recovery Plan, which specifies DWR's response to any incident or disaster that impacts the cyber systems.

**Governor's Budget.** The Governor's Budget proposes \$142,000 from various funding sources for one new permanent position to support DWR's Information Security Office in providing cyber security for flood emergency response and the State Water Project.

**Staff Recommendation.** Staff recommends that the Subcommittee hold open due to the missing report on the State Water Project budget.

### 3. Pelagic Organism Decline Investigations and Data Synthesis

**Background.** Pelagic Organism Decline (POD) is the decrease of four pelagic fishes in the Sacramento-San Joaquin Delta. POD has resulted in shutdowns of the State Water Project. Under the State Water Resources Control Board Water Rights Decision D-1641, the California Department of Water Resources is responsible for assessing the impacts of the State Water Project on the Delta ecosystem.

Two positions are proposed to conduct "bottom up" science on POD, meaning an investigation and analysis on the food chain of the pelagic fishes. One new position will conduct extensive investigations and analyses of potential causes of POD by examining changes in the pelagic organism food chain productivity, specifically phytoplankton, zooplankton, and benthic organisms in both a temporal and geospatial approach. The second position will conduct investigations integrating developed fish life cycle models along with temporal and geospatial water quality, hydrology, and hydrodynamics data to determine co-location with stressors in the environment.

**Governor's Budget.** The Governor's Budget proposes \$334,000 from State Water Project Funds (off-budget) for two permanent positions to conduct investigations and analyses of potential causes of Pelagic Organism Decline.

**Staff Recommendation.** Staff recommends that the Subcommittee hold open this item due to the missing report on the State Water Project budget.

### 4. Bryte Chemical Lab Staff and Data Management

**Background.** The Bryte Chemical Laboratory tests water quality in the Sacramento-San Joaquin Bay Delta. The Bryte Chemical Lab is currently certified by the Department of Health Services to perform mercury analyses for DWR programs and projects involving EPA drinking water and wastewater regulations.

**Positions Requested.** The Governor's Budget requests a chemist for the projected increase in workload capacity to detect mercury levels at the specified concentration range of nanograms per liter (or parts per trillion). This proposal also requests an environmental scientist position to support and augment the Lab's water quality data management services for DWR.

**Governor's Budget.** The Governor's Budget proposes two new positions with existing resources to perform current and future analytical work involving low-level mercury analyses and water quality data management. The cost of the two positions is \$133,000 annually from State Water Project Funds.

**Staff Recommendation.** Staff recommends that the Subcommittee hold open this item due to a missing report on the State Water Project.

## 5. Environmental Compliance Restoration and Water Quality Monitoring for the State Water Project

**Background.** The Department of Water Resources (DWR) Office of Environmental Compliance and Evaluation (EC&E) is tasked to ensure DWR's compliance with applicable environmental laws and regulations in support of the continued operation of the State Water Project. In the past five years increased monitoring for endangered species has led to an increased workload for the EC&E.

*Environmental Compliance Restoration.* As a part of this request, three new permanent full-time positions are requested for the EC&E to work on environmental and occupational health and safety laws and regulations in support and maintenance of the state water project. These new requirements are related to FERC license implementation, levee maintenance, climate change, water storage, water conveyance, and resource management.

*Water Quality Monitoring.* Due to the decline of pelagic organisms in the Delta, the State Water Project wants to examine the availability of food for pelagic fish in the Delta. This includes water quality testing for benthic communities, phytoplankton, and zooplankton. Currently, the water quality monitoring is being conducted by eight Scientific Aides, who are limited to 1,500 hours of work a year. DWR wants to eliminate the Scientific Aides positions and replace them with five full-time positions.

**Governor's Budget.** The Governor's Budget proposes eight new permanent positions to work on occupational health and safety laws, as well as protection of the ecosystem and sensitive species. The funding will be redirected internally from the State Water Project, so no new funds are requested. The cost of the positions is \$845,000 annually.

**Staff Recommendation.** Staff recommends that the Subcommittee hold this item open.

## 6. Central Valley Flood Protection Board

**Background.** Legislation was enacted in 2007, (AB 5 and SB 17) that renamed the Reclamation Board the Central Valley Flood Protection Board. The Board is required to act independently of the Department of Water Resources and continue to exercise all of its powers, duties, purposes, responsibilities, and jurisdiction. The membership of the Board increased from seven to nine

members, seven being appointed by the Governor and subject to Senate confirmation, and two members serving as non-voting ex officio members. Salary of the seven appointed members will be equivalent to the members of the Air Resources Board. Furthermore, AB 162 of 2007, requires the Board to review revised safety elements of local governments' general plans prior to the adoption of the amended safety element.

**Governor's Budget.** The Governor's budget proposes \$2 million from the General Fund for state operations in support of the establishment of the Central Valley Flood Protection Board to replace the Reclamation Board effective January 1, 2008. This proposal also supports Board review and comment on local agency general plan safety elements.

**Budget Balancing Reduction.** The Governor has proposed a budget balancing reduction to cut the Central Valley Flood Protection Board's proposed budget by \$200,000.

**Staff Analysis.** The bill analysis for SB17 stated that the operational costs of the Central Valley Flood Protection Board (CVFPB) would be \$1.4 million annually starting in 2008-09. Therefore funding the CVFPB at a level below \$2 million would be justified. The old Reclamation Board had a budget of \$600,000 annually.

**Staff Recommendation:** Staff recommends that the Subcommittee accept the budget balancing reduction.

## 7. LAO Proposal – Flood Management Fee

**General Fund Proposed for Baseline Flood Management.** The budget includes about \$43 million from the General Fund for baseline expenditures (state operations and local assistance) in the flood management program (excluding debt-servicing costs for a flood-related lawsuit settlement). This funding is used for (1) floodplain management to include identifying land subject to flooding and encouraging local land use practices consistent with the existing flood threat, (2) managing the Central Valley Flood Protection Board, (3) maintenance of the state-federal system of flood control including encroachment control and inspection, (4) administration of local flood control subventions, and (5) flood forecasting and natural disaster assistance.

**Department Lacks Fee Authority to Cover its Flood Management Costs.** The department funds its flood management activities using some baseline General Fund support as well as significant bond funds. The department currently lacks fee authority to cover the costs of its flood management activities that benefit local agencies and/or private parties (such as landowners). This is unlike many other resources and environmental protection agencies where fees currently pay for services the department provides directly to identifiable beneficiaries.

**Recommend Broad-Based Flood Management Fee.** The LAO review finds that the department's existing flood-related activities funded by the General Fund, while largely focused in the Central Valley system, also significantly benefit other flood-prone areas of the state. This includes activity in the Sacramento-San Joaquin Delta through which much of the state's

drinking water passes, as well as areas in Southern California in flood zones. The LAO therefore recommends the Legislature enact a flood management fee on the broad segment of the state's population that benefits from the department's flood management activities currently funded from the General Fund. There are a number of options available for structuring the fee, including imposing fees based on current federal flood-zone designations, or seeking a more broad-based fee to include those jurisdictions with locally determined flood zones designations, and taking into account the protection afforded to the property owner by the state Central Valley flood control system.

The LAO recommends that the broad-based flood management fee be structured in a way that provides incentives for local governments who give greater consideration to potential costs and benefits of approving development in flood zones. For example, the fee could be lower for those living in local areas with good land-use planning practices from a flood management perspective and higher in areas lacking such practices.

**Legislation Would Need to Specify the Particulars of the Flood Fee.** In order for a new broad-based fee to be created for flood management activities, legislation should be enacted to determine the fee structure, the collection mechanism (potentially the fee could be collected as a state surcharge on property tax bills), where the fee revenues are to be deposited (the LAO recommends the creation of a new special fund), and the eligible uses of the special fund revenues. In addition, for General Fund savings to be realized in the budget year, legislative action to establish the fee would need to be taken soon. Assuming timely enactment, this recommendation could result in General Fund savings of about \$40 million in the budget year, as the new fee revenues could replace General Fund support for flood management of a like amount.

**Staff Recommendation.** No action at this time, an informational item only.

## 8. FloodSAFE California Program

**Background.** FloodSAFE California is a long-term strategic initiative developed to reduce flood risk in California. The program will use an integrated Statewide approach for managing California's aging flood systems, considering the changing climate conditions and growing population. The program will be managed by Department of Water Resources' Division of Flood Management. FloodSAFE California has the following goals:

- Reducing flood risk to the people of California, their homes and property, the State's infrastructure, and public trust resources
- Developing sustainable flood management systems for the future
- Reducing the adverse consequences of floods when they do occur

**Governor's Budget.** The Governor's Budget proposes \$459,559,000 from Proposition 1E and Proposition 84 bond funds for the FloodSAFE California program. The funds would be divided as follows:

- State-federal Flood Control System Modifications – Early Implementation Projects: \$170 million total from Proposition 1E, Section 5096.821(a) and (b) – divided with \$7 million for support and \$163 million for local assistance – 5 new positions
- Programmatic Habitat Restoration: \$5.5 million total from Proposition 84, Section 75033 – divided with \$1 million for support and \$4.5 million for local assistance – 4 new positions
- Delta Risk Management Strategy Concepts Augmentation: \$2 million from Proposition 84, Section 75033 all for support – no new positions
- Delta Levee System Integrity: \$58 million total from Proposition 84, Section 75033 – divided with \$6.5 million for support and \$51.5 million for local assistance – no new positions
- Meins Landing Implementation: \$2 million from Proposition 84, Section 75033 for local assistance – no new positions
- Sycamore Creek Diversion Channel Erosion Study: \$800,000 from Proposition 1E, Section 5096.821(a) for support – no new positions
- Hydrology and Hydraulics Development: \$10 million from Proposition 1E, Section 5096.821(b) for support – no new positions
- Flood Control Subventions: \$73.7 million total from Proposition 84, Section 75034 – divided with \$72,159,000 for local assistance and \$1,541,000 for support – no new positions
- Feasibility Study, Levee Evaluation, and Regional Flood Management Planning Grants: \$30 million total from Proposition 84, Section 75032 – divided with \$1.5 million for support and \$28.5 million for local assistance – no new positions
- Floodway Corridor Program: \$39.5 million total from Proposition 1E, Section 5096.825 – divided with \$1.5 million for support and \$38 million for local assistance – no new positions
- Flood Protection Corridor Program: \$12.1 million from Proposition 84, Section 75032.5 for local assistance – no new positions
- Alluvial Fan Task Force Implementation: \$500,000 from Proposition 84, Section 75031 for support – one limited-term position
- Enhance Flood Response and Preparedness: \$3 million from Proposition 84, Section 75032 for support – no new positions
- Improve Readiness and Emergency Response – Major Delta Levee Failure: \$54 million total from Proposition 84, Section 75033 – divided with \$52 million in one-time support and \$2 million in on-going support – 5 new positions

**Staff Recommendation.** Staff recommends that the Subcommittee reject the entire proposal since it will be funded through a policy bill (SBX2 1, Perata).

## 9. Proposition 1E Bond Accountability and Management

**Background.** The Disaster Preparedness and Flood Protection Bond Act of 2006 (Proposition 1E) authorized \$4.06 billion in general obligation bonds to rebuild and repair California's most vulnerable flood control structures to protect homes and prevent loss of life from flood-related

disasters, including levee failures, flash floods, and mudslides, as well as to protect California's drinking water supply system by rebuilding delta levees.

Executive Order S-02-07 requires all government agencies that spend bond funds to institute a three-part accountability structure that includes: front-end accountability, in-progress accountability, and follow-up accountability.

Currently, DWR is utilizing various managers, engineers, environmental scientist, administrative staff, and an information office in an attempt to manage various cross-cutting activities inherent in the FloodSAFE California program. These cross-cutting activities include: contracts management, human resources support and logistics, public outreach, legislative affairs, environmental issues, stakeholder communication, and agency coordination, as well as certain bond accountability and management functions.

This request is for additional resources to provide support for bond accountability and management to help ensure effective use of the Proposition 1E bond funds requested in other 2008-09 DWR budget proposals.

**Governor's Budget.** The Governor's Budget proposes \$800,000 from Proposition 1E bond funds for four new positions to support bond accountability, management, and metrics tracking for Proposition 1E.

**Staff Recommendation.** Staff recommends that the Subcommittee hold this item open.

## 10. Systemwide Levee Evaluations and Repairs

**Background.** The levee evaluations inspect levees in the State Plan of Flood Control and non-project levees protecting urban areas that are also protected by State or federal project levees. Levee evaluation is done every 1,000 feet of levee by taking a 100 foot deep sample of the levee materials. The levee evaluation program also focuses on developing uniform standards for collecting and managing existing and new geotechnical data, so that information can be shared by federal, state, and local agencies.

Levee repairs are bringing the levy back to its original standard of design. The original design standard means (a) the approved levee height (3 feet above the design water surface profile), (b) standard approved cross section (levee slopes, crown width), and (c) the ability to safely carry the flood waters at the design water surface profile.

**Governor's Budget.** The Governor's Budget proposes \$126,500,000 from Proposition 1E bond funds for levee evaluations and repairs in the State Plan of Flood Control. The funds would be:

- \$39 million for levee evaluations
- \$39 million for levee repairs
- \$48.5 million for erosion repairs

**Staff Recommendation.** Staff recommends that the Subcommittee hold this item open.

## 11. Integrated Regional Water Management and Stormwater Flood Management

**Background.** Proposition 84 and Proposition 1E, passed by voters in November 2006, jointly provided \$1.9 billion for integrated regional water management. The Department of Water Resources is proposing to use these funds for local assistance grants, grant administration, and technical assistance, including data analysis and program assessment.

**Governor's Budget.** The Governor's Budget proposes \$350,025,000 from Proposition 84 bond funds and \$102 million from Proposition 1E bond funds for Integrated Regional Water Management and Stormwater Flood Management (IRWM). Specifically, the funds requested are:

### Proposition 84 Bond Funds – Integrated Regional Water Management Regional Funds

- IRWM Implementation Grants – \$300 million
- IRWM Planning Grants – \$7.5 million

### Proposition 84 Bond Funds – Integrated Regional Water Management Interregional Funds

- IRWM Planning Grants – \$5 million
- IRWM Planning Grants for Disadvantaged Communities – \$2.5 million
- Local Groundwater Assistance Grants – \$4.5 million
- Directed Actions to Projects With Inter-Regional and Statewide Benefits – \$9,525,000
- Directed Actions to Projects Providing for Critical Needs of Disadvantaged Communities – \$2.5 million
- CALFED Scientific Research Grants – \$8 million

### Proposition 84 Bond Funds – Integrated Regional Water Management Program Delivery

- \$10.5 million

### Proposition 1E Bond Funds – Stormwater Flood Management Grant Program

- Stormwater Flood Management Grants – \$100 million
- Program Delivery – \$2 million

### Proposition 50 – Fund Shift from Local Groundwater Assistance to Integrated Regional Water Management

- \$6.4 million from Local Groundwater Assistance to Integrated Regional Water Management

**Staff Recommendation.** Staff recommends that the Subcommittee reject this proposal since this appropriation will be handled through a policy bill.



## 12. Drinking Water Quality – Pilot Projects

**Background.** Proposition 50, the Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002, authorized \$3.44 billion in bond funds for various water quality programs. Chapter 6, Section 79545 (b) and (c) provided \$50 million for projects to address drinking water contaminants. Though the Department of Water Resources (DWR) serves as the financing and administrative agency for Chapter 6 (b) and (c), the technical and environmental review of applications and claims for payment are contracted with the California Department of Public Health (DHP) through an interagency agreement.

In FY 2005-06, the Legislature approved \$11,700,000 in each of two years for the Drinking Water Quality – Pilot Projects. During the initial grant solicitation, none of the projects met the criteria for funding and the FY 2005-06 appropriation reverted. A reappropriation of the FY 2006-07 funds (approximately \$11,424,000) was requested and approved by the Legislature so that funding would be available to continue efforts to support various studies and demonstration projects to develop effective, efficient, and economical ways of removing drinking water contaminants.

Since the initial solicitation, the grant criteria was refined. DPH sent out a public invite for Chapter 6 funds (in conjunction with their Chapter 3 & 4 solicitation) and over 900 pre-applications were received. DPH ranked the projects and invited applicants to submit full proposals. Twelve eligible projects for Chapter 6 were received, totaling \$16.1 million.

To date, DWR has issued 4 commitment letters for grants totaling \$4.093 million. In addition, 4 other projects totaling an additional \$4.36 million are going through the application stage. DWR plans to use the funds currently budgeted to make these awards. The additional funding requested in the FY 2008-09 BCP will enable DWR to fund other eligible projects that have already been identified and for other projects identified in a fourth round of solicitation, which is expected to happen this summer.

**Governor’s Budget.** The Governor’s Budget proposes \$16,439,000 from Proposition 50 to fund two existing positions and 12 pending projects on developing ways of removing drinking water contaminants.

**Staff Recommendation.** Staff recommends that the Subcommittee hold this item open.

## 13. San Joaquin River Restoration Reimbursable Authority

**Background.** In 1988, the Natural Resources Defense Council (NRDC) sued the Bureau of Reclamation and the Friant Water Users Authority (FWUA) over the fish population levels in the river. In August of 2006, NRDC and FWUA entered into a settlement agreement, the goal of which is to “restore and maintain fish populations” in the San Joaquin River below the Friant Dam. The settlement specifies actions that will be taken over the next 20 years to restore the San Joaquin River. The intent is to restore approximately 150 miles of river from the Friant Dam to the confluence with the Merced River.

Under the agreement, the federal government will provide funds to restore the river, while FUWA agreed to actions that will increase flows in the river.

**State Role.** While the state is not a party to the lawsuit, The Department of Water Resources, the Resources Agency, and the California Environmental Protection Agency have entered into a memorandum of understanding (MOU) with the settling parties regarding the state's role in the restoration. These departments did not have the authority to enter into an MOU, and such an MOU does not place contractual obligations on the Legislature.

Proposition 84 (Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Act of 2006) provides \$100 million to the Resources Agency for San Joaquin River restoration. The Resources Agency estimates that costs for restoring the San Joaquin River will range from \$350 to \$800 million over 20 years.

In the *2007-08 Budget Act*, the Legislature provided \$13.8 million in one-time bond funds for studies, baseline monitoring, project planning, management, and other research costs; the establishment of a technical advisory committee; and the establishment, operation, and other costs of the Restoration Administrator.

**Governor's Budget.** The Governor's Budget proposes \$9,579,000 from Reimbursements to make two limited-term positions permanent and to help implement a court settlement agreement to restore flows and salmon populations to the San Joaquin River between Friant Dam and the Merced River. The reimbursement comes from the Secretary for Resources Proposition 84 bond funds.

In addition, the Governor proposes the following budget bill language:

*The funds appropriated in this item for purposes of subdivision (n) of Section 75050 of the Public Resources Code may only be expended upon enactment of federal legislation to implement, and to fund the federal government's share of, the settlement agreement in N.R.D.C. v. Rodgers.*

*The funds appropriated in this item for purposes of Section 75050(n) of the Public Resources Code shall be available for encumbrance or expenditure until June 30, 2011, for purposes of support, local assistance, or capital outlay.*

**Staff Analysis.** The Subcommittee approved these funds for the Secretary for Resources, and the approval of this reimbursement is a matching action. The Subcommittee rejected the Governor's budget bill language after the Settlement Agreement parties raised concerns, and passed alternative budget bill language.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal with the following budget bill language:

*Expenditure of the funds appropriated in this item shall continue only so long as the United States Bureau of Reclamation continues to provide federal funds and continues to carry out federal actions to implement the settlement agreement in N.R.D.C. v. Rodgers.*

*The funds appropriated in this item for purposes of Section 75050(n) of the Public Resources Code shall be available for encumbrance or expenditure until June 30, 2011, for purposes of support, local assistance, or capital outlay.*

## 14. Colorado River Management – All American and Coachella Canal Lining Projects

**Background.** California's share of Colorado River water is limited to 4.4 million acre feet during a normal hydrologic year. This is enough water for about 6.4 million people for a year. However, in the past, California has used up to 800,000 acre feet more than what is apportioned to the State.

The water demands of Arizona and Nevada, which also draw from the Colorado River, have been growing as well. The United States Department of Interior directed California to reduce its use of Colorado River water to 4.4 million acre feet. The Quantification Settlement Agreement (QSA) allows California to use surplus water above 4.4 million acre feet for 15 years. The surplus water would come from methods such as water conservation. The California Plan includes conservation of Colorado River water through specified canal lining projects and improved water management through implementation of groundwater storage and dry-year supply projects, in addition to other measures.

Federal law prohibits the use of federal funds for the lining of the canal.

**Governor's Budget.** The Governor's Budget proposes \$13,484,000 General Fund for local assistance for canal lining and other projects considered essential to reduce the State's Colorado River water use.

**LAO Recommendation.** Current law requires that the General Fund be used to meet the QSA obligations. The LAO recommends that legislation be enacted to allow bond funds to replace the General Fund, while holding the QSA and California Plan whole, to complete California's obligation to reduce its water use from the Colorado River. Implementation of this recommendation would result in General Fund savings of \$13.5 million, without negative impact to the proposed projects.

**Staff Recommendation.** Staff recommends that the Subcommittee adopt the LAO proposal and fund the project with Proposition 84 Integrated Regional Water Management statewide funds.

## CALFED – All Departments

### CALFED Expenditures - State Funds Only (in millions)

Expenditures by Program Element	2007-08	2008-09
Bay-Delta Conservation Plan	\$ 15.2	\$ 3.2
Conveyance	94.9	31.5
Delta Vision	0.4	2.0
Ecosystem Restoration	276.7	50.7
Environmental Water Account	75.1	-
Levee System Integrity	64.1	65.9
Oversight and Coordination	8.4	8.1
Science	21.0	36.6
Storage	-	9.8
Water Quality	96.7	12.3
Water Supply Reliability	2.5	2.3
Water Use Efficiency	72.3	15.9
Watershed Management	12.9	4.1
<b>Total</b>	<b>\$ 740.2</b>	<b>\$ 242.4</b>
Expenditures by Department		
Water Resources	\$ 388.1	\$ 168.2
Fish and Game	247.7	32.1
Secretary for Resources	17.2	26.3
Public Health	81.2	6.9
State Water Resources Control Board	1.1	4.0
Department of Conservation	3.3	3.3
Forestry and Fire Protection	1.5	1.5
San Francisco Bay Conservation	0.1	0.1
<b>Total</b>	<b>\$ 740.2</b>	<b>\$ 242.4</b>
Expenditures by Fund Source		
General Fund	\$ 16.0	\$ 15.5
Proposition 13	118.8	15.2
Proposition 50	366.2	52.9
Proposition 84	122.1	104.5
Proposition 204	59.1	1.7
State Water Project Funds	55.7	50.2
Other State Funds	2.3	2.4
<b>Total</b>	<b>\$ 740.2</b>	<b>\$ 242.4</b>

Note: This chart refers to the Governor's proposed budget and does not reflect April Finance Letters.

## Background on CALFED

**What is the Bay-Delta?** The San Francisco Bay/Sacramento-San Joaquin Delta system consists of numerous tributaries, sloughs, islands, and an estuary located in the San Francisco Bay region. The Bay-Delta system covers over 738,000 acres in five counties. The region supports over 750 plant and animal species. The Bay-Delta supplies the drinking water to two-thirds of Californians and the irrigation water for over 7 million acres of highly productive agricultural land.

**CALFED History.** Pursuant to a federal-state accord signed in 1994, CALFED was an administratively created consortium of 25 state and federal agencies that have regulatory authority over water and resource management in the Bay-Delta region. The CALFED was established to resolve ecosystem quality, water quality, water supply reliability, and levee and channel integrity of the Bay-Delta system. This joint state and federal effort intends to enact comprehensive, consensus-based programs and facilities to mutually address long-standing Bay-Delta water management problems. The program is designed to ensure the state's water is prudently managed to protect its natural resources, municipalities and industries, agriculture, and overall economy.

For five years, CALFED planned direction and implementation strategies. These plans came to be known as the 2000 Record of Decision (ROD). The ROD represents the approval of the lead CALFED agencies of the final environmental review documents for the CALFED plan. Among other things, the ROD lays out the roles and responsibilities of each participating agency; sets goals for the program and types of projects to be pursued; and includes an estimate of the program's costs for its first seven years. The CALFED program implementation was anticipated to last 30 years.

Chapter 812, Statutes of 2002 (SB 1653, Costa), created a new state agency in the Resources Agency – the California Bay-Delta Authority (CBDA) – to oversee the overall CALFED program, as well as to directly implement the CALFED science program. Chapter 812 assigned responsibility for implementing the program's other elements (such as water quality, ecosystem restoration, and water storage) among a number of other state agencies. While the CBDA reviewed and approved the annual work plans and expenditure plans of the implementing agencies, Chapter 812 explicitly provided that nothing in the legislation “limits or interferes with the final decision making authority of the implementing agencies”.

**Independent Reviews Critical of CALFED.** During 2005 and 2006 four independent reviews were conducted of CALFED. These reviews found common agreement that the CALFED governance structure was not working well, state priorities for CALFED were not clear, and meaningful performance measures for the program were lacking. These independent reviews were:

- Little Hoover Commission – Review of CALFED governance.
- Department of Finance, Office of State Audits and Evaluations – Fiscal review of CALFED expenditures since inception and CALFED's expenditure tracking mechanisms.

- Department of Finance, Performance Review Unit – Program review of the implementation status of CALFED programs.
- KPMG (a private consultancy firm) – Interview and survey of CALFED stakeholders.

All of these independent reviews found that:

- The CALFED governance structure was not working well and was impeding the program's effectiveness. Responsibilities among CALFED implementing agencies were not clear and no one was in charge.
- The state's priorities for CALFED were not clear.
- Meaningful performance measures to track the program's progress and hold the program accountable for outcomes were lacking.

**CALFED Financing.** The Record of Decision (ROD) envisioned that CALFED would be financed over time by roughly equal contributions of federal, state, and local funding. However, the state has consistently been the major funding source for the program during its first seven years, providing about \$2.3 billion, or 50 percent, of funding.

The ROD also endorsed the concept of beneficiary pays. However, no user fees have supported the CALFED program. In January 2005, CALFED submitted to the Legislature a long-term financing plan that included funding from user fees, but no specific proposals for these new fees or how they would actually be implemented. The 2005 long-term financing plan was not considered viable or complete by the Legislature since it included assumptions of high levels of federal funding that had never previously been achieved and unspecified sources of new state funds. Currently, CALFED does not have a long term financing plan.

**CALFED Reorganization.** The Legislature reorganized the CALFED governance structure in 2006, in an effort to clarify lines of accountability within the program and hold the program accountable for its performance. The reorganization included the transfer of all of California Bay-Delta Authority's positions (totaling 71) to the Secretary for Resources and five other CALFED implementing agencies.

## Delta Vision

**Background.** Executive Order S-17-06 established the Blue Ribbon Task Force to develop a durable vision for sustainable management of the Delta. This Delta Vision process is intended to broaden the focus of past efforts within the Delta to recommend actions that will address the full array of natural resource, infrastructure, land use and governance issues necessary to achieve a sustainable Delta. A report on the final Delta Strategic Plan will be submitted by the Delta Vision Committee to the Governor and Legislature by December 31, 2008.

Delta Vision is based on a growing consensus among scientists, supported by recent legislation and other information, indicating that:

- Environmental conditions and current Delta "architecture" are not sustainable;

- Current land and water uses and related services dependent on the Delta are not sustainable based on current management practices and regulatory requirements;
- Current environmental conditions and current and ongoing services (e.g., utility, transportation and water conveyance services) are reliant on an aging and deteriorating levee system;
- Major "drivers of change" that are largely outside of our control will impact the Delta during the coming decades, including seismic events, land subsidence, sea level rise, regional climate change, and urbanization;
- The current fragmented and complex governance systems within the Delta are not conducive to effective management of the fragile Delta environment in the face of the cumulative threats identified above; and
- Failure to act to address identified Delta challenges and threats will result in potentially devastating environmental and economic consequences of statewide and national significance.

The Delta Vision provided a series of recommendations for the policy direction of the Delta:

1. Delta ecosystem and a reliable water supply for California are the primary, co-equal goals for sustainable management of the Delta.
2. The California Delta is a unique and valued area, warranting recognition and special legal status from the State of California.
3. The Delta ecosystem must function as an integral part of a healthy estuary.
4. California's water supply is limited and must be managed with significantly more efficiency to be adequate for its future population, growing economy and vital environment.
5. The foundation for policy making about California water resources must be the longstanding constitutional principles of "reasonable use" and "public trust;" these principles are particularly important and applicable to the Delta.
6. The goals of conservation, efficiency, and sustainable use must drive California water policies.
7. A revitalized Delta ecosystem will require reduced diversions, or changes in patterns and timing of those diversions, upstream, within the Delta and exported from the Delta at critical times.
8. New facilities for conveyance and storage, and better linkage between the two, are needed to better manage California's water resources to the estuary and exports.
9. Major investments in the California Delta and the statewide water management system must be consistent with, and integrate specific policies, in this vision. In particular, these strategic investments must strengthen selected levees, improve floodplain management and improve water circulation and quality.
10. The current boundaries and governance system of the Delta must be changed. It is essential to have an independent body with authority to achieve the co-equal goals of ecosystem revitalization and adequate water supply for California while also recognizing the importance of the Delta as a unique and valued area. This body must have secure funding and the ability to approve spending, planning, and water export levels.
11. Discouraging inappropriate urbanization of the Delta is critical both to preserve the Delta's unique character and to ensure adequate public safety.
12. Institutions and policies for the Delta should be designed for resiliency and adaptation.

## Bay-Delta Conservation Plan

The purpose of the Bay Delta Conservation Plan (BDCP) is to help recover endangered and sensitive species and their habitats in the Delta in a way that will also provide for sufficient and reliable water supplies. The BDCP is intended to provide for the conservation of at-risk species in the Delta and improve the reliability of the water supply system within a stable regulatory framework. The process is being conducted consistent with state and federal laws that encourage the development of broad habitat conservation plans that protect natural communities in exchange for regulatory assurances.

The BDCP is being developed under the Federal Endangered Species Act (ESA) and the California Natural Community Conservation Planning Act (NCCPA) and will undergo extensive environmental analysis that will include opportunities for public review and comment.

The BDCP planning process provides opportunity for a broad range of participants to work together to develop a comprehensive conservation plan that will accommodate the needs of both people and endangered fish and wildlife species alike.

The BDCP will:

- Identify and implement conservation strategies to improve the overall ecological health of the Delta;
- Identify and implement ecologically friendly ways to move fresh water through and/or around the Delta;
- Address toxic pollutants, invasive species, and impairments to water quality; and
- Provide a framework to implement the plan over time.

## Delta Risk Management Strategy

The Department of Water Resources is statutorily required to evaluate the potential impacts of levee failures in the Delta (from risks such as earthquakes and climate change) and, along with the Department of Fish and Game, evaluate options to mitigate these risks. The departments' are required report to the Governor and Legislature by January 1, 2008, has been delayed and is currently undergoing independent scientific review.



## Governor's Letter to the Senate

On February 28, 2008, the Governor sent a letter to Senators Perata, Machado, and Steinberg outlining the administration's actions being considered as part of a comprehensive solution in the Delta. Some of the key elements under development are:

- A plan to achieve a 20 percent reduction in per capita water use statewide by 2020
- Protection of the floodplain in the Delta
  - Policy guidance on Delta land use
  - Levee protection and standards
- Multi-agency Delta disaster planning
  - Contract for emergency response equipment and services
- Expedite interim Delta actions
- Water quality
- Improvements to Delta water conveyance
- Water storage

## CALFED Overview Presentation

### Mark Newton, LAO

- Overview of CALFED Budget and LAO Recommendations

### Joe Grindstaff, CALFED Director

- CALFED Funding to Date
- The Planning Process – Delta Vision, The Bay-Delta Conservation Plan
- Future of CALFED

## 3860 Department of Water Resources

### 1. Alternative Delta Conveyance

**Background.** Following the passage of the Burn-Porter Act in the 1960s, the Department of Water Resources began studying a peripheral canal designed to deliver high quality water from the Sacramento River around the Sacramento-San Joaquin Delta to the State Water Project and the Central Valley Project. These studies were suspended in the 1980s after a proposition to fund such a peripheral canal was defeated by public vote.

Increasingly it has become apparent that the current patterns of use in the Delta are unsustainable, and catastrophic events, such as an earthquake, could cause dramatic changes in minutes. The Delta Vision process has called for new facilities for conveyance and storage, and a better linkage between the two, in order to better manage California's water resources for both the estuary and exports.

The Bay-Delta Conservation Plan (BDCP) is a natural communities conservation plan being prepared with a wide range of stakeholders. The BDCP's purpose is to provide for the conservation of at-risk species in the Delta and improve the reliability of the water supply system within a stable regulatory framework. The process is being conducted consistent with state and federal laws that encourage the development of broad habitat conservation plans that protect natural communities in exchange for regulatory assurances.

DWR has initiated the public process to study the environmental impacts of the Bay Delta Conservation Plan. DWR will prepare a joint Environmental Impact Report/Statement for BDCP. DWR will serve as the lead agency under the California Environmental Quality Act for

the environmental studies. The National Marine Fishery Service, U.S. Fish and Wildlife Service and the U.S. Bureau of Reclamation will be the federal lead, co-lead, or cooperating agencies.

**Proposal.** In response to crashing ecosystems in the Delta, the State has been supporting various Delta-related planning efforts including the Delta Vision Task Force that have all agreed that current water conveyance in the Delta is not sustainable from either an environmental or water supply perspective. As recommended by the Delta Vision, this proposal would provide staff augmentations to manage technical studies to begin studying alternatives available for improving the Delta water conveyance systems by looking at the following:

- The possibility of no new Delta conveyance facility;
- The possibility of a dual conveyance facility, as suggested by the Task Force;
- The possibility of an isolated facility;
- The possibility of substantial improvements and protections of the existing water export system, most often referred to as “armoring the Delta” or a “through-Delta” solution.

Knowledge gained from this process will be integrated into the ongoing public Bay Delta Conservation Plan (BDCP) discussions between State and Delta stakeholders. Ultimately, it is the goal of the BDCP that an overarching habitat conservation plan agreement on the Delta be achieved that will provide regulatory assurances for water exports in exchange for aquatic and terrestrial environmental mitigation and enhancement that are above and beyond the requirements of CEQA and NEPA.

**Governor’s Budget.** The Governor’s Budget proposes \$1.4 million from State Water Project funds for eight new positions to support the collection, review, and updating of information on an Alternative Delta Conveyance Facility and begin preparation of an Environmental Impact Report for such a facility.

**Staff Recommendation.** Staff recommends that the Subcommittee hold this item open.

## 2. Ecosystem Water Quality – Proposition 13

**Background.** The San Joaquin River, which includes the Stockton Deep Water Ship Channel, regularly experiences periods of low dissolved oxygen concentrations. Dissolved oxygen in too high a concentration can prevent phytoplankton and zooplankton from thriving. Pelagic organisms, particularly some species of endangered fish, need phytoplankton and zooplankton as a food supply.

In 1998, the State Water Resources Control Board identified dissolved oxygen in the Stockton Deep Water Ship Channel as a problem. In 2000, the voters passed a bond that provided funds for dealing with the dissolved oxygen issue. In 2001, DWR began a study on the dissolved oxygen problem with water quality sampling. In 2005, construction on an Aeration Demonstration Project was started. The construction completed in 2007 and DWR began testing the aeration project’s impact on dissolved oxygen concentrations.

**Available Funding.** In November 2000, the voters approved Proposition 13, the Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection Bond Act of 2000. Chapter 9, Article 3, Section 79196.5(d) provides \$40 million to construct facilities to control waste discharges that contribute to low dissolved oxygen and other water quality problems in the lower San Joaquin River and the south Delta.

**Governor's Budget.** The Governor's Budget proposes \$16,388,000 over four years (\$8,986,000 in 2008-09) from Proposition 13 bond funds for four positions for CALFED Ecosystem Water Quality. The funds would be \$5,488,000 to address dissolved oxygen in the Stockton Deep Water Ship Channel and \$10,900,000 to address abandoned mines drainage to reduce methyl mercury in the Delta. For 2008-09 the funds would be:

- \$652,000 for the Deepwater Ship Channel Demonstration Dissolved Oxygen Project
- \$7 million for the Cache Creek Settling Basin Improvements
- \$800,000 for the control of algae and nutrient loading into the Stockton Deepwater Ship Channel
- \$225,000 for evaluation of the effects of the aeration demonstration project on viability of phytoplankton and zooplankton in the Stockton Deepwater Ship Channel
- \$200,000 for the development of the best management practices for reduction of methyl mercury exports from managed wetlands
- \$109,000 for administering the agreement with the Department of Fish and Game (0.5 existing position)

**Staff Recommendation.** Staff recommends that the Subcommittee approve the 2008-09 funds only.

### 3. CALFED Storage Program – Surface Storage

**Background.** The CALFED Record of Decision (ROD) identified surface storage as a possible component in the State's water management strategy. In 1999, the Integrated Storage Investigation Program (ISI) was formulated as a multi-year program to help CALFED identify the appropriate role of storage in a comprehensive water management strategy and to develop and evaluate feasible storage alternatives. The ISI began research on five sites initially, but the studies were scaled down to the three remaining. Surface storage program expenditures have been shared between the State and federal government.

NOTE: The Multi-Benefit Planning and Feasibility Studies (Prop 84) proposal includes a funding component for the CALFED storage program.

**This Proposal.** The funds and the positions requested would continue feasibility studies and environmental documentation for three of the five potential surface storage projects identified in the CALFED Record of Decision. The three projects to be continued are the North-of-the-Delta Offstream Storage, the Los Vaqueros Reservoir Expansion, and Upper San Joaquin River Basin Storage Investigation.

**Governor's Budget.** The Governor's Budget proposes \$3,760,000 from Proposition 50 bond fund for 21 existing positions to continue work on the CALFED surface storage feasibility studies.

**Staff Recommendation.** Staff recommends that the Subcommittee reject the proposal since these funds are being appropriated through a policy bill (SBX2 1, Perata).

#### 4. Achieve a 20 Percent Reduction in Water Use by 2020

In his February 28, 2008 letter to Senators Perata, Steinberg, and Machado, the Governor indicated that conservation is one of the key ways to provide water to Californians and protect and improve the Delta ecosystem. The Governor indicated that a number of efforts are already underway to expand conservation programs, but that the Governor would direct state agencies to develop a more aggressive plan and implement it to the extent permitted by current law.

### 3840 Delta Protection Commission

#### 5. Update on Land Use and Resource Management Plan

Governor sent a letter to Senators Perata, Steinberg, and Machado stating that he would direct the Delta Protection Commission to update their Land Use and Resource Management Plan. The update would address the Blue Ribbon Task Force's concerns on the land use patterns in the Delta region. What is the status of this update?

### 3940 State Water Resources Control Board

#### 6. Water Quality in the Delta

The State Water Resources Control Board is the regulatory agency for any policy created by the Governor and the Legislature for the Delta water quality. In his February 28, 2008 letter to Senators Perata, Steinberg, and Machado, the Governor indicated that he would direct the State Water Resources Control Board to develop and implement a comprehensive program in the Delta to protect water quality.

## 7. Continuing Program Implementation for Propositions 204, 13, 40, and 50

**Background.** The State Water Resources Control Board has small amounts of funding left from several older bonds that it is requesting for reappropriation or appropriation of already reverted funds. The funds are for water quality projects, including water recycling, agricultural water quality, clean beaches, watershed protection, and nonpoint source pollution control.

**Governor's Budget.** The Governor's Budget proposes the following reversions, reappropriations, and appropriations:

- Proposition 204 – reversion of \$538,000
- Proposition 13 – reappropriation of \$13,983,400 of which \$1,740,000 is for CALFED
- Proposition 13 – new appropriation of \$7,477,200 for local assistance
- Proposition 13 – new appropriation of \$1,661,000 for state operations
- Proposition 40 – reappropriation of \$3,352,900 for local assistance
- Proposition 40 – reappropriation of \$170,000 for state operations
- Proposition 50 – reappropriation of \$1,936,200 for local assistance
- Proposition 50 – reappropriation of \$282,300 for CALFED
- Proposition 50 – new appropriation of \$1,995,000 for CALFED

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

## 3600 Department of Fish and Game

### 8. Ecosystem Restoration Program CALFED

**Background.** The Ecosystem Restoration Program (ERP) is an ecosystem-based management program, as opposed to most restoration and recovery programs which are species-based. The ERP was developed as part of the CALFED Record of Decision in 2000. When CALFED was reorganized, the ERP was moved to the Department of Fish and Game.

**Proposed Projects.** The current funding request is for:

- Dutch Slough Tidal Marsh Restoration (\$5.9 Million)—Continuing restoration of an area of tidal marsh, to improve water quality and fish habitat.
- Miens Landing Tidal Marsh Restoration (\$1 Million)—Continuing restoration of an area of tidal marsh, to improve water quality and fish habitat.
- M&T/Llano Seco Fish Screen (\$12 Million)—Modifications to a specific Sacramento River bank near Chico to prevent sediment buildup over an existing fish screen that prevents salmon from being pulled into water supply systems.
- Performance Measures (\$824,000)—Efforts to develop performance measures that will ultimately be used to track CALFED ERP project successes and failures.

- Constant Fractional Marking for Central Valley Chinook Salmon (\$1.1 Million)—Collection of data on salmon in Central Valley rivers and in the Pacific Ocean.
- U.S. Fish and Wildlife Invasive Species Program (\$200,000)—State support for a federal program to prevent invasive species from becoming established in the Delta.

**Governor’s Budget.** The Governor’s Budget proposes \$21,034,000 from Proposition 84 bond funds for the Ecosystem Restoration Program. The request includes 17 new permanent positions to fulfill the legal mandate to monitor and evaluate program performance by developing ERP indicators, performance measures, and a fish marking project for Central Valley Chinook salmon.

**LAO Recommendation.** The LAO recommends that the Legislature reject budget proposals for new ERP projects that can be delayed until the results of the Delta Vision process is complete. When this process is complete, the Legislature will have an opportunity to consider the long-term uses and configurations of the Delta as both an ecosystem and a water supply system. The result of those deliberations may be significant changes to the way in which the state uses the Delta. The LAO believes it would be premature to fund several of the proposed restoration projects before those decisions are made—since fundamental changes to the Delta may make the proposed projects unsustainable in the long term.

The LAO recommends that the Legislature approve only the proposal to develop performance measures for the program and the Constant Fractional Marking proposal, as the information gathered by this project should be useful in future planning for salmon restoration and management activities. These two proposals amount to \$1,924,000.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the LAO recommendation.

## 0540 Secretary for Resources

### 9. CALFED Science Program Funding

**Background.** CALFED provides a science research grant for projects that provide scientific information related to water project operations, water quality, ecosystem restoration, and prevention and management of invasive species. The primary purpose of the CALFED Science Program is to implement programs and projects to articulate, test, refine, and improve the scientific understanding of all aspects of the Bay-Delta and its watershed areas. The Science Program aims to reduce the scientific uncertainties in the planning and implementation of CALFED Bay-Delta Program actions.

To award the science grants, the CALFED Science Program and the CALFED Agencies first determine the critical scientific information needs to help guide management decisions. These needs are then used to develop the Proposal Solicitation Package. The proposals undergo a

technical review by two separate committees. Once the grant has been approved, the Science Program staff works with the researcher and contract staff to develop a contract that includes information on the statement of work, schedules, deliverables, presentations, and final products.

**Governor's Budget.** The Governor's Budget proposes a total of \$26,363,000 from various funds for the CALFED science program at the Secretary for Resources.

Of this amount, \$8 million would be in reimbursement authority to receive Proposition 84 bond funds from the Department of Water Resources Integrated Regional Water Management Program and to enter into an Interagency Agreement.

Another \$22,092,000 would be from unused Proposition 50 bond funds, with \$1,243,000 annually for four years (included in total amount). In order to appropriate this amount, funds previously appropriated between 2003 and 2007 would have to be reverted:

- \$2.501 million from the Budget Act of 2003
- \$10.297 million from the Budget Act of 2004
- \$4.703 million from the Budget Act of 2006
- \$4.591 million from the Budget Act of 2007

**LAO Recommendation.** The LAO recommends that the Legislature approve \$15.6 million from Proposition 50 and no funds from Proposition 84. Specifically, the LAO recommends for obligated science:

- Timely Information (Prop 50, \$2 million) - Approve - For coordination and presentation of information for Delta Vision, etc. The LAO recommends funding these activities as they will assist Delta Vision and others make use of existing scientific research.
- Focused Research (Prop 50, \$8.3 million) - Approve - For ongoing scientific studies relating to water quality, invasive species, etc. Since these research projects are ongoing, the LAO does not think it makes sense to cut funding in the middle of these projects.
- Staff (Prop 50, \$4.3 million) - Approve.

Also, for unobligated science the LAO recommends:

- Timely Information (Prop 50, \$1 million) - Approve - For coordination and presentation of information for Delta Vision, etc. The LAO recommends funding these activities as they will assist Delta Vision and others make use of existing scientific research.
- Focused Research (Prop 84, \$8 million) - Reject - For new scientific studies. The LAO recommends against funding new research that is unlikely to provide results in time to inform Delta Vision and subsequent legislative decisions.
- Focused Research (Prop 50, \$2.8 million) - Reject - For new scientific studies. The LAO recommends against funding new research that is unlikely to provide results in time to inform Delta Vision and subsequent legislative decisions.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.



## 3480 Department of Conservation

### 10. Watershed Coordinator Grant Program – Proposition 50

**Background.** The Watershed Coordinator Grant Program was started in 2000 as a two-year pilot program. The program provides grants to local watershed coordinators to bring together environmental groups, agricultural landowners, and local governments in projects that benefit water quality, stream restoration, and fire safety. The Watershed Coordinator Grant Program works toward the CALFED Record of Decision goals in water quality.

Through the Watershed Coordinator Grant program, funding is provided to local Resource Conservation Districts (RCD) watershed coordinators to support their efforts to secure other funds for on-the-ground watershed projects. There are 48 watershed coordinator positions in the state. To date, the program has received \$16.4 million in additional non-state funding for local projects. These funds, along with another \$16.6 million in state funds have been used for 181 new on-the-ground projects.

**Governor's Budget.** The Governor's Budget proposes \$8 million in Proposition 50 bond funds for local assistance over three years. The funds would be allocated as follows: \$3 million in 2008-09, \$3 million in 2009-10, and \$2 million in 2010-11.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

### 11. Watershed Coordinator Grant Program – Proposition 84

**Background.** The Watershed Coordinator Grant Program was started in 2000 as a two-year pilot program. The program provides grants to local watershed coordinators to bring together environmental groups, agricultural landowners, and local governments in projects that benefit water quality, stream restoration, and fire safety.

Proposition 84, Chapter 5, Section 75050(d) provides funds for the Watershed Coordinator Grant Program. Specifically, the text of the Proposition 84 reads: "Up to \$10,000,000 may be transferred to the Department of Conservation for the Watershed Coordinator Grant Program", with no mention that the program should be statewide.

**Statewide Proposal.** The department wants to expand the Watershed Coordinator Grant Program statewide. Expanding the program would allow applications from watersheds outside the CALFED area, such as the Lake Tahoe Basin, Salton Sea, and the Klamath River. The department estimates that the requested funding would pay for 50 watershed coordinators statewide.

**Governor's Budget.** The Governor's Budget proposes \$10 million in Proposition 84 bond funds over five years to expand the existing Watershed Coordinator Grant Program statewide. Of the \$10 million, \$500,000 would be for one position to administer the program. The grants would be provided on the following schedule:

- 2008-09: \$2 million
- 2009-10: \$3.5 million
- 2010-11: \$3 million
- 2011-12: \$650,000

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

## 12. Trailer Bill

**Bill Intent.** The Governor's proposed trailer bill adds the Department of Conservation to the list of departments that are the implementing agencies of the watershed program element of CALFED. This is being done to move the watershed grant coordinator program from the Secretary for Resources to the Department of Conservation.

**Current Statute.** Water Code 79440 states that unless the Federal Government provides authority through statute for Federal agencies to manage CALFED programs, the implementing agency on the state level is responsible for managing the program and consulting with the Federal agency as it does so.

**Staff Analysis.** This trailer bill would replace an interagency agreement through which Department of Conservation had managed the Secretary for Resources' watershed coordinator grant program. As the program is formally moved over to the Department of Conservation, trailer bill language is needed to authorize Department of Conservation's management of the program.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the trailer bill language.

## 3540 Department of Forestry and Fire Protection

### 13. Accounting Interagency Agreement

**Background.** The Department of Forestry and Fire Protection provides accounting, personnel transaction, and examination services for the CALFED Bay-Delta Program through an interagency agreement. The positions to handle the interagency agreement workload were made temporary positions.

**Finance Letter.** The Governor's finance letter proposes making three limited-term positions into permanent positions to carry out an interagency agreement by providing support to the Resources Agency/CALFED Bay-Delta Program.

**Staff Analysis.** The CALFED governance and administrative structure is likely to change dramatically in the coming year, making it unnecessary at the moment to create more permanent positions. Also, of the three temporary positions, only one is currently vacant.

**Staff Recommendation.** Staff recommends that the Subcommittee reject the budget proposal.

## SUBCOMMITTEE NO. 2

## Agenda Errata

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Alan Lowenthal, Chair  
Darrell Steinberg  
Dave Cogdill



Monday, April 14, 2008  
1:00 p.m. or upon adjournment of session  
Room 113

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### Resources—Environmental Protection—Energy

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## Discussion Items

### 3860 Department of Water Resources

#### 6. Central Valley Flood Protection Board

**Background.** Legislation was enacted in 2007, (AB 5 and SB 17) that renamed the Reclamation Board the Central Valley Flood Protection Board. The Board is required to act independently of the Department of Water Resources and continue to exercise all of its powers, duties, purposes, responsibilities, and jurisdiction. The membership of the Board increased from seven to nine members, seven being appointed by the Governor and subject to Senate confirmation, and two members serving as non-voting ex officio members. Salary of the seven appointed members will be equivalent to the members of the Air Resources Board. Furthermore, AB 162 of 2007, requires the Board to review revised safety elements of local governments' general plans prior to the adoption or amended to the safety element.

**Governor's Budget.** The Governor's budget proposes \$1.8 million from General Fund for state operations in support of the establishment of the Central Valley Flood Protection Board to replace the Reclamation Board effective January 1, 2008. This proposal also supports Board review and comment on local agency general plan safety elements.

**Staff Recommendation.** Staff recommends that the Subcommittee reject the budget proposal due to the state's fiscal emergency and recommends postponing the enacted legislation through trailer bill language.

## SUBCOMMITTEE NO. 2

## Outcomes

Alan Lowenthal, Chair  
Darrell Steinberg  
Dave Cogdill



Monday, April 14, 2008

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### Resources—Environmental Protection—Energy

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## Vote-Only Calendar

### Items from the April 7 Hearing

#### 1. Budget Balancing Reductions

**Action:** Voted to approve the following reductions:

Org Code	Description	(000) 2007-08	(000) 2008-09	(000) GF Remaining	Total Program Budget (000)
3480	Department of Conservation - Geologic Hazards and Mineral Resources	\$ -	\$ 512	\$ 4,605	\$ 25,848
3540	CALFIRE - Administration	\$ -	\$ 4,764	\$ 42,878	\$ 66,306
3600	Department of Fish and Game - Administration	\$ -	\$ 964	\$ 8,671	\$ 44,349

**Vote:** 3-0

**Action:** Voted to approve the following reduction:

3540	CALFIRE - Fire Protection	\$ -	\$ 44,652	\$ 419,626	\$ 905,363
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**Vote:** 2-1 (Cogdill)

#### 2. Various Departments – Approve

**Action:** Voted to approve the following items:

Org Code	Department	Issue	Amount (000)
3480	Conservation	Abandoned Mine Lands Unit Staffing	\$ 209
3480	Conservation	SB1021 Implementation	\$ 473
3600	DFG	Improving Public Services	\$ 835
3600	DFG	Fishery Resource Assessment	\$ -
3600	DFG	Salton Sea Restoration	\$ 10,750
3600	DFG	Quagga Mussel AB 1683	\$ 428

**Vote:** 2-1 (Cogdill)

**Action:** Voted to approve the following item:

3600	DFG	Anadromous Fish Management	\$ 10,856
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**Vote:** 3-0

### 3. Various Departments – Reject

**Action:** Voted to reject the following budget balancing reductions:

Org Code	Department	Issue	Amount (000)
3540	CALFIRE	State Fire Marshal BBR	\$ 315
3540	CALFIRE	Resource Management BBR	\$ 2,953
3600	DFG	Hunting, Fishing, Public Use BBR	\$ 1,189
3600	DFG	Biodiversity Conservation BBR	\$ 3,580

**Vote:** 2-1 (Cogdill)

**Action:** Voted to reject the following budget proposal:

3540	CALFIRE	Southern California Wildfire Action Plan Recommendations	\$ 33,113
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**Vote:** 2-1 (Cogdill)

**Action:** Voted to approve the following budget proposal:

3480	Conservation	Field Rules Implementation	\$ 129
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**Vote:** 3-0

### 4. California Conservation Corps Budget Balancing Reduction

**Action:** The Subcommittee voted to:

- Increase appropriation from the Collins–Dugan Account by \$1 million to offset the same General Fund reduction, as recommended by the LAO
- Reject the \$2 million General Fund reduction in the budget year, as recommended by the LAO
- Reduce the General Fund contribution to the local conservation corps by \$337,000 as proposed by the Governor
- Reduce the Headquarters budget by \$207,000 as proposed by the Governor
- Reject the increase in maintenance fees

**Vote:** 2-1 (Cogdill)

### 5. CALFIRE – Board of Forestry Program Number

**Action:** Subcommittee adopted a budget bill change to give the Board of Forestry its own program number, thus creating a line-item within CALFIRE’s budget for the Board of Forestry.

**Vote:** 3-0



## 6. Department of Fish and Game – Court Ordered Suction Dredge Program Review

**Action:** Approved funds as budgeted. Also approved trailer bill language that establishes a moratorium on the Department of Fish and Game issuance of further suction dredge permits until the CEQA document is completed.

**Vote:** 2-1 (Cogdill)

## 7. Department of Fish and Game – San Joaquin River Restoration Implementation

**Action:** Approved funds as budgeted with the following budget bill language:

*Expenditure of the funds appropriated in this item shall continue only so long as the United States Bureau of Reclamation continues to provide federal funds and continues to carry out federal actions to implement the settlement agreement in N.R.D.C. v. Rodgers.*

*The funds appropriated in this item for purposes of Section 75050(n) of the Public Resources Code shall be available for encumbrance or expenditure until June 30, 2011, for purposes of support, local assistance, or capital outlay.*

**Vote:** 3-0

## Budget Balancing Reductions

**Action:** Accepted the following budget balancing reductions:

Org Code	Description	(000) 2007-08	(000) 2008-09	(000) GF Remaining	Total Program Budget (000)
0540	Secretary for Resources - CALFED Bay-Delta Program	\$ 87	\$ 607	\$ 5,465	\$ 43,420
3860	Department of Water Resources - Continuing Formulation of the California Water Plan	\$ -	\$ 1,583	\$ 14,249	\$ 626,183
3860	Department of Water Resources - Public Safety and Prevention of Damage	\$ 200	\$ 5,373	\$ 48,360	\$ 622,948
3860	Department of Water Resources - Services Program	\$ -	\$ 136	\$ 1,221	\$ 9,541

**Vote:** 3-0

## **3860 Department of Water Resources**

### **1. Salton Sea Interim Restoration Implementation**

**Action:** Approved as budgeted

**Vote:** 2-1 (Cogdill)

### **2. Suisun Marsh Plan of Protection**

**Action:** Approved as budgeted

**Vote:** 3-0

### **3. California/Nevada Water Allocation of the Truckee River**

**Action:** Approved as budgeted

**Vote:** 3-0

### **4. Proposition 50 Technical Reversions and Appropriations: Water Conservation and Water Supply Reliability**

**Action:** Approved as budgeted

**Vote:** 2-1 (Cogdill)

### **5. Urban Streams Restoration and River Protection Programs**

**Action:** Approve Proposition 13 bond funds as budgeted

**Vote:** 3-0

**Action:** Reject Proposition 84 bond funds

**Vote:** 2-1 (Cogdill)

## 6. Capital Outlay

**Action:** Approved as budgeted

**Vote:** 3-0

The Projects are:

- **Mid-Valley Area Levee Reconstruction Project**
- **South Sacramento County Streams**
- **West Sacramento Project**
- **Merced County Streams Project, Bear Creek Unit**
- **Sutter Bypass East Borrow Canal Water Control**
- **Frazier Creek/Strathmore Creek Feasibility Study**
- **Rock Creek-Keefer Slough Feasibility Study**
- **White River/Deer Creek Feasibility Study**

## 7. Franks Tract Pilot Project

**Action:** Reject budget proposal

**Vote:** 2-1 (Cogdill)

## 8. Critical Support for Department of Water Resources Programs

**Action:** Reject budget proposal

**Vote:** 3-0

## 9. CERS Reduction in Reliance on Personal Consultants

**Action:** Reject budget proposal

**Vote:** 3-0

## 10. Bay-Delta Modeling, Reporting, Review, and Support

**Action:** Reject budget proposal

**Vote:** 3-0

## **3840 Delta Protection Commission**

### **1. Increased Member Contributions/Reimbursements**

**Action:** Approved as budgeted

**Vote:** 2-1 (Cogdill)

## **Discussion Items**

### **3860 Department of Water Resources**

#### **1. State Water Project Dam Safety, Seismic Monitoring, and New Facilities Maintenance**

**Action:** Held open

#### **2. Cyber Security for Flood Emergency Response and the State Water Project**

**Action:** Held open

#### **3. Pelagic Organism Decline Investigations and Data Synthesis**

**Action:** Held open

#### **4. Bryte Chemical Lab Staff and Data Management**

**Action:** Held open

## 5. Environmental Compliance Restoration and Water Quality Monitoring for the State Water Project

**Action:** Held open

## 6. Central Valley Flood Protection Board

**Staff recommendation:** rejected

**Vote:** 1-1 (Steinberg no, Lowenthal abstained)

**Substitute Motion:** Approve \$1.8 million General Fund

**Vote:** 2-1 (Cogdill)

## 7. LAO Proposal – Flood Management Fee

**Action:** No action at this time, an informational item only.

## 8. FloodSAFE California Program

**Action:** Reject budget proposal

**Vote:** 2-1 (Cogdill)

## 9. Proposition 1E Bond Accountability and Management

**Action:** Held open

## 10. Systemwide Levee Evaluations and Repairs

**Action:** Held open

## 11. Integrated Regional Water Management and Stormwater Flood Management

**Action:** Rejected proposal except for \$8 million for CALFED scientific research grants

**Vote:** 2-1 (Cogdill)

## 12. Drinking Water Quality – Pilot Projects

**Action:** Held open

## 13. San Joaquin River Restoration Reimbursable Authority

**Action:** Approved funds with the following budget bill language:

*Expenditure of the funds appropriated in this item shall continue only so long as the United States Bureau of Reclamation continues to provide federal funds and continues to carry out federal actions to implement the settlement agreement in N.R.D.C. v. Rodgers.*

*The funds appropriated in this item for purposes of Section 75050(n) of the Public Resources Code shall be available for encumbrance or expenditure until June 30, 2011, for purposes of support, local assistance, or capital outlay.*

**Vote:** 3-0

## 14. Colorado River Management – All American and Coachella Canal Lining Projects

**Action:** Approved \$13,484,000 in Proposition 84 Integrated Regional Water Management statewide funds

**Vote:** 3-0

## **CALFED – All Departments**

### **3860 Department of Water Resources**

#### 1. Alternative Delta Conveyance

**Action:** Held open

#### 2. Ecosystem Water Quality – Proposition 13

**Action:** Approved the 2008-09 funds only

**Vote:** 2-1 (Cogdill)

#### 3. CALFED Storage Program – Surface Storage

**Action:** Rejected proposal

**Vote:** 2-1 (Cogdill)

#### 4. Achieve a 20 Percent Reduction in Water Use by 2020

**Action:** Informational item only, no action

### **3840 Delta Protection Commission**

#### 5. Update on Land Use and Resource Management Plan

**Action:** Informational item only, no action

### **3940 State Water Resources Control Board**

#### 6. Water Quality in the Delta

**Action:** Informational item only, no action

7. Continuing Program Implementation for Propositions 204, 13, 40, and 50

**Action:** Held open

**3600 Department of Fish and Game**

8. Ecosystem Restoration Program CALFED

**Action:** Approved \$2.1 million for the performance measures, fractional marking for salmon, and the invasive species program (LAO recommendation)

**Vote:** 3-0

**0540 Secretary for Resources**

9. CALFED Science Program Funding

**Action:** Approve as budgeted

**Vote:** 2-1 (Cogdill)

**3480 Department of Conservation**

10. Watershed Coordinator Grant Program – Proposition 50

**Action:** Approve as budgeted

**Vote:** 2-1 (Cogdill)

11. Watershed Coordinator Grant Program – Proposition 84

**Action:** Approve as budgeted

**Vote:** 3-0



## 12. Trailer Bill

**Action:** Approve as budgeted

**Vote:** 2-1 (Cogdill)

## 3540 Department of Forestry and Fire Protection

### 13. Accounting Interagency Agreement

**Action:** Rejected proposal

**Vote:** 3-0

## SUBCOMMITTEE NO. 2

## Agenda

Alan Lowenthal, Chair  
Darrell Steinberg  
Dave Cogdill



Monday, April 28, 2008  
10:00 a.m.  
Room 2040

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### Resources—Environmental Protection—Energy

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## Vote-Only Calendar

### Budget Balancing Reductions

Org Code	Description	(000) 2007-08	(000) 2008-09	(000) GF Remaining	Total Program Budget (000)
8570	Department of Food and Agriculture - Marketing, Commodities, and Agricultural Services	-\$237	-\$222	\$ 2,003	\$ 60,871
8570	Department of Food and Agriculture - General Agricultural Activities	-\$263	-\$1,475	\$ 13,269	\$ 41,889
8570	Department of Food and Agriculture - Executive and Administrative Services	\$0	-\$664	\$ 5,977	\$ 18,821

**Staff Recommendation.** Staff recommends that the Subcommittee accept the Governor's proposed budget balancing reductions shown in the chart above.

## 3360 Energy Resources Commission

### 1. Implementation of the Expanding PIER Natural Gas Research Program

**Background.** In 2000, the Legislature directed the California Public Utilities Commission (PUC) to establish a surcharge on natural gas ratepayers to fund “cost-effective energy efficiency and conservation activities and public interest research and development.” In 2004, the PUC designated the Energy Commission as the statewide administrator of the Public Interest Energy Research (PIER) natural gas research program. The PIER natural gas program projects strive to advance science or technology, and all projects are directed to meet public interest objectives of improving environmental quality; electricity system reliability; public health and safety; or reducing costs to ratepayers.

**Funding.** The PIER natural gas program is funded from a surcharge on natural gas ratepayers. On August 19, 2004, the PUC issued decision D.04-08-010 approving \$12 million during calendar year 2005 for natural gas-related energy research. Pursuant to the PUC order, the amount would be increased by \$3 million annually up to \$24 million total. For fiscal year 2008-09 the funding level is anticipated to be \$21 million. One-third of these funds are reserved for transportation-related research. The Energy Commission uses fifteen percent of the PIER natural gas funding for support activities.

**Program.** The PIER natural gas program focuses on developing science or technologies that benefit natural gas end-users in the residential, commercial, industrial, and agricultural market sectors. The program also funds research involving the safe, efficient, and environmentally sound extraction, production, storage, transportation, and distribution of natural gas.

**Governor’s Budget.** The Governor’s Budget proposes \$422,000 from the Public Interest Research, Development, and Demonstration Fund Natural Gas Subaccount and three new positions to provide technical expertise for the PIER natural gas program.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

### 2. Implement Expanded Appliance Water Efficiency Program

**Background.** The Warren-Alquist Act requires that the Energy Commission adopt standards to reduce the wasteful, uneconomic, inefficient, or unnecessary consumption of energy and water. AB 662 (Ruskin, 2007) clarifies the Energy Commission’s authority to regulate water-using appliances to conserve both energy and water, allowing more comprehensive efficiency regulations of both hot and cold water. AB 662 requires the Energy Commission to implement an expanded appliance water efficiency standards, labeling, and certification program. Also, the Energy Commission is required to conduct compliance certification and enforcement activities for any new appliance efficiency regulation.

The requested contract funds would be for ongoing laboratory testing and analytical expertise needed to conduct compliance surveys and appliance testing.

**Governor's Budget.** The Governor's Budget proposes \$303,000 from the Energy Resources Programs Account and two permanent positions for implementation of AB 662.

**Staff Analysis.** The full committee, throughout its deliberations, has directed the subcommittees to carefully examine new program funding, irrespective of the funding source, and only move forward on matters that minimally are needed for critical health and safety purposes.

**Staff Recommendation.** Staff recommends that the Subcommittee reject the budget proposal.

### 3. Fuel Temperature Dispensation Analysis

**Background.** The federal temperature standard for gasoline in California is 60 degrees. Liquids like gasoline expand at higher temperatures and condense at lower temperatures. This has led to concerns that California consumers may be paying more for gasoline because the gasoline sold to them may be at a temperature higher than 60 degrees.

**AB 868.** AB 868 (Davis, 2007) requires the Energy Commission, in partnership with the California Department of Food and Agriculture (CDFA) and the Air Resources Board (ARB), to conduct a cost-benefit analysis of fuel-dispensing options and make recommendations to the Legislature for future legislation as well as regulations regarding the reference temperature for fuel dispensation by December 31, 2008.

Specifically, AB 868 requires that the following occur:

- Conduct a fuel temperature survey – The CDFA is currently conducting a survey on the effect of temperatures on fuel deliveries;
- Conduct a Cost-Benefit Analysis – The Energy Commission will study the costs of various options relative to temperature-corrected gasoline gallon temperatures;
- Convene an advisory group – The Energy Commission will convene a group to comment on the study and provide guidance on the analysis and recommendations; and
- Conduct public hearings – The Energy Commission, CDFA, and ARB will conduct public hearings on the result of the studies.

**Consultant Tasks.** Funding is requested for a consultant to:

- Determine the density, thermal expansion factors, and other properties of various California transportation fuels;
- Determine the population of retail dispensers in California that could be subject to automatic temperature compensation (ATC);
- Identify the manufacturers and associated models of ATC pumps and retrofit devices that have been approved for use in Canada and the United States;
- Determine the purchase price and cost of installing ATC devices on pump nozzles at retail fuel facilities in California for both mechanical and electronic dispensers;

- Determine the cost of monitoring the calibration of the ATC devices once they have been installed; and
- Determine the maintenance costs and expected lifetime of the ATC devices.

**Governor's Budget.** The Governor's Budget proposes \$250,000 from the Energy Resources Programs Account for contracts to implement AB 868 (Davis, 2007).

**Staff Analysis.** The work required by AB 868 must be completed by December 31, 2008. In order to complete this task before the deadline, the Energy Commission should redirect resources to complete the required tasks. In addition, the full committee, throughout its deliberations, has directed the subcommittees to carefully examine new program funding, irrespective of the funding source, and only move forward on matters that minimally are needed for critical health and safety purposes.

**Staff Recommendation.** Staff recommends that the Subcommittee reject the budget proposal.

## 4. Waste Heat and Carbon Emissions Reduction Act

**Background.** AB 1613 (Blakeslee, 2007) requires the Energy Commission to establish guidelines that combined heat and power systems must meet. The guidelines would ensure that combined heat and power systems be designed to reduce waste energy; meet an eligible customer-generator's expected thermal load; operate continuously in a manner that meets the expected thermal load and optimizes the efficient use of waste heat; and are cost effective, technologically feasible, and environmentally beneficial. The guidelines must be completed by January 1, 2010.

The three requested positions would research options for guidelines; administer a contract for technical support on combined heat and power system design; develop draft guidelines; administer a public process, including workshops, to obtain information on options; and develop a final report and recommendations for Energy Commission consideration.

The requested contract funds would be used to hire a consultant for analysis on optional approaches to balancing between continuous operation of a generator to match the host thermal load and maximizing efficiency.

**Governor's Budget.** The Governor's Budget proposes \$669,000 (\$300,000 one time) from the Energy Resources Programs Account, one permanent position, and two limited-term positions to implement mandates of AB 1613.

**Staff Analysis.** The full committee, throughout its deliberations, has directed the subcommittees to carefully examine new program funding, irrespective of the funding source, and only move forward on matters that minimally are needed for critical health and safety purposes.

**Staff Recommendation.** Staff recommends that the Subcommittee reject the budget proposal.

## 7300 Agricultural Labor Relations Board

**Background.** The Agricultural Labor Relations Board (ALRB) is responsible for conducting secret ballot elections to determine collective bargaining representation in agriculture and for investigating and resolving unfair labor practice disputes.

**Governor's Budget.** The Governor's Budget proposes \$5.1 million General Fund to support the Agricultural Labor Relations Board. This is nearly the same level of support as in the current year. However, the budget balancing reduction reduces the level of support to \$4.6 million.

<b>Summary of Expenditures</b>					
<i>(dollars in thousands)</i>	<b>2007-08</b>	<b>2008-09</b>	<b>\$ Change</b>	<b>% Change</b>	
<b>Type of Expenditure</b>					
Board Administration	\$ 2,166	\$ 2,174	\$ 8	0.4	
General Counsel Administration	2,960	2,974	14	0.5	
Administration Services	275	275	0	0.0	
<i>less distributed administration</i>	-275	-275	0	0.0	
<b>Total</b>	<b>\$ 5,126</b>	<b>\$ 5,148</b>	<b>\$22</b>	<b>0.4</b>	
<b>Funding Source</b>					
General Fund	\$ 5,126	\$ 5,148	\$ 22	0.4	
<b>Total</b>	<b>\$ 5,126</b>	<b>\$ 5,148</b>	<b>\$ 22</b>	<b>0.4</b>	

**NOTE:** This chart does not reflect the proposed budget balancing reductions.

### 1. Budget Balancing Reduction

**Governor's Budget Balancing Reduction.** The Governor proposes a budget balancing reduction of \$515,000 General Fund to the Board and General Counsel of the Agricultural Labor Relations Board. A finance letter adjusts the number of positions that would be lost as a result of this reduction from 3.7 to 2.8.

**Impact of Reduction.** The proposed reduction would reduce the Board's budget from \$5,148,000 to \$4,633,000. The reduction would lead to the loss of a hearing officer, leaving ALRB with only one part-time judge. Cases would not be heard in a timely manner due to this reduction. This reduction comes at a time when the number of unfair labor practices charges

have increased 25 percent over two years. A finance letter adjusts the number of positions lost to 2.8 personnel years.

**Staff Recommendation.** Staff recommends that the Subcommittee accept the budget balancing reduction and approve the finance letter changing the personnel years cut to 2.8.

## 8570 Department of Food and Agriculture

### 1. Tulare Laboratory Consolidation and Replacement – Capital Outlay

**Project.** This project would consolidate two laboratories currently located at Tulare and Fresno into one new, full-service laboratory. The new laboratory would be about 37,431 square feet. The new laboratory would consist of offices, conference rooms, technical laboratories, shared laboratory support services, common areas, and additional facilities such as animal housing.

**Governor's Budget.** The Governor's Budget proposes \$2,587,000 General Fund for the working drawings phase of the Fresno/Tulare Laboratory Consolidation and Replacement project. The total project cost is estimated at \$47,452,000.

**Finance Letter.** The Governor submitted an April Finance Letter to shift funding for the project from General Fund to the Public Buildings Construction Fund (lease-revenue bonds). The finance letter also requests funding for the construction phase of the project at \$40,515,000, which includes construction and equipment. Lease-revenue bonds cannot be used unless the construction phase of the bond is funded.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the finance letter.

### 2. Replacement of Failing HVAC Systems at the Center for Analytical Chemistry

**Project.** The Center for Analytical Chemistry consists of two buildings built in 1978 and 1991. These buildings are served by an aging heating, ventilation, and air-conditioning (HVAC) system that is increasingly breaking down. The current maintenance cost for the system of \$6,308 per month, and many of the replacement parts must be specialty made. The breakdown of the HVAC system has led to great swings in laboratory temperature from 33 to 84 degrees Fahrenheit in the winter to 59 to 95 degrees in the summer. Breakdown of the HVAC system also led to four closures of the laboratory between January 2007 and January 2008 and more than \$40,000 in freeze damage.



**Finance Letter.** The Governor submitted an April Finance Letter for \$2 million in one-time funds from the Agricultural Building Fund to support the replacement of heating and air-conditioning systems that are failing.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the finance letter.

### 3. San Bernardino Property Acquisition – Capital Outlay

**Background.** The California Department of Food and Agriculture (CDFA) constructed a laboratory in 1982 on privately-owned land. The current owner is contemplating the sale of the land, but has agreed to allow CDFA to stay on the land for the cost of \$240,000 annually.

**Finance Letter.** The Governor submitted an April Finance Letter for \$2.3 million in one-time funds from the Department of Agriculture Building Fund for the purchase of three acres on which the San Bernardino laboratory is located.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the finance letter.

### 4. Turlock Laboratory Replacement – Capital Outlay

**Background.** The California Animal Health and Food Safety Laboratory System (CAHFS) provides broad-based surveillance for all catastrophic animal diseases not currently found in the United States. CAHFS must detect an introduction of highly contagious diseases like avian influenza and foot-and-mouth disease. The California Department of Food and Agriculture also relies on CAHFS to develop and incorporate the latest laboratory technologies in order to support its mission to protect public and animal health.

**Project.** This project would construct a new 35,575 square foot laboratory in the Turlock/Modesto area to replace the current lab in Turlock. The new laboratory would be located at the northern region of the San Joaquin Valley in an area of high animal density.

The current Turlock laboratory is 3,342 square feet. It suffers from a number of deficiencies, including being incompatible with the technological needs of a modern laboratory; health and safety issues; heating, ventilation, and air conditioning issues; biosafety containment issues; and lack of nearby land on which to expand.

**Governor's Budget.** The Governor's Budget proposes \$2,515,000 General Fund for the working drawings phase of the Turlock Laboratory Replacement. The total project cost is estimated at \$46,873,000.

**Staff Analysis.** Due to the General Fund condition this project can be delayed for one year.

**Staff Recommendation.** Staff recommends that the Subcommittee reject the budget proposal.

## 5. Budget Balancing Reduction – Agricultural Plant Health and Pest Prevention Services

**Budget Balancing Reduction.** The Governor proposes a reduction of \$4,945,000 General Fund to the Agricultural Plant Health and Pest Prevention Services program at the Department of Food and Agriculture.

**Impact of Reduction.** The proposed reduction would eliminate all the Diaprepes Root Weevil eradication activities; a portion of the Pierce Disease Control Program; and a portion of the survey activity for the Red Imported Fire Ant program. The Agricultural Plant Health and Pest Prevention Services program would be left with \$62,502,000.

**Staff Analysis.** Accepting the reduction to the Diaprepes Root Weevil eradication program would allow this pest to spread throughout California at a great economic cost. The Diaprepes Root Weevil can feed on 270 different plants, but it prefers citrus which can be decimated by its larvae.

**Staff Recommendation.** Staff recommends that the Subcommittee reject the cut to the Agricultural Plant Health and Pest Prevention Services.

## 6. Budget Balancing Reduction – Animal Health and Food Safety

**Budget Balancing Reduction.** The Governor proposes a reduction of \$1,329,000 General Fund to the Animal Health and Food Safety program at the Department of Food and Agriculture.

**Impact of Reduction.** The proposed reduction would eliminate the National Animal Health Monitoring and Reporting Systems; biologics regulation; Animal Care Program; and aspects of the Meat Inspection Program.

**Staff Analysis.** Given the violations at a single meat packaging plant in California and the negative impact that incident had on the California meat industry as a whole, it may not be prudent at this time to reduce the meat inspection program. Also, other programs at the Department of Food and Agriculture that deal with food safety are critical to ensuring that dangerous substances or contaminated products do not enter the food supply.

**Staff Recommendation.** Staff recommends that the Subcommittee reject the cut to the Animal Health and Food Safety program.

## 8660 Public Utilities Commission

### 1. Water Conservation Rate Design and Programs

**Background.** The Division of Ratepayer Advocates (DRA) is an independent entity within the California Public Utilities Commission (PUC). One of the tasks DRA is charged with is reviewing the rate design structure of water utilities. Water utilities file a general rate case every three years, as required by the PUC.

Rate design analysis is based on consumption. The state is currently considering a shift to conservation rate design, which would include increasing block rates to provide the price signal to customers to encourage conservation. This new rate case schedule will consolidate the cost of capital for some utilities and change the data that accompanies applications. These new applications will require additional staff resources for review.

**Governor's Budget.** The Governor's Budget proposes \$102,000 from the Public Utilities Commission Ratepayer Advocate Account and one position to perform the design of water conservation rate structures and to evaluate non-price related conservation programs that are consistent with PUC guidelines and the California Urban Conservation Council's best management practices.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

### 2. Division of Ratepayer Advocates Auditors

**Background.** The Division of Ratepayer Advocates (DRA) is an independent entity within the California Public Utilities Commission. DRA is charged with advocating on behalf of the customers of regulated utilities to ensure the lowest possible utility rates, consumer protection, service quality, and safety and reliability. Unique to DRA is participation in all PUC proceedings where DRA represents consumer interests. DRA works on energy matters (electric and gas), water rates and services, and telecommunications.

DRA is mandated by the PUC to audit all Class A water utilities every three years. These are water utilities with over 10,000 customers, and there are nine such utilities in the state. As part of the audit, DRA is supposed to conduct a comprehensive analysis of rates charged by the utilities in each of their 64 districts. It takes one staff member 6-8 months to conduct a single audit.

**Governor's Budget.** The Governor's Budget proposes \$300,000 from the Public Utilities Commission Ratepayer Advocate Account and three positions to perform audits of water company financial records in conjunction with general rate cases and other proceedings initiated either by the PUC or the utilities.

**Staff Recommendation.** Staff recommends that the Subcommittee approve this budget proposal.

### 3. Electric Generation Infrastructure and Energy Procurement

**Background.** Eleven billion dollars in energy procurement activities are charged to electric ratepayers each year. In addition, the California Energy Commission's Integrated Energy Policy Report identifies a need for approximately 10,000 megawatts of new generation in the next few years. With new capacity costing approximately \$1 million per megawatt, this construction will cost about \$10 billion. The Public Utilities Commission (PUC) reviews the Long-Term Procurement Plans of the Investor Owned Utilities (IOUs). The PUC is currently in the middle of its second such review cycle.

**Governor's Budget.** The Governor's Budget proposes \$535,000 from the Public Utilities Commission Reimbursement Account and five positions to evaluate the cost effective procurement of electric resources.

**Staff Analysis.** This proposal seeks more funding for the PUC's Long-Term Procurement Plan review. However, the PUC is currently in the middle of its second such review cycle and was able to complete the first cycle successfully and identify problems with the plans that were addressed. It is not clear why more staff are needed for the second cycle than the first. Also, the Division of Ratepayer Advocates specializes in reviewing utilities plans for unnecessary expenses and can serve in the watchdog role for the state. During this difficult financial time for the state, it may not be prudent to grow the state's workforce.

**Staff Recommendation.** Staff recommends that the Subcommittee reject this budget proposal.

### 4. Coordinate and Implement Big and Bold Energy Efficiency Strategies to Maximize Energy Efficiency Savings Through 2020

**Background.** Current statute requires that utilities meet their "unmet resource needs through all available energy efficiency and demand reduction resources that are cost effective, reliable, and feasible." As a response to this statute, the Public Utilities Commission is launching a new aggressive approach to promote energy efficiency through "big and bold" statewide strategies for energy efficiency for the upcoming 2009-11 program cycle, and for the long-term through 2020. The PUC is aiming to create a framework for sustainable energy efficiency programs and other programs throughout the investor owned utility (IOU) service areas to reduce or avoid energy consumption, and a process for accomplishing those efforts through long-term IOU strategic planning that transcends regulatory, programmatic and jurisdictional constraints, and emphasizes a broader view of the energy efficiency landscape.

During the 2006-08 ratepayer cycle, the IOUs invested approximately \$2 billion into energy efficiency. Prior to 2006, the utilities performed the evaluation, measurement, and verification

function of their energy efficiency achievements. There are over 200 program areas and over \$118 million in consultant contracts for this function.

**Proposal.** This proposal contains two major functions:

- Strategic planning, coordination, and oversight of the utilities' energy efficiency portfolios worth over \$8.4 billion in ratepayer investments for 2009 to 2020.
- Evaluation, measurement, and verification of energy savings from energy efficiency programs.

**Governor's Budget.** The Governor's Budget proposes \$548,000 from the Public Utilities Commission Utilities Reimbursement Account and five positions for energy strategy planning and evaluation.

**Staff Analysis.** The energy efficiency program being launched by the Public Utilities Commission is a new program and the evaluation, measurement, and verification function is a new function for the PUC. The full committee, throughout its deliberations, has directed the subcommittees to carefully examine new program funding, irrespective of the funding source, and only move forward on matters that minimally are needed for critical health and safety purposes.

**Staff Recommendation.** Staff recommends that the Subcommittee reject this budget proposal.

## 5. Electric Transmission System Planning, Permitting, and Cost Recovery

**Background.** Due to a recent interest in renewable energy, and the need to construct renewable energy facilities, the Public Utilities Commission (PUC) anticipates receiving about 19 applications for major transmission projects totaling \$4 billion during 2008-09. Over the preceding decade, the PUC received one application annually. The PUC must review the CEQA documents for these projects.

**Proposal.** With the proposed funds, the PUC would:

- Develop and implement the Renewable Energy Transmission Initiative;
- Determine the economic need for an escalating number of new proposed transmission projects that are part of the investor-owned utilities' Long-Term Procurement Plans, Local Capacity Requirements, and California's Renewable 2020 Goals; and
- Perform the environmental document review and support the permitting of Certificates of Public Convenience and Necessity or Permits to Construct for critical transmission projects.

**Governor's Budget.** The Governor's Budget proposes \$299,000 from the Public Utilities Commission Utilities Reimbursement Account and three positions to meet new workload in transmission project applications.

**Staff Analysis.** The Renewable Energy Transmission Initiative is a new program. The full committee, throughout its deliberations, has directed the subcommittees to carefully examine new program funding, irrespective of the funding source, and only move forward on matters that minimally are needed for critical health and safety purposes.

**Staff Recommendation.** Staff recommends that the Subcommittee reject this budget proposal.

## 6. Transmission Infrastructure Planning in California

**Background.** The Division of Ratepayer Advocates (DRA) is an independent entity within the California Public Utilities Commission (PUC). DRA is charged with advocating on behalf of the customers of regulated utilities to ensure the lowest possible utility rates, consumer protection, service quality, and safety and reliability.

Due to a recent interest in renewable energy, and the need to construct renewable energy facilities, the PUC anticipates receiving about 19 applications for major transmission projects totaling \$4 billion during 2008-09. Over the last preceding decade, the PUC received one application annually. DRA's role is to independently evaluate the economic and reliability need for transmission projects from the perspective of the consumers who will pay for the projects while also looking at broader energy policy goals and resource planning priorities for the investor-owned utilities.

**Governor's Budget.** The Governor's Budget proposes \$210,000 from the Public Utilities Commission Advocate Account and two new positions to accommodate 19 new applications for certificates of public convenience and the necessity for major transmission projects.

**Staff Analysis.** This proposal is complementary to proposal #6, Electric Transmission System Planning, Permitting, and Cost Recovery and thus should also be rejected.

**Staff Recommendation.** Staff recommends that the Subcommittee reject this budget proposal.

## 7. Bioenergy Action Plan and Expansion of Distributed Generation Resources

**Background.** The Governor's Executive Order S-06-06 directs the Public Utilities Commission (PUC) to initiate a new proceeding or build upon existing proceedings to encourage sustainable use of biomass and other renewable resources by the state's investor owned utilities. The Governor sets the following targets for the production and use of bioenergy: the state should produce a minimum of 20 percent of its biofuels within California by 2010; 40 percent by 2020; and 75 percent by 2050. In addition, the state should use bioenergy fuels to meet 20 percent of the overall renewable portfolio standard requirements.

The PUC has a number of programs in place that support bioenergy in a variety of ways. These programs and policies include: Net Metering, Power Purchase Agreements, Bioenergy Interconnection Rules, Implementation of Renewables Power Purchase Tariff, Self Generation Incentive Program, Renewable Portfolio Standard Program, and the Greenhouse Gas Emissions Performance Standard. The PUC would use the requested staff to pursue policy and program opportunities, including a new tariff design, to increase the use of bioenergy.

**Governor's Budget.** The Governor's Budget proposes \$317,000 from the Public Utilities Commission Reimbursement Account and three positions to work on the Bioenergy Action Plan.

**Staff Analysis.** The full committee, throughout its deliberations, has directed the subcommittees to carefully examine new program funding, irrespective of the funding source, and only move forward on matters that minimally are needed for critical health and safety purposes. The PUC already has a number of programs that promote the use of biofuels, so rejection of this proposal would not leave this emerging field without support.

**Staff Recommendation.** Staff recommends that the Subcommittee reject this budget proposal.

## 8. Waste Heat and Carbon Emissions Reduction Act

**Background.** Combined heat and power systems and other direct generation systems reduce the need for transmission projects and reduce peak demand for electricity by providing that electricity locally. Combined heat and power systems produce both electricity and steam from a single fuel source – usually natural gas. The combined heat and power system recovers the heat that would otherwise be wasted.

AB 1613 (Blakeslee, 2007) authorizes the Public Utilities Commission (PUC) to require electrical corporations to establish a tariff or contract for the purchase of excess electricity generated by combined heat and power units of up to 20 megawatts at a price to be determined by the PUC. AB 1613 also requires the PUC to establish a pilot program to allow customers to finance the purchase of combined heat and power units. These combined heat and power units are required to meet specified efficiency and emissions requirements.

**Governor's Budget.** The Governor's Budget proposes \$396,000 from the Public Utilities Commission Utilities Reimbursement Account and four positions in order to implement AB 1613.

**Staff Analysis.** The full committee, throughout its deliberations, has directed the subcommittees to carefully examine new program funding, irrespective of the funding source, and only move forward on matters that minimally are needed for critical health and safety purposes.

**Staff Recommendation.** Staff recommends that the Subcommittee reject this budget proposal.

## 9. Rail Transit Safety Program

**Background.** The Public Utilities Commission (PUC) regulates rail transit safety by enforcing both state and federal law. The PUC's Rail Transit Safety Section (RTSS) is in charge of transit rail such as the Bay Area Rapid Transit and the San Francisco Municipal Transportation Agency. The RTSS has historically been comprised of staff members with engineering degrees and backgrounds. This is why the actual rail inspections have been frequently conducted by loaning staff from the freight rail Rail Operations Safety Branch.

**Governor's Budget.** The Governor's Budget proposes \$410,000 from the Public Transportation Account, State Transportation Fund for four positions to conduct accident investigations and random and scheduled inspections.

**Staff Analysis.** California is currently nationally recognized as a leader in rail transit safety to such an extent that the federal government's 2005 rail transit oversight guidelines were in large part based on California's example. Given the good work the PUC is currently doing managing the state's transit rail safety, and the current budget crisis, it may not be prudent to grow the state's workforce at this time.

**Staff Recommendation.** Staff recommends that the Subcommittee reject this budget proposal.

## 10. Mobilehome Park and Propane Gas Safety Program

**Background.** The Public Utilities Commission (PUC) oversees the safety of approximately 2,600 mobilehome parks and 700 propane gas systems throughout the state. Each of these two programs has a dedicated database for recording inspection data, annual reports, and jurisdictional status of each entity. The PUC is currently experiencing a backlog in performing the administrative and database work associated with its mobilehome park and propane gas safety programs. Accurate and up-to-date databases are critical for scheduling inspections on time and documenting that they have been conducted.

**Governor's Budget.** The Governor's Budget proposes \$62,000 (\$31,000 from Reimbursements and \$31,000 from Federal Trust Fund) and one limited-term position to reduce the backlog in the Mobilehome Park and Propane Gas Safety programs.

**Staff Analysis.** This proposal is for administrative workload, yet it is not clear how many points the PUC might lose in the federal Office of Pipeline Safety audit due to the Propane Gas Safety Program's out-of-date database.

**Staff Recommendation.** Staff recommends that the Subcommittee reject this budget proposal.



## 11. Charter Party Carrier Enforcement Activities

**Background.** AB 1310 (Leno, 2007) requires the Public Utilities Commission (PUC) to investigate a limousine-for-hire and passenger charter transportation business upon a complaint that contains sufficient information to warrant an investigation. This new requirement removes the PUC's discretion to investigate complaints as staff sees fit.

**Governor's Budget.** The Governor's Budget proposes \$96,000 from the Public Utilities Commission Transportation Reimbursement Account and one position to implement AB 1310.

**Staff Analysis.** The full committee, throughout its deliberations, has directed the subcommittees to carefully examine new program funding, irrespective of the funding source, and only move forward on matters that minimally are needed for critical health and safety purposes.

**Staff Recommendation.** Staff recommends that the Subcommittee reject this budget proposal.

## 12. Expansion of PUC Bilingual Services Program

**Background.** The Bilingual Services Act (BSA) mandates that state agencies eliminate language barriers that preclude equal access to public services. All Californians purchase some type of regulated utility service. The PUC is striving to provide the following services beyond the requirements of BSA to people who have limited English proficiency:

- Improve services to California telecommunications customers who do not speak English fluently;
- Ensure Limited-English Proficient (LEP) customers have just, adequate, and reasonable access to the information and assistance they need to obtain and maintain telecommunications services, and help protect LEP customers from fraud or abuse;
- Require staff to design and implement a program that integrates community based organizations in the PUC's language outreach, education and complaint resolution processes;
- Require staff to oversee the telecommunications carriers, both wireline and wireless, that market to telecommunications customers in-language and ensure that the carriers' LEP customers receive, in that same language, appropriate notices, disclosures, and other important transaction or service related information already required for carriers serving customers in English.

**Governor's Budget.** The Governor's Budget proposes \$132,000 from the Public Utilities Commission Utilities Reimbursement Account and two positions for the PUC Bilingual Services Program.

**Staff Analysis.** Though it is admirable that the PUC wants to provide services to LEP telecommunications customers above and beyond what is required by BSA, given the state's current budget condition it may be prudent to delay by one year.

**Staff Recommendation.** Staff recommends that the Subcommittee reject this budget proposal.

### 13. Establishment of a Project Management Office

**Background.** The Public Utilities Commission (PUC) Information Services Branch (ISB) has 11 different divisions. The ISB has not developed standards, processes, methods, tools, templates, and documentation for the implementation of Information Technology projects. Thus IT projects are accomplished, but not using standardized methods. There is no central point to manage and approve the collection of projects and no single source for information on project activity across the IT enterprise.

**Governor's Budget.** The Governor's Budget proposes \$199,000 from various special funds and two positions to establish a Project Management Office in the Information Services Branch.

**Staff Analysis.** The full committee, throughout its deliberations, has directed the subcommittees to carefully examine new program funding, irrespective of the funding source, and only move forward on matters that minimally are needed for critical health and safety purposes.

**Staff Recommendation.** Staff recommends that the Subcommittee reject this budget proposal.

### 14. Centralized Fine and Restitution Collections

**Background.** The California Public Utilities Commission (PUC) is responsible for regulating privately owned telecommunications, electric, natural gas, water, railroad, and passenger transportation companies. The PUC reviews and investigates complaints and allegations of wrongdoing to ensure companies are operating in the public interest. When warranted, the PUC will levy fines and restitution against regulated companies if investigative efforts determine the companies failed to comply with laws or engaged in inappropriate practices. Fines levied by the PUC are transferred to the General Fund upon collection.

**Governor's Budget.** The Governor's Budget proposes \$236,000 in various special funds to consolidate the fine and restitution collection efforts as recommended by the State Controller's Office audit report.

**Staff Analysis.** The full committee, throughout its deliberations, has directed the subcommittees to carefully examine new program funding, irrespective of the funding source, and only move forward on matters that minimally are needed for critical health and safety purposes.

**Staff Recommendation.** Staff recommends that the Subcommittee reject this budget proposal.

## 15. Security Guards

**Background.** The Public Utilities Commission (PUC) is the sole occupant of its building in San Francisco. As the sole occupant, the PUC assumed responsibility and liability for the security of its staff and visitors who attend meetings, hearings, and workshops. Currently, the California Highway Patrol has a master service agreement with a private security company to provide security services at the PUC building. The contract is scheduled to terminate on June 30, 2010, but the PUC has the right to cancel the contract at any time during the term by way of a thirty-day notice to terminate.

**Governor's Budget.** The Governor's Budget proposes a savings of \$82,000 in various special funds and the creation of 13 permanent positions for security guards.

**Staff Analysis.** Creating permanent state employee positions at this time may not be in the state's best interest because while a contract can be eliminated positions are not easily removed. The Subcommittee rejected similar proposals for the Department of Fish and Game and the Department of Water Resources already.

**Staff Recommendation.** Staff recommends that the Subcommittee reject this budget proposal.

## 16. Office Expansion Project

**Background.** Over the years new legislative mandates have caused an expansion of the Public Utilities Commission's (PUC) workforce. Also, the PUC has decided to move some of its employees around to different office locations in order to better serve constituents. The PUC has now reached the point where expansion in its current space is not possible according to the Department of General Services.

**Governor's Budget.** The Governor's Budget proposes \$1,889,000 from various special funds to expand the San Francisco, Los Angeles, and Sacramento Offices.

**Staff Analysis.** New space was needed for new employees requested through the budget proposals, but since so many of the budget proposals are declined there is not sufficient need for this proposal anymore.

**Staff Recommendation.** Staff recommends that the Subcommittee reject this budget proposal.

## Discussion Items

### 3360 Energy Resources Commission

**Background.** The Energy Resources Conservation and Development Commission (commonly referred to as the California Energy Commission or CEC) is responsible for forecasting energy supply and demand; developing and implementing energy conservation measures; conducting energy-related research and development programs; and siting major power plants.

**Governor's Budget.** The Governor's Budget proposes \$363 million to support CEC in 2008-09. The proposed budget is approximately 50 percent less than estimated expenditures in the current year due to a reduction in Renewable Resource Trust Fund. The department does not receive any General Fund support.

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#### Summary of Expenditures

<i>(dollars in thousands)</i>	2007-08	2008-09	\$ Change	% Change
<b>Type of Expenditure</b>				
Regulatory and Planning	\$ 28,369	\$ 27,928	-\$441	-1.6
Energy Resources Conservation	43,270	32,545	-10,725	-24.8
Development	624,316	305,773	-318,543	-51.0
Policy, Management, and Administration	13,765	21,017	7,252	52.7
<i>less distributed administration</i>	-13,765	-21,017	-7,252	52.7
<i>less loan repayments</i>	-2,662	-2,726	-64	2.4
<b>Total</b>	<b>\$ 693,293</b>	<b>\$ 363,520</b>	<b>-\$329,773</b>	<b>-47.6</b>

#### Funding Source

Special Funds	675,158	335,334	-339,824	-50.3
<i>Budget Act Total</i>	<i>\$ 675,158</i>	<i>\$ 335,334</i>	<i>-339,824</i>	<i>-50.3</i>
Federal Trust Fund	12,390	22,366	9,976	80.5
Reimbursements	5,745	5,820	75	1.3
<b>Total</b>	<b>\$ 693,293</b>	<b>\$ 363,520</b>	<b>-\$329,773</b>	<b>-47.6</b>

## 1. PIER Update

The California Energy Commission's Public Interest Energy Research (PIER) Program supports energy research, development, and demonstration (RD&D) projects that will help improve the quality of life in California by bringing environmentally safe, affordable, and reliable energy services and products to the marketplace.

The PIER Program annually awards up to \$62 million to conduct the most promising public interest energy research by partnering with RD&D organizations including individuals, businesses, utilities, and public or private research institutions. The PIER program provides another \$18 million for natural gas research, for a total of \$80 million in research funds.

The Energy Commission's Research, Development, and Demonstration Committee annually conducts a budget review of the PIER program in the spring before the beginning of each fiscal year; examines the status and progress of existing investments; and establishes initial target investment levels for the PIER program areas for the coming fiscal year, consistent with energy policy priorities. These allocations are based on executive orders, state legislation such as Senate Bill 1250 (Perata, Chapter 512, Statutes of 2006), the Energy Commission's Integrated Energy Policy Reports (IEPR), and interagency cooperation and coordination.

PIER brings new energy services and products to the marketplace and creates state-wide environmental and economic benefits. PIER funding efforts are focused on the following RD&D program areas:

- Buildings End-Use Energy Efficiency
- Climate Change Program
- Energy Innovations Small Grant Program
- Energy-Related Environmental Research
- Energy Systems Integration
- Environmentally-Preferred Advanced Generation
- Industrial/Agricultural/Water End-Use Energy Efficiency
- Natural Gas Research
- Renewable Energy Technologies
- Transportation Research

## 2. Responding to Legislative Direction for PIER Program

**Background.** In 2000, the Legislature directed the California Public Utilities Commission (PUC) to establish a surcharge on natural gas ratepayers to fund "cost-effective energy efficiency and conservation activities and public interest research and development." In 2004, the PUC designated the Energy Commission as the statewide administrator of the Public Interest Energy Research (PIER) natural gas research program. The PIER natural gas program projects strive to advance science or technology, and all projects are directed to meet public interest objectives of improving environmental quality, electricity system reliability, and public health and safety, or reducing costs to ratepayers.

**SB 1250.** SB 1250 (Perata, 2006) reauthorized funding for the PIER program from 2007 to 2011. SB 1250 also specified that the Energy Commission should develop science, technology, and knowledge that will directly impact the state's energy markets with new commercial products and services. SB 1250 expanded the PIER program's general goal from developing energy technology to also helping to bring that technology to the market.

**New Contract Funds.** Currently, the PIER natural gas program has \$1,573,000 in support budget contract funds. This proposal would increase the contract funds for support by \$2,427,000 to \$4 million total. The support contract funds would be used to hire consultants to write Request for Proposals (RFP) to solicit projects, as well as review project proposals received in response to an RFP.

**New Positions.** The proposal requests eight new positions, of which three would be for the requirements of SB 1250; one for PIER program evaluation; one for program support; and three for clerical support.

**Governor's Budget.** The Governor's Budget proposes \$3,222,000 from the Public Interest Research, Development, and Demonstration Fund and 8 new positions to provide technical expertise to respond to new legislative directions, provide administrative infrastructure needed to support the PIER program, and to increase the funds used to support the PIER program. \$2,427,000 of this amount would be for contract funds.

**Staff Analysis.** The Energy Commission has been criticized by the Legislature for relying too heavily on contracts to complete work. The request includes \$2,427,000 in contract funds, of which \$1,427,000 is returning the program to a level of contract funds it used to have until 2003. Returning the program to its past funding level is warranted, but growing the amount of contract funding beyond that point at a time when the Energy Commission's use of contracts has been criticized is not recommendable.

**Staff Recommendation.** Staff recommends that the Subcommittee approve \$2,222,000 of this amount, but reject \$1 million in new contract funding.

### 3. New Solar Homes Partnership Outsourcing

**Background.** SB 1 (Murray, 2006) restructured California's solar systems incentive programs and called for an expansion in the number of energy efficient, solar-powered homes in California by 2017. SB 1 calls for the installation of 3,000 megawatts of solar capacity over 10 years. In 2007 the Energy Commission launched the New Solar Homes Partnership (NSHP), a \$350 million program designed specifically to increase the number of new homes in California with solar power. The Energy Commission estimates that there will have to be 160,000 new, highly energy efficient solar homes to meet the program's requirements.

The NSHP is different from previous Energy Commission solar rebates programs in that it places emphasis on system performance and building energy efficiency. The NSHP includes a

photovoltaic (PV) system performance calculator software, PV module certification procedures, and third-party field-verification protocols.

**Current Funding.** The CEC already has \$500,000 in baseline funding to outsource the NSHP.

**Proposal.** The Energy Commission intends to contract with the state's three major investor owned utilities (IOU) to administer the NSHP program.

**Governor's Budget.** The Governor's Budget proposes \$500,000 from the Renewable Resource Trust Fund for contract funding to outsource the New Solar Homes Partnership.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

## 8660 Public Utilities Commission

**Background.** The California Public Utilities Commission (CPUC) is responsible for the regulation of privately owned "public utilities," such as gas, electric, telephone, and railroad corporations, as well as certain video providers and passenger and household goods carriers. The commission's primary objective is to ensure adequate facilities and services for the public at equitable and reasonable rates. The commission also promotes energy conservation through its various regulatory decisions.

**Governor's Budget.** The Governor's Budget proposes \$1.2 billion to support the CPUC in the budget year. This is approximately \$150 million less than estimated expenditures in the current year. This is due to a large reduction in the California High-Cost Fund B Administrative Committee Fund, a special fund. The commission does not receive any General Fund support.

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### Summary of Expenditures

<i>(dollars in thousands)</i>	2007-08	2008-09	\$ Change	% Change
<b>Type of Expenditure</b>				
Regulation of Utilities	\$ 567,307	\$ 566,640	-\$667	-0.1
Universal Service Telephone Programs	814,636	663,655	-150,981	-18.5
Regulation of Transportation Administration	21,447	20,899	-548	-2.6
<i>less distributed administration</i>	26,855	29,123	2,268	8.5
	-26,855	-29,123	-2,268	8.5
<b>Total</b>	\$ 1,403,390	\$ 1,251,194	-\$152,196	-10.8

### Funding Source

Special Funds	1,383,339	1,231,138	-152,201	-11.0
<i>Budget Act Total</i>	\$ 1,383,339	\$ 1,231,138	-152,201	-11.0
Federal Trust Fund	1,246	1,272	26	2.1
Reimbursements	18,805	18,784	-21	-0.1
<b>Total</b>	\$ 1,403,390	\$ 1,251,194	-\$152,196	-10.8



## 1. Direct Access – Informational Item

**Background.** The California electricity industry was deregulated in 1996. A key provision of that deregulation was the opening of retail electric markets to competitors, known as Direct Access (DA). In 2000-2001 California was hit with an electricity crisis resulting in extraordinary increases in wholesale power cost increases due to abuse of the system by power generators. The electricity crisis threatened the solvency of California's major public utilities and the reliability of electric service in California.

California's disastrous 2000-01 electricity crisis raised questions about the contribution of the competitive retailers and marketers to the problem and therefore the wisdom of DA. The Legislature responded with three actions. First, the Department of Water Resources was charged with procuring electricity on behalf of California's bankrupt and nearly bankrupt utilities. Second, an unprecedented effort to encourage energy conservation and develop new generation was undertaken. And third, urgency legislation (AB 1X) was passed to suspend DA until DWR no longer supplied electricity. The last of the DWR electric supply contracts expire around 2015.

Last year the Governor's proposed funds for the CPUC to investigate reinstating DA before 2015. The Legislature rejected that proposal. Despite legislative direction the CPUC has redirected funds to continue work on this issue. Legislative leadership has urged the CPUC to abandon their DA reinstatement efforts, apparently to no effect.

One strategy that the Administration has considered for early reinstatement of DA is for DWR to renegotiate its contracts to reduce their duration. In late 2007 DWR renegotiated one of its largest electric supply contracts. This renegotiation was almost universally condemned as it has cost California electric customers hundreds of millions of dollars in higher costs.

**Governor's Budget.** The Governor's Budget does not include funds for direct access, but the PUC is redirecting funds to work on this issue.

## 2. Electricity Oversight Board Duties – Informational Item

**Background.** The Electricity Oversight Board (EOB) was created after the electricity crisis of 2001 to comprehensively oversee California's wholesale electricity market. While other energy agencies have a vested interest in the programs, market structures, or regulations they promulgate, only the EOB has no such ties to cloud its analysis and judgment. The critical functions performed by the EOB are: 1) wholesale market monitoring; 2) CAISO policy and budget oversight; and 3) legal intervention on behalf of California consumers.

**EOB Elimination.** As part of the 2007-08 Budget, the Governor introduced trailer bill language to eliminate the EOB. The Legislature rejected the trailer bill language. The Governor then vetoed a quarter of the funding for the EOB with the veto-message that the EOB should cease its activities by April 1, 2008. In the veto message the functions of the EOB were moved to the Public Utilities Commission.

**Governor's Budget.** The Governor's Budget includes no new funds for the Public Utilities Commission to absorb the Electricity Oversight Board's duties. The EOB in 2006-07 had a budget of about \$4 million.

### 3. Independent Monitoring of the CAISO's Newly Designed Wholesale Electricity Market

**Background.** The California Independent System Operator (CAISO) will implement a new market design called the "Market Redesign and Technology Upgrade" (MRTU) in the fall of 2008. The MRTU aligns California's electricity market with wholesale market designs throughout North America. The MRTU will establish an integrated forward market with day ahead trading; a full network model that "sees" bottlenecks before schedules actually run; provide for locational marginal pricing, which allows least cost decisions about how to fix bottlenecks; and puts new computer systems in place.

The California Public Utilities Commission (PUC) is required to analyze market data and make appropriate recommendations about the proper functioning of newly-designed competitive wholesale markets both at the CAISO and in Federal Energy Regulatory Commission (FERC) proceedings. Currently the PUC oversees the CAISO in an ad hoc basis and mainly relies on the CAISO to provide oversight of its own activities.

**Governor's Budget.** The Governor's Budget proposes \$253,000 from the Public Utilities Reimbursement Account and two positions to monitor the CAISO market after the implementation of a new market design.

**Staff Analysis.** The CAISO's MRTU has been delayed numerous times and is now scheduled for consideration in the fall of 2008. However, with all the past delays there is no guarantee it will actually take place. Also, the CAISO already has an independent market monitor. There is no indication that the CAISO has or will exert inappropriate control over its market monitor. Additionally, the FERC has initiated proceedings to consider mechanisms to maintain independence of market monitors. It would be prudent for the State to wait for the FERC ruling.

**Staff Recommendation.** Staff recommends that the Subcommittee reject this budget proposal.

### 4. Teleconnect Fund Reappropriation

**Background.** The Teleconnect Fund provides financial assistance to schools, hospitals, libraries, and community-based organizations (CBO) on their utility bills. SB 909 (Bowen, 2006) provided \$2 million from the Teleconnect Fund for eligible CBOs to cover the one-time cost of installing or upgrading advanced telecommunications lines. These CBOs are non-profit organizations.

**Issue.** The funds provided in SB 909 will revert on June 30, 2008. The CBOs had a lot of trouble finding a telecommunications company that would provide them with internet service reimbursed from the Teleconnect Fund. This is because internet service is regulated by the Federal Communications Commission, but the Teleconnect Fund is a California regulated fund under the Public Utilities Commission. Even though accepting the Teleconnect Funds does not subject an internet provider to additional regulations, many companies have been hesitant to agree to provide reimbursed services. A company has now stepped forward to agree to provide internet connections to CBOs, but the funds are about to expire.

**Staff Recommendation.** Staff recommends that the Subcommittee reappropriate \$2 million from the Teleconnect Fund for SB 909 implementation.

## 8570 Department of Food and Agriculture

**Background.** The California Department of Food and Agriculture (CDFA) provides services to both producers and consumers of California's agricultural products in the areas of agricultural protection, agricultural marketing, and support to local fairs. The purpose of the agricultural protection program is to prevent the introduction and establishment of serious plant and animal pests and diseases. The agricultural marketing program promotes California's agricultural products and protects consumers and producers through the enforcement of measurements, standards, and fair pricing practices. Finally, the department provides financial and administrative assistance to county and district fairs.

**Governor's Budget.** The Governor's Budget proposes \$265.5 million to support CDFA in 2008-09. This is approximately \$8.7 million more than the level of expenditures estimated in the current year. However, \$2.3 million of this increase disappears with the budget balancing reductions recommended for acceptance to this Subcommittee.

<b>Summary of Expenditures</b>				
<i>(dollars in thousands)</i>	<b>2007-08</b>	<b>2008-09</b>	<b>\$ Change</b>	<b>% Change</b>
<b>Type of Expenditure</b>				
Agricultural Plant and Animal Health; Pest Prevention; Food Safety Services	\$ 178,693	\$ 179,337	\$ 644	0.4
Marketing; Commodities and Agricultural Services	60,091	60,871	780	1.3
Assistance to Fair and County Agricultural Services	26,689	26,120	-569	-2.1
General Agricultural Activities	43,526	41,889	-1,637	-3.8
Capital Outlay	3,611	4,868	1,257	34.8
Executive, Management, and Administration Services	18,349	18,821	472	2.6
<i>less distributed administration</i>	-16,906	-17,336	-430	2.5
<b>Total</b>	<b>\$ 314,053</b>	<b>\$ 314,570</b>	<b>\$517</b>	<b>-0.2</b>
<b>Funding Source</b>				
General Fund	\$ 107,831	\$ 113,804	\$ 5,973	3.4
Special Funds	148,994	151,751	2,757	2.6
<i>Budget Act Total</i>	<i>\$ 256,825</i>	<i>\$ 265,555</i>	<i>8,730</i>	<i>3.0</i>
			0	
Federal Trust Fund	40,777	38,081	-2,696	-6.6
Harbors and Watercraft Revolving Fund	1,355	1,016	-339	-25.0
Reimbursements	15,096	9,918	-5,178	-34.3
<b>Total</b>	<b>\$ 314,053</b>	<b>\$ 314,570</b>	<b>\$517</b>	<b>1.2</b>

**NOTE:** This chart does not reflect the proposed budget balancing reductions.

## 1. Private Vehicle Inspections at Border Protection Stations

**Background.** The impacts of invasive pest species are economically and environmentally devastating. The California Department of Food and Agriculture (CDFA) estimates that approximately 95 percent of all non-native species established in California's environment have been introduced as hitchhikers on materials brought in by people. A risk analysis conducted by CDFA indicated that people bring materials, which can harbor invasive pest species, into California over 240 times each day in private vehicles.

California Food and Agriculture Code Section 5341 requires the Secretary to establish "plant quarantine inspection station for the purpose of inspecting all conveyances which might carry plants or other things which are, or are liable to be, infested or infection with any pest." In 2003, the private vehicle inspections at the border were discontinued due to funding constraints. Since then the number of quarantine incidents has increased by more than 50 percent.

**Inspection Stations.** All 16 of the state's border inspection stations ceased performing inspections on private vehicles in 2003 due to funding constraints. In 2006-07, the Legislature provided funds to operate the border inspection station at Needles as a pilot project. In 2007-08, the funding was increased due to the success of the Needles project and the need to inspect boats for the Quagga Mussel, and an additional four inspection stations began to inspect private vehicles. Currently five border inspection stations perform inspections on private vehicles, but not 24-7.

**Governor's Budget.** The Governor's Budget proposes \$7,509,000 (\$7,099,000 from the Motor Vehicle Account and \$407,000 from General Fund) and 51 permanent positions and 69 temporary positions to operate all Border Protection Stations on a full-time basis and inspect all private vehicles entering California for pest infested materials.

**Staff Analysis.** With the current budget deficit it may not be wise to grow state services at a rapid pace. Since the current border inspection stations have been successful, phasing the other stations into service is likely to produce similar success.

**Staff Recommendation.** Staff recommends that the Subcommittee approve \$2,207,000 from the Motor Vehicle Account and no General Fund for the border protection stations. Staff recommends that the Subcommittee approve 13 new positions and 17 temporary positions.

## 2. Light Brown Apple Moth

**Background.** The Light Brown Apple Moth (LBAM) is a native of Australia that attacks a broad range of crops. In California there are 250 plant species that are susceptible to the LBAM, and fruit crops and vegetables are especially vulnerable. During an outbreak, the LBAM has been known to cause damage to 85 percent of a field's crop.

In February 2007 the LBAM was discovered in the City of Berkeley. Trap inspections resulted in finding the pest in 11 counties encompassing 400,000 acres.

**Eradication Efforts.** The California Department of Food and Agriculture (CDFA) conducted aerial spraying and on-the-ground spraying for the LBAM. The aerial spraying was a pheromone intended to disrupt the mating behavior of the moths. The pheromone was reviewed by the Office of Environmental Health Hazard Assessment and the Department of Pesticide Regulation before the spraying began and during the course of the spraying on court orders. Both times found the spraying to have no discernible link to human illnesses. CDFA received 330 reports of illness that were blamed on the aerial spraying.

The on-the-ground spraying with a pesticide took place at infestation areas and 200 meters around each small outlier infestation. Also, a twist tie formulation of the LBAM pheromone was registered in California and is used at the outlier infestations since its application is labor intensive.

Additional responses included statewide detection efforts, quarantine of infected nursery stock, and containment efforts.

**Funding.** In 2007-08, the Legislature provided CDFA with \$2 million General Fund for emergency Light Brown Apple Moth eradication efforts. In addition, the state anticipates receiving \$20 million in federal funds to fight the LBAM.

**Governor's Budget.** The Governor's Budget proposes 18 permanent positions for the Light Brown Apple Moth Eradication Program. The funding for these positions would come from General Fund.

**Staff Analysis.** The LBAM eradication efforts are an emergency response to a pest. These efforts should decrease dramatically within a few years as the LBAM is eradicated.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal as limited-term positions.

### 3. Quagga Mussel Fund Shift

**Background.** The Quagga Mussel is a highly invasive freshwater mussel that is capable of devastating aquatic ecosystems and impacting water infrastructure. Early estimates indicate that the establishment of this species in California waters can result in costs to the state of at least \$70 million in infrastructure costs and \$40 million in annual maintenance. The Quagga Mussel is spread by boats that are moved from one body of water to another.

**Governor's Budget.** The Governor's Budget proposes \$2,492,000 General Fund for the Quagga Mussel border inspections. Of this funding, \$2,379,000 is a fund transfer from the Department of Fish and Game and \$113,000 is new General Fund for employee compensation.

**Staff Recommendation.** Staff recommends that the Subcommittee approve \$2,492,000 General Fund for this request.

#### 4. Specialty Commissions – Informational Item

The California Department of Food and Agriculture (CDFA) has over 50 marketing programs for agricultural commodities grown in California. CDFA, with the support of the Legislature, over the past two years has been auditing various marketing boards and commissions. The purpose of marketing programs is supposed to be to provide agricultural producers and handlers an organizational structure, operating under government sanction, which allows them to solve production and marketing problems collectively that they could not address individually. Current marketing programs' activities include commodity promotion, research, and maintenance of quality standards. Some of the programs carry out all three authorized activities while others carry out only one or two, depending on the needs of each respective industry. None involve volume control and cooperative price establishment (which is specifically prohibited by law).

As recently reported in the *LA Times* on April 9, CDFA issued a cease and desist order that it intended to abolish the California Tomato Commissions after the audit found significant fiscal mismanagement. There were lavish conferences, travel, stretch limousines, and other irregularities in spending.

Other CDFA audits of other marketing entities, as the *LA Times* disclosed, raised serious questions about various expenditures of the Kiwi Fruit Commission, the California Milk Processor Board, and the California Forest Products Commission (CFPC). This latter entity was the subject of a proposed Subcommittee action last year based on concerns that the commission's actions were too closely associated with the political agenda of the state's timber industry and were overly political in nature, although this issue was not pursued in the audit. Instead, it was addressed in an appendix to the audit by CDFA's chief counsel, who disagreed with the view of the subcommittee, except for some examples where CFPC resources were clearly used to advocate for changes in state laws that would be supported by industry groups.



## SUBCOMMITTEE NO. 2

## Outcomes

Alan Lowenthal, Chair  
Darrell Steinberg  
Dave Cogdill



Monday, April 28, 2008

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### Resources—Environmental Protection—Energy

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## Vote-Only Calendar

### Budget Balancing Reductions

**Action:** The budget balancing reductions shown in the chart were accepted.

Org Code	Description	(000) 2007-08	(000) 2008-09	(000) GF Remaining	Total Program Budget (000)
8570	Department of Food and Agriculture - Marketing, Commodities, and Agricultural Services	-\$237	-\$222	\$ 2,003	\$ 60,871
8570	Department of Food and Agriculture - General Agricultural Activities	-\$263	-\$1,475	\$ 13,269	\$ 41,889
8570	Department of Food and Agriculture - Executive and Administrative Services	\$0	-\$664	\$ 5,977	\$ 18,821

**Vote:** 3-0

### 3360 Energy Resources Commission

#### 1. Implementation of the Expanding PIER Natural Gas Research Program

**Action:** Approved as budgeted

**Vote:** 3-0

#### 2. Implement Expanded Appliance Water Efficiency Program

**Action:** Rejected budget proposal

**Vote:** 3-0

#### 3. Fuel Temperature Dispensation Analysis

**Action:** Rejected budget proposal

**Vote:** 3-0

#### 4. Waste Heat and Carbon Emissions Reduction Act

**Action:** Rejected budget proposal

**Vote:** 3-0

### **7300 Agricultural Labor Relations Board**

#### 1. Budget Balancing Reduction

**Action:** Approved the budget balancing reduction and the finance letter

**Vote:** 3-0

### **8570 Department of Food and Agriculture**

#### 1. Tulare Laboratory Consolidation and Replacement – Capital Outlay

**Action:** Approved finance letter

**Vote:** 3-0

#### 2. Replacement of Failing HVAC Systems at the Center for Analytical Chemistry

**Action:** Approved finance letter

**Vote:** 3-0

#### 3. San Bernardino Property Acquisition – Capital Outlay

**Action:** Approved finance letter

**Vote:** 3-0

#### 4. Turlock Laboratory Replacement – Capital Outlay

**Action:** Rejected budget proposal

**Vote:** 3-0

## 5. Budget Balancing Reduction – Agricultural Plant Health and Pest Prevention Services

**Action:** Rejected budget balancing reduction

**Vote:** 3-0

## 6. Budget Balancing Reduction – Animal Health and Food Safety

**Action:** Rejected budget balancing reduction

**Vote:** 3-0

# 8660 Public Utilities Commission

## 1. Water Conservation Rate Design and Programs

**Action:** Approved as budgeted

**Vote:** 3-0

## 2. Division of Ratepayer Advocates Auditors

**Action:** Approved as budgeted

**Vote:** 3-0

## 3. Electric Generation Infrastructure and Energy Procurement

**Action:** Rejected budget proposal

**Vote:** 3-0

#### 4. Coordinate and Implement Big and Bold Energy Efficiency Strategies to Maximize Energy Efficiency Savings Through 2020

**Action:** Rejected budget proposal

**Vote:** 3-0

#### 5. Electric Transmission System Planning, Permitting, and Cost Recovery

**Action:** Rejected budget proposal

**Vote:** 3-0

#### 6. Transmission Infrastructure Planning in California

**Action:** Rejected budget proposal

**Vote:** 3-0

#### 7. Bioenergy Action Plan and Expansion of Distributed Generation Resources

**Action:** Rejected budget proposal

**Vote:** 3-0

#### 8. Waste Heat and Carbon Emissions Reduction Act

**Action:** Rejected budget proposal

**Vote:** 3-0

#### 9. Rail Transit Safety Program

**Action:** Rejected budget proposal

**Vote:** 3-0

## 10. Mobilehome Park and Propane Gas Safety Program

**Action:** Rejected budget proposal

**Vote:** 3-0

## 11. Charter Party Carrier Enforcement Activities

**Action:** Rejected budget proposal

**Vote:** 3-0

## 12. Expansion of PUC Bilingual Services Program

**Action:** Rejected budget proposal

**Vote:** 3-0

## 13. Establishment of a Project Management Office

**Action:** Rejected budget proposal

**Vote:** 3-0

## 14. Centralized Fine and Restitution Collections

**Action:** Rejected budget proposal

**Vote:** 3-0

## 15. Security Guards

**Action:** Rejected budget proposal

**Vote:** 3-0

## 16. Office Expansion Project

**Action:** Rejected budget proposal

**Vote:** 3-0

## Discussion Items

### 3360 Energy Resources Commission

#### 1. PIER Update

**Action:** No action

#### 2. Responding to Legislative Direction for PIER Program

**Action:** Approved \$2,222,000 (including \$1,427,000 for contracts)

**Vote:** 3-0

**Action:** Rejected \$1 million in contract funds

**Vote:** 2-1 (Cogdill)

#### 3. New Solar Homes Partnership Outsourcing

**Action:** Approve as budgeted

**Vote:** 2-1 (Cogdill)

## **8660 Public Utilities Commission**

### **1. Direct Access – Informational Item**

**Action:** No action

### **2. Electricity Oversight Board Duties – Informational Item**

**Action:** No action

### **3. Independent Monitoring of the CAISO’s Newly Designed Wholesale Electricity Market**

**Action:** Rejected budget proposal

**Vote:** 2-1 (Cogdill)

### **4. Teleconnect Fund Reappropriation**

**Action:** Reappropriated \$2 million from the Teleconnect Fund for SB 909 implementation

**Vote:** 3-0

## **8570 Department of Food and Agriculture**

### **1. Private Vehicle Inspections at Border Protection Stations**

**Action:** Held open

### **2. Light Brown Apple Moth**

**Action:** Approved positions as 5-year limited-term positions

**Vote:** 3-0



### **3. Quagga Mussel Fund Shift**

**Action:** Approved \$2,379,000 General Fund

**Vote:** 3-0

### **4. Specialty Commissions – Informational Item**

**Action:** No action

## SUBCOMMITTEE NO. 2

## Agenda

Alan Lowenthal, Chair  
Darrell Steinberg  
Dave Cogdill



Monday, May 5, 2008  
10:00 a.m.  
Room 112

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### Resources—Environmental Protection—Energy

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## Climate Change Response

Department	Funding Level (000)	Fund Source	Personnel Years
<b>Secretary for Resources</b>			
<i>Base funding</i>	\$ -		0
<i>2008-09 BCP Request</i>	\$ 177	GF	1.3
<b>Cal-EPA Secretary</b>			
<i>Base Funding</i>	\$ 1,658	GF/MVA/ APCF	5.7
<i>2008-09 BCP Request</i>	\$ -		0
<b>Air Resources Board</b>			
<i>Base Funding</i>	\$ 24,964	APCF	119.7
<i>2008-09 BCP Request</i>	\$ 5,579	APCF	25.8
<b>Energy Commission</b>			
<i>Base Funding</i>	\$ 610	ERPA	4.8
<i>2008-09 BCP Request</i>	\$ -		0
<b>Public Utilities Commission</b>			
<i>Base Funding</i>	\$ -		
<i>2008-09 BCP Request</i>	\$ 102	PUCRRA	0.9
<b>State Water Resources Control Board</b>			
<i>Base Funding</i>	\$ -		0
<i>2008-09 BCP Request</i>	\$ 428	WDPF	3.8
<b>Department of Water Resources</b>			
<i>Base Funding</i>	\$ -		0
<i>2008-09 BCP Request</i>	\$ 2,000	Prop 84	9.5
<b>Department of Food and Agriculture</b>			
<i>Base Funding</i>	\$ 331	DAA/DFAF	1.9
<i>2008-09 BCP Request</i>	\$ -		
<b>Department of Forestry and Fire Protection</b>			
<i>Base Funding</i>	\$ 1,454	Prop 84	7.5
<i>2008-09 BCP Request</i>	\$ 9,783	Prop 84	12.1
<b>TOTAL Subcommittee 2</b>	<b>\$ 47,086</b>		<b>193.0</b>

Note: These funding levels were provided by the Department of Finance and reflect only the departments within Subcommittee 2. This chart does not reflect Department of General Services, Office of Planning and Research, and University of California. The total proposed AB 32 budget for all state agencies is \$55.5 million.

## AB 32

The California Global Warming Solutions Act of 2006, (AB 32, Nunez) requires the reduction of statewide greenhouse gas emissions to 1990 levels by 2020. This is a 25 percent reduction over current levels, or approximately 174 million metric tons of greenhouse gas (GHG) emissions. This bill codified the intent of Executive Order S-3-05, and expressed the Legislative intent to continue reductions in emissions of GHG beyond 2020. AB 32 designated the Air Resources Board as the lead agency in addressing GHG emissions, including planning, regulatory, and enforcement efforts. By January 1, 2009, the Air Resources Board must design and adopt a Scoping Plan to reduce GHG emissions to 1990 levels. The largest GHG emitters in California are the transportation and energy sectors, while cattle and landfills also contribute significant amounts of GHG.

## Executive Orders

The Governor has issued a number of Executive Orders to direct departments to implement a strategy for addressing climate change.

**Executive Order S-3-05.** This Executive Order set the greenhouse gas reduction targets and placed the Secretary of the California Environmental Protection Agency in charge of coordinating oversight of the efforts made to meet the targets. The targets are:

- By 2010 – Reduce GHG emissions to year 2000 levels
- By 2020 – Reduce GHG emissions to year 1990 levels
- By 2050 – Reduce GHG emissions to 80 percent below year 1990 levels

**Executive Order S-06-06.** This Executive Order directs the Public Utilities Commission (PUC) to initiate a new proceeding or build upon existing proceedings to encourage sustainable use of biomass and other renewable resources by the state's investor-owned utilities. The Governor sets the following targets for the production and use of bioenergy: the state should produce a minimum of 20 percent of its biofuels within California by 2010, 40 percent by 2020, and 75 percent by 2050. In addition, the state should use bioenergy fuels to meet 20 percent of the overall renewable portfolio standard requirements.

**Executive Order S-01-07.** This Executive Order gave the Air Resources Board (ARB) the responsibility of developing a Low Carbon Fuel Standard (LCFS). Transportation accounts for more than 40 percent of California's greenhouse gas (GHG) emissions and the State relies on petroleum-based fuels for 96 percent of its transportation needs. The LCFS is intended to ensure that the mix of fuel in California will meet, on average, a declining standard for GHG emissions.

## Climate Action Team

The Governor directed the Secretary for CalEPA to coordinate efforts to meet the Executive Order S-3-05 targets and to establish a Climate Action Team (CAT) to develop strategies to support the Executive Order. The Climate Action Team (CAT) members include the following:

- California Environmental Protection Agency (Cal/EPA)
- California Department of Food and Agriculture (CDFA)
- Air Resources Board
- Department of Water Resources (DWR)
- Integrated Waste Management Board (IWMB)
- California Public Utilities Commission (CPUC)
- California Energy Commission (CEC)
- California Department of Forestry and Fire Protection (CalFire)
- Business Transportation and Housing Agency (BTH)
- State and Consumer Services Agency (SCSA)
- Department of General Services (DGS)

The CAT released a final report in March 2006. The report proposes a direction toward achieving the Governor's targets that would build on voluntary actions of California businesses, local government and community actions, and State incentive and regulatory programs. The CAT report made the following recommendations:

- Proceed with the development of a multi-sector, market-based program which considers trading, emissions credits, auction, and offsets.
- Mandatory emissions reporting from the largest sources—oil and gas extraction, oil refining, electric power, cement manufacturing, and solid waste landfills—that build on the California Climate Action Registry.
- Implement a multi-generational public education campaign to ensure that the public is informed about the issue of climate change and what they can do to reduce emissions and adapt to adverse consequences.
- Develop an aggressive biofuels program should be considered an essential component of the effort to reduce California's carbon footprint.
- The Climate Action Team recommends the policy, including an accountability mechanism, in the Integrated Energy Policy Report be extended to apply to all load-serving entities in the State, including municipal utilities, electric service providers, and community choice aggregators.
- All utilities should meet the energy efficiency goals and the Renewable Portfolio Standard required of investor-owned utilities. Publicly-owned utilities provide 25% to 30% of the electricity used in California, but the current Renewable Portfolio Standard does not apply to them.
- Develop an accurate tracking system and reporting protocols for local government emissions.
- A coordinated investment strategy to leverage the talent of California's universities, community colleges, and other entities to lead technology development and train the next generation of technicians that will be needed to operate and service those technologies.

As required by Executive Order S-3-05, CAT recommended discrete early action measures to begin implementation of the CAT final report goals. These discrete early action measures are:

- Reduction of emissions from non-professional servicing of motor vehicle air conditioning systems
- Hydrogen fuel standards
- Low Carbon Fuel Standards
- Improved landfill methane capture
- Regulation of greenhouse gases from load-serving entities
- Energy efficient building standards
- Energy efficient appliance standards
- New Solar Homes Partnership
- Tire efficiency
- Water use efficiency
- State Water Project
- Cleaner energy for water supply
- Landfill gas recovery
- IOU energy efficiency programs
- Cement manufacture

## Western Climate Action Initiative

On February 26, 2007, Governor Schwarzenegger, along with the Governors of Arizona, New Mexico, Oregon, and Washington signed an agreement establishing the Western Climate Initiative (WCI), a joint effort to reduce greenhouse gas emissions and address climate change. In the spring of 2007, the Governor of Utah and the Premiers of British Columbia and Manitoba joined the WCI. Montana joined in January, 2008. Other U.S. and Mexican states and Canadian provinces have joined as observers.

According to the WCI's memorandum of understanding, WCI members agreed in August 2007 to a regional emissions target of an aggregate reduction of 15% below 2005 levels by 2020. Covered emissions include the six primary greenhouse gases identified by the United Nations Framework Convention on Climate Change: carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride. Although the regional target is designed to be consistent with existing targets set by individual member states and is not intended to replace these goals, the AB 32 requirements are far more stringent than the WCI guideline. Under AB 32, California must reduce its greenhouse gas emissions by 25 percent to get to the 1990 emissions goal.

The WCI members have also agreed to establish, by August 2008, a market-based system – such as a cap-and-trade program covering multiple economic sectors – to aid in meeting their reduction goal. California law requires a careful evaluation of all possible emissions control mechanisms before a single method is endorsed, and so far such an evaluation has not been conducted.

## **Overview of Agency Actions**

- Linda Adams – Secretary for Environmental Protection
- Mary Nichols – Executive Director of the Air Resources Board
- Tony Brunello – Assistant Deputy Director for Energy and Climate Change for the Resources Agency

## 0540 Secretary for Resources

### 1. Resources Agency Role in Climate Change

**Agency Role.** The Resources Agency has no statutory role in climate change response. However, many of the Resources Agency departments deal with issues that are closely connected to climate change, such as the Department of Forestry and Fire Protection's forestry management and the Energy Commission's renewable energy research work. The administration has been directing the Resources Agency into a new role as the researcher of climate change adaptation measures. These adaptation measures are the long-term response to how the state will have to adjust to different natural conditions caused by climate change. For example, the state is likely to have less snow pack in the Sierra, and the state must respond to that circumstance in order to ensure reliable drinking water for the long-term future.

**Questions:** The Agency should come to the hearing prepared to discuss:

- What is the role of the Resources Agency in the administration's climate change response?
- How is the position of the Assistant Secretary for Energy and Climate Change funded?
- How was the position of the Assistant Secretary for Energy and Climate Change created?
- What is the anticipated outcome of the Resources Agency's work on climate change? What product is the Resources Agency producing on climate change response?

**Staff Recommendation.** Staff recommends that the Subcommittee return to this issue on May 19 to consider how to more clearly define the role of the Resources Agency on climate change.

### 2. SB 97 Implementation

**Background.** The California Environmental Quality Act (CEQA) requires that development projects evaluate the project's impact on the environment and examine if negative environmental impacts can be feasibly mitigated. The CEQA process does not specify how greenhouse gasses (GHG) are to be regulated.

SB 97 (Dutton, 2007) was passed as part of the *2007-08 Budget Act* package. It mandates the Office of Planning and Research (OPR), by July 1, 2009, to prepare, develop, and transmit to the Resources Agency guidelines for the feasible mitigation of greenhouse gas emissions or the effects of greenhouse gas emissions under CEQA. The Resources Agency is then required to certify and adopt those guidelines by January 1, 2010. SB 97 sunsets on January 1, 2010.

**Governor's Budget.** The Governor's Budget proposes \$177,000 General Fund for two limited-term positions at the Resources Agency. Starting in 2009-10, the amount would increase to \$425,000 GF primarily due to an increase in contract funding. There is also a BBR to reduce the amount requested from \$177,000 to \$159,000 General Fund.

**Staff Recommendation.** Staff recommends the Subcommittee reject the budget proposal.



## 0555 Secretary for Environmental Protection

### 3. Western Climate Initiative and Other Multi-Jurisdictional Activities on Climate Change

**Background.** The Administration, and CAL-EPA, has devoted significant time and resources to regional and international activities to promote state climate change policies. While these activities may have some benefit in spreading the word relative to CA's GHG programs, it is unclear from the proposed budget how these activities are funded, what they entail, and what results they will provide.

For example:

1. China Agreement: The Secretary of CAL-EPA recently visited China for meetings with other officials on climate change. According to "blog" entries on the agency's website, "California has been asked to provide a climate program model to Chinese provincial governments and "California will help provide special technical training, support clean technology sharing and help build supportive public and private partnerships." Yet, it is unclear what state resources will be dedicated to this effort, and how they will be accounted for in the budget.
2. Western Climate Initiative and Related Activities: According to the CAL-EPA website, "There are a number of climate initiatives led by the administration: the Western Climate Initiative, The Climate Registry and the International Carbon Action Partnership. All are consistent with and complementary to the Global Warming Solutions Act of 2006. It will be essential to communicate with stakeholders and interested parties and facilitate their input into these initiatives."

The site describes the Initiative as an activity undertaken by the Western Governor's Association at which various states' Governors' staffs and other officials meet to discuss "regional climate change issues." It has been reported that the WCI is a forum for the formation of rules governing a regional cap and trade program and other activities. However, the budget provides no detail on the activities of the WCI, the expenditures in state government associated with those activities, or the expected outcomes, or the mechanisms by which the legislative branch of government can be involved in these activities.

3. Various Inter-Governmental Agreements among California and other states, National Governments: There apparently is no central location in which the Administration catalogues the number, types, and details of the various agreements signed by the Administration and other states, countries, and other jurisdictions. However, according to the Governor's press release website, he and his Administration have signed climate change agreements with China (as noted above), Mexico, British Columbia, the UK, the European Union, Sao Paulo (Brazil), and the United Nations, among others.

These agreements often are referred to by the Administration as “historical,” “first of its kind,” and “major progress on reducing greenhouse gases.” However, they are rarely accompanied by any substantive information regarding what actions each jurisdiction will take to reduce GHGs; the timeframe in which those actions will occur; how they will reduce greenhouse gases; or what fiscal resources will be used to implement their provisions.

It is an important part of California’s efforts to reduce GHGs to ensure that other states, national governments, and international bodies are apprised of its activities. However, it is also important that these activities be accounted for in the budget, that emission reductions be properly measured, and the Legislature consulted on any agreements made on behalf of the state.

**Staff Recommendation.** Staff recommends that the Subcommittee request a list of all of the agreements with other states and countries that the administration has entered into.

## 4. Greenhouse Gas Report Card

**Background.** Executive Order S-3-05 requires the Secretary for Environmental Protection to report biannually starting in 2006 on the impact of climate change on water supply, public health, agriculture, the coastline, and forestry, and shall prepare and report on mitigation and adaptation plans to combat these impacts.

The Legislature as part of the *2007-08 Budget Act* passed trailer bill language establishing an annual Greenhouse Gas Report Card with the purpose of establishing routine, quantified, verified, consistent, and public reporting of measures to reduce greenhouse gases and the effectiveness of those measures. The Greenhouse Gas Report Card includes information on:

- The list of measures that have been adopted and implemented by the state agency to meet greenhouse gases (GHG) emissions reduction targets;
- A status report on the actual GHG emissions reduced as a result of the measures taken;
- A list and timetable for adoption of any additional measures needed to meet GHG emission reduction targets; and
- Comparison of the actions taken and proposed to be taken by the individual state agencies and their projected GHG emission reductions against the state agency GHG emission reduction targets and statewide GHG emission reduction limits.

**Staff Recommendation.** Staff recommends that the Subcommittee add a requirement to the GHG Report Card for a cross-cut budget of AB 32 activities by department that includes all new proposals, base budget, and positions.

Staff further recommends that the Subcommittee add a requirement to the GHG Report Card for an inventory of all contracts and agreements that the administration, department, or agency has entered into with another state or country. The inventory should include the quantified emissions reductions from the agreements that are anticipated and how those emissions reductions will be enforced.

## 3900 Air Resources Board

### 5. Sustainability of Funding

**History of Funding.** The State has for years provided funding for reducing air emissions through programs such as Carl Moyer. These programs are special funded through fees that can only be used for the specific purposes of that program as defined by statute. Other programs such as the Climate Change Coordinating Council and AB 1493 (Pavley, 2002) also addressed greenhouse gas emissions.

The *2007-08 Budget Act* was the first time AB 32 implementation was funded. The 2007-08 funding level for AB 32 implementation was \$30.5 million primarily from the Air Pollution Control Fund with some funds coming from Proposition 84 bond funds, the Integrated Waste Management Account, and the Hazardous Waste Control Account. The funding for AB 32 was provided through loans from special funds that will have to be repaid.

The Governor's *2008-09 Budget* proposes \$55.5 million (\$30.5 million baseline) for all state agencies, including \$47 million for those agencies within Subcommittee 2, to implement AB 32. Of this amount, \$32 million would be a loan from the Beverage Container Recycling Fund to the Air Pollution Control Fund that would have to be repaid.

**Administration's Funding Plan.** The administration submitted to the Budget Committee a long-term funding plan for AB 32, as requested by Subcommittee 2 last year. The administration's long-term funding plan calls for continued loans from the Beverage Container Recycling Fund until 2010, when the ARB would place a fee on carbon emissions. These loans are placed into the Air Pollution Control Fund, which provides appropriations for the programs. The ARB thinks the extra time is needed in order to follow public procedure for fee schedule adoption.

**Fee Authority.** AB 32 provides the ARB with authority to adopt a schedule of fees to be paid by the sources of greenhouse gas emissions. The fees collected would be deposited into the Air Pollution Control Fund and be available upon appropriation by the Legislature, for purposes of carrying out AB 32 implementation.

**Reporting Regulations.** The ARB already has information on which sectors are the greenhouse gas emitters of California and the amount of emissions that each of those sectors produces. Thus it is not difficult for the ARB to determine how to divide a fee on carbon emissions between those sectors.

**Limited Use of Borrowed Funding.** Staff recommends that the Subcommittee eliminate one-half of implementation funding for AB 32 (baseline and new funding) and replace that funding with fee revenue from AB 118 (Health and Safety Code Section 44273, Alternative and Renewable Fuel and Vehicle Technology Fund).

## 6. Environmental Justice Advisory Committee

**Background.** The mission of the Environmental Justice Committee on the Implementation of the Global Warming Solutions Act of 2006 is to work cooperatively with all relevant bodies to provide the best possible advice to the California Air Resources Board on the development of the Scoping Plan called for by AB 32 and all other pertinent matters related to the implementation of AB 32. Through this advice the Committee seeks to provide helpful, workable recommendations on how best to ensure and encourage public engagement in the implementation of AB 32 and how best to reduce greenhouse gas emissions while maximizing the overall societal benefits, including reductions in other air pollutants, diversification of energy sources, and other benefits to the economy, environment, and public health.

**Staff Comments.** The staff has become aware of criticism toward the Air Resources Board for not sufficiently incorporating the recommendations of the Environmental Justice Advisory Committee into the draft Scoping Plan. In addition, the staff position approved in the *2007-08 Budget Act* for the Environmental Justice Advisory Committee has not been filled.

### Questions:

- Does the Environmental Justice Advisory Committee have access to the same staff and resources as the Economic and Technology Advancement Advisory Committee?
- Has the ARB devoted the proper level of staff and funding for environmental justice concerns in its developing of the Scoping Plan and in particular the cap-and-trade alternatives?

## 7. Ongoing Implementation of the Global Warming Solutions Act of 2006

**Background.** Executive Order S-01-07 gave the Air Resources Board (ARB) the responsibility of developing a Low Carbon Fuel Standard (LCFS). Transportation accounts for more than 40 percent of California's greenhouse gas (GHG) emissions and the State relies on petroleum-based fuels for 96 percent of its transportation needs. The LCFS is intended to ensure that the mix of fuel in California will meet, on average, a declining standard for GHG emissions. On June 21, 2007, the ARB approved the LCFS as an early action measure and is on schedule to adopt an implementing regulation by the end of 2008.

**Proposal.** The requested funding would allow the ARB to work on the following:

*Low Carbon Fuel Standard:* The ARB is requesting 20 positions to develop test data on candidate low carbon fuels that currently do not exist. This data will allow the ARB to base regulations of LCFS on actual impacts of the fuels. In addition to testing, the ARB will also develop a life-cycle model for the various fuels. Two of the requested positions would work on evaluating the impact of using different diesel fuels, conducting lifecycle assessment, reviewing new technologies, and tracking emerging national and international programs. Three of the requested positions would work on analysis of the land use practices for biofuel production to ensure that the use of biofuel can be sustainable. Another two of the requested positions would implement a LCFS market program.

Laboratory testing is an important part of the LCFS regulations development process. The ARB would have eight of the requested positions work on exhaust and evaporative emissions testing. Five additional requested positions would be for analysis of emission, fuel, and particulate samples.

*Scoping Plan and Early Action Measures:* The ARB is requesting five positions to maintain an aggressive development schedule for the scoping plan and the early action measures.

*Fee Revenue Mechanism:* The ARB is requesting two positions to develop a fee program for the on-going support of AB 32 implementation and to pursue additional early action measures.

**Governor's Budget.** The Governor's budget proposes \$5,579,000 from the Air Pollution Control Fund and 27 new positions to continue implementation of AB 32 (Nunez, 2006).

**Staff Recommendation.** Staff recommends that the Subcommittee approve one-half of the requested funds from the Air Pollution Control Fund and one-half of the requested funds from the AB 118 (Health and Safety Code 44274.5, Air Quality Improvement Fund).

## 3360 Energy Resources Commission

### 8. Cap and Trade Decision

**Background.** The Global Warming Solutions Act of 2006 (AB 32 Chapter 488, Statutes of 2006) requires the state Air Resources Board (ARB) to adopt rules to achieve the maximum technologically feasible and cost-effective reductions in greenhouse gas (GHG) emissions to achieve 1990 levels of those emissions.

The statute requires the ARB to adopt so-called “direct emission reductions” (i.e. pollution reductions made directly from and at a source) (See Health and Safety Code Section 38562). It authorizes, the use of so-called “market-based compliance mechanisms” such as cap and trade programs, but only after the ARB has met specified substantive and process requirements (see Part 5, commencing with Section 38570 and subdivision (k) of Section 38505). For example, under AB 32, any market system like cap and trade must:

1. Be verifiable and enforceable by state board (Health and Safety Code Section 38562(d)(1)).
2. Must achieve emission reductions that are “in addition to other GHG reductions (Health and Safety Code Section 38562(d)(2)).
3. Must achieve emission reductions that take place over same time period as would otherwise occur from direct emission reductions (Health and safety Code Section 38562 (d)(3)).
4. Must consider the mechanism’s effect on communities already adversely impacted by air pollution (e.g. environmental justice communities) (Health and Safety Code Section 38570(b)(1)).
5. Must prevent any increase in air pollution and toxic air contaminants (Health and Safety Code Section 38570 (b)(2)).
6. Must maximize “additional” environmental and economic benefits for CA (Health and safety Code Section 38570(b)(3)).

**2006-2007 Executive Orders and Budget Actions.** In the fall of 2006, several days after AB 32 was signed into law, the Governor issued an Executive Order which contained several provisions objectionable to the legislature (and inconsistent with the law). Among other things, the Executive Order established a Market Advisory Committee which convened and promptly recommended adoption of a cap-and-trade program without making the requisite findings or reviews required for the ARB under law.

In response to this and other actions, Legislature adopted clarifying language as part of the *2007-2008 Budget Act* to ensure the administration did not implement market mechanisms until it had complied with the law.

**2008 CPUC/CEC Decision.** In early 2007, the Public Utilities Commission (PUC) and Energy Commission (CEC) convened a joint proceeding to make recommendations to the ARB on actions that should be taken under AB 32 to regulate GHG emissions from the electricity and natural gas sectors. These actions apparently were taken in consultation with the ARB board and staff at the time though there was no express direction or authority in AB 32 for these agencies to undertake this effort.

Earlier this year, the CPUC and CEC jointly issued a decision recommending to the ARB that it adopt a “cap-and-trade” program to reduce greenhouse gas emissions from the electricity sector. In their decision, the two commissions gave scant attention to the substantive and process requirements under AB 32, and made no recommendations with regard to how the ARB might meet the conditions under law.

Moreover, the CPUC/CEC decision made little reference to the fact that GHG pollution reduction in the electricity sector will require a comprehensive strategy, beyond merely a cap and trade program, that includes meeting current renewable energy goals and extending those goals, increasing energy efficiency and taking other actions to reduce emissions.

**Staff Recommendation.** As noted above, the achievement of the GHG emission reduction targets will require a comprehensive effort within the electricity sector. The Administration’s apparent over-emphasis on one tool—cap and trade—when other tools like increasing renewable energy resources are lagging, suggests that there is a need to ensure budget resources are allocated more equitably to researching and implementing all GHG control measures.

In view of the Administration’s ongoing work on cap-and-trade mechanisms over other forms of GHG emissions control, the Subcommittee may wish to direct staff to identify those positions and resources in the budget that are being used by the energy agencies for cap and trade activities and further direct staff to develop budget bill language or trailer bill language to ensure that GHG emissions reductions from electricity sector are undertaken in a comprehensive manner.

## 9. Alternative and Renewable Fuel and Vehicle Technology Program

**AB 118.** AB 118 (Nunez, 2007) sets up an Alternative and Renewable Fuel and Vehicle Technology Program (Program) to be administered by the Energy Commission with the guidance from an advisory body. AB 118 requires the Energy Commission to develop an investment plan to determine priorities and opportunities for the Program, and to update the investment plan annually. The Energy Commission must provide grants, revolving loans, loan guarantees, loans, or other appropriate measures to a multitude of public and private agencies, organizations, and institutions to develop and deploy innovative technologies that transform California’s fuel and vehicle types to help attain the state’s alternative fuels and climate change policies.

**Funding.** The funding to implement AB 118 comes from increased fees for vehicle and boat registration, and an increase in the smog abatement fee. The Department of Motor Vehicles estimates that the revenue raised by the increased fee will be about \$118 million annually. The fee increase will sunset in 2016.

**New Requirements.** Implementing AB 118 will require the Energy Commission to:

- Administer at least \$100 million in awards issued annually, which will grow cumulatively as additional awards are issued
- Establish, staff, and act in accordance with guidance from an Alternative Fuels and Vehicles Advisory Board
- Develop Program criteria and project metrics
- Prepare and update annual Program reports
- Provide consumer outreach and workforce training on alternative fuels
- Provide incentives and technical support to increase the number of alternative fuel refueling stations throughout California, optimizing engine technologies for alternative fuels, alternative fuel production, and commercialization of alternative fuels and vehicles
- Measure and report on project outcomes
- Research how California can increase its in-state alternative fuel production and what barriers exist to prevent such an increase
- Research and outreach to all transportation fuel using sectors including the boating and locomotive engine industry to increase their awareness and use of alternative and renewable fuels
- Perform surveys to gather consumer preference information to determine what would influence consumers to use the alternative fuel in their dual-fuel vehicle

**Governor's Budget.** The Governor's Budget proposes \$100,891,000 from the Alternative and Renewable Fuel and Vehicle Technology Fund and six new permanent positions for implementation of AB 118. Of the amount requested, \$100 million would be for projects while \$891,000 would be for six positions and travel costs.

**Staff Analysis.** The Energy Commission is going to develop an Investment Plan for the AB 118 program that will define priorities for the program but not actual projects. The Investment Plan will be complete in the fall of 2008. Prior to the release of the Investment Plan it will be difficult for the Legislature to evaluate the direction of the program. Also, it will take about 6-8 months for the Energy Commission to develop regulations for the program. Because of the time required to create new regulations, it will be difficult for the Energy Commission to distribute \$100 million in grants in the budget year.

**Staff Recommendation.** Staff recommends that the Subcommittee approve \$891,000 for the positions and reject the \$100 million in program funding.



## 10. California Building Energy Efficiency Standards Development

**Background.** Energy use in buildings is a significant source of California's greenhouse gas emissions. Building Energy Efficiency Standards deliver a very low cost means of saving energy. Over the last 30 years California's per capita consumption of energy has remained constant while the rest of the nation's has steadily increased. The current budget for this program is approximately \$4 million.

There is continual development of new technologies that can result in energy savings in buildings. Incorporation of emerging technologies as rapidly as possible into the Building Standards will call for more extensive analysis, including an expanded consideration of the cost savings arising from greenhouse gas emissions reductions in the cost effectiveness determinations for new Building Standards, and the development of a more goal-oriented approach for updating Building Standards.

**Governor's Budget.** The Governor's Budget proposes \$3,265,000 from the Energy Resources Programs Account and 12 new positions to develop, adopt, and implement additional standards for building energy efficiency standards in accelerated timeframes and increase the number of building features covered during each update cycle of the Building Standards. \$2 million of the requested funds would be for contracts.

**Staff Analysis.** The Energy Commission presents the Building Energy Efficiency Standards to the Building Standards Commission as recommendations for adoption into the overall building standards. The Building Standards Commission adopts new building standards only every three years. The latest building standards were adopted in early 2008, so no new standards will be adopted until 2011. Due to the difficult budget situation of the State, without prejudice staff finds it inadvisable to grow existing programs.

**Staff Recommendation.** Staff recommends that the Subcommittee reject the budget proposal.

## 11. Accelerate and Expand the Appliance Efficiency Standards Program

**Background.** The Climate Action Team identified appliance energy efficiency as an early-action strategy to meet the State's greenhouse gas reduction goals. The Energy Commission's Appliance Program is designed to increase the efficiency of appliances sold or offered for sale to California consumers and businesses. Under current statute, the Energy Commission is directed to develop, implement, and enforce standards which require either appropriate minimum efficiencies or maximum energy consumption allowances for each type of affected appliance.

California's appliance regulations require that manufacturers who submit certification data have their appliances tested at a laboratory approved by the Energy Commission. Each appliance is then recorded in an Energy Commission database, which includes data on manufacturer

compliance with testing, efficiency standards, and certification for all regulated appliances as required by law.

**Proposal.** The requested resources would be used to develop, adopt, and implement new appliance efficiency standards in faster timeframes and increase the number of appliances addressed for standards in each update cycle. The positions requested would also be used to revise existing standards for appliances and increase the efficiency levels as appropriate. Appliances and equipment that would be addressed include:

- Lighting
- Battery chargers and internal power supplies
- Consumer electronics
- Commercial food service equipment
- Water-using equipment
- Heating and air conditioning equipment
- Portable spas, pool pumps
- Household standby devices, such as garage door openers and security systems

**Governor's Budget.** The Governor's Budget proposes \$911,000 from the Energy Resources Program Account and 5.5 new positions to work on the Appliance Efficiency Standards Program. \$200,000 of the requested funds would be for contracts.

This request would double the current Appliance Program budget.

**Staff Recommendation.** Staff recommends that the Subcommittee reject the budget proposal.

## 8660 Public Utilities Commission

### 12. Institute for Climate Solutions

**Background.** According to the budget and other documents provided by the Administration, there is upwards of \$300 million currently spend on various state research, development, and demonstration programs related to climate change, energy and related activities (not including federal funds and private funds).

Under the Public Interest Energy Research (PIER) Program, over \$100 million is collected in utility rates annually. An additional \$200 million plus per year is collected under the Alternative and Renewable Fuel and Vehicle Program. Additional ratepayer funds are devoted to solar energy research and other climate-related activities.

In addition, the chart on page 19, prepared by the Senate Office of Research, shows a number of the climate related research programs funded at the University of California (UC). This list is not a complete list.

**CPUC Climate Institute.** The Public Utilities Commission (PUC) on April 10, 2008 in rulemaking 08-04-039, created a new “Institute for Climate Solutions.” The commission did so by imposing a “surcharge” on utility ratepayers in the two-thirds of the state served by investor-owned utilities (the PUC has no authority over municipal service areas) totaling \$60 million per year and \$600 million over the ten year period specified in the decision. The decision was contested by various electricity ratepayer and consumer groups and is now on administrative appeal.

According to the commission decision, the Institute for Climate Solutions will be housed at the University of California is intended to address the impacts of climate change with strategies and programs in energy and environmental research, technology development and deployment, climate economics, infrastructure design, socioeconomic impacts and responses, education, public services, and policy action. The Institute for Climate Solutions intends to design a broad set of policies that target critical carbon-intensive sectors of California economy.

**Legislative Counsel Opines that CPUC Action was Illegal.** The Legislative Counsel has issued a 14 page written opinion stating that the CPUC’s decision to create the Climate Institute, and to impose a \$600 million rate increase to fund it, was illegal. Specifically, Counsel states in relevant part, “...the commission’s constitutional delegated authority does not empower the commission to create the [Climate Institute]. “Further the establishment of the [Institute] is inconsistent with the statutorily established scheme for energy research and development...”

<b>PROJECT</b>	<b>FUNDING SOURCE</b>	<b>CAMPUS</b>
California Climate Change Center and California Applications Program	California Energy Commission, Public Interest Research Program	UC Berkeley and Scripps Institution of Oceanography
Carbon Cycle Research Center	Foundation grant	UC Irvine
San Diego Supercomputer Center		UC San Diego and Lawrence Livermore National Laboratory
Climate Research Division		Scripps Institution of Oceanography
ZEV-NET (Zero Emission Vehicle-Network Enabled Transport)	City of Irvine, Toyota, Irvine Company, National Fuel Cell Research Center	UC Irvine
Institute of Transportation Studies		UC Davis
Center for Information Technology in the Interest of Society		UC Berkeley, Davis, Merced, Santa Cruz
Energy Biosciences Institute	BP	UC Berkeley, Lawrence Berkeley National Laboratory, University of Illinois
The Helios Project		Lawrence Berkeley National Laboratory
Institute of Geophysics and Planetary Physics		UC Berkeley, Irvine, Los Angeles, Riverside, San Diego, Santa Cruz, Los Alamos National Laboratory, Lawrence Livermore National Laboratory
Bioenergy Research Group	Chevron Corporation	UC Davis
Kearney Foundation of Soil Science	Endowment program	Systemwide
Hydrogen Engineering Research Consortium	Private Industry	UCLA
National Fuel Cell Research Center	US Department of Energy and California Energy Commission	UC Irvine
Climate Change and Carbon Management		UC Berkeley and Lawrence Berkeley National Laboratory

**Commission's Action Inequity to Ratepayers.** In addition to the rather apparent legal issues with the commission's action, there is the question of whether something as broad-based as climate change research should be funded through the imposition of a \$600 million rate increase applicable only to private utility ratepayers. If additional funding for climate change research is needed, and utility rates are the fund source, it would seem that the program should be funded from all ratepayers in the state, and not merely a subset of those ratepayers.

**Commission Created other "off-budget" entities, with no Legislative Authority or Scrutiny, in Recent Years.** The Commission's order creating the Climate Institute is the latest in a series of ratepayer-funded entities created by commission order for purposes not specified or authorized in statute, and overseen principally by the commission itself. For example, the Commission has created a renewable energy fund overseen by an ex-commission staff, a telecommunications/broadband non-profit headed by a former Administration official.

**Governor's Budget.** The Governor's Budget does not include funds for this Climate Institute. The account from which the institute is funded is off-budget. The cost of the Climate Institute is \$60 million annually for ten years, for a total of \$600 million to be paid by ratepayers.

**Staff Recommendation.** Staff recommends that the Subcommittee take the following actions:

1. Bring the Public Utilities Commission's off-budget account for this purpose (and any other off-budget accounts for similar activities in the telco and energy sectors, on budget so that the Legislature may review their expenditures and administration in detail.
2. Adopt budget bill or trailer bill language as appropriate directing the commission to suspend any further activity on the climate institute until/unless authorized under law by the Legislature.
3. Reduce the Commission's administrative budget by \$60 million.

## 13. Advocating for Cost-Effective Strategies to Reduce Greenhouse Gas

**Background.** AB 32 (Nunez, 2006) requires the Air Resources Board to consult with the Public Utilities Commission (PUC) and the Energy Commission in the development of greenhouse gas (GHG) emissions reduction measures applied to electricity and natural gas providers. In response to this legislative directive, the PUC promulgated rulemaking 06-04-009.

The Division of Ratepayer Advocates (DRA) has a statutory role to pursue the lowest possible rates for its customers. In relation to AB 32, the ARB will provide input to both the PUC and the Energy Commission on their design of recommended climate change policies for the electric sector, advocating for programs that will achieve the state's climate change goals cost-effectively. The alternative approaches under consideration will have significant effects on electricity markets in the state and in the western part of the United States, as well as on ratepayers. DRA seeks to ensure that the electric sector customers bear only their fair share of GHG reductions commensurate with the burdens that should be shared by other sectors such as transportation.

**Position Justification.** DRA argues that they need an additional position to address climate change because the PUC has established numerous parallel proceedings under tight schedules in order to provide the ARB with information needed to implement AB 32. DRA evaluates the rate consequences of the alternative policies being pursued by the PUC and the Energy Commission and makes recommendations to both on mitigating the most severe rate impacts on customers.

**Governor's Budget.** The Governor's budget proposes \$102,000 from the Public Utilities Commission Ratepayer Advocate Account and one position to allow effective, independent analysis, advocacy and review of alternative reporting and regulatory regimes, alternative market approaches, and the economic effects on markets and ratepayers to comply with AB 32.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

## 3910 California Integrated Waste Management Board

### 14. Update on Progress

**Current Activities.** The California Integrated Waste Management Board (CIWMB) is working on a number of activities intended to reduce greenhouse gas emissions. These include:

- The Landfill Methane Capture Strategy was adopted as a discrete early action measure in June 2007. The measure will require owners and operators to install gas collection and control systems at smaller and other uncontrolled landfills that are currently not required to install emission controls and include requirements to increase landfill methane capture efficiencies.
- Industry outreach on increasing the efficiency of landfill methane capture. CIWMB is developing a guidance document to assist municipal landfill owners and operators by providing information on different technologies and management practices they can use at their sites to reduce greenhouse gas emissions.
- Expand outreach efforts to increase awareness of AB 1969. Under AB 1969 electrical corporations are required to purchase, at a Public Utilities Commission approved price, renewable energy output from public water and wastewater facility projects with an effective capacity of not more than 1.5 megawatts, up to a total program capacity of 250 megawatts.
- Help expand production of liquefied natural gas by helping to fund commercial-scale projects. CIWMB has provided grant funding for two projects on recovery of landfill methane that is otherwise flared.
- Increase recycling from the commercial sector by focusing on voluntary implementation approaches.
- Increase production and markets for compost in order to divert organic material from landfills and provide a reduction of greenhouse gases through a landfill methane avoidance.
- Increase fuel and energy production from anaerobic digestion of green waste.
- Fund waste technology demonstrations, assessments, and development in order to expedite the deployment of greenhouse gas-reducing technologies by providing funding that assists developers in demonstrating their technology on a commercial scale.
- Extended producer responsibility as a strategy to place a shared responsibility for end-of-life product management on the producers, and all entities involved in the product chain, instead of the general public.

## 3540 Department of Forestry and Fire Protection

### 15. Climate Change

**Proposal.** The Fire and Resources Assessment Program (FRAP) maintains information on the condition and availability of forest and rangeland resources. The information produced by FRAP has been previously used in carbon sequestration assessment. FRAP would receive two positions to update the vegetation maps to detect changes in forests, woodlands, and open space.

The California Forest Improvement Program (CFIP) activities include preparation of management plans, site preparation, tree planting, and follow-up work. CFIP provides cost-share grants to private forest landowners of up to 5,000 acres. Approximately 765,000 acres of projects have been funded under this program since 1980.

The State Nursery Program provides seedlings for replanting forests. Historically the program has functioned out of two facilities which sell over 300,000 seedlings a year. The department calculates that this proposal would provide an additional 400,000 container seedlings a year.

The Environmental Protection Program currently has one position that supports and coordinates other CALFIRE programs in implementing climate change mitigation activities, acts as a liaison to the Air Resources Board on AB 32 implementation, and works with the California Climate Action Registry in developing a new forestry protocol for urban forestry.

**Governor's Budget.** The Governor's Budget proposes \$4,388,000 from Proposition 84 bond funds and 13 positions for implementation of forest and rangeland activities to mitigate climate changes in urban watersheds by reducing greenhouse gas emissions.

**Staff Recommendation.** Staff recommends that the Subcommittee hold this item open.

### 16. Proposition 84 Local Assistance – Urban Greening

**Background.** Proposition 84, Chapter 9, Section 75065 (a), provides \$90 million for urban greening. Of that amount, a minimum of \$20 million is reserved for the Department of Forestry and Fire Protection for urban greening programs. The goals of the Department of Forestry and Fire Protection urban greening program are:

- Increase the amount of urban forests
- Facilitate the creation of jobs in tree maintenance and related urban forest activities
- Reduce energy consumption through maximized tree and vegetative cover
- Encourage the coordination of state and local activities in urban forestry
- Prevent and limit the spread of tree diseases and pests

**Governor's Budget.** The Governor's Budget proposes \$5,395,000 from Proposition 84 bond funds for the second year of the urban greening program.

**Staff Recommendation.** Staff recommends that the Subcommittee hold this item open.



## 3940 State Water Resources Control Board

### 17. Climate Change

**Background.** The nine Water Boards regulate the allocation and use of waters in California. The development, conveyance, treatment and discharge of water is one of the greatest energy intensive processes in California. Energy production and use is a significant source of greenhouse gas (GHG) emissions, and a reduction in GHG emissions could be achieved with improvements to water conveyance, treatment, management, discharge, and allocation.

**State Water Board Activities.** As part of this proposal, in order to reduce GHG emissions from California's water system, the Water Board staff will identify and quantify GHG resulting from activities performed in compliance with Water Board regulations, programs, and policies, and formulate strategies and measures, including revisions to statutory, regulatory, and program policies. In addition, staff will work on maintenance of the Water Board climate change web page, information dissemination, communication and collaboration among participants, and reporting to the Water Board, public, and other entities. The urban water conservation best management practices, which have not been updated in 20 years, will be updated as part of this proposal.

The Water Board proposes to undertake pilot studies to implement, monitor, and evaluate the effectiveness of new strategies before deployment on a regional or statewide scale. These pilot projects would be implemented as partnerships with local agencies and stakeholders. The Water Boards also intend to evaluate their policies, regulation, and permits to establish effective regulatory strategies to ensure maximum use of water resources.

**Positions Requested.** The positions requested would work on the following areas:

- 2.6 PY – Climate Change Coordination – participation on the CAT subgroups, coordination with Department of Water Resources on climate change efforts such as water conservation, and maintenance of internet and intranet resources.
- 0.4 PY – Climate Change Studies – focus on adaptation strategies to issues such as saltwater intrusion and implementation of successful elements statewide.
- 1 PY – Water Conservation Initiative – develop best management practices for urban and agricultural water, evaluate the implementation of water conservation measures, and work with stakeholders.

**Governor's Budget.** The Governor's Budget proposes \$428,000 from the Waste Discharge Permit Fund and four positions to develop and implement both adaptation responses for water quality changes expected to occur due to global climate change and strategies to reduce greenhouse gas emissions resulting from water use, treatment and control activities subject to the Water Board's regulatory authority.

**Staff Recommendation.** Staff recommends that the Subcommittee reject the budget proposal.

## 3860 Department of Water Resources

### 18. Multi-Benefit Planning and Feasibility Studies

**Background.** The California Energy Commission calculates that the operation of water supply and wastewater systems throughout the State accounts for about 18 percent of the State's total use of electric power and 30 percent of non-power plant natural gas use in the State. Electric generation is a major contributor to greenhouse gas emissions. For example, the California Water Plan projects that agricultural and urban water conservation efforts can lead to 1.5 to 3 million acre feet per year of conserved water by the year 2030.

**Proposal.** With this proposal, the Department of Water Resources intends to identify potential system redesign alternatives that would reduce the greenhouse gas emissions related to the operation of the water system. The department would also conduct work on the interrelationship of water management and flood control activities as well as their relationship to the natural environment. As part of the California Water Plan effort, the department would generate products to guide investment in water resources and support integrated regional planning efforts. The department would also continue the feasibility studies for three surface storage projects.

**Funding Breakdown.** For 2008-09, the Department of Water Resources requests the following:

- Climate Change Evaluation, Mitigation, and Adoption: \$2 million, 7 new positions, and 3 existing positions
- Water Transfers and Promotion of Urban and Agricultural Water Conservation: \$1,791,000, 2 new positions, and 8.2 existing positions
- Completion of CALFED Surface Storage Studies: \$6 million and 5.2 existing positions
- Integration of Flood Management and Water Supply Systems: \$1,393,000, one new position, and two existing positions
- Implementation of California Water Plan Recommendations: \$2.6 million, one new position, and 5 existing positions
- Development of a Delta Vision and a Strategic Plan: \$2 million and two positions

**Governor's Budget.** The Governor's Budget proposes \$61,725,000 in Proposition 84 bond funds over five years and 11 new positions and 66.2 existing positions. The funding requested for 2008-09 only is \$15,784,000. These funds would be for integrated multi-benefit planning and feasibility studies related to California's future water needs.

**Staff Recommendation.** Staff recommends that the Subcommittee reject this budget proposal.

## 8570 Department of Food and Agriculture

### 19. Update on Progress

**2007-08 Budget.** In the *2007-08 Budget Act*, the Department of Food and Agriculture was provided \$331,000 from the Department of Food and Agricultural Fund to establish and support 2.0 positions that will research and identify greenhouse gas reduction strategies through dairy methane capture programs.

**Current Activities.** The California Department of Food and Agriculture (CDFA) has addressed climate change primarily through participation in various discussion and planning forums. CDFA is the lead agency for the Climate Action Team agriculture sub-group, which has developed a number of recommendations submitted to the ARB Scoping Plan due in January 2009. These recommendations include carbon sequestration, methane capture, and renewable energy.

One of the discussion forums on climate change that CDFA is participating in is the Biomass Collaborative, a statewide collaboration of government, industry, environmental groups, and educational institutions administered for the state by the University of California.

**Staff Comments.** Because of conflicting interpretations of statute, the Department felt that it did not have authority to use the Agricultural fund for the positions provided by the Legislature. As such, these positions have not been filled. To continue work on Agriculture related GHG reduction strategies, the Department used existing staff and additional resources provided by the Agricultural industry to support dairy methane capture and biogas energy related programs. Currently the agricultural sector is being asked to voluntarily provide carbon savings.

## SUBCOMMITTEE NO. 2

## Outcomes

Alan Lowenthal, Chair  
Darrell Steinberg  
Dave Cogdill



Monday, May 5, 2008

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### Resources—Environmental Protection—Energy

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling 916-324-9335. Requests should be made one week in advance whenever possible.

## 0540 Secretary for Resources

### 1. Resources Agency Role in Climate Change

**Agency Role.** The Resources Agency has no statutory role in climate change response. However, many of the Resources Agency departments deal with issues that are closely connected to climate change, such as the Department of Forestry and Fire Protection's forestry management and the Energy Commission's renewable energy research work. The administration has been directing the Resources Agency into a new role as the researcher of climate change adaptation measures. These adaptation measures are the long-term response to how the state will have to adjust to different natural conditions caused by climate change. For example, the state is likely to have less snow pack in the Sierra, and the state must respond to that circumstance in order to ensure reliable drinking water for the long-term future.

**Questions:** The Agency should come to the hearing prepared to discuss:

- What is the role of the Resources Agency in the administration's climate change response?
- How is the position of the Assistant Secretary for Energy and Climate Change funded?
- How was the position of the Assistant Secretary for Energy and Climate Change created?
- What is the anticipated outcome of the Resources Agency's work on climate change? What product is the Resources Agency producing on climate change response?

**Staff Recommendation.** Staff recommends that the Subcommittee return to this issue on May 19 to consider how to more clearly define the role of the Resources Agency on climate change.

**Action:** No action taken

### 2. SB 97 Implementation

**Background.** The California Environmental Quality Act (CEQA) requires that development projects evaluate the project's impact on the environment and examine if negative environmental impacts can be feasibly mitigated. The CEQA process does not specify how greenhouse gasses (GHG) are to be regulated.

SB 97 (Dutton, 2007) was passed as part of the *2007-08 Budget Act* package. It mandates the Office of Planning and Research (OPR), by July 1, 2009, to prepare, develop, and transmit to the Resources Agency guidelines for the feasible mitigation of greenhouse gas emissions or the effects of greenhouse gas emissions under CEQA. The Resources Agency is then required to certify and adopt those guidelines by January 1, 2010. SB 97 sunsets on January 1, 2010.

**Governor's Budget.** The Governor's Budget proposes \$177,000 General Fund for two limited-term positions at the Resources Agency. Starting in 2009-10, the amount would increase to \$425,000 GF primarily due to an increase in contract funding. There is also a BBR to reduce the amount requested from \$177,000 to \$159,000 General Fund.

**Staff Recommendation.** Staff recommends the Subcommittee reject the budget proposal.

**Action:** Rejected proposal

**Vote:** 2-1 (Cogdill)

## 0555 Secretary for Environmental Protection

### 3. Western Climate Initiative and Other Multi-Jurisdictional Activities on Climate Change

**Background.** The Administration, and CAL-EPA, has devoted significant time and resources to regional and international activities to promote state climate change policies. While these activities may have some benefit in spreading the word relative to CA's GHG programs, it is unclear from the proposed budget how these activities are funded, what they entail, and what results they will provide.

For example:

1. China Agreement: The Secretary of CAL-EPA recently visited China for meetings with other officials on climate change. According to "blog" entries on the agency's website, "California has been asked to provide a climate program model to Chinese provincial governments and "California will help provide special technical training, support clean technology sharing and help build supportive public and private partnerships." Yet, it is unclear what state resources will be dedicated to this effort, and how they will be accounted for in the budget.
2. Western Climate Initiative and Related Activities: According to the CAL-EPA website, "There are a number of climate initiatives led by the administration: the Western Climate Initiative, The Climate Registry and the International Carbon Action Partnership. All are consistent with and complementary to the Global Warming Solutions Act of 2006. It will be essential to communicate with stakeholders and interested parties and facilitate their input into these initiatives."

The site describes the Initiative as an activity undertaken by the Western Governor's Association at which various states' Governors' staffs and other officials meet to discuss "regional climate change issues." It has been reported that the WCI is a forum for the formation of rules governing a regional cap and trade program and other activities. However, the budget provides no detail on the activities of the WCI, the expenditures in state government associated with those activities, or the expected outcomes, or the mechanisms by which the legislative branch of government can be involved in these activities.

3. Various Inter-Governmental Agreements among California and other states, National Governments: There apparently is no central location in which the Administration

catalogues the number, types, and details of the various agreements signed by the Administration and other states, countries, and other jurisdictions. However, according to the Governor's press release website, he and his Administration have signed climate change agreements with China (as noted above), Mexico, British Columbia, the UK, the European Union, Sao Paulo (Brazil), and the United Nations, among others.

These agreements often are referred to by the Administration as "historical," "first of its kind," and "major progress on reducing greenhouse gases." However, they are rarely accompanied by any substantive information regarding what actions each jurisdiction will take to reduce GHGs; the timeframe in which those actions will occur; how they will reduce greenhouse gases; or what fiscal resources will be used to implement their provisions.

It is an important part of California's efforts to reduce GHGs to ensure that other states, national governments, and international bodies are apprised of its activities. However, it is also important that these activities be accounted for in the budget, that emission reductions be properly measured, and the Legislature consulted on any agreements made on behalf of the state.

**Staff Recommendation.** Staff recommends that the Subcommittee request a list of all of the agreements with other states and countries that the administration has entered into.

**Action:** Requested a list from the Agency of all contracts with other states or nations from the passage of AB 32 on

**Vote:** No vote necessary for request

## 4. Greenhouse Gas Report Card

**Background.** Executive Order S-3-05 requires the Secretary for Environmental Protection to report biannually starting in 2006 on the impact of climate change on water supply, public health, agriculture, the coastline, and forestry, and shall prepare and report on mitigation and adaptation plans to combat these impacts.

The Legislature as part of the *2007-08 Budget Act* passed trailer bill language establishing an annual Greenhouse Gas Report Card with the purpose of establishing routine, quantified, verified, consistent, and public reporting of measures to reduce greenhouse gases and the effectiveness of those measures. The Greenhouse Gas Report Card includes information on:

- The list of measures that have been adopted and implemented by the state agency to meet greenhouse gases (GHG) emissions reduction targets;
- A status report on the actual GHG emissions reduced as a result of the measures taken;
- A list and timetable for adoption of any additional measures needed to meet GHG emission reduction targets; and
- Comparison of the actions taken and proposed to be taken by the individual state agencies and their projected GHG emission reductions against the state agency GHG emission reduction targets and statewide GHG emission reduction limits.

**Staff Recommendation.** Staff recommends that the Subcommittee add a requirement to the GHG Report Card for a cross-cut budget of AB 32 activities by department that includes all new proposals, base budget, and positions.

Staff further recommends that the Subcommittee add a requirement to the GHG Report Card for an inventory of all contracts and agreements that the administration, department, or agency has entered into with another state or country. The inventory should include the quantified emissions reductions from the agreements that are anticipated and how those emissions reductions will be enforced.

**Action:** Directed staff to write the trailer bill for a future vote

## 3900 Air Resources Board

### 5. Sustainability of Funding

**History of Funding.** The State has for years provided funding for reducing air emissions through programs such as Carl Moyer. These programs are special funded through fees that can only be used for the specific purposes of that program as defined by statute. Other programs such as the Climate Change Coordinating Council and AB 1493 (Pavley, 2002) also addressed greenhouse gas emissions.

The *2007-08 Budget Act* was the first time AB 32 implementation was funded. The 2007-08 funding level for AB 32 implementation was \$30.5 million primarily from the Air Pollution Control Fund with some funds coming from Proposition 84 bond funds, the Integrated Waste Management Account, and the Hazardous Waste Control Account. The funding for AB 32 was provided through loans from special funds that will have to be repaid.

The Governor's *2008-09 Budget* proposes \$55.5 million (\$30.5 million baseline) for all state agencies, including \$47 million for those agencies within Subcommittee 2, to implement AB 32. Of this amount, \$32 million would be a loan from the Beverage Container Recycling Fund to the Air Pollution Control Fund that would have to be repaid.

**Administration's Funding Plan.** The administration submitted to the Budget Committee a long-term funding plan for AB 32, as requested by Subcommittee 2 last year. The administration's long-term funding plan calls for continued loans from the Beverage Container Recycling Fund until 2010, when the ARB would place a fee on carbon emissions. These loans are placed into the Air Pollution Control Fund, which provides appropriations for the programs. The ARB thinks the extra time is needed in order to follow public procedure for fee schedule adoption.

**Fee Authority.** AB 32 provides the ARB with authority to adopt a schedule of fees to be paid by the sources of greenhouse gas emissions. The fees collected would be deposited into the Air



Pollution Control Fund and be available upon appropriation by the Legislature, for purposes of carrying out AB 32 implementation.

**Reporting Regulations.** The ARB already has information on which sectors are the greenhouse gas emitters of California and the amount of emissions that each of those sectors produces. Thus it is not difficult for the ARB to determine how to divide a fee on carbon emissions between those sectors.

**Limited Use of Borrowed Funding.** Staff recommends that the Subcommittee eliminate one-half of implementation funding for AB 32 (baseline and new funding) and replace that funding with fee revenue from AB 118 (Health and Safety Code Section 44273, Alternative and Renewable Fuel and Vehicle Technology Fund).

**Action:** Held open

## 6. Environmental Justice Advisory Committee

**Background.** The mission of the Environmental Justice Committee on the Implementation of the Global Warming Solutions Act of 2006 is to work cooperatively with all relevant bodies to provide the best possible advice to the California Air Resources Board on the development of the Scoping Plan called for by AB 32 and all other pertinent matters related to the implementation of AB 32. Through this advice the Committee seeks to provide helpful, workable recommendations on how best to ensure and encourage public engagement in the implementation of AB 32 and how best to reduce greenhouse gas emissions while maximizing the overall societal benefits, including reductions in other air pollutants, diversification of energy sources, and other benefits to the economy, environment, and public health.

**Staff Comments.** The staff has become aware of criticism toward the Air Resources Board for not sufficiently incorporating the recommendations of the Environmental Justice Advisory Committee into the draft Scoping Plan. In addition, the staff position approved in the *2007-08 Budget Act* for the Environmental Justice Advisory Committee has not been filled.

### Questions:

- Does the Environmental Justice Advisory Committee have access to the same staff and resources as the Economic and Technology Advancement Advisory Committee?
- Has the ARB devoted the proper level of staff and funding for environmental justice concerns in its developing of the Scoping Plan and in particular the cap-and-trade alternatives?

**Action:** None, informational item

## 7. Ongoing Implementation of the Global Warming Solutions Act of 2006

**Background.** Executive Order S-01-07 gave the Air Resources Board (ARB) the responsibility of developing a Low Carbon Fuel Standard (LCFS). Transportation accounts for more than 40 percent of California's greenhouse gas (GHG) emissions and the State relies on petroleum-based fuels for 96 percent of its transportation needs. The LCFS is intended to ensure that the mix of fuel in California will meet, on average, a declining standard for GHG emissions. On June 21, 2007, the ARB approved the LCFS as an early action measure and is on schedule to adopt an implementing regulation by the end of 2008.

**Proposal.** The requested funding would allow the ARB to work on the following:

*Low Carbon Fuel Standard:* The ARB is requesting 20 positions to develop test data on candidate low carbon fuels that currently do not exist. This data will allow the ARB to base regulations of LCFS on actual impacts of the fuels. In addition to testing, the ARB will also develop a life-cycle model for the various fuels. Two of the requested positions would work on evaluating the impact of using different diesel fuels, conducting lifecycle assessment, reviewing new technologies, and tracking emerging national and international programs. Three of the requested positions would work on analysis of the land use practices for biofuel production to ensure that the use of biofuel can be sustainable. Another two of the requested positions would implement a LCFS market program.

Laboratory testing is an important part of the LCFS regulations development process. The ARB would have eight of the requested positions work on exhaust and evaporative emissions testing. Five additional requested positions would be for analysis of emission, fuel, and particulate samples.

*Scoping Plan and Early Action Measures:* The ARB is requesting five positions to maintain an aggressive development schedule for the scoping plan and the early action measures.

*Fee Revenue Mechanism:* The ARB is requesting two positions to develop a fee program for the on-going support of AB 32 implementation and to pursue additional early action measures.

**Governor's Budget.** The Governor's budget proposes \$5,579,000 from the Air Pollution Control Fund and 27 new positions to continue implementation of AB 32 (Nunez, 2006).

**Staff Recommendation.** Staff recommends that the Subcommittee approve one-half of the requested funds from the Air Pollution Control Fund and one-half of the requested funds from the AB 118 (Health and Safety Code 44274.5, Air Quality Improvement Fund).

**Action:** Held open

## 3360 Energy Resources Commission

### 8. Cap and Trade Decision

**Background.** The Global Warming Solutions Act of 2006 (AB 32 Chapter 488, Statutes of 2006) requires the state Air Resources Board (ARB) to adopt rules to achieve the maximum technologically feasible and cost-effective reductions in greenhouse gas (GHG) emissions to achieve 1990 levels of those emissions.

The statute requires the ARB to adopt so-called “direct emission reductions” (i.e. pollution reductions made directly from and at a source) (See Health and Safety Code Section 38562). It authorizes, the use of so-called “market-based compliance mechanisms” such as cap and trade programs, but only after the ARB has met specified substantive and process requirements (see Part 5, commencing with Section 38570 and subdivision (k) of Section 38505). For example, under AB 32, any market system like cap and trade must:

1. Be verifiable and enforceable by state board (Health and Safety Code Section 38562(d)(1)).
2. Must achieve emission reductions that are “in addition to other GHG reductions (Health and Safety Code Section 38562(d)(2)).
3. Must achieve emission reductions that take place over same time period as would otherwise occur from direct emission reductions (Health and safety Code Section 38562 (d)(3)).
4. Must consider the mechanism’s effect on communities already adversely impacted by air pollution (e.g. environmental justice communities) (Health and Safety Code Section 38570(b)(1)).
5. Must prevent any increase in air pollution and toxic air contaminants (Health and Safety Code Section 38570 (b)(2)).
6. Must maximize “additional” environmental and economic benefits for CA (Health and safety Code Section 38570(b)(3)).

**2006-2007 Executive Orders and Budget Actions.** In the fall of 2006, several days after AB 32 was signed into law, the Governor issued an Executive Order which contained several provisions objectionable to the legislature (and inconsistent with the law). Among other things, the Executive Order established a Market Advisory Committee which convened and promptly recommended adoption of a cap-and-trade program without making the requisite findings or reviews required for the ARB under law.

In response to this and other actions, Legislature adopted clarifying language as part of the *2007-2008 Budget Act* to ensure the administration did not implement market mechanisms until it had complied with the law.

**2008 CPUC/CEC Decision.** In early 2007, the Public Utilities Commission (PUC) and Energy Commission (CEC) convened a joint proceeding to make recommendations to the ARB on actions that should be taken under AB 32 to regulate GHG emissions from the electricity and natural gas sectors. These actions apparently were taken in consultation with the ARB board and staff at the time though there was no express direction or authority in AB 32 for these agencies to undertake this effort.

Earlier this year, the CPUC and CEC jointly issued a decision recommending to the ARB that it adopt a “cap-and-trade” program to reduce greenhouse gas emissions from the electricity sector. In their decision, the two commissions gave scant attention to the substantive and process requirements under AB 32, and made no recommendations with regard to how the ARB might meet the conditions under law.

Moreover, the CPUC/CEC decision made little reference to the fact that GHG pollution reduction in the electricity sector will require a comprehensive strategy, beyond merely a cap and trade program, that includes meeting current renewable energy goals and extending those goals, increasing energy efficiency and taking other actions to reduce emissions.

**Staff Recommendation.** As noted above, the achievement of the GHG emission reduction targets will require a comprehensive effort within the electricity sector. The Administration’s apparent over-emphasis on one tool—cap and trade—when other tools like increasing renewable energy resources are lagging, suggests that there is a need to ensure budget resources are allocated more equitably to researching and implementing all GHG control measures.

In view of the Administration’s ongoing work on cap-and-trade mechanisms over other forms of GHG emissions control, the Subcommittee may wish to direct staff to identify those positions and resources in the budget that are being used by the energy agencies for cap and trade activities and further direct staff to develop budget bill language or trailer bill language to ensure that GHG emissions reductions from electricity sector are undertaken in a comprehensive manner.

**Action:** Directed staff to further work on this issue

## 9. Alternative and Renewable Fuel and Vehicle Technology Program

**AB 118.** AB 118 (Nunez, 2007) sets up an Alternative and Renewable Fuel and Vehicle Technology Program (Program) to be administered by the Energy Commission with the guidance from an advisory body. AB 118 requires the Energy Commission to develop an investment plan to determine priorities and opportunities for the Program, and to update the investment plan annually. The Energy Commission must provide grants, revolving loans, loan guarantees, loans, or other appropriate measures to a multitude of public and private agencies, organizations, and institutions to develop and deploy innovative technologies that transform California’s fuel and vehicle types to help attain the state’s alternative fuels and climate change policies.

**Funding.** The funding to implement AB 118 comes from increased fees for vehicle and boat registration, and an increase in the smog abatement fee. The Department of Motor Vehicles estimates that the revenue raised by the increased fee will be about \$118 million annually. The fee increase will sunset in 2016.

**New Requirements.** Implementing AB 118 will require the Energy Commission to:

- Administer at least \$100 million in awards issued annually, which will grow cumulatively as additional awards are issued
- Establish, staff, and act in accordance with guidance from an Alternative Fuels and Vehicles Advisory Board
- Develop Program criteria and project metrics
- Prepare and update annual Program reports
- Provide consumer outreach and workforce training on alternative fuels
- Provide incentives and technical support to increase the number of alternative fuel refueling stations throughout California, optimizing engine technologies for alternative fuels, alternative fuel production, and commercialization of alternative fuels and vehicles
- Measure and report on project outcomes
- Research how California can increase its in-state alternative fuel production and what barriers exist to prevent such an increase
- Research and outreach to all transportation fuel using sectors including the boating and locomotive engine industry to increase their awareness and use of alternative and renewable fuels
- Perform surveys to gather consumer preference information to determine what would influence consumers to use the alternative fuel in their dual-fuel vehicle

**Governor's Budget.** The Governor's Budget proposes \$100,891,000 from the Alternative and Renewable Fuel and Vehicle Technology Fund and six new permanent positions for implementation of AB 118. Of the amount requested, \$100 million would be for projects while \$891,000 would be for six positions and travel costs.

**Staff Analysis.** The Energy Commission is going to develop an Investment Plan for the AB 118 program that will define priorities for the program but not actual projects. The Investment Plan will be complete in the fall of 2008. Prior to the release of the Investment Plan it will be difficult for the Legislature to evaluate the direction of the program. Also, it will take about 6-8 months for the Energy Commission to develop regulations for the program. Because of the time required to create new regulations, it will be difficult for the Energy Commission to distribute \$100 million in grants in the budget year.

**Staff Recommendation.** Staff recommends that the Subcommittee approve \$891,000 for the positions and reject the \$100 million in program funding.

**Action:** Held open

## 10. California Building Energy Efficiency Standards Development

**Background.** Energy use in buildings is a significant source of California's greenhouse gas emissions. Building Energy Efficiency Standards deliver a very low cost means of saving energy. Over the last 30 years California's per capita consumption of energy has remained constant while the rest of the nation's has steadily increased. The current budget for this program is approximately \$4 million.

There is continual development of new technologies that can result in energy savings in buildings. Incorporation of emerging technologies as rapidly as possible into the Building Standards will call for more extensive analysis, including an expanded consideration of the cost savings arising from greenhouse gas emissions reductions in the cost effectiveness determinations for new Building Standards, and the development of a more goal-oriented approach for updating Building Standards.

**Governor's Budget.** The Governor's Budget proposes \$3,265,000 from the Energy Resources Programs Account and 12 new positions to develop, adopt, and implement additional standards for building energy efficiency standards in accelerated timeframes and increase the number of building features covered during each update cycle of the Building Standards. \$2 million of the requested funds would be for contracts.

**Staff Analysis.** The Energy Commission presents the Building Energy Efficiency Standards to the Building Standards Commission as recommendations for adoption into the overall building standards. The Building Standards Commission adopts new building standards only every three years. The latest building standards were adopted in early 2008, so no new standards will be adopted until 2011. Due to the difficult budget situation of the State, without prejudice staff finds it inadvisable to grow existing programs.

**Staff Recommendation.** Staff recommends that the Subcommittee reject the budget proposal.

**Action:** Rejected proposal

**Vote:** 3-0

## 11. Accelerate and Expand the Appliance Efficiency Standards Program

**Background.** The Climate Action Team identified appliance energy efficiency as an early-action strategy to meet the State's greenhouse gas reduction goals. The Energy Commission's Appliance Program is designed to increase the efficiency of appliances sold or offered for sale to California consumers and businesses. Under current statute, the Energy Commission is directed to develop, implement, and enforce standards which require either appropriate minimum efficiencies or maximum energy consumption allowances for each type of affected appliance.

California's appliance regulations require that manufacturers who submit certification data have their appliances tested at a laboratory approved by the Energy Commission. Each appliance is then recorded in an Energy Commission database, which includes data on manufacturer compliance with testing, efficiency standards, and certification for all regulated appliances as required by law.

**Proposal.** The requested resources would be used to develop, adopt, and implement new appliance efficiency standards in faster timeframes and increase the number of appliances addressed for standards in each update cycle. The positions requested would also be used to revise existing standards for appliances and increase the efficiency levels as appropriate. Appliances and equipment that would be addressed include:

- Lighting
- Battery chargers and internal power supplies
- Consumer electronics
- Commercial food service equipment
- Water-using equipment
- Heating and air conditioning equipment
- Portable spas, pool pumps
- Household standby devices, such as garage door openers and security systems

**Governor's Budget.** The Governor's Budget proposes \$911,000 from the Energy Resources Program Account and 5.5 new positions to work on the Appliance Efficiency Standards Program. \$200,000 of the requested funds would be for contracts.

This request would double the current Appliance Program budget.

**Staff Recommendation.** Staff recommends that the Subcommittee reject the budget proposal.

**Action:** Rejected proposal

**Vote:** 3-0

## 8660 Public Utilities Commission

### 12. Institute for Climate Solutions

**Background.** According to the budget and other documents provided by the Administration, there is upwards of \$300 million currently spend on various state research, development, and demonstration programs related to climate change, energy and related activities (not including federal funds and private funds).

Under the Public Interest Energy Research (PIER) Program, over \$100 million is collected in utility rates annually. An additional \$200 million plus per year is collected under the Alternative and Renewable Fuel and Vehicle Program. Additional ratepayer funds are devoted to solar energy research and other climate-related activities.

In addition, the chart on page 19, prepared by the Senate Office of Research, shows a number of the climate related research programs funded at the University of California (UC). This list is not a complete list.

**CPUC Climate Institute.** The Public Utilities Commission (PUC) on April 10, 2008 in rulemaking 08-04-039, created a new “Institute for Climate Solutions.” The commission did so by imposing a “surcharge” on utility ratepayers in the two-thirds of the state served by investor-owned utilities (the PUC has no authority over municipal service areas) totaling \$60 million per year and \$600 million over the ten year period specified in the decision. The decision was contested by various electricity ratepayer and consumer groups and is now on administrative appeal.

According to the commission decision, the Institute for Climate Solutions will be housed at the University of California is intended to address the impacts of climate change with strategies and programs in energy and environmental research, technology development and deployment, climate economics, infrastructure design, socioeconomic impacts and responses, education, public services, and policy action. The Institute for Climate Solutions intends to design a broad set of policies that target critical carbon-intensive sectors of California economy.

**Legislative Counsel Opines that CPUC Action was Illegal.** The Legislative Counsel has issued a 14 page written opinion stating that the CPUC’s decision to create the Climate Institute, and to impose a \$600 million rate increase to fund it, was illegal. Specifically, Counsel states in relevant part, “...the commission’s constitutional delegated authority does not empower the commission to create the [Climate Institute]. “Further the establishment of the [Institute] is inconsistent with the statutorily established scheme for energy research and development...”



<b>PROJECT</b>	<b>FUNDING SOURCE</b>	<b>CAMPUS</b>
California Climate Change Center and California Applications Program	California Energy Commission, Public Interest Research Program	UC Berkeley and Scripps Institution of Oceanography
Carbon Cycle Research Center	Foundation grant	UC Irvine
San Diego Supercomputer Center		UC San Diego and Lawrence Livermore National Laboratory
Climate Research Division		Scripps Institution of Oceanography
ZEV-NET (Zero Emission Vehicle-Network Enabled Transport)	City of Irvine, Toyota, Irvine Company, National Fuel Cell Research Center	UC Irvine
Institute of Transportation Studies		UC Davis
Center for Information Technology in the Interest of Society		UC Berkeley, Davis, Merced, Santa Cruz
Energy Biosciences Institute	BP	UC Berkeley, Lawrence Berkeley National Laboratory, University of Illinois
The Helios Project		Lawrence Berkeley National Laboratory
Institute of Geophysics and Planetary Physics		UC Berkeley, Irvine, Los Angeles, Riverside, San Diego, Santa Cruz, Los Alamos National Laboratory, Lawrence Livermore National Laboratory
Bioenergy Research Group	Chevron Corporation	UC Davis
Kearney Foundation of Soil Science	Endowment program	Systemwide
Hydrogen Engineering Research Consortium	Private Industry	UCLA
National Fuel Cell Research Center	US Department of Energy and California Energy Commission	UC Irvine
Climate Change and Carbon Management		UC Berkeley and Lawrence Berkeley National Laboratory

**Commission's Action Inequity to Ratepayers.** In addition to the rather apparent legal issues with the commission's action, there is the question of whether something as broad-based as climate change research should be funded through the imposition of a \$600 million rate increase applicable only to private utility ratepayers. If additional funding for climate change research is needed, and utility rates are the fund source, it would seem that the program should be funded from all ratepayers in the state, and not merely a subset of those ratepayers.

**Commission Created other "off-budget" entities, with no Legislative Authority or Scrutiny, in Recent Years.** The Commission's order creating the Climate Institute is the latest in a series of ratepayer-funded entities created by commission order for purposes not specified or authorized in statute, and overseen principally by the commission itself. For example, the Commission has created a renewable energy fund overseen by an ex-commission staff, a telecommunications/broadband non-profit headed by a former Administration official.

**Governor's Budget.** The Governor's Budget does not include funds for this Climate Institute. The account from which the institute is funded is off-budget. The cost of the Climate Institute is \$60 million annually for ten years, for a total of \$600 million to be paid by ratepayers.

**Staff Recommendation.** Staff recommends that the Subcommittee take the following actions:

1. Bring the Public Utilities Commission's off-budget account for this purpose (and any other off-budget accounts for similar activities in the telco and energy sectors, on budget so that the Legislature may review their expenditures and administration in detail.
2. Adopt budget bill or trailer bill language as appropriate directing the commission to suspend any further activity on the climate institute until/unless authorized under law by the Legislature.
3. Reduce the Commission's administrative budget by \$60 million.

The Subcommittee voted on the actions individually:

**Action 1:** Brought the Public Utilities Commission's off-budget account for this purpose (and any other off-budget accounts for similar activities in the telco and energy sectors, on budget so that the Legislature may review their expenditures and administration in detail.

**Vote on Action 1:** 2-1 (Cogdill)

**Action 2:** Adopted budget bill or trailer bill language as appropriate directing the commission to suspend any further activity on the climate institute until/unless authorized under law by the Legislature.

**Vote on Action 2:** 3-0

**Action 3:** Reduced the Commission's administrative budget by \$60 million

**Vote on Action 3:** 3-0

## 13. Advocating for Cost-Effective Strategies to Reduce Greenhouse Gas

**Background.** AB 32 (Nunez, 2006) requires the Air Resources Board to consult with the Public Utilities Commission (PUC) and the Energy Commission in the development of greenhouse gas (GHG) emissions reduction measures applied to electricity and natural gas providers. In response to this legislative directive, the PUC promulgated rulemaking 06-04-009.

The Division of Ratepayer Advocates (DRA) has a statutory role to pursue the lowest possible rates for its customers. In relation to AB 32, the ARB will provide input to both the PUC and the Energy Commission on their design of recommended climate change policies for the electric sector, advocating for programs that will achieve the state's climate change goals cost-effectively. The alternative approaches under consideration will have significant effects on electricity markets in the state and in the western part of the United States, as well as on ratepayers. DRA seeks to ensure that the electric sector customers bear only their fair share of GHG reductions commensurate with the burdens that should be shared by other sectors such as transportation.

**Position Justification.** DRA argues that they need an additional position to address climate change because the PUC has established numerous parallel proceedings under tight schedules in order to provide the ARB with information needed to implement AB 32. DRA evaluates the rate consequences of the alternative policies being pursued by the PUC and the Energy Commission and makes recommendations to both on mitigating the most severe rate impacts on customers.

**Governor's Budget.** The Governor's budget proposes \$102,000 from the Public Utilities Commission Ratepayer Advocate Account and one position to allow effective, independent analysis, advocacy and review of alternative reporting and regulatory regimes, alternative market approaches, and the economic effects on markets and ratepayers to comply with AB 32.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

**Action:** Approved as budgeted

**Vote:** 2-1 (Cogdill)

## 3910 California Integrated Waste Management Board

### 14. Update on Progress

**Current Activities.** The California Integrated Waste Management Board (CIWMB) is working on a number of activities intended to reduce greenhouse gas emissions. These include:

- The Landfill Methane Capture Strategy was adopted as a discrete early action measure in June 2007. The measure will require owners and operators to install gas collection and control systems at smaller and other uncontrolled landfills that are currently not required to install emission controls and include requirements to increase landfill methane capture efficiencies.
- Industry outreach on increasing the efficiency of landfill methane capture. CIWMB is developing a guidance document to assist municipal landfill owners and operators by providing information on different technologies and management practices they can use at their sites to reduce greenhouse gas emissions.
- Expand outreach efforts to increase awareness of AB 1969. Under AB 1969 electrical corporations are required to purchase, at a Public Utilities Commission approved price, renewable energy output from public water and wastewater facility projects with an effective capacity of not more than 1.5 megawatts, up to a total program capacity of 250 megawatts.
- Help expand production of liquefied natural gas by helping to fund commercial-scale projects. CIWMB has provided grant funding for two projects on recovery of landfill methane that is otherwise flared.
- Increase recycling from the commercial sector by focusing on voluntary implementation approaches.
- Increase production and markets for compost in order to divert organic material from landfills and provide a reduction of greenhouse gases through a landfill methane avoidance.
- Increase fuel and energy production from anaerobic digestion of green waste.
- Fund waste technology demonstrations, assessments, and development in order to expedite the deployment of greenhouse gas-reducing technologies by providing funding that assists developers in demonstrating their technology on a commercial scale.
- Extended producer responsibility as a strategy to place a shared responsibility for end-of-life product management on the producers, and all entities involved in the product chain, instead of the general public.

**Action:** No action, informational item

## 3540 Department of Forestry and Fire Protection

### 15. Climate Change

**Proposal.** The Fire and Resources Assessment Program (FRAP) maintains information on the condition and availability of forest and rangeland resources. The information produced by FRAP has been previously used in carbon sequestration assessment. FRAP would receive two positions to update the vegetation maps to detect changes in forests, woodlands, and open space.

The California Forest Improvement Program (CFIP) activities include preparation of management plans, site preparation, tree planting, and follow-up work. CFIP provides cost-share grants to private forest landowners of up to 5,000 acres. Approximately 765,000 acres of projects have been funded under this program since 1980.

The State Nursery Program provides seedlings for replanting forests. Historically the program has functioned out of two facilities which sell over 300,000 seedlings a year. The department calculates that this proposal would provide an additional 400,000 container seedlings a year.

The Environmental Protection Program currently has one position that supports and coordinates other CALFIRE programs in implementing climate change mitigation activities, acts as a liaison to the Air Resources Board on AB 32 implementation, and works with the California Climate Action Registry in developing a new forestry protocol for urban forestry.

**Governor's Budget.** The Governor's Budget proposes \$4,388,000 from Proposition 84 bond funds and 13 positions for implementation of forest and rangeland activities to mitigate climate changes in urban watersheds by reducing greenhouse gas emissions.

**Staff Recommendation.** Staff recommends that the Subcommittee hold this item open.

**Action:** Held open

### 16. Proposition 84 Local Assistance – Urban Greening

**Background.** Proposition 84, Chapter 9, Section 75065 (a), provides \$90 million for urban greening. Of that amount, a minimum of \$20 million is reserved for the Department of Forestry and Fire Protection for urban greening programs. The goals of the Department of Forestry and Fire Protection urban greening program are:

- Increase the amount of urban forests
- Facilitate the creation of jobs in tree maintenance and related urban forest activities
- Reduce energy consumption through maximized tree and vegetative cover
- Encourage the coordination of state and local activities in urban forestry
- Prevent and limit the spread of tree diseases and pests

**Governor's Budget.** The Governor's Budget proposes \$5,395,000 from Proposition 84 bond funds for the second year of the urban greening program.

**Staff Recommendation.** Staff recommends that the Subcommittee hold this item open.

**Action:** Held open

## 3940 State Water Resources Control Board

### 17. Climate Change

**Background.** The nine Water Boards regulate the allocation and use of waters in California. The development, conveyance, treatment and discharge of water is one of the greatest energy intensive processes in California. Energy production and use is a significant source of greenhouse gas (GHG) emissions, and a reduction in GHG emissions could be achieved with improvements to water conveyance, treatment, management, discharge, and allocation.

**State Water Board Activities.** As part of this proposal, in order to reduce GHG emissions from California's water system, the Water Board staff will identify and quantify GHG resulting from activities performed in compliance with Water Board regulations, programs, and policies, and formulate strategies and measures, including revisions to statutory, regulatory, and program policies. In addition, staff will work on maintenance of the Water Board climate change web page, information dissemination, communication and collaboration among participants, and reporting to the Water Board, public, and other entities. The urban water conservation best management practices, which have not been updated in 20 years, will be updated as part of this proposal.

The Water Board proposes to undertake pilot studies to implement, monitor, and evaluate the effectiveness of new strategies before deployment on a regional or statewide scale. These pilot projects would be implemented as partnerships with local agencies and stakeholders. The Water Boards also intend to evaluate their policies, regulation, and permits to establish effective regulatory strategies to ensure maximum use of water resources.

**Positions Requested.** The positions requested would work on the following areas:

- 2.6 PY – Climate Change Coordination – participation on the CAT subgroups, coordination with Department of Water Resources on climate change efforts such as water conservation, and maintenance of internet and intranet resources.
- 0.4 PY – Climate Change Studies – focus on adaptation strategies to issues such as saltwater intrusion and implementation of successful elements statewide.
- 1 PY – Water Conservation Initiative – develop best management practices for urban and agricultural water, evaluate the implementation of water conservation measures, and work with stakeholders.

**Governor's Budget.** The Governor's Budget proposes \$428,000 from the Waste Discharge Permit Fund and four positions to develop and implement both adaptation responses for water quality changes expected to occur due to global climate change and strategies to reduce greenhouse gas emissions resulting from water use, treatment and control activities subject to the Water Board's regulatory authority.

**Staff Recommendation.** Staff recommends that the Subcommittee reject the budget proposal.

**Action:** Rejected proposal

**Vote:** 3-0

## 3860 Department of Water Resources

### 18. Multi-Benefit Planning and Feasibility Studies

**Background.** The California Energy Commission calculates that the operation of water supply and wastewater systems throughout the State accounts for about 18 percent of the State's total use of electric power and 30 percent of non-power plant natural gas use in the State. Electric generation is a major contributor to greenhouse gas emissions. For example, the California Water Plan projects that agricultural and urban water conservation efforts can lead to 1.5 to 3 million acre feet per year of conserved water by the year 2030.

**Proposal.** With this proposal, the Department of Water Resources intends to identify potential system redesign alternatives that would reduce the greenhouse gas emissions related to the operation of the water system. The department would also conduct work on the interrelationship of water management and flood control activities as well as their relationship to the natural environment. As part of the California Water Plan effort, the department would generate products to guide investment in water resources and support integrated regional planning efforts. The department would also continue the feasibility studies for three surface storage projects.

**Funding Breakdown.** For 2008-09, the Department of Water Resources requests the following:

- Climate Change Evaluation, Mitigation, and Adoption: \$2 million, 7 new positions, and 3 existing positions
- Water Transfers and Promotion of Urban and Agricultural Water Conservation: \$1,791,000, 2 new positions, and 8.2 existing positions
- Completion of CALFED Surface Storage Studies: \$6 million and 5.2 existing positions
- Integration of Flood Management and Water Supply Systems: \$1,393,000, one new position, and two existing positions
- Implementation of California Water Plan Recommendations: \$2.6 million, one new position, and 5 existing positions
- Development of a Delta Vision and a Strategic Plan: \$2 million and two positions

**Governor's Budget.** The Governor's Budget proposes \$61,725,000 in Proposition 84 bond funds over five years and 11 new positions and 66.2 existing positions. The funding requested for 2008-09 only is \$15,784,000. These funds would be for integrated multi-benefit planning and feasibility studies related to California's future water needs.

**Staff Recommendation.** Staff recommends that the Subcommittee reject this budget proposal.

**Action:** Rejected proposal

**Vote:** 2-1 (Cogdill)

## 8570 Department of Food and Agriculture

### 19. Update on Progress

**2007-08 Budget.** In the *2007-08 Budget Act*, the Department of Food and Agriculture was provided \$331,000 from the Department of Food and Agricultural Fund to establish and support 2.0 positions that will research and identify greenhouse gas reduction strategies through dairy methane capture programs.

**Current Activities.** The California Department of Food and Agriculture (CDFA) has addressed climate change primarily through participation in various discussion and planning forums. CDFA is the lead agency for the Climate Action Team agriculture sub-group, which has developed a number of recommendations submitted to the ARB Scoping Plan due in January 2009. These recommendations include carbon sequestration, methane capture, and renewable energy.

One of the discussion forums on climate change that CDFA is participating in is the Biomass Collaborative, a statewide collaboration of government, industry, environmental groups, and educational institutions administered for the state by the University of California.

**Staff Comments.** Because of conflicting interpretations of statute, the Department felt that it did not have authority to use the Agricultural fund for the positions provided by the Legislature. As such, these positions have not been filled. To continue work on Agriculture related GHG reduction strategies, the Department used existing staff and additional resources provided by the Agricultural industry to support dairy methane capture and biogas energy related programs. Currently the agricultural sector is being asked to voluntarily provide carbon savings.

**Action:** Requested quarterly updates to the Committee on the CDFA's actions on climate change and resources allocated to climate change related work.

**Vote:** Request only, no vote necessary



## SUBCOMMITTEE NO. 2

## Outcomes

Alan Lowenthal, Chair  
Darrell Steinberg  
Dave Cogdill



Monday, May 12, 2008  
10:00 a.m.  
Room 112

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### Resources—Environmental Protection—Energy

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling 916-324-9335. Requests should be made one week in advance whenever possible.

## Vote-Only Calendar

### Budget Balancing Reductions

Org Code	Description	(000) 2007-08	(000) 2008-09	GF Remaining (000)	Total Program Budget (000)
0555	Secretary for Environmental Protection - Support	-100	-209	1,884	14,739
3940	SWRCB - Water Quality	0	-3,659	35,400	726,940
3940	SWRCB - Water Rights	0	-390	3,567	12,616
3940	SWRCB - Administration	0	-253	2,278	21,141
3960	Toxics - Site Mitigation and Brownfield Use	-1,250	-2,498	22,483	110,192
3960	Toxics - Science, Pollution Prevention, and Technology	0	-34	307	13,990
3960	Toxics - Administration	-50	-96	866	33,240
3980	OEHHA - Health Risk Assessment	-100	-956	8,601	18,318

**Staff Recommendation:** Staff recommends that the Subcommittee accept the reductions shown in the chart above.

**Action:** Accepted the Governor's budget balancing reductions shown in the chart above.

**Vote:** 3-0

## 3900 Air Resources Board

### 1. Department of Justice Costs for Defending Lawsuits Against California Air Quality Programs

**Background.** The nature of the lawsuits filed against the Air Resources Board (ARB) have changed over the last several years from disagreement over ARB's authority to pass regulations to broad-scale factual challenges. These lawsuits challenging facts upon which regulations are built take a great deal of staff time, since they require extensive discovery, expert witnesses, and other resource-intensive efforts.

The Department of Justice (DOJ) conducts all of ARB's lawsuits on the department's behalf. In 2000-01, the DOJ staff worked a total of 3,722 hours on ARB's litigation. In 2005-06, the DOJ staff worked 14,115 hours on ARB's litigation. Typically lawsuits are filed when the regulation is final, which allows for estimates of future workload. DOJ estimates that there is a lag time of 10-12 months between the time the ARB Board votes to develop regulations and when those regulations are final. In 2007, the ARB Board was set to vote on 27 different regulations.

**Governor's Budget.** The Governor's Budget proposes \$1,851,000 from the Motor Vehicle Account for reimbursing the Department of Justice for the increased litigation workload and costs associated with ARB's schedule of regulations to be adopted.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

**Action:** Approved as budgeted

**Vote:** 2-1 (Cogdill)

### 2. Smog Reduction Strategy – Carl Moyer Air Quality Incentive Program

**Background.** The Carl Moyer Program began in 1998 to reduce smog-forming pollution from existing large diesel engines in trucks. Since its start, the Carl Moyer Program has grown to include on-road heavy-duty fleet modernization, off-road equipment replacement, and light-duty vehicle scrap and repair. The Carl Moyer Program is an incentive program that provides financial assistance for projects that clean up equipment or vehicles early or beyond regulatory requirements.

In the last three years, the Air Resources Board (ARB) had implemented many new regulations dealing with vehicle emissions. Since the Carl Moyer Program only funds projects that are surplus to regulatory requirements, certain previously eligible projects are no longer eligible because they are no longer surplus above requirements. As a result, the Carl Moyer Program guidelines have become more sophisticated and there is an increased need to develop innovative methods to streamline the delivery of funds to applicants and to accurately track projects to ensure accountability and ability to quantify progress.

Currently, the total state and local air district funding for the program is up to \$145 million annually. The state contributes \$90 million of this amount, but is responsible for oversight of the total amount of Carl Moyer funds.

In 2007, the Legislature changed the Carl Moyer Program statute to allow the Air Resources Board to use up to 4 percent of the state-funding portion of Carl Moyer funds for administration. Currently, 24 positions work on the Carl Moyer Program at ARB.

**Governor's Budget.** The Governor's Budget proposes a redirection of \$533,000 in Air Pollution Control Funds within the Carl Moyer program to pay for five new permanent positions to conduct program implementation.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

**Action:** Approved as budgeted

**Vote:** 2-1 (Cogdill)

### 3. Haagen-Smit Laboratory Seismic Retrofit

**Increased Project Cost.** The project cost has increased due to the National Earthquake Hazards Reduction Program (NEHRP) maps changing after the original seismic criteria was developed. The structural engineering firm developed the original criteria using the 2000 NEHRP maps. Upon subsequent peer review by an independent structural engineering firm, it was noted that the maps had been updated in 2005, changing the structural design criteria.

**Finance Letter.** The Governor submitted a finance letter to increase by \$491,000 from the Air Pollution Control Fund the construction appropriation for the Haagen-Smit Laboratory Seismic Retrofit project.

**Staff Recommendation.** Staff recommends that the Subcommittee accept the finance letter.

**Action:** Accepted finance letter

**Vote:** 3-0

### 4. Zero Emission Vehicle and Infrastructure Implementation Support Trailer Bill

**Trailer Bill Language.** The Governor's proposed trailer bill language would add the following to the Health and Safety Code Section 43022.5:

The state board shall select projects for zero-emission vehicle leases or purchases and zero-emission vehicle infrastructure for the purpose of implementing any program to encourage

the use of zero-emission vehicles through a competitive grant process that includes a public bidding process.

**Staff Recommendation.** Staff recommends that the Subcommittee reject the trailer bill.

**Action:** Rejected trailer bill

**Vote:** 3-0

## 3910 California Integrated Waste Management Board

### 1. Increase Federal Authority

**Background.** The National Environmental Information Exchange Network (NEIEN) is a USEPA effort to make environmental data more accessible to the public and policy makers. The NEIEN translates data into a single language, XML, per defined standards. This information exchange strategy allows data to be pulled from numerous platforms and be converted to a standard format so that it is accessible not just to other state agencies but also other states. The USEPA is providing grants to states for work required to join the NEIEN. The California Integrated Waste Management Board is performing administrative functions and serving as the formal grant recipient on behalf of CalEPA.

**Governor's Budget.** The Governor's Budget proposes \$200,000 from the Federal Trust Fund for the development of the National Environmental Information Exchange Network.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

**Action:** Approved as budgeted

**Vote:** 3-0

### 2. Temporary Permitting of Non-Permitted Facilities

**Background.** The California Integrated Waste Management Board (CIWMB) does not require solid waste facilities permits for recycling facilities that consistently recycle at least 90 percent by weight of the material they receive and which have material that is less than one percent putrescible. However, with the change from multi-stream recycling (with separate bins for each material) to single-stream recycling (with one bin for all recyclable materials) the recycling materials are being contaminated more with trash. Thus, many recycling centers that previously did not need solid waste facilities permits now need them.

AB 1473 (Feuer, 2007) requires the CIWMB to adopt emergency regulators to allow recyclers to keep operating while their solid waste facilities permits are being processed.

**Governor's Budget.** The Governor's Budget proposes \$157,000 from the Integrated Waste Management Account for two limited-term positions to implement AB 1473.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

**Action:** Rejected budget proposal

**Vote:** 3-0

### 3. Pharmaceutical Drug Waste Management and Disposal

**Background.** Household pharmaceuticals currently do not have a safe disposal method in California. Since there are very limited drop-off locations for household prescription drugs, most consumers throw their old medications in the trash. Hazardous waste facilities do not have to accept pharmaceutical drug waste, because it is not classified as hazardous waste. Also, receiving pharmaceuticals requires more work from hazardous waste facilities which must then request that the police retrieve any opiate prescriptions.

SB 966 (Simitian and Kuehl, 2007) requires the CIWMB to develop model programs for the collection of household pharmaceutical drug waste. SB 966 also requires the CIWMB to report to the Legislature, by December 2010, on the success of those programs and make recommendations toward a statewide program. CIWMB is already directing internal resources in order to meet the timeline mandated by SB 966.

**Governor's Budget.** The Governor's Budget proposes \$79,000 from the Integrated Waste Management Account for one position to implement SB 966.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

**Action:** Rejected budget proposal

**Vote:** 3-0

## 3930 Department of Pesticide Regulation

### 1. Implementation of Volatile Organic Compound Regulations

**Background.** Volatile organic compounds (VOC) and nitrogen oxides react with sunlight to create ozone. Ground level ozone can damage lung tissue, cause respiratory illness, and harm farm crops. Of the approximately 5,000 agricultural and structural pesticide products currently used, about 85 percent contain some VOCs and contribute to California's air quality problems.

Under the federal Clean Air Act, each state must have an approved State Implementation Plan (SIP) to meet federal air quality standards, including the standard for ozone. Under the SIP, the Department of Pesticide Regulation (DPR) committed to reduce VOC emissions from agricultural and commercial structural applications of pesticides by specified amounts within specified time periods for the nonattainment areas that do not meet the ozone standard. Due to controls that DPR has put into place so far, two out of the five nonattainment areas now meet their VOC emission reduction goals for pesticides. However, these controls were dependent on voluntary efforts by the regulated industry.

*Court Order.* The U.S. District Court has ordered DPR to issue regulations to reduce VOC emissions. These regulations were supposed to be completed in January 2008. These new regulations will require manufacturers of non-fumigant pesticides to reformulate products so that they emit less VOCs, mainly by changing the solvents in them. The reduction of VOC emissions from fumigants must be achieved through low emission application methods or restrictions on the frequency or amounts applied.

*This Proposal.* DPR will track and evaluate emissions from pesticide use, develop and implement allowance schemes, develop and evaluate emission mitigation measures, evaluate data submitted by registrants, and take additional pesticide product registration actions. In addition, DPR anticipates increased workload at the county level to validate field locations and acreage on allowance requests, track emissions usage allowances, conduct field inspections, and follow up on permit appeals and complaints. To support the 12 counties in the three nonattainment areas, DPR would provide \$1.29 million in local assistance, and another \$250,000 in one-time funds for enhancements to county pesticide use report data systems.

**Governor's Budget.** The Governor's Budget proposes \$2,622,000 from the Pesticide Regulation Fund for 11 positions to implement regulations that reduce volatile organic compound emissions from pesticides to attain national air quality standards in California and to comply with a federal court order.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

**Action:** Approved as budgeted

**Vote:** 2-1 (Cogdill)

## 2. Legal Clerical Workload

**Background.** Currently, the Department of Pesticide Regulation (DPR) has a nonclerical-to-clerical ratio of 31:1. In the past several months, DPR has seen increased administrative enforcement actions at the department level; increased appeals from County Agricultural Commissioner (CAC) enforcement actions, both agricultural and structural; and increased need to interface with other CalEPA agencies to coordinate with them and assist them in meeting their directives.

DRP has seen increased clerical workload from a new regulation, the Enforcement Response Policy, which requires an enforcement response from a CAC each time a violation occurs. Also, the Enforcement Response Policy requires increased fines, which can be appealed to the Director of DPR. The DPR receives appeals and information requests related to the Enforcement Response Policy, which became a regulation on November 30, 2006.

DRP has seen an increased number of challenges to restricted materials permits, which are required whenever agricultural application of restricted pesticides will be made. Also, DPR investigates all cases that involve the unregistered sale of pesticides. In the last three years, the number of these cases has increased from 120 annually to 159 annually.

**Governor's Budget.** The Governor's Budget proposes \$65,000 from the Pesticide Regulation Fund for one position to improve legal clerical support and address increased workload.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

**Action:** Rejected budget proposal

**Vote:** 3-0

### 3. Information Technology: Compliance with Security and Accessibility Requirements

**Background.** The Department of Pesticide Regulations (DPR) collects extensive data on pesticide action ingredient and pesticide products. This data should be catalogued and stored to make it accessible not only to DPR staff, but also to other governmental agencies, county agricultural commissioners, registrants, licensees, pesticide users, scientists, the media, other stakeholders, and the public. Various computer programs and data bases, developed by DPR staff in all branches, house this data, which include personal, sensitive, and confidential information on employees, licensees, registrants, citizens, organizations, and DPR programs.

In September 2002, the Department of Finance ordered departments to verify information security controls. In addition, the eServices Office in January 2007 issued its Web Site Development Policy requiring new standards of accessibility and usability for internet sites.

**Governor's Budget.** The Governor's Budget proposes \$188,000 from the Pesticide Regulation Fund for one permanent position and one limited-term position to assist with increasing technology control agency requirements.

**Staff Analysis.** Given the state's current fiscal crisis, expanding existing information technology branches is not critical.

**Staff Recommendation.** Staff recommends that the Subcommittee reject the budget proposal.

**Action:** Rejected the budget proposal



**Vote:** 3-0

## 4. Administrative Services Requirements

**Background.** The Department of Pesticide Regulations (DPR) is supposed to issue Policy, Procedural, and Management Memoranda for all Department of Food and Agriculture administrative policies. This project was started in 1994. A 1999 Financial Integrity and State Managers Accountability (FISMA) audit found that the Department of Pesticide Regulation did not have an adequate system to establish and maintain current administrative policies and procedures. Though DPR initially had a position to work on the administrative policies, that position was lost in the 2003 budget positions sweep.

During the 2006 FISMA audit, the Assistant Director of Administrative Services Division was verbally warned that lack of progress on the administrative policies and procedures project continues to be a problem. In order to work on this and other projects, analytical staff are having to spend their time on administrative tasks such as copying, faxing, and contracts tracking.

**Governor's Budget.** The Governor's Budget proposes \$175,000 from the Pesticide Regulation Fund for 2.5 positions for the areas of administrative policies and procedures and clerical assistance.

**Staff Analysis.** Given the state's current fiscal crisis, expanding existing administrative workforce is not recommended.

**Staff Recommendation.** Staff recommends that the Subcommittee reject the budget proposal.

**Action:** Rejected budget proposal

**Vote:** 3-0

## 3940 State Water Resources Control Board

### 1. CalTRANS Storm Water Program Implementation

**Angora Fire.** In June 2007 the Angora Fire burned approximately 3,100 acres of Upper Truckee River watershed. The wildfire burned steep sloping undeveloped forest lands and destroyed more than 250 homes in South Lake Tahoe. Runoff from highly erosive terrain in the burned area terrain draining to Angora Creek could have significant effects on Lake Tahoe.

**New Projects.** CalTRANS intends to spend \$500 million over the next five years to implement 83 Environmental Improvement Projects involving state highways in the Lake Tahoe Basin. The Water Board currently has 0.3 position overseeing CalTRANS projects throughout the Lake Tahoe region. The department is requesting additional staff to provide erosion control and storm water treatment project review, inspections, and compliance activities, including traction

abrasive activity oversight. The Lahontan Water Board intends to quantify lake clarity improvements that result from implementation activities.

**Governor's Budget.** The Governor's Budget proposes \$75,000 from Reimbursements and one position to oversee CalTRANS project implementation and management activities in the Lake Tahoe Basin.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

**Action:** Approved as budgeted

**Vote:** 2-1 (Cogdill)

## 2. Environmental Reviews for San Diego County Transportation Projects and San Diego Water Authority

**Background.** The Regional Water Board in San Diego does not have the staff to participate in scoping meetings and other pre-project planning activities and does not review environmental documents prepared pursuant to the California Environmental Quality Act (CEQA) prior to the permitting process. As a result, the water quality impacts of a project are first addressed during the Regional Water Board's permitting process, after most of the project planning and design work has been completed. Consequently, project modifications necessary to reduce or eliminate water quality impacts or provide mitigation become highly contentious and result in project delays.

**Proposal.** The San Diego County Association of Governments (SANDAG) and the San Diego County Water Authority have requested to pay for the positions at the State Water Resources Control Board that would conduct environmental reviews for transportation and water supply projects in San Diego County. Paying for the positions ensures that the permit review moves through the agency in an expedited manner. SANDAG and the San Diego County Water Authority are already paying for the 1.1 existing positions as limited-term requested in this proposal.

**Governor's Budget.** The Governor's Budget proposes \$205,000 in Reimbursement Authority and 2.6 positions (1.1 limited-term staff and 1.5 new permanent positions) to conduct and follow up on environmental reviews for transportation and water supply projects in San Diego County.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

**Action:** Approved as budgeted

**Vote:** 3-0

### 3. Leviathan Mine Litigation Defense

**Background.** The State of California owns Leviathan Mine, a former hard rock and sulfur mine. Currently, acid mine drainage from Leviathan Mine is discharging highly acidic water to Leviathan and Alpine Creeks. Cleanup of the mine waste may cost up to \$100 million, and the potential natural resources damages from runoff are unknown. In addition, the regional water board, Lahontan Water Board, has operated some of the cleanup systems at Leviathan and has potential liability associated with those activities.

The Atlantic Richfield Company's (ARCO) predecessors operated the Leviathan Mine, and now ARCO has responsibility for its predecessors' waste discharges at that time. In 1983, ARCO and Lahontan Water Board entered into a Settlement Agreement and Release whereupon the Lahontan Water Board presumably agreed to take over certain aspects of the Leviathan Mine site remediation in exchange for \$2,337,000 paid by ARCO. In 1984, the State purchased the Leviathan Mine from ARCO.

Arco contends that the State breached a 1983 settlement agreement in which the Lahontan Water Board released ARCO from certain claims concerning the Leviathan Mine. The claims are based on costs ARCO has incurred to comply with the United State Environmental Protection Agency orders or payments to natural resources damages trustees.

**Impact on the State.** If a court rules against the State in this case, the State could be found responsible for all past and future costs associated with Leviathan Mine cleanup and associated natural resources damages. The cleanup costs are estimated at \$70-100 million. The full costs of the projects will not be known until 2010, when the United States Environmental Protection Agency will require a formal cleanup plan to be submitted.

**Governor's Budget.** The Governor's Budget proposes \$961,000 General Fund for 2008-09 and \$1,211,000 General Fund for 2009-10 for payment to the Attorney General's Office for defense costs from a lawsuit filed by ARCO regarding the cleanup of mine waste at Leviathan Mine.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

**Action:** Approved as budgeted

**Vote:** 2-1 (Cogdill)

### 4. Wetlands Program – Protection and Regulatory Compliance

**Background.** The Porter-Cologne Water Quality Control Act gives broad authority to the State and Regional Water boards to regulate discharges of dredged and fill material and other waste discharges to protect the quality of waters and wetlands of the State. The flood projects the state is undertaking with the Proposition 1E and Proposition 84 funding will involve dredged and fill discharges potentially impacting streams, wetlands, and riparian areas. Without the benefit of the U.S. Army Corps of Engineers' site-specific technical review and analysis, the State must assume the full regulatory burden for dredged and fill material.

**Program Augmentation.** The requested program augmentation would:

- Allow management of increased workload pressures due to recent U.S. Supreme Court decisions that have reduced the scope of federal wetlands jurisdiction and protection, leaving more of the burden on the State;
- Allow for a more thorough California Environmental Quality Act (CEQA) project review and comment by staff on water quality and wetland protection measures;
- Improve customer service by providing more predictable permitting outcomes with consistent and clear compliance conditions;
- Improve effectiveness in wetland condition assessments and monitoring;
- Reduce occurrences of non-permitted discharge activity by increased surveillance, monitoring, and coordination with stakeholder groups and agencies; and
- Allow for improvements to an existing information management system.

**Governor's Budget.** The Governor's Budget proposes \$202,000 from the Waste Discharge Permit Fund and two positions for compliance monitoring.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

**Action:** Approved as budgeted

**Vote:** 2-1 (Cogdill)

## 5. Underground Storage Tank Cleanup Fund Augmentation

**Background.** The State Water Board administers the Underground Storage Tank Cleanup Fund (USTCF), established in 1990. The underground storage tanks are the gasoline tanks stored underground at gas stations. The USTCF is in essence an insurance program supported by the underground storage tank owners who pay a fee for coverage should they have a leak from their underground storage tank. The USTCF provides up to \$1.5 million in reimbursements per occurrence to petroleum underground storage tank owners and operators. These funds pay for the investigation and cleanup of unauthorized petroleum releases. Funds committed to a project but not used within three years revert back to the fund. The program is scheduled to sunset in January 1, 2011.

**Governor's Budget.** The Governor's Budget proposes \$10.2 million in previously reverted one-time funds from the Underground Storage Tank Cleanup Fund for accelerated reimbursement of underground storage tank cleanups. Of the requested amount, \$200,000 is for unused funds for the Orphan Site Cleanup Program to provide financial assistance to eligible applicants for the cleanup of brownfield sites contaminated by leaking petroleum underground storage tanks where there is no financially responsible party.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

**Action:** Approved as budgeted

**Vote:** 3-0

## 6. Angora Fire

**Angora Fire.** In July 2007, the Angora Fire in Lake Tahoe burned approximately 3,100 acres of forested and subdivided lands. The fire destroyed 242 homes and damaged an additional 35 homes. The resulting damage to the watershed has the potential to significantly impact water quality and other important forest resources. The Water Board, the Tahoe Regional Planning Agency, and CalFIRE have initiated actions to assist landowners in the recovery effort, including making available simplified processes for removal of damaged or destroyed trees on private land. Forestry activities have the potential to cause significant impacts to water quality, including sediment and nutrient discharges to surface water and damage to sensitive riparian habitat.

**Current Activities.** The Lake Tahoe Environmental Improvement Program (EIP) was created to achieve and maintain environmental thresholds that protect Lake Tahoe's unique resources. The EIP has guided the State's funding of projects in the area. In response to the wildfire threat, federal, state, and local agencies have developed a basin-wide Draft Fuels Management Plan to coordinate the implementation of Community Wildfire Protection Plans over a ten-year period. During this ten-year period, 48,800 acres would be treated. This is a four-fold increase over the current annual acreage treated.

**Governor's Budget.** The Governor's Budget proposes \$100,000 from General Fund and one position for planning and regulatory oversight of increased and accelerated fuel reduction activities on federal, state, and private lands in order to reduce the threat of future wildfire in the Lake Tahoe Basin.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

**Action:** Rejected budget proposal

**Vote:** 2-1 (Cogdill)

## 7. Water Demand Management Measures

**Urban Water Management Plans.** Urban water suppliers (serving more than 3,000 customers) are required to prepare and adopt urban water management plans every three years. These plans describe and evaluate sources of water supply, efficient uses of water, and demand management measures. Additionally, these plans describe an implementation strategy and schedule, and other relevant information and programs.

**AB 1420.** AB 1420 (Laird, 2007) requires the conditioning of grants or loans made to an urban water supplier by the State Water Resources Control Board (SWRCB) on the implementation of

the demand management measures as described in the applicants' Urban Water Management Plan. The concern was that many urban water suppliers had failed to implement these water demand management measures. The SWRCB believes that additional efforts to condition future grants and loans on eligibility requirements will likely promote more water conservation in California.

**Governor's Budget.** The Governor's Budget proposes \$126,000 from the Water Recycling Subaccount and 0.9 positions to implement AB 1420.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

**Action:** Approved as budgeted

**Vote:** 2-1 (Cogdill)

## 8. AB 1481 Implementation – General Permit for the Use of Recycled Water for Landscape Irrigation

**Background.** Recycled water is treated wastewater that is reused for other purposes, such as irrigation of parks, golf courses, and freeway landscaping. Recycled water is an important component of California's water supply, but if not treated and managed properly, it can degrade water supplies and threaten public health. The State Water Resources Control Board (SWRCB) is in the process of developing a revised statewide policy for recycled water use. The statewide policy will provide much of the basis necessary for the development of the statewide permit for use of recycled water for landscape irrigation.

**AB 1481.** AB 1481 (De La Torre, 2007) requires the SWRCB to complete or initiate the following programmatic and administrative tasks:

- Prepare and adopt the permit for use of recycled water for landscape irrigation (permit);
- Prepare and adopt a California Environmental Quality Act (CEQA) document that supports the adoption of the permit;
- Establish a new position designated as a "recycled water ombudsperson" to coordinate and facilitate the implementation of the permit;
- Hold at least one workshop and consider comments from interested parties and the Regional Water Boards during the development of the permit; and
- Establish a reasonable schedule of fees to pay for the costs incurred to implement, develop, and administer the bill's requirements.

**Governor's Budget.** The Governor's Budget proposes \$850,000 from the Waste Discharge Permit Fund (\$600,000 one-time, \$250,000 on-going) and two positions for adopting and implementing a general permit for the use of recycled water for landscape irrigation.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

**Action:** Rejected budget proposal

**Vote:** 3-0

## 9. The State Water Pollution Control Revolving Fund Administrative Fund

**Background.** AB 1742 (2007) created a new State Water Pollution Control Revolving Fund Administration Fund (SRF Administration Fund). This fund is intended to provide the support services for the State Water Pollution Control Revolving Fund Program. This program assists in the construction of facilities and implementation measures necessary to address water quality problems and to prevent pollution of the waters of the state.

**Governor's Budget.** The Governor's Budget proposes \$5,532,000 from the Water Pollution Control Revolving Fund Administrative Fund and a redirection of 32 positions to the new administrative fund. The positions would all be working on the same tasks as before, but from a new funding source.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

**Action:** Approved as budgeted

**Vote:** 3-0

## 11. Instream Flow Contracts

**Background.** AB 2121 (2004) requires the State Water Resources Control Board to adopt principles and guidelines for maintaining in stream flow in northern California coastal streams as part of state policy for water quality control, for the purposes of water right administration. In May 2006, the SWRCB contracted with Stetson Engineers to assist with the development of the proposed policy. The contract requires Stetson Engineers to evaluate the technical bases and rationale behind existing draft guidelines and other alternative policy criteria; and assist with the development of the proposed policy and the environmental documents describing the potential environmental impacts of the proposed policy.

Required work from the contractor was late several times during the policy development process. The SWRCB has now received the policy document from the contractor, and the policy has been released for scientific and scientific peer review. Several of the primary reviewers and stakeholders have requested more time to review the document. In order to provide the time requested, the contract appropriation must be extended.

**Finance Letter.** The Governor submitted a finance letter proposing extension of liquidation period until June 30, 2009 for item 3940-490, originally appropriated by item 3940-001-0235, Budget Act of 2005.

**Staff Recommendation.** Staff recommends that the Subcommittee accept the finance letter.

**Action:** Accepted the finance letter

**Vote:** 2-1 (Cogdill)

## 3960 Department of Toxic Substances Control

### 1. BKK Facility Investigation and Field Oversight

**Background.** The BKK landfill operated from 1963 to 1987. The BKK landfill is by all current measures the largest single depository of hazardous waste in the State. It is located in a highly populated area of Los Angeles County with many homes located within a few hundred feet of the hazardous waste landfill. Records indicate that from 1972 through 1984 approximately 12.1 million tons of liquid and solid hazardous waste, in addition to non-hazardous waste, were placed in BKK.

In 2004 BKK notified the Department of Toxic Substances Control (DTSC) that it no longer had the financial resources to continue post-closure work. DTSC initiated an emergency response action in November to maintain this landfill, its support systems, and to carry out some substantial critical facility repairs. By July 15, 2007, the State had spent approximately \$8 million on facility repairs at the BKK landfill.

**Proposal.** The Governor's request is for:

- \$500,000 in external contract funds for a preliminary work plan to conduct a comprehensive investigation to fully characterize the site, including assessing the risk posed by the site to human health and the environment. The contractor deliverables will lead to options for short term solutions and decisions that can be made for the clean up, design, and construction.
- Two positions to manage the scoping step of the contractor preliminary work plan for the investigation and provide daily oversight on-site of the emergency repairs and interim upgrades of failing equipment conducted by construction contractors.

**Governor's Budget.** The Governor's Budget proposes \$547,000 in General Fund and two positions for 1) overseeing field activities for emergency repairs and interim upgrades and 2) beginning the characterization, associated risk assessment, and options analysis necessary to remedy uncontrolled releases of hazardous waste from the BKK landfill facility.



**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

**Action:** Approved as budgeted

**Vote:** 3-0

## 2. Enforcement of Polluter Pays and Fiscal Integrity

**Background.** California's toxic site cleanup laws require that the Department of Toxic Substances Control (DTSC) recover its costs incurred for overseeing or implementing site cleanup activities. As of June 30, 2007, DTSC's accounts receivables aged 365 days or more totaled about \$50 million. This delinquent amount consists of 620 entities, some of which no longer exists or have merged with other companies which will require extensive research to determine ability to collect. If it is determined that the responsible party does not have adequate financial resources to pay part of all costs billed, documentation of this determination is needed to discharge such uncollectible accounts as required by the State Administrative Manual.

**Governor's Budget.** The Governor's Budget proposes \$104,000 from various funds and one limited-term position to collect on a backlog of outstanding accounts.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

**Action:** Approved as budgeted

**Vote:** 2-1 (Cogdill)

## 3. Implementation of AB 1109 – California Lighting Efficiency and Toxics Reduction Act

**Background.** Currently, there is no statewide program that addresses the hazardous substances content of general purpose lights sold in California. Light bulbs, especially fluorescent lights, contain persistent materials such as mercury that may be released to the environment upon disposal. Also, incandescent light bulbs may contain lead. The current recycling infrastructure has only two permitted light bulb recyclers in California.

**AB 1109.** AB 1109 (Huffman, 2007) prohibits the manufacture and sale in California of general purpose lighting products that contain a hazardous substance in excess of the amount allowed in the European Union and creates new information gathering and enforcement responsibilities for the Department of Toxic Substances Control (DTSC). AB 1109 enacts a "cradle to cradle" concept by restricting the manufacture and sale of lighting products and makes recommendations on methods for collecting and recycling end-of-life light bulbs.

**Governor's Budget.** The Governor's Budget proposes \$433,000 from the Hazardous Waste Control Account and three positions for implementing and enforcing the California Lighting Efficiency and Toxics Reduction Act.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

**Action:** Rejected budget proposal

**Vote:** 3-0

#### 4. Revolving Loan Fund Trailer Bill

**Need for the Account.** The Department of Toxic Substance Control (DTSC) has been awarded \$3 million in federal funding for brownfield loans and grants over a five-year period. In order to comply with the federal grant cooperative agreement, an interest bearing account must be established for the deposit of grant advances and program income. The State Revolving Loan Fund (RLF) Grant Program funding revolves by using loan repayments, including interest, to provide new loans and grants. Furthermore, once the original award has been spent, additional federal funds can be requested.

**Proposed Trailer Bill Language.** The Governor has proposed to amend the Health and Safety Code to create the Revolving Loans Fund for Toxics' deposit of funds from the Federal Revolving Loan Fund (RLF). The Federal RLF Grant Program requires that all advances of grant money be deposited into an interest bearing account. The pending legislation creates a fund to receive Federal RLF deposits and operate the State RLF Grant Program.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the trailer bill language.

**Action:** Approved the trailer bill

**Vote:** 3-0

#### 5. CLEAN Loan Authority

**Background.** The CLEAN Loan Program provides low-interest loans to conduct environmental assessments of eligible urban properties, as well as loans for the cleanup and removal of hazardous materials where redevelopment is likely to have a beneficial impact on property values and quality of life. There are an estimated 100,000 brownfield sites in California.

**Finance Letter.** The Governor has submitted a finance letter for \$70,000 from the Cleanup Loans and Environmental Assistance Account to fund a contract for loan services, including

financial analysis and loan underwriting for the CLEAN program. The finance letter also includes \$30,000 for 2009-10 from the same account.

The contract for loan services is necessary in order for the Department of Toxic Substances Control (Toxics) to provide new loans. The CLEAN Loan Account (Account) currently has \$3.3 million available for new loans. The Account generates all of its funding through loan payments and interest earned.

**Staff Recommendation.** Staff recommends that the Subcommittee accept the finance letter.

**Action:** Approved as budgeted

**Vote:** 3-0

## 6. Calexico Office Move

**Background.** In 2005 the Department of Toxic Substances Control (DTSC) was designated as the Certified Unified Program Agency in Imperial County. The Calexico Office is currently housed in a building shared with the Employment Development Department (EDD). The EDD has notified DTSC that the space will not be available after November 1, 2008, when the office will be permanently closed. Prior to the closure date Toxics must secure new office space.

**Finance Letter.** The Governor has submitted a finance letter for \$338,000 from the State Certified Unified Program Account for moving and lease costs. The funds would be transferred from the Hazardous Waste Control Account.

**Staff Recommendation.** Staff recommends that the Subcommittee accept the finance letter.

**Action:** Approved as budgeted

**Vote:** 3-0

## 7. Stringfellow Pretreatment Plant

**Background.** The Stingfellow Hazardous Waste Site (Site) is a federal superfund near the community of Glen Avon in Riverside County. Until 1972, the Site received approximately 34 million gallons of highly acidic metal and organic waste, which has seeped into the groundwater. The Department of Toxic Substances Control (DTSC) is working to remediate the Site under the direction of the United States Environmental Protection Agency.

In 1992, a federal court deemed the State of California solely responsible for the Site. This was because the state selected the Site and issued all of the permits for operation. The state spends \$13 million on Site remediation annually, but there is no cost estimate for the total cost of cleanup.

**Project.** The proposed project is to construct a new pretreatment plant at the Site. This is because an underground plume of contaminated water is migrating from the Site and threatens to contaminate the groundwater basin. The proposed pretreatment plant would be used to pretreat groundwater before it is discharged into the industrial sewer, which is essential to meet effluent quality standards and land disposal restrictions. The current pretreatment plant was constructed in 1985 as an interim treatment facility, with an intended life of five years.

**Governor's Budget.** The Governor's Budget proposes \$3,235,000 in General Fund for the working drawings phase of the Stringfellow pretreatment plant.

**Finance Letter.** The Governor submitted a finance letter requesting reappropriation of the preliminary plans phase of the Stringfellow Pretreatment Plant project. The architectural and engineering contract has not yet been signed. The preliminary plans appropriation is \$1,063,000 General Fund.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the finance letter and reject the budget proposal.

**Action:** Approved finance letter and rejected the budget proposal

**Vote:** 3-0

## 8. Model Plating Shop: Pollution Prevention

**AB 721.** AB 721 (Nunez, 2005) established the Metal Plating Loan Guarantee Program and the Model Shop Program in northern California to provide funds for metal plating facilities to purchase environmental control equipment to meet or exceed compliance standards, provide pollution prevention training and technical assistance to plating facilities statewide, and preserve the economic vitality of the industry in California. AB 721 required the Department of Toxic Substances Control (DTSC) to establish a Model Shop Program in northern California similar to the existing Model Shop Pilot Program in southern California.

**Actions to Date.** DTSC has developed information and promoted a voluntary program to industry and local government groups in northern California to attract participants to the loan program and build interest in the model shop program. To date, DTSC has:

- Conducted four pollution prevention audits and assisted plating shops to comply with regulations;
- Distributed information through the DTSC website to industry associations and local regulators; and
- Worked toward the DTSC source reduction and compliance improvement objectives for the metal plating industry.

**Proposed Actions.** With the funds requested here, DTSC would:

- Promote the loan program;

- Hold industry workshops in northern California;
- Develop summaries of pollution prevention implementation cases; and
- Develop and distribute industry specific information.

**Governor's Budget.** The Governor's Budget proposes \$117,000 (\$47,000 on-going from the Toxic Substances Control Account and \$70,000 one-time from Reimbursements) and one limited-term position to provide pollution prevention training and technical assistance to plating facilities as well as to provide funds for metal plating facilities to purchase environmental control equipment.

**Staff Analysis.** This program is already established and has guidelines for the loan program. The purpose of this new budget proposal is to assist the industry in taking greater advantage of the program. However, it is unclear how much additional compliance assistance and development of materials to explain the program to the industry would actually increase participation in the voluntary program.

**Staff Recommendation.** Staff recommends that the Subcommittee reject the budget proposal.

**Action:** Rejected budget proposal

**Vote:** 2-1 (Cogdill)

## 3980 Office of Environmental Health Hazard Assessment

### 1. Information Technology Branch Staffing

**Background.** The Information Technology Branch (ITB) supports 129 Office of Environmental Health Hazard Assessment (OEHHA) positions in Sacramento and Oakland. The ITB has four staff to procure, install, configure, secure, maintain and troubleshoot nine servers, laptops, desktops, printers, and copiers. The ITB staff also provides support for scientific staff to travel and telework, database development for tracking administrative products, and web development.

The ITB had a fifth employee, but that position was eliminated during the budget reductions of 2003-04. The need to create a new position comes from a CalEPA project to replace the existing network infrastructure with a more flexible one that will allow for consolidating and sharing resources and applications. OEHHA thinks the new network design will require a higher skill level for support.

**Governor's Budget.** The Governor's Budget proposes a redirection of \$116,000 for one position to provide information technology staffing at the Oakland office.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

**Action:** Approved as budgeted

**Vote:** 2-1 (Cogdill)

## 2. Development of Worker Protection Regulations

**Background.** Since the creation of the CalEPA in 1991, the Department of Pesticide Regulation (DPR) and the Office of Environmental Health Hazard Assessment (OEHHA) have statutorily been jointly responsible for the development of pesticide worker regulations. The intent of the statute is to ensure that all pesticide worker regulations are protective and reflect both a public health perspective and a compliance feasibility perspective.

In 2005, DPR was sued on the grounds that it failed to adequately consider and involve OEHHA in the development of methyl bromide field fumigation regulations. The court ruled that even though DPR and OEHHA worked together to develop the regulations, this work did not rise to the level of the “joint and mutual development” mandated by statute. In order to increase the working relationship with DPR, OEHHA is requesting an additional position.

**New Position.** OEHHA wants to hire an Associate Industrial Hygienist to augment the department’s ability to provide input to DPR in the development of pesticide regulations. This position would assist DPR in development of risk management directives, mitigation strategies, and in conducting consultations with workers and agricultural stakeholders. OEHHA has stated that an additional position would allow for an annual development of one or two pesticide worker protection regulations, including prioritizing needs, co-drafting regulatory text, and timely promulgation of the regulation.

**Governor’s Budget.** The Governor’s Budget proposes \$104,000 from the Department of Pesticide Regulation Fund for one permanent position to assist in the development of worker protection regulations relating to pesticides and worker safety.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

**Action:** Approved as budgeted

**Vote:** 2-1 (Cogdill)

## 3. Light Brown Apple Moth Eradication

**Background.** The proposed funding would allow the OEHHA to enter into an agreement with the California Department of Food and Agriculture (CDFA) to provide scientific guidance and support for the CDFA’s Light Brown Apple Moth eradication efforts. The request also proposes 3.0 positions on a three-year limited term basis to address the increased workload associated with OEHHA’s physician training, health information development, and data collection on aerial spraying and the use of pheromones in this pest management effort.

**Finance Letter.** The Governor has submitted a finance letter for \$625,000 in Reimbursement authority and three limited-term positions to work on Light Brown Apple Moth eradication efforts. The reimbursement will come from Department of Food and Agriculture federal funds.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the finance letter.

**Action:** Approved as budgeted

**Vote:** 3-0

## Discussion Items

### 0555 Secretary for Environmental Protection

#### 1. Education and the Environment Initiative

**Background.** The Secretary for Environmental Protection and the California Integrated Waste Management Board are currently implementing the Education and the Environment Initiative (EEI) pursuant to Chapter 665, Statutes of 2003 (AB 1548) and Chapter 581, Statutes of 2005 (AB 1721). These statutes require the development of a unified education strategy to bring environmental education into California's primary and secondary schools.

**Finance Letter.** The Governor has submitted a finance letter that requests \$400,000 to provide additional expenditure authority for the Environmental Education Account (EEA). The funding is coming from settlement agreements and donations from individuals that are placed into the account.

The Governor's finance letter also includes budget bill language that would provide the Administration with the flexibility to increase the budgeted appropriation in this Item, upon appropriate notification to the Legislature, should revenue to the EEA exceed the budgeted level within the 2008-09 fiscal year.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the funds in the finance letter but reject the budget bill language.

**Action:** Approved \$400,000 and rejected the budget bill language

**Vote:** 2-1 (Cogdill)

## 3900 Air Resources Board

### 1. Implementation of Air Quality Improvement Program and Enhanced Fleet Modernization Program

**Background.** AB 118 (Nunez, 2007) created three new programs to fund air quality improvement projects as well as develop and deploy technology and alternative and renewable fuels at the Air Resources Board (ARB). The programs are funded through increased fees on smog abatement, vehicle registration, and vessel registration fees. These new programs provide incentives for reducing emissions with viable technologies, and are intended to cover areas outside the Carl Moyer Program or the Goods Movement Program (Prop 1B funds). The new AB 118 programs address new source categories such as emerging hybrid engine technologies, evaporative emission controls, and lawn and garden equipment. The three new programs are:

*Air Quality Improvement Program (AQIP):* Provides grants to fund a wide range of equipment replacement. The ARB is supposed to develop and administer the AQIP in consultation with air districts. Funding for AQIP is approximately \$50 million annually through 2015. The specific projects eligible for grant funds are:

- On- and off- road equipment projects
- Projects to reduce off-road gasoline exhaust and evaporative emissions
- Research projects to determine the air quality impacts of alternative fuels
- Projects that augment the University of California agricultural experiment station and cooperative extension programs for research to increase sustainable biofuels production and improve the collection of biomass feedstock
- Incentives for consumers to replace lawn and garden equipment
- Incentives for medium- and heavy-duty vehicles and equipment mitigation including lower emission school bus programs; electric, hybrid, and plug-in hybrid on- and off-road medium and heavy-duty equipment; and regional air quality improvement and attainment programs implemented by the state or districts in the most impacted regions of the state
- Workforce training initiatives related to advanced energy technology designed to reduce air pollution
- Incentives to reduce emissions from high-emitting light-duty vehicles

*Enhanced Fleet Modernization Program (EFMP):* Allows for the voluntary retirement (scrapping) of high emitting passenger cars and light- to medium-duty trucks. The ARB is required to adopt guidelines for the program by July 1, 2009. The EFMP will begin by January 1, 2010 and will be administered by the Bureau of Automotive Repair. The funding for EFMP will be approximately \$30 million annually through 2015.

*Alternative and Renewable Fuel and Vehicle Technology Program:* Provides funding to develop and deploy technology and alternative fuel and renewable fuels in the marketplace. The ARB is required to adopt guidelines to ensure that the program complements existing air quality programs and fuels regulations, but the Energy Commission will administer the program. Funding for this program will be approximately \$120 million per year through 2015.



**Governor's Budget.** The Governor's Budget proposes \$1,740,000 from the Air Quality Improvement Fund for 8 permanent positions, 2 limited-term positions, and \$250,000 in contract funding to implement AB 118.

**Staff Recommendation.** Staff recommends that the Subcommittee hold this item open.

**Action:** Held open

## 2. Diesel Vehicles and Engines: Healthy Heart and Lung Act

**Background.** The Air Resources Board (ARB) commercial vehicle idling regulations are enforced across the state by ARB, local air districts, and other law enforcement officials. Tests on vehicles are performed by ARB inspection teams at border crossings, California Highway Patrol weigh stations, fleet facilities, and randomly selected roadside locations. The ARB issues about 1,000 citations per year for violations of excessive smoke, vehicle tampering, and excessive idling regulations. There are about 1,800 commercial vehicles currently in the state that have uncleared violations.

AB 233 (Jones, 2007) requires that:

- By January 1, 2009, and every three years thereafter, the Air Resources Board shall submit a plan to the Legislature addressing enforcement needs for on- and off-road diesel emission control regulations.
- The commercial vehicle idling provisions of state law are subject to a minimum civil penalty of three hundred dollars from the previous penalty of \$100.
- The Department of Motor Vehicles will refuse registration or renewal or transfer of registration for any diesel commercial vehicle if the owner or an operator of the motor vehicle at the time of the application has been cited for a violation of an air pollution regulation until the violation has been cleared.

**Governor's Budget.** The Governor's Budget proposes \$145,000 from the Motor Vehicle Account and one position to implement and support the requirements established under AB 233.

**Staff Analysis.** The Motor Vehicle Account has a structural deficit of over \$300 million, and it would not be prudent to add to that structural deficit by approving new positions.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal contingent upon the approval of the new license registration fee.

**Action:** Held open

### 3. Regulatory Implementation and Enforcement

**Background.** According to the American Lung Association's 2007 "State of the Air" report, over 90 percent of Californians live in regions with unhealthy air quality. According to the report, the greater Los Angeles region is ranked number one nationally for ozone and particulate air pollution. Exposure to unhealthy air contributes to thousands of premature deaths per year in California, as well as thousands of hospital admissions and hundreds of thousands of asthma episodes and lost days of work and school each year.

**Proposal.** This proposal requests 46 new positions to work on the following activities:

- Enforcement of the Heavy-Duty Diesel Vehicle Idling Emission Reduction Regulation, including commercial vehicle and school bus idling – 8 positions
- Implementation of the In-Use Off-Road Diesel Vehicles Regulation – 18 positions
- Enforcement of In-Use On-Road Diesel Fueled Heavy-Duty Drayage Trucks – 6 positions
- Enforcement of multiple Maritime Port and Rail Yard Regulations – 2 positions
- Implementation of New-Generation Light Duty Vehicle Testing Program, including light-duty diesel vehicles – 4 positions
- Implementation and enforcement of Formaldehyde in Composite Wood Products Regulation, including laboratory test method development – 8 positions
- Enforcement of Ozone Generating Air Cleaners Regulation, including field enforcement and laboratory certification – one position

**Governor's Budget.** The Governor's Budget proposes \$8,522,000 from the Motor Vehicle Account and 46 positions to implement and enforce the Air Resources Board's new and augmented regulatory programs.

**Staff Analysis.** The Motor Vehicle Account has a structural deficit of over \$300 million, and it would not be prudent to add to that structural deficit by approving new positions.

**Staff Recommendation.** Staff recommends that the Subcommittee approve 37 positions contingent upon the approval of the new license registration fee. The positions and contracts that would be rejected are the formaldehyde in composite wood products (8 PY) and the ozone generating air cleaners regulation (1 PY).

**Action:** Held open

### 4. Zero Emission Vehicle and Infrastructure Implementation Support Program

**Background.** The Air Resources Board's (ARB) mission is to help assure clean, healthful air for California's citizens through the reduction of air pollutants. Despite strong vehicle emission standards, many urban areas in California fail to meet state and federal health-based air quality standards.

The Zero Emission Vehicle (ZEV) regulation requires automakers to demonstrate and commercialize zero emission vehicles. The ZEV regulation allows automakers to comply with a portion of their obligation with ZEV through enabling technologies such as hybrid electric vehicles; plug-in hybrid electric vehicles; hydrogen internal combustion engine vehicles; and compressed natural gas vehicles.

The California Hydrogen Highway was formed by the Governor's Executive Order S-7-04 for an infrastructure network to support commercialization of zero emission hydrogen fuel cell vehicles. Automakers have targeted production of 2,500 fuel cell cars by 2011 in response to the ZEV regulation requirements; however, these vehicles have not yet been made commercially available.

**Funds Returned.** While ARB indicated it has an agreement with Pacific Gas and Electric (PG&E) to build and operate one public hydrogen fueling station in the Bay Area, PG&E has since publicly stated its intent not to proceed with construction of the station, citing a "more pressing need" to develop other alternative vehicle technologies.

**Governor's Budget.** The Governor's Budget proposes \$6 million from the Motor Vehicle Account for the Zero Emission Vehicle Program. Of this amount, \$1 million would be for incentives and co-funding opportunities for the purchase, lease, and demonstration of zero emission vehicles and certain advanced technology near zero emission vehicles. The other \$5 million would be for co-funding up to three hydrogen fueling stations.

**LAO Recommendation.** Despite over \$19 million in funding since 2005, the administration has little visible progress to show towards building the Hydrogen Highway described in the Governor's executive order. While the Executive Order envisions that, by 2010, every Californian will have access to hydrogen fuel through a network of fueling stations along California's major highways, to date, not a single hydrogen fueling station funded by the program is under construction or in operation.

According to ARB, it has expended \$6 million to fund part of the costs to modify or build 22 hydrogen-fueled vehicles, including buses, shuttle vans, cars, and trucks. However, ARB did not indicate which, if any, of those 22 vehicles currently are operating on California roadways versus how many are under construction or in the planning stages. Nor did ARB indicate the extent to which the availability of state funding was a necessary factor in the development of these vehicles.

The LAO concludes that ARB has sufficient resources to continue the hydrogen initiative in the budget year without additional funding because nearly one-half the funds appropriated during the three-year history of the program—\$9.4 million—currently remains available for new projects. Also, ARB indicates that it intends to use all but \$600,000 of the \$9.4 million as matching funds for the construction of publicly accessible hydrogen fueling stations. The LAO therefore recommends that the Legislature deny this budget request.

**Staff Analysis.** The administration has borrowed funds from the Motor Vehicle Account to fund AB 32 activities. Those loans should be repaid as quickly as possible. Also, the Legislature passed AB 118 (Nunez, 2007) that provides funds for activities such as the hydrogen highway.

**Staff Recommendation.** Staff recommends that the Subcommittee reject the budget proposal. Staff further recommends that the Subcommittee revert the \$9.4 million in unexpended Motor Vehicle Account funds and direct those funds to pay back a portion of the loan taken from the MVA to finance AB 32 activities in 2007-08.

**Action:** Held open

## 5. Budget Balancing Reduction

**Governor's Budget Balancing Reduction.** The Governor proposes a reduction of \$243,000 General Fund to the Air Resources Board's budget. The decrease would come from contract funds.

**Staff Recommendation.** Staff recommends that the Subcommittee reduce the Air Resources Board's budget by \$1.8 million General Fund. This would allow the ARB to retain the positions funded with General Fund but would eliminate the contract funds.

**Action:** Held open

## 3910 California Integrated Waste Management Board

**Background.** The California Integrated Waste Management Board (CIWMB), in conjunction with local agencies, is responsible for promoting waste management practices aimed at reducing the amount of waste that is disposed in landfills. The CIWMB administers various programs that promote waste reduction and recycling, with particular programs for waste tire and used oil recycling. The board also regulates landfills through a permitting, inspection, and enforcement program that is mainly carried out by local enforcement agencies that are certified by the board. In addition, CIWMB oversees the cleanup of abandoned solid waste sites.

**Governor's Budget.** The Governor's Budget proposes \$209 million to support CIWMB in the budget year. This is an approximately 14.4 percent decrease over the level of support in the current year. The board does not receive General Fund support.

<b>Summary of Expenditures</b>				
<i>(dollars in thousands)</i>	2008-09	2009-10	\$ Change	% Change
<b>Type of Expenditure</b>				
Waste Reduction and Management	\$ 247,599	\$ 213,072	-\$34,527	-13.9
Administration	9,909	9,909	0	0.0
<i>less distributed administration</i>	-9,909	-9,909	0	0.0
<i>loan repayments</i>	-3,157	-3,857	-700	22.2
<b>Total</b>	<b>\$ 244,442</b>	<b>\$ 209,215</b>	<b>-\$35,227</b>	<b>-14.4</b>
<b>Funding Source</b>				
General Fund	\$ -	\$ -	\$ -	0.0
Special Funds	243,797	207,203	-36,594	-15.0
Bond Funds	-	-	0	0.0
<i>Budget Act Total</i>	<i>243,797</i>	<i>207,203</i>	<i>-36,594</i>	<i>-15.0</i>
Federal Trust Fund	-	200	200	100.0
Special Deposit Fund	307	307	-	0.0
Reimbursements	338	1,505	1,167	345.3
<b>Total</b>	<b>\$ 244,442</b>	<b>\$ 209,215</b>	<b>-\$35,227</b>	<b>-14.4</b>

## 1. Covered Electronic Waste Recycling Payments

**Background.** The California Integrated Waste Management Board (CIWMB) makes payments to electronic waste recyclers from the Electronic Waste Recycling and Recovery Account (EWRRA). Currently, the level of payments being made to certified electronic waste recyclers from this account is exceeding the revenue generated by the covered electronic waste recycling fee. At the current rate of payments, the EWRRA fund balance will be exhausted by August 1, 2008.

The CIWMB has the authority to adjust the fee for revenue purposes, and can adjust the payments made to recyclers based on the average net costs. If the CIWMB chooses to increase the fee, per statute, the fee increase will not go into effect until January 1, 2009.

**Finance Letter.** The Governor submitted a finance letter for budget bill language allowing a loan from other special funds to the Electronic Waste Recycling and Recovery Account to cover the fund shortfall. The loans must be repaid by June 30, 2010. The proposed language is:

Notwithstanding any other provision of law, upon approval and order of the Director of Finance, the California Integrated Waste Management Board may borrow sufficient funds from special funds that otherwise provide support for other programs for the boards for cash flow purposes for this account. Any such loans are to be repaid by June 30, 2010, with interest at the rate earned by the Pooled Money Investment Account.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the following budget bill language:

Notwithstanding any other provision of law, upon approval and order of the Director of Finance, and not sooner than 30 days after notification in writing to the Chairperson of the Joint Legislative Budget Committee, the California Integrated Waste Management Board may borrow sufficient funds from special funds that otherwise provide support for other programs for the boards for cash flow purposes for this account. Any such loans are to be repaid by June 30, 2010, with interest at the rate earned by the Pooled Money Investment Account.

**Action:** Approved staff recommended budget bill language with amendment. Subchair modified the budget bill language to specify that the Joint Legislative Budget Committee approve the transfer.

**Vote:** 2-1 (Cogdill)

## 2. Education and the Environment Initiative – Phase Five

**Background.** SB 926 (Torlakson, 2001) created the Office of Education and the Environment within the California Integrated Waste Management Board (CIWMB). AB 1548 (Pavley, 2003) directed the development of the Education and the Environment Initiative (EEI) model

curriculum, to obtain approval of the EEI model curriculum from the State Board of Education, and to make the EEI model curriculum available to California's K-12 public schools.

The Office of Education and the Environment is required to comment on any regulatory or enforcement actions taken by CalEPA, Resources Agency boards, departments, or offices that require the development of or encourage the promotion of environmental education for elementary and secondary school pupils. The Office of Education and Environment must also ensure materials produced and distributed in public schools are aligned to the Education Principles and Concepts, and coordinate with all state agencies to develop and distribute environmental education materials.

The *2005-06 Budget Act* provided CIWMB \$7 million and 5.5 permanent positions for the EEI program.

**Governor's Budget.** The Governor's Budget proposes \$1,167,000 from reimbursements paid by the Department of Conservation for one new staff position and consultant contracts.

**Staff Recommendation.** Staff recommends that the Subcommittee hold this item open.

**Action:** Held open

## 3930 Department of Pesticide Regulation

### 1. Unclaimed Gas Tax

**Background.** A tax of \$0.18 per gallon is collected on all sales of gasoline, including gasoline that is used off-highway by farmers and gasoline used by small horticultural equipment operators. The payers are eligible to receive a credit for these taxes, but each year there is unclaimed gas tax that is left in the Motor Vehicle Fuel Account. The Department of Transportation transfers these unclaimed gas tax funds to the Department of Food and Agriculture, which uses them for a number of agricultural programs, including pesticide use enforcement.

Unclaimed gas tax funds have historically been allocated for pesticide use enforcement activities, however, statutory provisions allocating these funds did not exist. AB 1713 (Committee on Agriculture, 2007) revised the distribution of the unclaimed gas tax to statutorily appropriate \$9 million to the California Department of Food and Agriculture, which is to be disbursed to the County Agricultural Commissioners (CAC) for pesticide enforcement activities. AB 1713 also requires CACs to meet specified reimbursement criteria in order to be eligible to receive these funds and places new disbursement requirements on the Department of Pesticide Regulation (DPR).

*New DPR Tasks.* Under AB 1713, DPR assumes responsibility for administrative oversight of the unclaimed tax funds and how they are allocated for pesticide enforcement activities.

**Governor's Budget.** The Governor's Budget proposes \$48,000 from the Pesticide Regulation Fund for 0.5 positions to provide state oversight and support in administering unclaimed gas tax reimbursement to the county agricultural commissioners as specified in AB 1713.

**Staff Recommendation.** Staff recommends that the Subcommittee hold this item open.

**Action:** Held open

### 2. Implementation of Volatile Organic Compounds Regulations Trailer Bill

**Background.** Current law requires those who sell pesticides that have been registered with the Department of Pesticide Control to pay a mill fee of 7.6 mills per dollar of sales for all applicable pesticide sales. The mill fee is distributed to counties as reimbursement for costs incurred in the administration and enforcement of pesticide regulations.

**Proposed Trailer Bill Language.** The proposed trailer bill language would take 0.5 mill per dollar of sales for all pesticide sales for use in this state and provide it to counties in air quality nonattainment areas to assist those counties in the administration and enforcement of restrictions on the use of field fumigants.



**Staff Recommendation.** Staff recommends that the Subcommittee hold this item open.

**Action:** Approved trailer bill language

**Vote:** 2-1 (Cogdill)

## 3940 State Water Resources Control Board

### 1. Enhanced Implementation of the CIWQS

**Background.** The California Integrated Water Quality System (CIWQS) is used to track and automate core regulatory business processes for the State and the Regional Water Quality Control Boards. CIWQS is intended to make accurate, complete, and up-to-date regulatory, water quality and water use information available to all in a flexible and easy-to-use electronic format. CIWQS is composed of program modules and was built to be expanded to meet the information needs of the Water Boards.

In 2005-06 the State Water Board staff, the regulated community, and the public began using CIWQS to submit data and track the status of core regulatory programs. However, many users complained that the system did not meet expectations. The Water Boards conducted an external expert review of the entire CIWQS. The expert panel found that governance, communication, outreach, and training for CIWQS could all be improved.

**Governor's Budget.** The Governor's Budget proposes two positions and \$129,000 in contract funds from the Waste Discharge Permit Fund to develop a timely data entry process, eliminate data entry backlog, develop performance measures, enhance communications, and provide outreach for CIWQS.

**LAO Recommendation.** The LAO reviewed the Board's IT systems for their *Analysis of the 2007-08 Budget Bill* and cited various deficiencies including a lack of strategic plan, circumvention of legislative oversight, and data entry backlogs which resulted in misleading information to the public on permitting and enforcement. In recent months, incorrect or incomplete data continues to be reported to the public using CIWQS. This is particularly the case with respect to enforcement data. Not only does this cause confusion as to the Board's progress in meeting its water quality goals, but the lack of reliable enforcement data (including the status of corrective actions made in response to an enforcement action) also frustrates both the Board's enforcement efforts and the efforts of the regulated community to comply with enforcement actions taken against them.

Additionally, the LAO finds that the Board has not yet reported on its actual progress in addressing its efforts to correct erroneous historical data and reduce the data entry backlog to its

federal funding partners (specifically US EPA, Region IX). This, among other reasons, led the US EPA to deny further federal grant resources in support of CIWQS-related tasks, including in future budget years. Therefore, the budget reflects no federal funding for the program.

The LAO recommends the following budget bill language:

No funds appropriated in this item or any other items appropriating funds to the State Water Resources Control Board can be used for new information technology modules related to the California Integrated Water Quality System (CIWQS) no sooner than 30 days after the board has submitted its updated Agency Information Management Strategy and the report required by the Supplemental Report of the 2007 Budget Act to the Joint Legislative Budget Committee, or such lesser time as the chair may determine.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal without budget bill language.

**Action:** Approved as budgeted

**Vote:** 2-1 (Cogdill)

## 2. Proposition 84 Local Assistance Resources

**Proposed Projects.** The funding would be used for the following program areas:

*Agricultural Water Quality Grant Program* – Grants to public agencies or nonprofit organizations for the purposes of improving agricultural water quality through demonstration projects, research, construction of agricultural drainage improvements, and for projects to reduce pollutants in agricultural drainage water through reuse, integrated management, or treatment.

*Urban Stormwater Grant Program* – Grants to local public agencies for projects designed to implement stormwater runoff pollution reduction and prevention programs, including diversion of dry weather flows to publicly owned treatment works for treatment, acquisition, and development of constructed wetlands.

*Clean Beaches Grant Program* – Matching grants for protecting beaches and coastal waters from pollution and toxic contamination pursuant to the Clean Beaches Program. Also, Proposition 84 authorizes not less than \$18 million for the Santa Monica Bay Restoration Commission as part of the Clean Beaches Program.

*Areas of Special Biological Significance* – Grants to local public agencies to assist with their efforts to comply with the discharge prohibition into Areas of Special Biological Significance (ASBS). There are 34 ASBS sites on the California coast. These grants would go toward projects limiting debris-carrying water runoff on the sites.

**Governor's Budget.** The Governor's Budget proposes \$100,500,000 in Proposition 84 bond funds and five-year expenditure authority for the following programs:

- Agricultural Water Quality Grant Program – \$7,725,000
- Urban Stormwater Grant Program – \$44 million
- Clean Beaches Grant Program – \$14 million
- Areas of Special Biological Significance – \$19,890,000
- Santa Monica Bay Restoration Commission – \$14,870,000

**Staff Recommendation.** Staff recommends that the Subcommittee approve \$56.5 million but reject the \$44 million for the Urban Stormwater Grant Program. The Urban Stormwater Grant funds will be handled through a policy bill.

**Action:** Approved \$56.5 million but rejected the \$44 million for the Urban Stormwater Grant Program.

**Vote:** 2-1 (Cogdill)

### 3. AB 258 – Plastic Discharges

**Background.** AB 258 (Krekorian, 2007) requires the State Water Resources Control Board (SWRCB) and the Regional Water Boards, by January 1, 2009, to implement a program for the control of discharges of preproduction thermoplastic resin pellets from point and nonpoint sources. These plastic pellets are distributed throughout California at as many as 2,700 manufacturing, handling, or transportation facilities. Currently, only one-third of the 2,700 facilities are subject to the National Pollutant Discharge Elimination System (NPDES) General Industrial Stormwater Permit (General Permit).

**New Actions.** The SWRCB intends to increase the enrollment of the plastic pellet manufacturing, handling, or transportation facilities already subject to the General Permit through a comprehensive inspection and enforcement program. The General Permit will also be revised to include Best Management Practices. For those facilities that currently do not have a General Permit, SWRCB will inspect a cross-section of the various plastic pellet facilities in order to understand which facilities are discharging plastic pellets and should be permitted. This effort will also provide technical information to the SWRCB to determine the appropriate regulatory methods to address the discharges from point and nonpoint sources.

**Governor’s Budget.** The Governor’s Budget proposes \$1,036,000 from the Waste Discharge Permit Fund and 8.5 positions for development of a program to control the discharge of preproduction thermoplastic resin pellets, also known as “nurdles.”

**Staff Analysis.** The full committee, throughout its deliberations, has directed the subcommittees to carefully examine new program funding, irrespective of the funding source, and only move forward on matters that minimally are needed for critical health and safety purposes.

**Staff Recommendation.** Staff recommends that the Subcommittee reject the budget proposal.

**Action:** Approved as budgeted

**Vote:** 2-1 (Cogdill)

#### 4. Effectiveness of Municipal Stormwater Programs

**Background.** Current law requires the State Water Resources Control Board (SWRCB) to develop guidelines for assessing the effectiveness of municipal stormwater programs that are being implemented pursuant to the requirements contained in the National Pollutant Discharge Elimination System (NPDES) permits. Statute was enacted in response to concerns that compliance with permit requirements were not adequately inspected and that it was not known if the programs being implemented are effective in achieving improved water quality.

**Contract Funds Requested.** The proposal includes \$500,000 in consultant contracts. The contract consultants would be hired to develop the required guidelines.

**Governor's Budget.** The Governor's Budget proposes \$590,000 from the Waste Discharge Permit Fund and one position for the development and implementation of guidelines for assessing the effectiveness of municipal stormwater programs.

**Staff Analysis.** The evaluation of the effectiveness of municipal stormwater programs should not become an on-going program. The evaluation can positively inform policy and the funding of future projects, and thus will be useful to the state over the long term. However, the actual evaluation itself should not last more than two years.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal as two year limited-term funding.

**Action:** Approved as two-year funding

**Vote:** 2-1 (Cogdill)

#### 5. Regional Board Line Items

**Background.** Currently, the nine Regional Water Quality Control Boards' budgets are presented as one line item in the budget. This allows the State Board to move funds between the various Regional Boards as need arises, but does not provide transparency for the Legislature as to how much money each Regional Board is receiving.

**Staff Recommendation.** Staff recommends that the Subcommittee request that each Regional Water Board be provided its own line item in the budget for transparency. Fund could still be moved between the Boards with a 30-day notification letter to the Joint Legislative Budget Committee.

**Action:** Held open

## 6. San Diego Bay Toxic Sediment Clean-up

**Background.** In 1996, the National Oceanic and Atmospheric Administration identified San Diego Bay as the second most toxic bay in the nation. A few years earlier, in 1991, the San Diego Regional Water Quality Control Board (San Diego Board) requested an initial sediment study of the San Diego Bay. However, it took until 2005 for the San Diego Board to issue a tentative Clean-up and Abatement Order (Order No. R9-2005-0126) for contaminated marine sediment in San Diego Bay.

After the tentative Cleanup and Abatement Order (CAO) was issued, it was determined that the administrative record for the proceeding should be made available electronically, in indexed and searchable format, to facilitate location of documents within the record and meaningful participation in the proceeding for both the tentatively named responsible parties and other interested parties, including non-governmental environmental organizations. The electronic record was finally completed and released to the parties and the public on April 4, 2008. Upon release of the record, the previous order of proceedings provided a 257 day process of discovery, comments, submission of evidence, briefs, hearings before the Regional Board and deliberation and adoption of a final order.

**Staff Recommendation.** Staff recommends that the Subcommittee adopt the following supplemental report language:

On or before January 30, 2009 the State Water Resources Control Board shall submit a report to the Joint Legislative Budget Committee on the work of the San Diego Regional Water Quality Board on San Diego Bay cleanup. The report shall include information on the resources the San Diego Regional Water Quality Board is dedicating to the project; the estimated total cost and scope of the project; and a progress report for the project.

**Action:** Approved the staff proposed supplemental report language

**Vote:** 3-0

## 7. Agricultural Water Runoff Supplemental Report Language

**Background.** Agricultural nonpoint source (NPS) pollution is the leading source of water quality impacts on surveyed rivers and lakes, the second largest source of impairments to wetlands, and a major contributor to contamination of surveyed estuaries and ground water. Agricultural activities that cause NPS pollution include poorly located or managed animal feeding operations; overgrazing; plowing too often or at the wrong time; and improper, excessive, or poorly timed application of pesticides, irrigation water, and fertilizer. Pollutants that result from farming and ranching include sediment, nutrients, pathogens, pesticides, metals, and salts.

Impacts from agricultural activities on surface water and ground water can be minimized by using management practices that are adapted to local conditions. The State Water Resources Control Board is currently researching how to best adapt such management practices for California.

**Staff Recommendation.** Staff recommends that the Subcommittee adopt the following supplemental report language:

On or before January 30, 2009, the State Water Resources Control Board shall submit a report to the Joint Legislative Budget Committee and to the relevant policy committees that details: 1) the precise actions the SWRCB would have to undertake to obtain a 30 percent reduction to agricultural pollution runoff into the Sacramento-San Joaquin Delta and its tributary watersheds by 2012; 2) the estimated costs of those actions; and 3) which of those actions can be completed administratively and which would require legislation to implement.

**Action:** Held open

## 8. Water Quality Management Fee – LAO Recommendation

**The LAO Recommends Support for Core Regulatory Programs Be Shifted to Regulatory Fees.** The LAO has previously recommended that fees fully support regulatory programs at the water boards, based on the application of the polluter pays principle. This funding principle provides that private individuals or businesses that use or degrade a public resource (such as water) should pay for the social costs imposed by their use of the resource. Although significant progress has been made in recent years to shift the board's regulatory program funding to fees, the LAO's review finds that the proposed budget includes about \$11 million of General Fund for regulatory activities that are more appropriately funded from fees.

**Boards Not Keeping Up With Workload.** The LAO has concluded in several prior *Analyses* that the state and regional boards' inability to keep up with their workload in their core programs has resulted in backlogs in the Total Maximum Daily Loads (TMDL) program and in water quality and water rights permitting and enforcement. To avoid further exacerbating backlogs within these programs, the LAO recommends that the Governor's proposed budget-balancing reductions in regulatory programs (totaling \$1.2 million) be offset fully by fee revenues of a like amount (\$400,000 in the Waste Discharge Permit Fund, \$400,000 in the Water Rights Fund, and \$400,000 of new THP fee revenues) so that program reductions will not have to be made to create the General Fund savings.

**The LAO Recommends New Broad-Based Fee to Replace General Fund Support for Water Quality Management.** The bulk of the board's General Fund supported programs—\$19.6 million—relate to the assessment of the state's water quality, and the related development of water quality standards and plans which ultimately form the basis of the board's permitting and enforcement actions.

Although not strictly regulatory program activities, the LAO finds that the board's water quality management activities are appropriately funded by a broad-based fee on water users statewide

who, as users, impact water quality. This is a somewhat broader application of the polluter pays principle applied currently to regulatory programs. As an example of a potential fee structure, a fee of less than \$10 per year, per individual water utility hookup, to include residential, commercial, and agricultural users would provide funding at the level of current General Fund support for these activities (\$19.6 million). The LAO thinks that shifting funding for the board's core water quality management activities to fees would provide greater funding stability to these activities that are the foundation of much of the board's work.

The LAO therefore recommends the enactment of legislation to establish the new broad-based fee at a level that will replace the General Fund support budgeted for water quality management (\$19.6 million) and offset the Governor's proposed General Fund budget-balancing reduction of \$2.4 million for these activities. The LAO recommends that the legislation create a new special fund for the deposit of these new revenues. In order to create full-year General Fund savings from the LAO recommendation in the budget year, it would be necessary to enact urgency legislation to create the new broad-based fee.

**Staff Recommendation.** Staff recommends that the Subcommittee hold open this item.

**Action:** Held open

## 9. Water Supply Reliability and Stream Flow Protection

**Background.** The State Water Board is the only administrative agency in California with authority over water rights. The administrative water rights program was first enacted in 1914, and the scope of the program remained relatively unchanged for the next 50 years. Since 1965, the water rights program has been directed by the Legislature to focus on water use efficiency.

The State Water Board's handling of water rights applications is decreasing. During the fiscal years 2003-04 and 2004-05, only 61 applications were filed with the Board as opposed to the 832 applications filed during fiscal years 1963-64 and 1964-65. Despite the decreased number of applications, a 2006 audit by the Bureau of State Audits found that the processing time for those permits was 3.3 years, an increase of 35 percent over the average processing time in the 1960s.

**Proposal.** The department states that the additional requested funds would allow them to collaborate with other state and federal agencies in the department's efforts to protect Bay-Delta beneficial water uses; reduce illegal water diversions; improve compliance with existing water right permits; improve processing time for water right applications, petitions, and other submittals; reduce existing permitting, petition, and licensing backlogs; improve program oversight, and improve stakeholder outreach and education.

**Governor's Budget.** The Governor's Budget proposes \$316,000 from the Water Rights Fund and 6.5 positions to increase the service level of the Water Rights Program.

**Staff Analysis.** The department has informed staff that the approval of new funding from the Water Rights Fund without corresponding fee increases would create a structural deficit in the

fund. In addition, the water rights fee is currently in litigation and the program's future funding is uncertain. If the courts find the water rights fee inappropriate, the State would have to pay back the expended funds with General Fund.

**Staff Recommendation.** Staff recommends that the Subcommittee hold this item open.

**Action:** Held open

## 10. Clean Up and Abatement Account Trailer Bill

**Background.** Existing statute levies administrative fines on waste dischargers for failure to file required discharge monitoring reports. These funds are directed to the Waste Discharge Permit Fund (WDPF) and are statutorily designated to be used for waste clean-up or to abate the effects of water pollution. However, because statute also requires that these funds be separately accounted for, a new subaccount in the WDPF would be necessary in order to expend these fines for the purpose of clean-up and abatement activities. This subaccount would duplicate the purpose of the existing State Water Pollution Cleanup and Abatement Account (CAA). The requested funds transfer will allow the Water Board to use all available funding to administer the CAA and protect water quality.

The CAA is funded by fines and penalties on waste discharge violators and is continuously appropriated. The account provides funds for water quality improvement projects undertaken by the State Water Resources Control Board (Water Board) when there are no responsible parties available to be used for the purpose of cleaning up waste or abating its effects on the water of the state.

**Finance Letter.** The Governor has submitted a finance letter to transfer \$3.2 million from the Waste Discharge Permit Fund (WDPF) to the State Water Pollution Cleanup and Abatement Account (CAA), a subaccount of the State Water Quality Control Fund. The finance letter includes budget bill language and trailer bill language.

**Proposed Trailer Bill Language.** The proposed trailer bill language establishes a new subaccount in the Waste Discharge Permit Fund in order to expend fines on dischargers for the purpose of clean-up and abatement activities.

**Staff Recommendation.** Staff recommends that the Subcommittee hold this item open.

**Action:** Held open

## 11. Investigations, Enforcement, and Fraud

**Background.** The State Water Resources Control Board (SWRCB) relies on the dischargers and diverters to comply with an honor-system of self-monitoring and reporting to the Water Board on their compliance with permit and other monitoring and reporting mandates. Dischargers and diverters collect and analyze their own samples, take their own measurements, and submit



results. Except for water right inspections and limited sampling during water quality inspections, compliance determinations rely on each discharger's or diverter's self-monitoring and reporting of results.

In 2000, the SWRCB began using a database to capture information about violations and enforcement actions. During 2000, the number of water quality violations was 23,652. Since then, the number of violations has steadily decreased to 16,064 in 2004. Also, a recent review of facility self-monitoring data by a contractor for the USEPA found that more than 50 percent of the 300 California facilities reviewed had misreported data about their waste discharges.

Unauthorized water diversions have adverse affects on those who are legally diverting as well as on fisheries. The SWRCB has the authority to enforce against illegal diversions of water, but normally lacks the self-reporting to justify an investigation.

**Governor's Budget.** The Governor's Budget proposes \$1.3 million and 8.5 positions. The proposal is divided as follows:

- Water Quality: 5.2 positions and \$790,000 from the Waste Discharge Permit Fund for enforcement of water quality violations.
- Water Rights: 3.3 positions and \$524,000 from the Water Rights Fund to perform inspections of water diversions and enforcement of water right violations.

**Staff Analysis.** The department has informed staff that the approval of new funding from the Water Rights Fund without corresponding fee increases would create a structural deficit in the fund. In addition, the water rights fee is currently in litigation and the program's future funding is uncertain. If the courts find the water rights fee inappropriate, the State would have to pay back the expended funds with General Fund.

**Staff Recommendation.** Staff recommends that the Subcommittee hold this item open.

**Action:** Held open

## 12. Supplemental Environmental Projects

**LAO Recommendation.** Under current law, the regional boards may administratively issue civil liability penalties against companies, cities, and individual waste dischargers that violate water quality laws or permit conditions, or do not comply with enforcement and penalty orders of the boards. Monetary penalties collected through these enforcement actions are paid to the state board and deposited in the Cleanup and Abatement Account (CAA), an account within the State Water Quality Control Fund. These funds are used to address priority water quality cleanup and abatement activities throughout the state. The budget projects revenues of about \$5.2 million in the budget year to CAA. This amount fluctuates depending on the size and number of individual penalties assessed in any given year.

*SEPs.* As an alternative to paying penalties that are deposited into the CAA, current law allows dischargers to pay a portion of their penalty assessment by providing funding for water quality improvements within the region in which the enforcement action was taken. These are known as

SEPs. The SEPs are projects, generally proposed and implemented by nonprofits, local governments, or collaborative efforts, that enhance the beneficial uses of the waters of the state, provide a benefit to the public at large, and are not otherwise required by board directives. Examples of SEPs include pollution prevention projects, environmental restoration programs, water education activities, and watershed assessments.

*The SEP Process.* Most regional boards choose to use SEPs as an alternative to full monetary penalties, as current law allows. Generally, this means that in negotiations with the board, the discharger and board come to an agreement on how much will be paid in monetary penalties, and how much will be paid to support a SEP. Some boards have a formal list of potential SEPs available to assist this negotiation process, while others have no criteria or formal list available to the public during this phase of the penalty negotiations. Once a project is agreed upon, the discharger then pays both the monetary penalty (deposited in the CAA for statewide purposes) as well as the SEP amount provided for in the penalty agreement. Regional boards are then required to track these projects.

*State Board Has Role in SEP Oversight.* The LAO's review finds that the state and regional boards both have statutory responsibility for tracking and reporting enforcement activity. The LAO also finds that a regional board may include in any penalty the projected administrative costs associated with the implementation of a SEP. While the majority of day-to-day oversight of a SEP project is conducted by the regional board, the LAO finds that the state board has a role in providing oversight of the SEP process, and is ultimately responsible for reporting on enforcement activity and outcomes statewide. These state board costs are eligible for funding within the administrative component of a SEP.

*Recommend Measures to Increase Oversight of Regional Board Enforcement.* The LAO finds that SEPs serve a useful purpose by allowing regional boards to reduce the amount of time spent on negotiating penalties, and providing for beneficial water quality improvements. However, the LAO recommends several measures to increase state board and legislative oversight of regional board enforcement activity, including the use of SEPs.

*Enforcement Data Must Be Updated and Clear.* First, the LAO thinks regional boards should update their enforcement-related data entries to include all penalties and SEPs issued, and this information should be available on the state board's public and internal websites. This would allow the state board to oversee enforcement actions at the regional board level and to better compare regional board use of SEPs. The LAO also thinks providing the public, including the discharger community, access to all SEP information in a clear, usable format provides another means to hold the regional boards accountable for their use of SEPs and allows potential SEP project proponents to be informed of the type and quality of SEPs authorized by the board.

*Trust Fund Use Raises Issues.* Second, the LAO thinks it important to establish controls for the current regional board practice of setting up trust funds as holding funds for SEPs. For example, what happens to these funds should a SEP project not come to fruition? The LAO thinks the state board, in its next update of its statewide enforcement policy, should set clear guidelines for such trust funds, including clear and reasonable time limits for the trust fund, with requirements that SEP projects commence by a date certain of the SEP funding being established.

*Legislation Should Restrict SEP Assessment, Unless Otherwise Indicated by Law.* Third, the LAO finds the current practice of issuing SEPs for over 50 percent of the total monetary value of the penalty has the effect of reducing funding available at the state board for statewide enforcement purposes, including oversight of regional board enforcement. The LAO recommends the regional boards be required to annually report to the state board on all SEPs issued, and the amount of monetary penalty these SEPs offset, in order to assure regional board compliance with current statutory requirements governing the use of SEPs. The LAO thinks that this recommendation should increase the availability of funds in the CAA by up to \$500,000 in the budget year, based on a review of historical enforcement penalty collection. The LAO therefore recommends that the expenditure authority from the State Water Quality Control Fund be increased by a like amount, allowing the state board to increase its oversight of regional board enforcement activity.

**Staff Recommendation.** Hold open.

**Action:** Held open

## 3960 Department of Toxic Substances Control

### 1. Green Chemistry and Pollution Prevention

**Background.** Green chemistry is the process of reducing or eliminating the use of hazardous materials altogether. The Green Chemistry Initiative is a collaborative approach for identifying options to significantly reduce the impacts of toxic chemicals on public health and the environment. The Green Chemistry Initiative strives to provide recommendations for: developing a consistent means for evaluating risk; reducing exposure; encouraging less-toxic industrial processes; and identifying safer, non-chemical alternatives. Green chemistry is a fundamentally new approach to environmental protection, transitioning away from managing toxic chemicals at the end of the lifecycle to reducing or eliminating their use altogether.

**Proposal.** The positions requested in this proposal would:

- Continue outreach and education of projects completed;
- Develop at least four additional pilot projects every two years (for six total);
- Expand technical assistance, outreach, and education using materials developed during pilot projects to small business assistance programs, industry associations, and local implementing agencies; and
- Measure the effectiveness of implementing pollution prevention technologies to evaluate whether future programs to provide funding are feasible.

**Governor's Budget.** The Governor's Budget proposes \$772,000 from the Toxic Substances Control Account and 6 positions for focusing on product design and industrial innovation that reduces the use of harmful chemicals in products.

**Staff Analysis.** The Green Chemistry program began by working with manufacturers at the factory level to examine how to keep toxic materials out of the product line. However, the conceptual direction of the Green Chemistry program is best served when the toxicity of the product materials is considered at the design phase. Without knowledge as to which chemicals pose the greatest risk, and what is the toxicity level of various chemicals, the department cannot recommend alternatives to the product designers. Thus the Department of Toxic Substances Control (DTSC) should create a matrix to identify the hazard traits posed by chemicals generally in order to avoid threats of potential substitute or alternative ingredients.

**Staff Proposed Trailer Bill Language.** Staff recommends that the Subcommittee adopt the following trailer bill language:

Section 1. The department shall coordinate agency authority to enforce statutes and regulations associated with regulated substances in consumer products; and, prioritize the source reduction of hazardous wastes through actions directed at consumer products, including product reformulation, input changes, production process changes and related source reduction measures established pursuant to the Hazardous Waste Source Reduction and Management Review Act of 1989 (Section 25244.15 (b) of the Health and Safety Code).

Section 2. The department shall contract for the development of a data matrix to identify the hazard traits posed by chemicals in commerce and thereby provide assistance to businesses with a scientific basis for making source reduction decisions, including an assessment of the magnitude and number of hazards present in current practices as well as those hazards posed by potential substitute chemicals in source reduction activities, pursuant to Section 25244.17 of the Health and Safety Code.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the staff proposed trailer bill language and approve \$772,000 from the Toxic Substances Control Account for the following actions:

1. Provide \$400,000 for the creation of the chemicals matrix.
2. Approve one position to oversee the development of the chemicals matrix.
3. Approve two positions to work on pollution prevention.

**Action:** Held open

## 2. Fiduciary Responsibility: Appropriate Litigation Support for DTSC

**Background.** Historically, the Department of Justice (DOJ) has provided litigation support to the Department of Toxic Substances Control (DTSC) through a direct appropriation to DOJ. As

part of the *2007-08 Budget Act*, the Governor vetoed half of the toxic litigation support funding with a statement that DTSC and local governments were completing much of the work themselves. This request is for an appropriation to DTSC with an interagency agreement with DOJ for the litigation services. DTSC believed that it will be able to better manage the cases that are most important to it if DTSC approves all expenditures.

**Governor's Budget.** The Governor's Budget proposes \$2,168,000 (\$1,181,000 from the Toxic Substances Control Account and \$987,000 from the Hazardous Waste Control Account) for an interagency agreement with the Department of Justice to provide litigation support for DTSC cost recovery and enforcement activities.

**Proposed Trailer Bill Language.** The proposed trailer bill changes Health and Safety Code Sections 25173.6 and 25174 to allow DTSC to enter into an interagency agreement with DOJ rather than the funds for toxics litigation being directly appropriated to DOJ.

**Staff Recommendation.** Staff recommends that the Subcommittee hold this item open.

**Action:** Held open

## 3980 Office of Environmental Health Hazard Assessment

### 1. Alternative Funding Sources

**Background.** Most of Office of Environmental Health Hazard Assessment's (OEHHA) activities are required by statute and are supported largely by the General Fund. Using General Fund money, OEHHA identifies cancer-causing chemicals for annual updates of the state list of chemicals in drinking water, provides health risk assessments of "toxic air contaminants," reviews health risk assessments of pesticides, and jointly regulates pesticide worker health and safety with the Department of Pesticide Regulation.

**LAO 2005 Recommendation.** The LAO in the *Analysis of the 2005-06 Budget Act* found that OEHHA provides support to various regulatory programs in its sister Cal-EPA departments, as well as to the safe drinking water program in the Department of Health Services (DHS). For example, OEHHA's statutory mandate to evaluate how well the state's air quality standards protect children and other populations particularly susceptible to air pollution serves to guide the Air Resources Board's regulatory activities.

In those cases where OEHHA's activities can be directly and reasonably connected with a regulatory program, the Legislature is presented with an opportunity to consider potential fund source alternatives to the General Fund—namely fee-based special funds—to support the activities. Using fee-based revenues instead of the General Fund is appropriate because many of OEHHA's activities provide a scientific basis for environmental permit requirements, thereby preventing the requirements placed on permittees from being arbitrary or unduly burdensome. As such, OEHHA's activities provide a benefit to the permit holder and therefore are appropriately funded through regulatory program fees.

On the other hand, some of OEHHA's activities—such as its Proposition 65 program—have more of a broad-based public health focus and cannot be reasonably connected with discrete regulatory programs. For activities such as these, the LAO thinks that the General Fund continues to be the appropriate funding source.

**Staff Recommendation.** Staff recommends that the Subcommittee request the LAO to present on possible ways to increase alternative funding for OEHHA that could allow General Fund for the department to be reduced.

**Action:** Held open

## SUBCOMMITTEE NO. 2

## Agenda

Alan Lowenthal, Chair  
Darrell Steinberg  
Dave Cogdill



### Outcomes

Tuesday, May 20, 2008  
Capital Outlay  
10:00 a.m.  
Room 112

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### Resources—Environmental Protection—Energy

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling 916-324-9335. Requests should be made one week in advance whenever possible.

## 3340 California Conservation Corps

### 1. Delta Service District Center – Capital Outlay

**Project.** The new Delta Center will be constructed on state owned property at Arch and Newcastle Roads in central San Joaquin County. The proposed facility would have a capacity of 111 corpsmembers, 35 employees, and will replace the Stockton facility. The new facility will consist of an administration building, warehouse, hazardous materials storage, multi-purpose building including kitchen and dining, four residential dorms, education and recreation buildings, and paved surface and parking areas.

**Finance Letter.** The Governor has submitted a finance letter requesting an additional \$6,478,000 in lease-revenue bonds for construction of the Delta Service District Center project. With this addition, the total project cost would be \$27,314,000.

The increase in cost is due to: general escalations in the construction market and direct construction costs; direct construction costs to incorporate the Leadership in Energy and Environmental Design (LEED) standards; and the discovery of previously unrecognized seasonal wetlands.

**Staff Recommendation.** Staff recommends that the Subcommittee accept the finance letter.

**Action:** Approve as budgeted

**Vote:** 3-0

## 3540 Department of Forestry and Fire Protection

### 2. Higgins Corner Fire Station – Acquire Existing Site and Replace Facility

**Project.** This project would construct a non-standard, joint use (CALFIRE and Higgins Area Fire Protection District) fire station, to include an 18-bed barracks/messhall building, a 3-bay apparatus building, a vehicle wash rack, a vehicle fueling station, a hose wash rack, and sewer connections to the local utility district.

**Need for Project.** The current building was constructed in 1948. Although there have been remodels, the current building does not meet ADA requirements, is too small to accommodate staff, and bathrooms (accessed through kitchen) have suffered water damage.



**Governor's Budget.** The Governor's Budget proposes \$9,278,000 in lease-revenue bond funds for the Higgins Corner Fire Station project.

**Staff Analysis.** Lease-revenue bonds must be paid back with General Fund. Due to the current General Fund condition, any additional pressures should be avoided.

**Staff Recommendation.** Staff recommends that the Subcommittee reject the budget proposal.

**Action:** Approve as budgeted

**Vote:** 3-0

### 3. San Mateo/Santa Cruz Unit Headquarters – Relocate Auto Shop – Capital Outlay

**Project.** This project would construct a 5-bay automotive repair shop at Ben Lomond Youth Conservation Center including restrooms, welding shop, storage, office space, and break room together with required appurtenant shop equipment/facilities. The project will also include a fuel dispensing system, fuel tanks, water tanks, a vehicle wash rack with building for water recycling equipment, a pump test pit, a generator/fire pump building with generator, and a storage building.

**Need for Project.** The current automotive repair shop was constructed in 1953 on a three-acre state owned site. The facility supports over 150 emergency vehicles. The metal roof and siding on the facility are deteriorating. The building has undersized, ungrounded electrical utilities that have deteriorated due to age. In addition, the building is not insulated, does not meet ADA code, and does not meet plumbing code.

**Governor's Budget.** The Governor's Budget proposes \$11,172,000 in lease-revenue bond funds for the construction of a new 5-bay automotive repairs shop at Ben Lomond Youth Conservation Center.

**Staff Analysis.** Lease-revenue bonds must be paid back with General Fund. Due to the current General Fund condition, any additional pressures should be avoided.

**Staff Recommendation.** Staff recommends that the Subcommittee reject the budget proposal.

**Action:** Approve as budgeted

**Vote:** 3-0

### 4. Santa Clara Unit Headquarters – Replace Facility

**Project.** This project would demolish some structures at the Morgan Hill Fire Station/Santa Clara Unit Headquarters and construct a new 24-bed barracks and mess hall, a 3-bay apparatus building, a 4-bay utility vehicle storage building, physical training building, a generator/pump storage building with a generator, communication vault, fuel dispensing system with a fuel vault,

and a pump test pit, and a hose wash rack. This would be the first phase of the project, other buildings on the site would be replaced as part of phase two.

**Need for Project.** The administrative offices that would be replaced are located in an old building with a variety of structural problems. The current building cannot accommodate all of the administrative staff so offices are spread throughout the many buildings on the site.

The current barracks and mess hall were constructed in 1952 without separate quarters for male and female firefighters. The barracks is too small for all 24 employees to sleep there, so some employees are forced to sleep in offices.

**Governor's Budget.** The Governor's Budget proposes \$20,856,000 in lease-revenue bond funds for the preliminary plans, working drawings, and construction of the Santa Clara Unit Headquarters project phase I.

**Staff Analysis.** Lease-revenue bonds must be paid back with General Fund. Due to the current General Fund condition, any additional pressures should be avoided.

**Staff Recommendation.** Staff recommends that the Subcommittee reject the budget proposal.

**Action:** Approve as budgeted

**Vote:** 3-0

## 5. Siskiyou Unit Headquarters – Replace Facility

**Project.** This project would construct a new Unit Headquarters facility with an expanded Emergency Command Center building, Administration/Training building, service center warehouse with Self-Contained Breathing Apparatus refill/repair, a 14-bed barracks/mess hall, a 3-bay apparatus building, a 5-bay auto shop with welding area, physical fitness building, dozer transport building, telecommunications tower, generator/pump/storage building with generator.

**Need for Project.** The current headquarters building was constructed in 1938 and moved intact in 1953 to its current location on state-owned land south of the City of Yreka. The current building has numerous structural problems.

**Governor's Budget.** The Governor's Budget proposes \$30,151,000 in lease-revenue bonds for the preliminary plans, working drawings, and construction of a new Siskiyou unit headquarters.

**Finance Letter.** The Governor submitted a finance letter to increase the construction costs by \$1,580,000. The estimate was revised to include the costs of installation and equipment associated with the dispatch operation of the emergency command center, which were inadvertently omitted from the original budget estimate.

**Staff Analysis.** Lease-revenue bonds must be paid back with General Fund. Due to the current General Fund condition, any additional pressures should be avoided.

**Staff Recommendation.** Staff recommends that the Subcommittee reject the budget proposal.

**Action:** Approve as budgeted

**Vote:** 3-0

## 6. Vina Helitack Base – Replace Facility

**Project.** This project would construct a new standard Helitack Base consisting of a 22-bed barracks/mess hall, a 3-bay apparatus building, rescue training tower, fire sprinkler system at the existing hangar, and a generator/pump storage building with a generator. The facility would have two lighted helipads.

**Need for Project.** The Vina Helitack Base is located in southern Tehama County. The facility provides airborne initial attack fire fighting response to approximately 2 million acres of State Responsibility Area. Since 1970, there have been more than 50 fires where over 1,000 acres burned in the Vina's influence area.

The current facility was constructed in 1962 after the original facility was destroyed by a fire. The current building does not meet fire, ADA, or seismic codes. The barracks area is insufficient for the number of firefighters at the base. The current helitender is so small that the modern helicopter can barely fit into it.

**Governor's Budget.** The Governor's Budget proposes \$13,062,000 in lease-revenue bond funds for the Vina Helitack base project.

**Staff Analysis.** Lease-revenue bonds must be paid back with General Fund. Due to the current General Fund condition, any additional pressures should be avoided.

**Staff Recommendation.** Staff recommends that the Subcommittee reject the budget proposal.

**Action:** Approve as budgeted

**Vote:** 3-0

## 7. Garden Valley Fire Station – Replace Facility

**Project.** This project would construct a 12-bed barracks/mess hall, a 3-bay apparatus building with a battalion chief complement, and a generator/storage building with generator.

**Need for Project.** The current facility was constructed in the 1940s and is approximately 1,500 square feet smaller than the recommended barracks for 14 full-time firefighters. The existing structure has water leaking through the roof and walls. The electrical system has been repeatedly modified but is not sufficient to support the station's full needs. There is no room on the site to place a back-up generator. The building is not ADA compliant.

**Governor's Budget.** The Governor's Budget proposes \$6,304,000 in lease-revenue bond funds for the preliminary plans, working drawings, and construction of the Garden Valley Fire Station.

**Finance Letter.** The Governor submitted a finance letter to increase the project construction costs by \$1,397,000 in lease-revenue bond funds due to refined project scope and costs adjusted from the initial budget package estimate.

**Staff Analysis.** Lease-revenue bonds must be paid back with General Fund. Due to the current General Fund condition, any additional pressures should be avoided.

**Staff Recommendation.** Staff recommends that the Subcommittee reject the budget proposal.

**Action:** Approve as budgeted

**Vote:** 3-0

## 8. Warner Springs Forest Fire Station – Replace Facility

**Project.** This project would acquire an existing site and construct a standard one-engine, 2-bay apparatus building with 8-person barracks and mess hall. In addition, the project would include a generator building with a pump and a generator. The funds requested are in addition to construction funds appropriated in 2005-06 and 2006-07.

**Need for Project.** The current building was constructed in 1952 and does not meet today's standards for a fire station. The garage attached to the building is not large enough to store both the fire engine and equipment.

**Governor's Budget.** The Governor's Budget proposes \$591,000 in lease-revenue bond funds for the additional costs of the construction phase of the project. The total cost for all phases of the project is \$5,218,000.

**Finance Letter.** The Governor submitted a finance letter to reappropriate the lease-revenue bond fund construction funds for the project because construction is scheduled to begin in October 2008. Thus, reappropriation is needed to secure project funds.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal and accept the finance letter.

**Action:** Approve as budgeted

**Vote:** 3-0

## 9. Minor Capital Outlay Projects

**Projects.** This request includes funding for the following minor capital outlay projects:

- Baseline Conservation Camp – Construct a water treatment building, purchase and install a 30 gpm treatment plant, and connect to the existing water storage and utility systems.
- Humboldt Unit – Drill domestic wells for Mattole fire station, Trinidad fire station, and Alderpoint fire station.
- Sanger Unit Headquarters – Improve or replace potable water supply system.

- Sugar Pine Conservation Camp – Install additional septic tank and drill a new domestic water well.
- Pilot Rock Conservation Camp – New sewer and water lines.

**Governor’s Budget.** The Governor’s Budget proposes \$1,851,000 General Fund for various minor capital outlay projects.

**Staff Recommendation.** Staff recommends that the Subcommittee reject the budget proposal since these projects are funded with General Fund.

Split action:

**First Action:** Approve Sanger Unit Headquarters project  
**Vote:** 3-0

**Second Action:** Reject all projects other than Sange  
**Vote:** 2-1 (Cogdill)

## 10. Madera-Mariposa-Merced Unit Headquarters

**Project.** This project includes construction of a new Unit Headquarters facility with an administration building, expanded dispatch building, 5-bay autoshop and standard 2-engine fire station with a dozer complement. The project also includes an 18-bed barracks, 3-bay apparatus building, 2-bay dozer shed, generator/pump storage building with a generator and telecommunications tower.

**Need for Project.** The existing facility suffers from critical infrastructure deficiencies that impair program delivery and building code noncompliance that could pose health and safety hazards. The apparatus building is inadequate for the current size of the fire engines. The 40-year old automotive shop cannot accommodate the service and repair needs of the firefighting vehicle fleet that has increased over time.

**Finance Letter.** The Governor has submitted a finance letter proposing \$28,506,000 in lease-revenue bonds for the preliminary plans, working drawings, and construction of the Madera-Mariposa-Merced Unit Headquarters project.

**Staff Analysis.** Lease-revenue bonds must be paid back with General Fund. Due to the current General Fund condition, any additional pressures should be avoided.

**Staff Recommendation.** Staff recommends that the Subcommittee reject the budget proposal.

**Action:** Approve as budgeted  
**Vote:** 3-0

## 11. Altaville Forest Fire Station

**Project.** The current automotive shop in San Andreas has space, health, and safety concerns. Also, the current facility was constructed on leased property, and the owner of the land will not renew the lease past 2010. The new automotive shop will be constructed on state-owned land adjacent to the Altaville Forest Fire Station.

**Finance Letter.** The Governor has submitted a finance letter proposing \$8,552,000 in lease-revenue bonds for the preliminary plans, working drawings, and construction of a new automotive shop adjacent to the Altaville Forest Fire Station.

**Staff Analysis.** Lease-revenue bonds must be paid back with General Fund. Due to the current General Fund condition, any additional pressures should be avoided.

**Staff Recommendation.** Staff recommends that the Subcommittee reject the budget proposal.

**Action:** Approve as budgeted

**Vote:** 3-0

## 12. Intermountain Conservation Camp: Replace Facility

**Project.** This project includes the construction of a new kitchen/messhall, 80-bed barracks building, vehicle maintenance and storage buildings, a dayroom, administrative office space, demolition of existing structures, and site work. This camp houses approximately 80 inmates and was constructed in 1960. Increased funding requested for this project will address several funding deficiencies, including increased building material costs, additional site work, and other code-driven changes.

**Finance Letter.** The Governor submitted a finance letter with two components paid for with lease-revenue bond funds:

1. *Increase appropriation for the project:* \$5,437,000 for preliminary plans (\$182,000), working drawings (\$25,000), and construction (\$5,230,000). The additional costs are attributed to additional site work, upgraded construction materials appropriate for inmate housing, and the incorporation of current building and safety codes.
2. *Reappropriate Working Drawings and Construction:* Since the project increase in cost requires approval from the Legislature before the State Public Works Board can proceed with preliminary plan approval, the project is likely to be delayed and needs reappropriation.

**Staff Recommendation.** Staff recommends that the Subcommittee accept both finance letters.

**Action:** Approve as budgeted

**Vote:** 3-0

### 13. Miramonte Conservation Camp: Replace Facility

**Project.** This project includes the construction of a 100-bed barracks building, a kitchen/messhall, recreation and shop buildings, an administration building, barracks buildings for California Department of Corrections and Rehabilitation and CALFIRE staff, vehicle maintenance and storage buildings, a warehouse, and site work. This camp houses 100 inmates. Additional funding requested for this project will address increased site work, project management fees, and construction material costs.

**Finance Letter.** The Governor submitted a finance letter with two components paid for with lease-revenue bond funds:

1. *Increase appropriation for the project:* \$10,974,000 for construction. The project cost increased due to the almost-complete preliminary plans. A significant portion of this increase is attributed to additional site work and project management cost increase.
2. *Reappropriate Working Drawings and Construction:* Since the project increase in cost requires approval from the Legislature before the State Public Works Board can proceed with preliminary plan approval, the project is likely to be delayed and needs reappropriation.

**Staff Recommendation.** Staff recommends that the Subcommittee accept both finance letters.

**Action:** Approve as budgeted

**Vote:** 3-0

### 14. May Finance Letter Capital Outlay Proposals

**May Finance Letter.** The Governor submitted a number of capital outlay projects in May. These projects total \$28,088,000 in lease-revenue bonds. The projects are:

- *North Region Forest Fire Station Facilities:* \$2,406,000 for construction. The estimate was revised to reflect the increased size of the generator building to meet code requirements, additional site work, and updated project management fees.
- *South Operations Area Headquarters – Relocate Facility Project:* \$7,691,000 for acquisition (\$65,000), working drawings (\$71,000), and construction (\$7,555,000). The additional costs are attributed to the completion of appraisals for the site acquisition and escalation in construction and design costs.

**Staff Analysis.** Lease-revenue bonds must be paid back with General Fund. Due to the current General Fund condition, any additional pressures should be avoided.

**Staff Recommendation.** Staff recommends that the Subcommittee accept the North Region Forest Fire Station Facilities project but reject the South Operations Area Headquarters project.

**Action:** Approve both projects as budgeted

**Vote:** 3-0

## 15. May Finance Letter Capital Outlay Reappropriations

**May Finance Letter.** The Governor submitted a number of lease-revenue bond funded projects for reappropriation:

- *Ukiah Forest Fire Station: Replace Facilities – Construction.* The project is in construction and near completion. However, the construction schedule will continue into the next fiscal year. Reappropriation of the construction funding will ensure project completion.
- *Alma Helitack Base: Replace Facility – Working Drawings and Construction.* The project has been delayed because of site layout and geotechnical concerns. A supplemental geotechnical evaluation is currently being conducted on the site, which will determine final design requirements. Preliminary plans are only 5 percent complete and because the process will likely extend beyond the end of the fiscal year, it is necessary to extend expenditure authority.
- *Mendocino Ranger Unit Headquarters: Replace Automotive Shop – Working Drawings and Construction.* The project is currently in the working drawings phase, which has experienced delays associated with incorporating code updates and redesigning the septic system. The extension of the construction funding will allow the project to be bid when design is scheduled to be complete in July 2008.
- *San Luis Obispo Ranger Unit Headquarters: Replace Facility – Construction.* This project has been delayed as a result of extended negotiations between the California Polytechnic State University, San Luis Obispo, and the Department of Forestry and Fire Protection (CAL FIRE) regarding property jurisdiction and access issues. Discussions between the two parties are nearing completion and a final resolution is anticipated by May 2008. The extension of the project funding will allow the project to move forward once these issues have been resolved.
- *Statewide: Construct Forest Fire Stations – Working Drawings and Construction.* This project has been delayed by various property rights and environmental issues. The project is currently in working drawings, and construction is anticipated to begin by the middle of the budget year. Therefore, the extension of the expenditure authority will help ensure the timely completion of this project.
- *Ventura Youth Conservation Camp: Construct Apparatus Buildings, Shop and Warehouse – Working Drawings and Construction.* Due diligence issues have delayed the completion of working drawings beyond the end of this fiscal year. The extension of the funding will ensure that the construction contract can be awarded once design is completed.
- *Elk Camp Forest Fire Station: Relocate Facility – Construction.* This project was delayed because no favorable bids were received for the construction contracts when this project was initially bid by the Department of General Services (DGS). Therefore, it was necessary for CAL FIRE to manage this project. This project is currently under construction and reappropriation of the construction funds will allow this project to continue.
- *Pacheco Forest Fire Station: Replace Facility – Construction.* This project was delayed because no favorable bids were received for the construction contracts when this project was initially bid by the DGS. Therefore, it was necessary for CAL FIRE to manage this



project. This project is currently under construction and reappropriation of the construction funds will allow this project to continue.

- *Harts Mill Forest Fire Station: Replace Facility – Construction.* This project was designed and constructed by DGS, but has ancillary components that CAL FIRE will start constructing once DGS completes its work on the project. Because the work may extend beyond the end of this fiscal year, the reappropriation will be necessary to ensure CAL FIRE completes these essential components.
- *Rancheria Forest Fire Station: Replace Facility – Construction.* This project was designed and constructed by DGS, but has ancillary components that CAL FIRE will start constructing once DGS completes its work on the project. Because the work may extend beyond the end of this fiscal year, the reappropriation will be necessary to ensure CAL FIRE completes these essential components.
- *Raymond Forest Fire Station: Relocate Facility – Construction.* This project was designed and constructed by DGS, but has ancillary components that CAL FIRE will start constructing once DGS completes its work on the project. Because the work may extend beyond the end of this fiscal year, the reappropriation will be necessary to ensure CAL FIRE completes these essential components.
- *San Marcos Forest Fire Station: Relocate Facility – Construction.* This project was designed and constructed by DGS, but has ancillary components that CAL FIRE will start constructing once DGS completes its work on the project. Because the work may extend beyond the end of this fiscal year, the reappropriation will be necessary to ensure CAL FIRE completes these essential components.
- *Vallecito Conservation Camp: Replace Apparatus Building and Utilities – Construction.* This project was designed and constructed by DGS, but has ancillary components that CAL FIRE will start constructing once DGS completes its work on the project. Because the work may extend beyond the end of this fiscal year, the reappropriation will be necessary to ensure CAL FIRE completes these essential components.
- *Academy: Construct Dormitory Building and Expand Messhall – Working Drawings and Construction.* The project has been delayed as a result of wastewater treatment issues that affect this facility and the Mule Creek State Prison. The California Environmental Quality Act (CEQA) process cannot move forward without this key issue being resolved. Because the process may extend beyond the end of the fiscal year, it is necessary to extend the expenditure authority.
- *Alma Helitack Base: Replace Facility – Working Drawings and Construction.* The project has been delayed because of site layout and geotechnical concerns. A supplemental geotechnical evaluation is currently being conducted on the site, which will determine final design requirements. Preliminary plans are only 5 percent complete and because the process will likely extend beyond the end of the fiscal year, it is necessary to extend expenditure authority.
- *Badger Forest Fire Station: Replace Facility – Working Drawings and Construction.* This project has experienced delays associated with the CEQA process. Because the process may extend beyond the end of the fiscal year, it is necessary to extend the expenditure authority.
- *North Region Forest Fire Station Facilities – Preliminary Plans, Working Drawings, and Construction.* This project is being designed and managed by CAL FIRE. The preliminary plans for four sites have been approved and the rest will be completed in the

budget year. Because CALFIRE does not have a mechanism to encumber funds for in-house costs, which would otherwise be encumbered via a contract if CALFIRE were using DGS or a private design firm, the unencumbered funds for the following projects need to be reappropriated to ensure project completion.

- *Pacheco Forest Fire Station: Replace Facility – Construction.* This project was delayed because no favorable bids were received for the construction contract when it was initially bid by DGS. Therefore, it was necessary for CALFIRE to assume management of this project. The project is currently under construction and reappropriation of the construction funds will allow these projects to continue. This request is consistent with a similar request for the same project above.
- *Fawn Lodge Forest Fire Station: Replace Facility and Install New Well – Preliminary Plans, Working Drawings, and Construction.* This project is being managed by CALFIRE. However, because CALFIRE does not have a mechanism to encumber funds for in-house costs, the unencumbered funds for the project need to be reappropriated to ensure project completion.
- *Las Posadas Forest Fire Station: Replace Facility – Preliminary Plans, Working Drawings, and Construction.* This project is being managed by CALFIRE. However, because CALFIRE does not have a mechanism to encumber funds for in-house costs, the unencumbered funds for the project need to be reappropriated to ensure project completion.
- *Paso Robles Forest Fire Station: Replace Facility – Preliminary Plans, Working Drawings, and Construction.* This project is being managed by CALFIRE. However, because CALFIRE does not have a mechanism to encumber funds for in-house costs, the unencumbered funds for the project need to be reappropriated to ensure project completion.
- *Westwood Forest Fire Station: Replace Facility – Preliminary Plans, Working Drawings, and Construction.* This project is being managed by CALFIRE. However, because CALFIRE does not have a mechanism to encumber funds for in-house costs, the unencumbered funds for the project need to be reappropriated to ensure project completion.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the reappropriations listed under this item.

**Action:** Approve as budgeted

**Vote:** 3-0

## 16. Extension of Liquidation

**Finance Letter.** The Governor submitted a finance letter for an extension of the liquidation period of one year for the following lease-revenue bond funded projects:

- *Cuyamaca Forest Fire Station: Relocate Facility – Working Drawings.* This project is experiencing delays in the working drawings phase as a result of requirements imposed by San Diego County concerning encroachment and right-of-way issues. The project is

scheduled to proceed to bid by June 2008. The extension of liquidation period would ensure funds are available should completion of working drawings be delayed further.

- *Sonora Forest Fire Station: Relocate Facility* – Construction. The project is currently in the final stages of the construction phase. The close-out process and final payment is anticipated to extend beyond the end of the fiscal year. It is necessary to extend expenditure authority to ensure outstanding bills can be paid.
- *Santa Clara Ranger Unit Headquarters* – Construction. The project has experienced delays associated with encountering underground lines during site development and heavy periods of rain. Although it is currently in the construction phase, payment for activities completed in the working drawings phase has not been finalized. The extension of liquidation period would ensure that outstanding bills can be paid.

**Staff Recommendation.** Staff recommends that the Subcommittee accept the finance letter.

**Action:** Approve as budgeted

**Vote:** 3-0

## 17. Hollister Air Attack Base: Relocate Facility

**Finance Letter.** The Governor submitted a finance letter to revert the acquisition and working drawings phases of this project. These phases were funded with General Fund. This project is experiencing delays in the preliminary plans phase as a result of the protracted project site negotiations with the City of Hollister. The preliminary plan approval for the project may extend into the 2008-09 fiscal year. Therefore, the funds for working drawings will not be needed in the budget year.

**Staff Recommendation.** Staff recommends that the Subcommittee accept the finance letter.

**Action:** Approve as budgeted

**Vote:** 3-0

## 18. Budget Bill Language

**LAO Recommendation.** The LAO recommended that the Legislature adopt budget bill language specifying which capital outlay projects would be managed by the Department of Forestry and Fire Protection.

**Proposed Language.** The LAO, Department of Finance, and staff have agreed upon the following budget bill language:

3540-301-0660--For capital outlay, Department of Forestry and Fire Protection, payable from the Public Buildings Construction Fund..... 91,414,000

Schedule:

- (1) 30.10.170-Santa Clara Unit Headquarters: Replace Facility--Preliminary plans, working drawings, and construction..... 20,856,000
- (2) 30.10.210-San Mateo/Santa Cruz Unit Headquarters: Relocate Automotive Shop--Preliminary plans, working drawings, and construction..... 11,172,000
- (3) 30.20.007-Vina Helitack Base: Replace Facility-- Preliminary plans, working drawings, and construction..... 13,062,000
- (4) 30.20.015-Garden Valley Forest Fire Station: Replace Facility-- Preliminary plans, working drawings, and construction..... 6,304,000
- (5) 30.20.205-Higgins Corner Forest Fire Station: Replace Facility--Acquisition, preliminary plans, working drawings, and construction..... 9,278,000
- (6) 30.20.240-Siskiyou Unit Headquarters: Replace Facility-- Preliminary plans, working drawings, and construction..... 30,151,000
- (7) 30.30.075-Warner Springs Forest Fire Station: Replace Facility-- Construction..... 591,000

Provisions:

1. The State Public Works Board may issue lease-revenue bonds, notes, or bond anticipation notes pursuant to Chapter 5 (commencing with Section 15830) of Part 10b of Division 3 of Title 2 of the Government Code to finance the acquisition, design, and construction of the projects authorized by this item.

2. Notwithstanding any other provision of law, the funds appropriated in this item shall be available for expenditure during the 2008-09 fiscal year, except appropriations for acquisitions which shall be available for expenditure until June 30, 2011, appropriations for working drawings which shall be available for expenditure until June 30, 2010, and appropriations for construction which shall be available for expenditure until June 30, 2013. In addition, the balance of funds appropriated for construction that have not been allocated, through fund transfer or approval to bid, by the Department of Finance on or before June 30, 2011, shall revert as of that date to the fund from which the appropriation was made.

3. The Department of Forestry and Fire Protection and the State Public Works Board are authorized and directed to execute and deliver any and all leases, contracts, agreements, or other documents necessary or advisable to consummate the sale of bonds or otherwise effectuate the financing of the scheduled projects.

4. The State Public Works Board shall not be deemed a lead or responsible agency for purposes of the California Environmental Quality Act (Division 13 (commencing with Section 21000) of the Public Resources Code) for any activities under the State Building Construction Act of 1955 (Part 10b (commencing with Section 15800) of Division 3 of Title 2 of the Government Code). This section does not exempt the Department of Forestry and Fire Protection from the requirements of the California Environmental Quality Act. This section is intended to be declarative of existing law.

5. *The funds appropriated in Schedules (4) and (5) include funding for construction and preconstruction activities, including, but not limited to, study, environmental documents, preliminary plans, working drawings, equipment, and other costs relating to the design and construction of Department of Forestry and Fire Protection facilities, that may be performed by the Department of Forestry and Fire Protection. Not less than 20 days after providing notice to the Joint Legislative Budget Committee, the Department of Finance may modify which projects*

*may be managed by the Department of Forestry and Fire Protection, provided that such projects are limited to the design and construction of forest fire station facilities or facilities with substantially similar components, which can be managed by existing capital outlay staff. While the Department of Forestry and Fire Protection may manage these projects, the projects are subject to review by the State Public Works Board and require authorization to proceed to bid from the Department of Finance.*

**Action:** Approve budget bill language as shown here

**Vote:** 3-0

## 3560 State Lands Commission

### 19. Huntington Beach Field Office Replacement

**Current Office Building.** The State Lands Commission Huntington Beach office has become infected with toxic mold, due to storm damage to the roof in 2000 that allowed water to seep into the walls. Asbestos and lead paint have been previously identified in the building. The Department of General Services estimates that mold and asbestos remediation would cost over \$250,000. However, the building is not ADA compliant and the remediation would not address that problem.

The current Huntington Beach facility houses four employees who are responsible for testing and accounting oil production for royalty computations. All crude oil produced from state leases is sampled, tested and measured for gravity, water content, solids content, and other factors. This testing is used for the royalty verification calculation process. Annually, the crude oil royalties provide between \$15 to \$20 million in revenues to the state.

**Proposed New Building.** The new office building and laboratory would be 2,775 square feet with an oil laboratory. The laboratory would be designed as an explosion-proof space. The project cost includes the required equipment. The new office building would be constructed on State Lands Commission owned land in Seal Beach.

The current office would be demolished and the land sold as state surplus. The cost estimate for the site of the current office is \$3 million.

**2007-08 Budget Action.** In the 2007-08 Budget, the Legislature appropriated \$308,000 for the preliminary plans phase of this project. The total project cost is estimated at \$2,418,000.

**Governor's Budget.** The Governor's Budget proposes \$182,000 General Fund for the working drawings phase of the capital outlay project.

**Finance Letter.** The Governor submitted a finance letter withdrawing the working drawings phase proposal for 2008-09 because the preliminary plans phase will last longer than initially planned. The proposal will be resubmitted in 2009-10.

**Staff Recommendation.** Staff recommends that the Subcommittee accept the finance letter.

**Action:** Approve withdrawal of the project

**Vote:** 3-0

## 3760 State Coastal Conservancy

### 20. Reappropriation of Capital Outlay Funds

**Proposal.** The Coastal Conservancy has unencumbered balances from old bond fund appropriations because the Conservancy received grants from the Resources Agency and the Wildlife Conservation Board for certain projects, thereby freeing up the bond funds. The requested amounts would be spent on projects consistent with the purposes outlined in the *2005 Budget Act* for the Conservancy and the San Francisco Bay Conservancy programs.

**Finance Letter.** The Governor has submitted a finance letter proposing a reappropriation of Proposition 12 and Proposition 40 bond funds from the *2005 Budget Act*. The reappropriation is approximately \$9 million.

**Staff Recommendation.** Staff recommends that the Subcommittee accept the finance letter.

**Action:** Approve as budgeted

**Vote:** 3-0

## 3790 Department of Parks and Recreation

### 21. Capital Outlay – General Acquisitions

**Project.** This project would acquire new additions to existing state parks and/or improve facilities within the state park system. Potential projects include:

- Anza-Borrego Desert State Park, continuing acquisition
- Redwood parks, continuing acquisition
- Santa Cruz Mountains parks, continuing acquisition
- Statewide acquisition matching purchases

**Governor's Budget.** The Governor's Budget proposes \$5 million from the Federal Trust Fund for acquisition of important additions to existing parks or improving facilities within the state park system.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

**Action:** Approve as budgeted

**Vote:** 2-1 (Cogdill)

### 22. Capital Outlay – Opportunity and Inholding Acquisitions

**Project.** This project would acquire variously sized parcels that are either:

- *Opportunity purchases* – parcels that are adjacent to or substantially enclosed within adjoining State Park property.
- *Inholding purchases* – parcels that are surrounded at least 50 percent by State Park property and where department ownership would improve operations of the existing state park unit.

**Governor's Budget.** The Governor's Budget proposes \$2 million in 1976 bond funds for opportunity and inholding purchases for state parks.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

**Action:** Approve as budgeted

**Vote:** 2-1 (Cogdill)

### 23. Four-Wheel Drive Improvements

**Project.** This project would provide for improvements to the existing Four-Wheel Drive area at Prairie City State Vehicular Recreational Area that includes four picnic sites each with a toilet, a shade ramada for group gatherings, irrigated turf and trees, graveled staging and parking areas and roads to provide all weather access, mass tree plantings for shade and buffer of adjacent private lands, water distribution system, fences, and signage.

**Governor's Budget.** The Governor's Budget proposes \$150,000 from the Off-Highway Vehicle Fund for preliminary plans and working drawings for the Prairie City State Vehicular Recreational Area.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

**Action:** Approve as budgeted

**Vote:** 3-0

## 24. Oceano Dunes SVRA Visitor Center and Equipment Storage

**Project.** This project would construct two new buildings at Pismo State Beach: a visitor center and an equipment storage facility. This project will provide a multi-functional facility including interpretive displays, resource management displays along with community outreach and meeting/training space for park staff and volunteers, replacing the outdated modular building to meet increased public demand. This project will also provide a new storage building for maintenance services and protection from salt air corrosion for high-value vehicles used to service Oceano Dunes State Vehicular Recreational Area.

**Governor's Budget.** The Governor's Budget proposes \$143,000 in Proposition 84 bond funds for preliminary plans for the Oceano Dunes State Vehicular Recreation Area visitor center and equipment storage project.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

**Action:** Approve as budgeted

**Vote:** 3-0

## 25. Statewide OHV Opportunity Purchases

**Project.** This project would do the following:

- Property appraisals prior to Departmental requests for acquisition appropriations;
- Purchase of real property inholdings and parcels adjacent to State Vehicular Recreation Areas that are supported by the Off-Highway Motor Vehicle Recreation Program, or parcels available through tax default that fall within the Department's five-year plan for program expansion; and
- Preparation of developing budget cost estimates and schematics for future development projects.

**Governor's Budget.** The Governor's Budget proposes \$1 million from the Off-Highway Vehicle Fund for opportunity purchases and pre-budget schematics.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

**Action:** Approve as budgeted

**Vote:** 3-0



## 26. Project Development

**Project.** The Governor has requested the following projects:

- *Gaviota State Park: Coastal Trail Development* – Request for \$3,017,000 in Proposition 84 bond funds for planning and construction of 1.25 miles of paved trail.
- *Marshall Gold Discovery State Historic Park: Park Improvements* – Request for \$340,000 in Proposition 84 bond funds for preliminary plans to enhance visitor's educational and interpretive experience.
- *Statewide Budget Development* – Request for \$300,000 in Proposition 84 bond funds for studies, including initial investigations and preparing budget cost estimates.

**Governor's Budget.** The Governor's Budget proposes \$3,657,000 in Proposition 84 bond funds for three park development projects.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposals.

**Action:** Approve as budgeted

**Vote:** 3-0

## 27. Minor Capital Outlay

**Project.** These minor capital outlay projects are:

- *Off-Highway Vehicle Minor Capital Outlay Program* – Request for \$3 million from the Off-Highway Vehicle Fund for various minor construction of maintenance and administration facilities in various State Vehicular Recreational Areas.
- *Statewide: Recreation Trails Program* – Request for \$500,000 in Proposition 84 bond funds for reconstruction of unsafe and damaged trails within the State Park system.
- *Statewide: State Park System Minor Capital Outlay Program* – Request for \$2,154,000 in Proposition 84 bond funds for construction of enhancements and/or improvements to address critical issues of health and safety, accessibility, and protection and restoration of cultural and natural resources.
- *Statewide: Volunteer Enhancement Program* – Request \$649,000 in Proposition 84 bond funds for construction and repair of volunteer facilities and camp host sites located statewide within the State Park System.

**Governor's Budget.** The Governor's Budget proposes \$6,303,000 from various funding sources for minor capital outlay projects within the state park system.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the minor capital outlay budget proposals.

**Action:** Approve as budgeted

**Vote:** 3-0

## 28. Malibu Creek State Park – Restore Sepulveda Adobe Project

**Project.** The project would restore the historic Sepulveda Adobe and add interpretation and furnishings for it to serve as a house museum. The project includes the restoration of interior building finishes, lighting, and other fixed improvements. It also includes research and implementation of interpretive and furnishing plans; reconstruction; interpretation, and restoration of site structures and landscaping around the building, as well as ADA improvements to provide for handicap accessibility to the building.

**Finance Letter.** The Governor submitted a finance letter for an increase of \$836,000 in Proposition 12 bond funds for additional construction costs for the project. With this increase, the total project cost would be \$2,667,000.

**Staff Recommendation.** Staff recommends that the Subcommittee accept the finance letter.

**Action:** Approve as budgeted

**Vote:** 3-0

## 29. Cuyamaca Rancho State Park – Equestrian Facilities Project

**Project.** This project would provide replacement equestrian use facilities within the 26,000 acre Cuyamaca Rancho State Park. The project would construct a day-use equestrian trailhead parking area and provide trail connections from the new facilities to the existing trail system.

**Finance Letter.** The Governor submitted a finance letter for \$183,000 in Proposition 84 bond funds for preliminary plans for the Cuyamaca Rancho State Park: Equestrian Facilities project. The total project cost would be \$3,441,000.

**May Finance Letter.** The Governor submitted a May Finance letter to increase working drawing by \$227,000 in Proposition 84 bond funds.

**Staff Recommendation.** Staff recommends that the Subcommittee accept the finance letter increasing the preliminary plans funds, but reject the increase to working drawings because the preliminary plans phase has not yet started.

**Action:** Approve both letters as budgeted

**Vote:** 3-0

## 30. Eastshore State Park – Brickyard Cove Development Project

**Project.** This project would develop initial public day use facilities at Brickyard Cove, the largest recreation development opportunity identified in the 2002 General Plan for Eastshore

State Park. This project will provide parking, bayshore access, improved turf play and picnic areas; trails; a shoreline access for walking, fishing, and kayaking; concession-operated food and bicycle rentals; interpretation; habitat improvement; and restrooms.

**Finance Letter.** The Governor submitted a finance letter for \$771,000 in Proposition 84 bond funds for preliminary plans for the Brickyard Cove Development project. The total project cost would be \$11,479,000.

**Staff Recommendation.** Staff recommends that the Subcommittee accept the finance letter.

**Action:** Approve as budgeted

**Vote:** 3-0

### 31. Reappropriations of Miscellaneous Projects

**May Finance Letter.** The Governor submitted a May finance letter requesting the reappropriation of the following special funded projects:

- *Habitat Conservation, Proposed Additions* – Acquisition. Negotiations are underway to acquire the Corral Canyon North property in the Angeles District. Reappropriation will allow this project to continue. Funding source is the Habitat Conservation Fund.
- *San Elijo State Beach, Replace Main Lifeguard Tower* – Construction. The project was delayed by the incorporation of new building codes into the preliminary plans. Working drawings are now underway and it is anticipated that the project will proceed to bid in August 2008. Reappropriation will be needed to award the construction contract. Although the Governor’s Budget proposes a reduction of lifeguard staffing at this park, this project is still needed for the remaining lifeguards. The funding source is the federal trust fund.
- *California Indian Museum* – Preliminary Plans, Working Drawings, and Construction. Planning activities for this project are ongoing and the requested reappropriation will enable the department to accomplish these activities, including securing non-state funding.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the reappropriations listed under this item.

Split action:

**First Action:** Approve Habitat Conservation, Proposed Additions as budgeted

**Vote:** 2-1 (Cogdill)

**Second Action:** Approve San Elijo State Beach, Replace Main Lifeguard Tower and California Indian Museum as budgeted

**Vote:** 3-0

### 32. Reappropriations of Proposition 12 Bond Funded Projects

**May Finance Letter.** The Governor submitted a May finance letter requesting the reappropriation of the following Proposition 12 bond funded projects:

- *Cardiff State Beach, Rebuild South Cardiff Facilities* – Construction. Negotiations with the contractor over project close-out may extend into the next fiscal year, thus making reappropriation necessary. The project is nearly complete.
- *Rancho San Andres, Castro Adobe* – Preliminary Plans, Working Drawings, and Construction. The project has been delayed because of the difficulty in locating the adobe block necessary to complete this project. Although the adobe materials have been secured, reappropriation will allow for completion of the project.
- *Crystal Cove State Park, El Morro Mobilehome Park Conversion* – Construction. The construction contract was recently awarded. However, because of the delays associated with clearing the site and securing additional project funding, reappropriation is needed to complete the project.
- *Rancho San Andres, Castro Adobe* – Construction. The project has been delayed because of the difficulty in locating the adobe block necessary to complete this project. Although the adobe materials have been secured, reappropriation will allow for completion of the project.
- *San Elijo State Beach, Replace Main Lifeguard Tower* – Preliminary Plans and Working Drawings. The project was delayed by the incorporation of new building codes into the preliminary plans. Working drawings are now underway and it is anticipated that the project will proceed to bid in August 2008. Reappropriation will provide the necessary funding for the completion of the working drawings. Although the Governor's Budget proposes a reduction of lifeguard staffing at this park, this project is still needed for the remaining lifeguards.
- *San Elijo State Beach, Replace Main Lifeguard Tower* – Construction and Equipment. The project was delayed by the incorporation of new building codes into the preliminary plans. Working drawings are now underway and it is anticipated that the project will proceed to bid in August 2008. Reappropriation will be needed to award the construction contract. Although the Governor's Budget proposes a reduction of lifeguard staffing at this park, this project is still needed for the remaining lifeguards.
- *Statewide, State Park System* – Minor Projects. Weather conditions in the Sierra District have delayed completion of the Emerald Bay State Park: Reconstruct Eagle Point Fire Road. Reappropriation will allow for its completion next year.

**Staff Recommendation.** Staff recommends that the Subcommittee reappropriate the Proposition 12 bond funded projects.

**Action:** Approve as budgeted

**Vote:** 3-0

### 33. Reappropriations of Proposition 40 Bond Funded Projects

**May Finance Letter.** The Governor submitted a May finance letter requesting the reappropriation of the following Proposition 40 bond funded projects:

- *Statewide, Acquisition-Proposition 40* – Acquisition. Many significant acquisitions have been completed with this funding. However, because of concerns over property valuations on several acquisitions, reappropriation will allow this funding to be used for other high priority acquisitions.
- *Will Rogers State Historic Park, Restoration of Historic Landscape* – Construction. Project completion is anticipated for April 2009. Reappropriation is necessary to cover contractor payments and for continued project construction management. Although this park is on the Governor’s proposed park closure list, it would not be prudent to stop this project at this point in the schedule because it would not yield any significant savings and would result in an unfinished project.
- *Railroad Technology Museum, Rehabilitation and Facilities Plan* – Study and Preliminary Plans. Project-related activities continue to be on hold until the lease and agreements with the developer and the City of Sacramento can be executed. Negotiations between all parties are continuing. Reappropriation is needed to complete the studies and to secure project funding.
- *Railroad Technology Museum, Rehabilitation and Facilities Plan* – Working Drawings and Construction. Project-related activities continue to be on hold until the lease and agreements with the developer and the City of Sacramento can be executed. Negotiations between all parties are continuing. Reappropriation is needed to complete the studies and to secure project funding.
- *Railroad Technology Museum, Rehabilitation and Facilities Plan* – Reimbursement. Project-related activities continue to be on hold until the lease and agreements with the developer and the City of Sacramento can be executed. Negotiations between all parties are continuing. Reappropriation is needed to complete the studies and to secure project funding.
- *Chino Hills State Park, Entrance Road and Facilities* – Working Drawings. Working drawings are 90 percent complete, but still need to be reviewed by consultants, District, and project staff. The plans and review are expected to be completed by September 2008. Reappropriation will allow for plan completion and review.
- *Chino Hills State Park, Entrance Road and Facilities* – Construction and Equipment. Working drawings are 90 percent complete, but still need to be reviewed by consultants, District, and project staff. The plans and review are expected to be completed by September 2008. Reappropriation will allow for this project to proceed to bid.
- *Donner Memorial State Park, New Visitor Center* – Working Drawings, Construction, and Equipment. Completion of working drawings has been delayed by State Fire Marshal approval and weather conditions in the Sierras. The reappropriation is needed to complete the working drawings and to allow the project to proceed to bid.
- *Donner Memorial State Park, New Visitor Center* – Working Drawings and Construction. Completion of working drawings has been delayed by State Fire Marshal approval and weather conditions in the Sierras. The reappropriation is needed to complete the working drawings and to allow the project to proceed to bid.
- *Donner Memorial State Park, Visitor Center* – Reimbursement. Completion of working drawings has been delayed by State Fire Marshal approval and weather conditions in the Sierras. The reappropriation is needed to receive and expend the project-related reimbursements.

- *Donner Memorial State Park, New Visitor Center* – Reimbursement. Completion of working drawings has been delayed by State Fire Marshal approval and weather conditions in the Sierras. The reappropriation is needed to receive and expend the project-related reimbursements.
- *MacKerricher State Park, Rehab Historic Pudding Creek Trestle* – Construction. The project is nearly complete, however some construction-related mitigation work will extend into 2008-09. Reappropriation will provide the funding for this mitigation work.
- *Statewide, State Park System Opportunity and Inholding Acquisitions* – Acquisition. The remaining funding is needed to complete the Corral Canyon North, Angeles District, acquisition project.
- *Capital Outlay Projects* – Acquisition, Preliminary Plans, Working Drawings, Construction, and Minor Projects. Reappropriation will provide reimbursement authority for the receipt and expenditure of funds from outside agencies for project-related work that the department has performed under contract.
- *Capital Outlay Projects* – Reimbursements. Reappropriation will provide reimbursement authority for the receipt and expenditure of funds from outside agencies for project-related work that the department has performed under contract.
- *Jedediah Smith Redwoods State Park, Aubell Maintenance Facility* – Construction. Negotiations with the National Park Service are underway to secure the matching federal funding needed before this project can proceed. Reappropriation is necessary to continue this project.

**Staff Recommendation.** Staff recommends that the Subcommittee reappropriate the Proposition 40 bond funded projects.

Split Action:

**First Action:** Approve Statewide Acquisitions, Proposition 40 as budgeted

**Vote:** 2-1 (Cogdill)

**Second Action:** Approve Statewide Park System Opportunity and Inholding Acquisitions as budgeted

**Vote:** 2-1 (Cogdill)

**Third Action:** Approve all other listed projects in this item as budgeted

**Vote:** 3-0

## 34. Reappropriation of Proposition 84 Bond Funded Projects

**May Finance Letter.** The Governor submitted a May finance letter requesting the reappropriation of the following Proposition 84 bond funded projects:

- *Los Angeles State Historic Park, Planning and Phase I Building-Out* – Preliminary Plans. The preliminary plans have been delayed as a result of extended contract negotiations.

Reappropriation is necessary to provide the funding for completion of the preliminary plans.

- *Calaveras Big Trees State Park, New Visitor Center – Working Drawings, Construction, and Equipment.* The working drawings are being finalized, with an anticipated completion of August 2008. Reappropriation is needed to provide the funding necessary for the completion of the working drawings.
- *Calaveras Big Trees State Park, New Visitor Center – Reimbursement.* Working drawings are being finalized, with an anticipated completion of August 2008. Reappropriation of this item will allow for the department to receive reimbursement for project-related activities paid for by the Calaveras Big Trees Association.

**Staff Recommendation.** Staff recommends that the Subcommittee reappropriate the Proposition 84 bond funded projects.

**Action:** Approve as budgeted

**Vote:** 3-0

## 35. Extension of Liquidation

**May Finance Letter.** The Governor submitted a May finance letter requesting that Item 3790-493 be added to extend the liquidation period by one year for the Statewide Minors, Interpretive Exhibits project from Item 3790-301-0005(5), Budget Act of 2005. The extension of the liquidation is needed to close-out contracts for existing projects.

**Staff Recommendation.** Staff recommends that the Subcommittee accept the extension of liquidation.

**Action:** Approve as budgeted

**Vote:** 3-0

## 36. Reversions of Capital Outlay Funding

**May Finance Letter.** The Governor submitted a May finance letter requesting that the following projects have their unencumbered balances reverted:

- *Los Angeles River Parkway Project, Acquisition and Development – Acquisition.* This project has been completed and the project savings can be used for other priority projects.
- *Mount Diablo State Park, Road System Improvements – Construction.* This project has been completed and the project savings can be used for other priority projects.
- *Prairie City State Vehicular Recreation Area: Improvement Project – Working Drawings and Construction.* This project has been completed and the project savings can be used for other priority projects.
- *Plumas-Eureka State Park: Historic Stamp Mill Preservation – Study and Partial Construction.* The project has been suspended. The first phase of this project included emergency stabilization and studies. This work revealed that the total cost to preserve the stamp mill would exceed the funds available for this purpose. Additionally, because this park is on the Governor's proposed park closure list it would not be prudent to move

forward with this project at this time. Therefore, the department is requesting termination of this project.

**Staff Recommendation.** Staff recommends that the Subcommittee accept the reversions.

**Action:** Approve as budgeted

**Vote:** 3-0

## 3810 Santa Monica Mountains Conservancy

### 37. Capital Outlay – Acquisition and Local Assistance Grants

**Background.** The Santa Monica Mountains Conservancy's (SMMC) strategic plan is to purchase, preserve, protect, restore, and enhance land to form an interlinking system of urban, rural and river parks, as well as open space, trails, and wild-life habitats accessible to the general public. In addition, the SMMC forms partnerships with other agencies, including federal, state, county, city, resources conservation districts, water districts, park, and open space districts.

The cost of land in the SMMC operations area is estimated at \$10,000 per acre. SMMC pays full-market value to acquire privately-owned watershed property.

Proposition 84 (Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Act of 2006) dedicates \$56 million in bond funds specifically for the Santa Monica Mountains Conservancy. Chapter 5, Section 75050 provides \$36 million and Chapter 7, Section 75060 provides an additional \$20 million. Of this amount, \$17 million was appropriated to the SMMC in the *2007-08 Budget Act*. To date, the Conservancy has encumbered \$8 million.

**Governor's Budget.** The Governor's Budget proposes \$20 million in Proposition 84 bond funds for land acquisition and local assistance grants.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

**Action:** Approve as budgeted

**Vote:** 2-1 (Cogdill)

### 38. Capital Outlay and Grants

**Background.** The Santa Monica Mountain Conservancy (SMMC) was established in 1980 to acquire land and operate programs for conservation, parkland and recreational purposes. The SMMC has support in the local community, and receives donations and other gifts, in addition to settlements. The SMMC would use these alternative-source funds to fulfill its mission.

**Governor's Budget.** The Governor's Budget proposes \$367,000 in spending authority to the SMMC from the gifts the SMMC has received from the public.



**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

**Action:** Approve as budgeted

**Vote:** 3-0

### 39. Capital Outlay and Local Assistance Grants Reappropriation

**Background.** In the *2004 Budget Act*, the Santa Monica Mountains Conservancy received a capital outlay appropriation. The original appropriation was for \$12.4 million.

**Governor's Budget.** The Governor's Budget proposes \$2 million for reappropriation.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

**Action:** Approve as budgeted

**Vote:** 2-1 (Cogdill)

### 40. Proposition 12 Grant Project – Extension of Liquidation

**Project.** This project will connect the Los Angeles River bikeway and the Arroyo Seco bikeway and transform the Confluence Park from an open area to a park with native plants, walking and bicycle paths, benches, and interpretive displays. The project will not be completed by June 30, 2008, because of delays in negotiations with local governments and in the bidding process. This project has a component with the Department of Parks and Recreation and the Santa Monica Mountains Conservancy.

**Finance Letter.** The Governor submitted a finance letter to extend the liquidation period for the project until June 30, 2009.

**Staff Recommendation.** Staff recommends that the Subcommittee accept the finance letter.

**Action:** Approve as budgeted

**Vote:** 3-0

## 3825 San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy

### 41. Proposition 84, Capital Outlay and Grants

**Background.** The Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Act of 2006 (Proposition 84), Chapter 5, Section 75050 provides \$36 million to the Conservancy. The funds are intended for restoration and protection of rivers, lakes and streams, watersheds and their associated land, water, and other natural resources.

In the *2007-08 Budget Act*, the Legislature provided \$25 million in Proposition 84 bond funds to the Conservancy for capital outlay projects, and an additional \$2.4 million over five years to pay for staffing and administration costs associated with the bond-funded projects.

**Governor's Budget.** The Governor's Budget proposes \$8 million in Proposition 84 bond funds for capital outlay for the Urban Lands and River Parkway programs.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

**Action:** Approve as budgeted

**Vote:** 3-0

## 3835 Baldwin Hills Conservancy

### 42. Proposition 40 Reappropriation

**Proposal.** The original appropriations in 2004 and 2005 did not provide funding for specific projects, but for a general program category of Capital Outlay Acquisition and Improvement Program. Consequently, a reappropriation is appropriate because it will continue to be used for the purposes of the original appropriation. The reappropriation amounts will be used for one or a combination of the following projects:

- Acquisition of land in Western Ridgeline
- Ballona Creek Interpretive Station at Milton Street
- Stocker Corridor Trail improvements
- La Brea Green Belt improvements
- Ballona Creek trail connection with Baldwin Hills Scenic Overlook
- Acquisition of land behind West Los Angeles College

**Finance Letter.** The Governor has submitted a finance letter requesting for a reappropriation of \$7.2 million in Proposition 40 bond fund and \$8.6 million in Proposition 40 bond funds for acquisition and improvement programs. Due to difficulties in the negotiations with landowners to acquire and improve land that has active oil production, only a portion of the funding has been spent.

**Staff Recommendation.** Staff recommends that the Subcommittee accept the finance letter.

**Action:** Approve as budgeted

**Vote:** 2-1 (Cogdill)

## 3845 San Diego River Conservancy

### 43. Capital Outlay Reimbursement Authority

**Proposal.** The funds would be used for the development of the River Gorge Trail and the implementation of a control program for invasive, nonnative species throughout the San Diego River Watershed. The original sources of the reimbursements are Resources Agency's Proposition 40 appropriations for River Parkways and the Department of Fish and Game's General Fund appropriation for control of nonnative species.

**Finance Letter.** The Governor submitted a finance letter for \$1 million in Reimbursement authority to provide capital outlay funding for the San Diego River Conservancy.

**Staff Recommendation.** Staff recommends that the Subcommittee accept the finance letter.

**Action:** Approve as budgeted

**Vote:** 3-0

## 3850 Coachella Valley Mountains Conservancy

### 44. Fund Shift from Support Funds to Capital Outlay

**April Finance Letter.** The Governor submitted a finance letter proposing (1) a fund shift of \$70,000 from Proposition 84 funds to Reimbursements for the Coachella Valley Mountains Conservancy's state operations budget to provide acquisition management services to the Coachella Valley Conservation Commission, and (2) an increase of capital outlay funding by \$70,000 Proposition 84 funds from the savings generated by the fund shift.

**May Finance Letter.** The Governor submitted a May finance letter to amend the April finance letter to only shift \$40,000 from Proposition 84 to Reimbursements, and only increase capital outlay funding by \$40,000 (rather than \$70,000).

**Staff Recommendation.** Staff recommends that the Subcommittee accept the finance letters.

**Action:** Approve as budgeted

**Vote:** 2-1 (Cogdill)

## 3860 Department of Water Resources

### 45. Yuba River Basin Project

**Project.** The purpose of the Yuba River Basin Project is to improve the level of flood protection for the Marysville and Linda/Olivehurst/Arboga area to a level appropriate for urban areas. This proposal would complete the General Reevaluation Report and initiation of the design of the Marysville Ring Levee Reconstruction element of the Yuba River Basin Project.

**Finance Letter.** The Governor submitted a finance letter for \$734,000 (\$554,000 in Proposition 1E and \$180,000 in Reimbursement authority) for the working drawings phase of the Yuba River Basin Project. This proposal includes 1.1 existing positions. This proposal also reverts \$2 million in previously approved General Fund for this project.

**Staff Recommendation.** Staff recommends that the Subcommittee accept the finance letter.

**Action:** Approve as budgeted

**Vote:** 3-0

### 46. Natomas Levee Improvement Program Early Implementation Project

**Project.** The project would improve the level of flood control protection to the Natomas Basin perimeter levee system located north of Sacramento. The project would: 1) provide at least a 100-year level of flood protection to the Natomas Basin by 2010; 2) provide 200-year protection to the basin by 2012; and 3) avoid any substantial increase in expected annual damages for new development in the basin.

**Finance Letter.** The Governor submitted a finance letter for \$194,202,000 from Proposition 1E bond funds and 3.7 positions for the State's cost share of the design and construction of the Sacramento Area Flood Control Agency's Natomas Levee improvement program early implementation projects.

**Staff Recommendation.** Staff recommends that the Subcommittee accept the finance letter.

**Action:** Approve as budgeted

**Vote:** 3-0

## 47. West Sacramento Early Implementation Project

**Project.** The federal Water Resources Development Act of 1992 authorized the four segments of the Sacramento Metropolitan Area Project to achieve 200-year flood protection for the City of West Sacramento. Currently, evaluation is underway of the level of flood protection afforded by the existing City of West Sacramento levees and remediation measures to achieve 200-year protection. These four early implementation project segments are considered “projects of no regret” and have been identified to be included in the proposed solutions, offer the greatest reduction in public risk with the least negative environmental impact, and are ready to be implemented.

**Finance Letter.** The Governor submitted a finance letter for \$37,370,000 from Proposition 1E bond funds and 1.3 positions for the State’s cost share to design and construct four early implementation project segments of the West Sacramento Project for the West Sacramento Flood Control Agency.

**Staff Recommendation.** Staff recommends that the Subcommittee accept the finance letter.

**Action:** Approve as budgeted

**Vote:** 3-0

## 48. Marysville Ring Levee Reconstruction Project

**Project.** The purpose of the Marysville Ring Levee Reconstruction Project is to improve the level of flood protection for the City of Marysville to a 200-year level. The project work consists of constructing 5.5 miles of levee slurry walls, toe drains, and seepage berms around the City of Marysville. This project would acquire temporary and permanent easements. This project would also relocate some residences and utilities. The current cost estimate for the project is approximately \$50 million.

**Finance Letter.** The Governor submitted a finance letter for \$17,622,000 (\$12,372,000 in Proposition 1E bond funds and \$5,250,000 in reimbursement authority) and 3.5 existing positions for construction of the Marysville Ring Levee Reconstruction Project.

**Staff Recommendation.** Staff recommends that the Subcommittee accept the finance letter.

**Action:** Approve as budgeted

**Vote:** 3-0

## 49. American River Common Features Project

**Project.** The objective of the project is to improve the level of flood protection for Sacramento. The project will include a completion of jet grouting; completion of the Mayhew Levee Raise and Closure Structure; planning, design, and construction of the American River Common Features Project Water Resources Development Act of 1999 features; and general reevaluation

report regarding the levees in the Sacramento Region along the lower American River and Sacramento River in the Natomas and Pocket areas.

**Finance Letter.** The Governor submitted a finance letter for \$8,734,000 (\$6,154,000 in Proposition 1E bond funds and \$2,580,000 reimbursement authority) and 3.1 existing positions to continue the re-evaluation, design, and construction of the American River Common Features Project. This proposal also reverts \$7.6 million in previously authorized General Fund for this project.

**Staff Recommendation.** Staff recommends that the Subcommittee accept the finance letter.

**Action:** Approve as budgeted

**Vote:** 3-0

## 50. Folsom Dam Modifications Project

**Project.** This project will enhance the flood release capability of Folsom Dam, and thereby increase the level of flood protection to Sacramento. The new spillway would release flows of up to 160,000 cubic feet per second in combination with existing dam outlets. When complete, this project is estimated to improve flood protection along the lower American River to about a 156-year level.

**Finance Letter.** The Governor submitted a finance letter for \$4,986,000 (\$3,532,000 in Proposition 1E bond funds and \$1,454,000 in Reimbursement authority) and 1.4 exiting positions to continue construction of the Folsom Dam Modifications Project.

**Staff Recommendation.** Staff recommends that the Subcommittee accept the finance letter.

**Action:** Approve as budgeted

**Vote:** 3-0

## 51. Folsom Bridge Project

**Proposal.** The *2007 Budget Act* provided \$4.4 million Proposition 1E bond funds for the Folsom Bridge Project. SB 5 (Machado, 2007), enacted shortly after the *2007-08 Budget Act*, allows the Department of Water Resources (DWR) to implement flood protection improvements if the director of DWR determines, in writing, that various criteria are met, including that the project will reduce flood risk. DWR has indicated that they do not believe they can make a finding/determination that the Folsom Bridge Project would meet the criteria specified in SB 5. DWR believes that budget bill language is necessary to authorize the implementation of the Folsom Bridge Project in spite of SB 5's provisions.

### **Budget Bill Language:**

3860-401—Notwithstanding Water Code Section 9613, funding for the bridge project identified in Water Code Section 12670.11(a)(3), including amounts appropriated pursuant to Item 3860-

301-6052 of the Budget Act of 2007 (Chapters 171 and 172, Statutes of 2007), may be expended without the findings otherwise required by Section 9613.

**Staff Recommendation.** Staff recommends that the Subcommittee adopt the budget bill language.

**Action:** Approve as budgeted

**Vote:** 3-0

## 52. Reappropriations

**Finance Letter.** The Governor submitted a finance letter requesting reappropriation of the following projects:

- 30.95.111 1997 Flood Damage Repair Projects
- 30.95.210 Tisdale Bridge Replacement
- 30.95.200 Magpie Creek Small Flood Control Project
- 30.95.260 South Sacramento County Streams
- 30.95.105 Marysville/Yuba Levee Construction
- 30.95.211 1997 Flood Damage Repair Projects – San Joaquin Valley
- 30.95.255 Eastside Bypass Levee Raising Project

**Staff Recommendation.** Staff recommends that the Subcommittee accept the finance letter.

**Action:** Approve as budgeted

**Vote:** 3-0

## SUBCOMMITTEE NO. 2

## Agenda

Alan Lowenthal, Chair  
Darrell Steinberg  
Dave Cogdill



Thursday, May 22, 2008, Outcomes  
Upon adjournment of Session  
Room 3191

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### Resources—Environmental Protection—Energy

Pursuant to the Americans with Disabilities Act, individuals who, because of a disability, need special assistance to attend or participate in a Senate Committee hearing, or in connection with other Senate services, may request assistance at the Senate Rules Committee, 1020 N Street, Suite 255 or by calling 916-324-9335. Requests should be made one week in advance whenever possible.



## Vote-Only Calendar

### 0540 Secretary for Resources

#### 1. San Joaquin River Restoration

**Background.** In 1988, the Natural Resources Defense Council (NRDC) sued the Bureau of Reclamation and the Friant Water Users Authority (FWUA) over the fish population levels in the river. In August of 2006, NRDC and FWUA entered into a settlement agreement, the goal of which is to “restore and maintain fish populations” in the San Joaquin River below the Friant Dam. The settlement specifies actions that will be taken over the next 20 years to restore the San Joaquin River. The intent is to restore approximately 150 miles of river from the Friant Dam to the confluence with the Merced River.

Under the agreement, the federal government will provide funds to restore the river, while FUWA agreed to actions that will increase flows in the river.

**State Role.** While the state is not a party to the lawsuit, The Department of Water Resources, the Resources Agency, and the California Environmental Protection Agency have entered into a memorandum of understanding (MOU) with the settling parties regarding the state’s role in the restoration. These departments did not have the authority to enter into an MOU, and such an MOU does not place contractual obligations on the Legislature.

Proposition 84 (Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Act of 2006) provides \$100 million to the Resources Agency for the San Joaquin River restoration. The Resources Agency estimates that costs for restoring the San Joaquin River will range from \$350 to \$800 million over 20 years.

In the *2007-08 Budget Act*, the Legislature provided \$13.8 million in one-time bond funds for studies, baseline monitoring, project planning, management, and other research costs; the establishment of a technical advisory committee; and the establishment, operation, and other costs of the Restoration Administrator.

**Governor’s Budget.** The Governor’s Budget proposes \$15,906,000 in Proposition 84 bond funds for the San Joaquin River restoration, which would be provided to the Department of Water Resources (60%) and Department of Fish and Game (40%). These funds would be spent primarily on planning, design, and easement acquisition.

In addition, the Governor proposes the following budget bill language:

*The funds appropriated in this item for purposes of subdivision (n) of Section 75050 of the Public Resources Code may only be expended upon enactment of federal legislation to implement, and to fund the federal government’s share of, the settlement agreement in N.R.D.C. v. Rodgers.*

*The funds appropriated in this item for purposes of Section 75050(n) of the Public Resources Code shall be available for encumbrance or expenditure until June 30, 2011, for purposes of support, local assistance, or capital outlay.*

**LAO 2007 Analysis.** The LAO pointed out that the Legislature has never been given an opportunity to evaluate the state's appropriate role in the restoration. The restoration effort is likely to require significant state contributions over the next several decades. The LAO thought that if the administration wishes to move forward with restoration activities, it should sponsor a policy bill to ratify the memorandum of understanding. Such a policy bill would allow the Legislature to fully evaluate the commitment the administration is proposing, as well as allowing the Legislature to determine the overall parameters of state involvement in the restoration. So far the administration has not introduced a bill to ratify the memorandum of understanding.

In addition, the LAO noted that the state is not directly responsible for the condition of the San Joaquin River that led to the lawsuit. Under the "polluter pays" principle, the responsible parties – in this case the federal government and the water users – should bear the primary responsibility for the restoration of the river. Currently, the funding contribution of the responsible parties is subject to significant uncertainty. The settlement agreement, for example, provides that any party to the lawsuit can void the settlement if federal legislation to implement the settlement is not enacted by December 31, 2006. Such legislation has not yet been passed. The LAO advises against the state taking actions that potentially diminish the legal obligations of the responsible parties to restore the damage they have caused.

**Previous Subcommittee Action.** Approved as budgeted with the Governor's budget bill language.

**Staff Recommendation.** Staff recommends that the Subcommittee replace the previously approved Governor's budget bill language with the following budget bill language:

*Expenditure of the funds appropriated in this item shall continue only so long as the United States Bureau of Reclamation continues to provide federal funds and continues to carry out federal actions to implement the settlement agreement in N.R.D.C. v. Rodgers.*

*The funds appropriated in this item for purposes of Section 75050(n) of the Public Resources Code shall be available for encumbrance or expenditure until June 30, 2011, for purposes of support, local assistance, or capital outlay.*

**Action:** Approved new budget bill language

**Vote:** 3-0

## 2. Cigarette and Tobacco Products Surtax Fund

**May Revise.** The May Revise proposal to reduce the allocated portion of the Cigarette and Tobacco Products Surtax Fund by approximately 3 percent (due to declining revenues) impacts the following Resources Agency departments:

- California Conservation Corps – Decrease of \$10,000

- Department of Forestry and Fire Protection – Decrease of \$14,000
- Department of Fish and Game – Decrease of \$91,000
- Department of Parks and Recreation - \$334,000

**Staff Recommendation.** Staff recommends that the Subcommittee accept the budget proposal.

**Action:** Approved as budgeted

**Vote:** 3-0

### 3. CALFED Watershed Program Transfer

**Background.** The CALFED Watershed Program is currently located at the Secretary for Resources, but has been administered by the Department of Conservation since 2000-01. The Subcommittee, on April 14, approved trailer bill language moving the program to the Department of Conservation. This proposal transfers oversight positions for the CALFED Watershed Program from the Secretary for Resources to the Department of Conservation.

**Finance Letter.** The Governor has submitted a finance letter proposing a reduction of \$249,000 from the California Environmental License Plate Fund and two positions for the CALFED Watershed Program. These positions would be shifted to the Department of Conservation.

**Staff Recommendation.** Staff recommends that the Subcommittee accept the finance letter.

**Action:** Approved as budgeted

**Vote:** 2-1 (Cogdill)

### 4. River Parkways

**Background.** River parkway projects must provide public access or be a component of a larger parkway plan that provides public access. This request would appropriate the balance of previously appropriated Proposition 13 bond funds from projects that either did not come to function or were completed under budget.

**Finance Letter.** The Governor has submitted a finance letter proposing \$1.1 million from the River Protection Subaccount of Proposition 13 bond funds for River Parkway Grants. In addition, this proposal would reappropriate Proposition 50 River Parkway grant funds originally appropriated in 2004.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the finance letter.

**Action:** Approved as budgeted

**Vote:** 3-0

## 0555 Secretary for Environmental Protection

### 5. Cigarette and Tobacco Products Surtax Fund

**May Revise.** The May Revise proposal to reduce the allocated portion of the Cigarette and Tobacco Products Surtax Fund by approximately 3 percent (due to declining revenues) impacts the following Environmental Protection Agency departments:

- Secretary for Environmental Protection – Decrease of \$2,000
- State Water Resources Control Board – Decrease of \$81,000

**Staff Recommendation.** Staff recommends that the Subcommittee accept the budget proposal.

**Action:** Approved as budgeted

**Vote:** 3-0

## 3125 California Tahoe Conservancy

### 6. Maintain Support Budget Baseline

**Background.** The Tahoe Conservancy has used up most of its program delivery allocations under Proposition 12, 40, and 50. The Conservancy's total support baseline is \$1,266,000, of which Propositions 12, 40, 50, and 84 can cover \$696,000. This leaves the Conservancy with a shortfall of \$558,000. In order to maintain the Conservancy's baseline budget, the Conservancy is requesting additional funds.

**Governor's Budget.** The Governor's Budget proposes a fund shift of \$558,000 for its support budget. The funds would come from the following sources:

- \$120,000 – Proposition 12
- \$39,000 – Proposition 40
- \$399,000 – Lake Tahoe Conservancy Account

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

**Action:** Approved as budgeted

**Vote:** 2-1 (Cogdill)

### 7. Environmental Improvement Program

**Finance Letter.** The Governor has submitted a finance letter for \$6,969,000 in federal funds for three projects:

- \$2,783,000 for the Blackwood Creek Watershed Restoration Project
- \$3,614,000 for the Lake Forest Erosion Control Project

- \$572,000 for fuel reduction on the west and north shores of Lake Tahoe

The Blackwood Creek Watershed Restoration Project and the Lake Forest Erosion Control Project require a 25 percent state match. The match would come from previously approved Proposition 84 bond funds.

**Extension of Liquidation.** The finance letter also includes an extension of liquidation for Proposition 12 bond funds from 2003. The liquidation period would be extended until June 30, 2011. The total amount of unliquidated funds is approximately \$193,000.

**Staff Recommendation.** Staff recommends that the Subcommittee accept the finance letter with the amendment that liquidation is extended until June 30, 2009, only.

**Action:** Approved with extension of liquidation until June 30, 2009

**Vote:** 3-0

## 8. Extension of Liquidation for Local Assistance

**Finance Letter.** The Governor has submitted a finance letter to extend the liquidation period for the following appropriations until June 30, 2010:

- Item 3125-101-0005, Ch. 157-03;
- Item 3125-101-0286, Ch. 157-03; and
- Item 3125-101-6029.

The unliquidated balance from these appropriations is estimated at \$433,000 for June 30, 2008.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the extension of liquidation.

**Action:** Approved as budgeted

**Vote:** 3-0

## 9. Environmental Improvement Program – May Revise

**May Revise.** The May Revise proposes two changes to the Environmental Improvement Program funding:

*Support Funding:* \$281,000 in federal funds to support the program. Specific projects include restoration of the Upper Truckee River and Blackwood Creek Watershed, erosion control in Lake Forest, and fuel reduction activities.

*Capital Outlay:* \$1,233,000 in federal funds for capital outlay projects related to river and watershed restoration and soil erosion control activities in the Lake Tahoe Basin.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the May Revise proposals of \$1,514,000 in federal funds.

**Action:** Approved as budgeted

**Vote:** 3-0

## 3480 Department of Conservation

### 10. Construction Aggregate

**Aggregate.** Aggregate is sand and gravel used in construction projects, such as the building of roads. One mile of an eight-lane highway can use 200,000 tons of aggregate. Government use accounts for about one-half of the construction aggregate use in California.

**Previous Subcommittee Action.** On April 7 the Subcommittee accepted a reduction to the Department of Conservation's Geologic Hazards and Mineral Conservation program for \$512,000 and six positions. During the same hearing, the Subcommittee approved a proposal for \$350,000 in special funds and redirected positions to work on mapping construction aggregate. The mapping is intended to ensure that sufficient amounts of aggregate will remain available for the State's large construction projects, such as the Proposition 1B freeways.

**May Revise.** With the elimination of the six positions from the Geologic Hazards and Mineral Conservation program, the Department of Conservation is short on staff to redirect. The proposal requests position authority only for mapping construction aggregate. The positions would be paid for with the \$350,000 from the Mine Reclamation Account already approved by the Subcommittee.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the May Revise proposal.

**Action:** Approved as budgeted

**Vote:** 3-0

### 11. CALFED Watershed Program Transfer

**Background.** The CALFED Watershed Program is currently located at the Secretary for Resources, but has been administered by the Department of Conservation since 2000-01. The Subcommittee, on April 14, approved trailer bill language moving the program to the Department of Conservation. This proposal transfers oversight positions and funding for the CALFED Watershed Program from the Secretary for Resources to the Department of Conservation.

**Finance Letter.** The Governor has submitted a finance letter proposing \$1,043,000 (\$249,000 from the Soil Conservation Fund and \$794,000 in one-time Proposition 50 bond funds) and two positions for the CALFED Watershed Program.

**Staff Recommendation.** Staff recommends that the Subcommittee accept the finance letter.

**Action:** Approved as budgeted

**Vote:** 2-1 (Cogdill)

## 3540 Department of Forestry and Fire Protection

### 12. Fire & Life Safety Staff Augmentation

**Background.** Under Health and Safety Code 13108, the State Fire Marshal (SFM) is responsible for the protection of life and property from fire and panic in all state-owned and state-occupied buildings. Currently there are 28,579 buildings that fall under the jurisdiction of Health and Safety Code 13108. SFM has 89 positions total to cover the responsibilities of building inspections for fire code compliance.

AB 900 (Solorio, 2007) provides \$7.7 billion from bonds and General Fund to the California Department of Corrections and Rehabilitation (CDCR) for rehabilitation activities and capital outlay. The capital outlay portion of AB 900 allows CDCR to add 40,000 new beds to the prison system, as well as 13,000 new beds to local jail facilities.

The Deputy State Fire Marshal classification is a peace officer position, and it takes approximately 8 months for the law enforcement background check to be completed and another two years to train a new recruit. Currently, SFM has 8 Fire and Life Safety applicants in the background investigation process.

**Governor's Budget.** The Governor's Budget proposes \$1,954,000 from reimbursements for 15 positions to review fire and life safety issues in state buildings, including three new positions for reviewing plans for the construction of new prison space in accordance with AB 900. The reimbursements would come from the state agencies whose buildings are reviewed.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

**Action:** Approved as budgeted

**Vote:** 3-0

### 13. Additional Battalion Chief Staffing

**Background.** Prior to July 1, 2006, the Battalion Chief (BC) classification earned more with overtime than the management position Unit Chief. Thus there were few BCs willing to promote into the levels of management. As the workforce aged, a number of managers at the Unit Chief level have retired, leaving a number of vacancies. The Department of Personnel Administration and CALFIRE reached an agreement to address the inversion issue within CALFIRE, and the managers began to again earn more than the BCs.

Additionally, on July 1, 2006, the Bargaining Unit 8 contract changed the working hours for the BC classification from 84 to 72 hours per week. However, the incumbent BCs employed prior to July 1, 2006 retained the 84-hour work week.

As promotions and retirements take place, more BC positions are converting to 72-hour work weeks. Thus the department is experiencing a shortage of BC positions.

**Governor's Budget.** The Governor's Budget proposes \$2,263,000 (\$926,000 on-going) from General Fund for 28 PY for the Battalion Chief Classification.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

**Action:** Approved as budgeted

**Vote:** 3-0

### 14. Statewide Fire Suppression Cost-Recovery Unit

**Background.** Health and Safety Code Section 13009 states that any person who commits arson or negligently starts a fire is liable for the cost of fighting that fire. CALFIRE routinely investigates the causes of fires. However, to collect enough evidence to stand in court takes a great deal more effort than simply determining that the fire was caused by arson. It can take 3,000 hours of investigation and litigation for each cost-collection case. Currently CALFIRE redirects internal resources to cost-recovery efforts. Between 2001 and 2006 the CALFIRE cost-recovery team collected \$16.8 million from 34 cases, with an average annual collection of \$2.8 million. The proposed cost-recovery unit would develop procedures and policies for cost-recovery investigations.

**Cost Recovery.** The department estimates that the proposed cost-recovery unit would earn approximately \$12.5 million for the General Fund.

**Governor's Budget.** The Governor's Budget proposes \$2,475,000 from General Fund for 14 positions to establish a Statewide Fire Suppression Cost-Recovery Unit.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal with the amendment that the positions be made two-year limited-term. The department should return in two years and demonstrate that the program earned the projected revenues.



**Action:** Approved as budgeted

**Vote:** 3-0

## 15. Federal Fuels Treatment

**Background.** The 2007 Southern California wildfires led to 10 fatalities, consumed over 516,000 acres, and destroyed 3,069 structures. Due to a prolonged drought, there are increased numbers of dead and dying trees in Southern California.

**Finance Letter.** The Governor has submitted a finance letter for \$2,268,000 in federal funds for various fuel treatment projects, including the removal of trees and forest restoration.

**Staff Recommendation.** Staff recommends that the Subcommittee accept the finance letter.

**Action:** Approved as budgeted

**Vote:** 3-0

## 16. State Forest Personnel

**Background.** The State Forest Program has been in existence since 1946. The primary purpose of the program is to research and demonstrate sustainable forestry. Revenues from the demonstration forests are deposited into the Forest Resources Improvement Fund. Between 1992 and 1998, expenditures from the Forest Resources Improvement Fund averaged about \$15 million annually.

In 2003, the Mendocino County Superior Court ruled that the Environmental Impact Report (EIR) for the Jackson State Demonstration Forest was flawed. Harvesting of timber in the Jackson State Demonstration Forest was halted until a new EIR could be completed. When timber harvesting was halted, revenues fell and the existing employees were laid off. CALFIRE has completed the necessary Environmental Impact Report for the Jackson State Forest, which has been approved by the Board of Forestry.

**Finance Letter.** The Governor has submitted a finance letter for 15.4 positions to support the Demonstration State Forest Program at Jackson State Forest. The positions would be funded from the Forest Resources Improvement Fund. The department's budget already includes the funding for these positions because it was known that the Jackson State Demonstration Forest would resume timber harvesting after the court's orders were met.

**Staff Recommendation.** Staff recommends that the Subcommittee accept the finance letter.

**Action:** Approved as budgeted

**Vote:** 3-0

## 17. Cooperative Forestry Assistance

**Background.** The Cooperative Forestry Assistance Program provides grants to improve the quality of forest environments on private lands, enhance forest health, improve urban forested environments, and provide for fuel reduction projects in forest areas. By improving forest health, this program improves water quality, habitats, and reduces the threat of wildfires. The 2007 Federal Farm Bill reauthorized the program for five years.

**Finance Letter.** The Governor has submitted a finance letter for \$6,565,000 in federal funds for the Cooperative Forestry Assistance Program.

**Staff Recommendation.** Staff recommends that the Subcommittee accept the finance letter.

**Action:** Approved as budgeted

**Vote:** 3-0

## 18. ECC Simulation Lab

**Background.** CALFIRE to receive a grant from the California Office of Homeland Security for a new Emergency Command Center (ECC) for CAL FIRE's Academy. The CALFIRE Academy teaches ECC training courses with outdated equipment, and this grant will allow CALFIRE to purchase an ECC similar to those currently used in the field. The grant funds will be used to replace ECC electronics and furniture, as well as to enable the CALFIRE Academy's ECC to be used as an emergency resource center.

**Finance Letter.** The Governor has submitted a finance letter for \$840,000 in Reimbursement authority for the construction of an Emergency Command Center Simulation Lab at the CALFIRE Academy.

**Staff Recommendation.** Staff recommends that the Subcommittee accept the finance letter.

**Action:** Approved as budgeted

**Vote:** 3-0

## 19. Climate Change

**Proposal.** The Fire and Resources Assessment Program (FRAP) maintains information on the condition and availability of forest and rangeland resources. The information produced by FRAP has been previously used in carbon sequestration assessment. FRAP would receive two positions to update the vegetation maps to detect changes in forests, woodlands, and open space.

The California Forest Improvement Program (CFIP) activities include preparation of management plans, site preparation, tree planting, and follow-up work. CFIP provides cost-share grants to private forest landowners of up to 5,000 acres. Approximately 765,000 acres of projects have been funded under this program since 1980.

The State Nursery Program provides seedlings for replanting forests. Historically, the program has functioned out of two facilities which sell over 300,000 seedlings a year. The department calculates that this proposal would provide an additional 400,000 container seedlings a year.

The Environmental Protection Program currently has one position that supports and coordinates other CALFIRE programs in implementing climate change mitigation activities, acts as a liaison to the Air Resources Board on AB 32 implementation, and works with the California Climate Action Registry in developing a new forestry protocol for urban forestry.

**Governor's Budget.** The Governor's Budget proposes \$4,388,000 from Proposition 84 bond funds and 13 positions for implementation of forest and rangeland activities to mitigate climate changes in urban watersheds by reducing greenhouse gas emissions.

**Finance Letter.** The Governor submitted a finance letter withdrawing this proposal.

**Staff Recommendation.** Staff recommends that the Subcommittee accept the finance letter.

**Action:** Accepted the withdrawal of the proposal

**Vote:** 3-0

## 20. Proposition 84 Local Assistance – Urban Greening

**Background.** Proposition 84, Chapter 9, Section 75065 (a), provides \$90 million for urban greening. Of that amount, a minimum of \$20 million is reserved for the Department of Forestry and Fire Protection for urban greening programs. The goals of the Department of Forestry and Fire Protection urban greening program are:

- Increase the amount of urban forests
- Facilitate the creation of jobs in tree maintenance and related urban forest activities
- Reduce energy consumption through maximized tree and vegetative cover
- Encourage the coordination of state and local activities in urban forestry
- Prevent and limit the spread of tree diseases and pests

**Governor's Budget.** The Governor's Budget proposes \$5,395,000 from Proposition 84 bond funds for the second year of the urban greening program.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

**Action:** Approved as budgeted

**Vote:** 2-1 (Cogdill)

## 3560 State Lands Commission

### 21. Land Management Program Budget Balancing Reduction

**Governor's Budget Balancing Reduction.** The Governor proposes a budget balancing reduction of \$611,000 General Fund and 5.7 positions from the Land Management program.

**Impact of Proposal.** This proposal would lead to the loss of one auditor to renegotiate leases. Lease auditors bring in approximately \$300,000 in new revenue annually as lease rates on state lands are raised. The other five positions would come from legal and boundary staff, who assist the Attorney General in state land disputes, provide assistance to state agencies that purchase land, and review developments.

The State Lands Commission has stated that by imposing a lease cost on some currently non-rent paying public benefit leases the state could raise approximately \$800,000 in new revenue.

**Staff Recommendation.** Staff recommends that the Subcommittee reject the proposed reduction.

**Action:** Rejected cut to program

**Vote:** 2-1 (Cogdill)

## 3600 Department of Fish and Game

### 22. San Francisco Bay Physical Oceanographic Real Time System (PORTS)

**Background.** The Physical Oceanographic Real Time System (PORTS) was developed in 1995 by a partnership between the Marine Exchange of the San Francisco Bay Region, the National Oceanic and Atmospheric Administration, and Office of Spill Prevention and Response (OSPR). The PORTS is a 24-hour-a-day program which measures the currents, depth, salinity and wind in the San Francisco and Suisun Bays. Measurements are taken every six minutes and are available by telephone or on-line. The PORTS disseminated important safety information to recreational boaters, ferry boats, merchant shipping, and the whole range of users of the bays. The system has also been used in cases of oil spills to help in containment efforts.

**Current Funding.** Currently, the PORTS program is funded for \$126,000 through the OSPR local assistance program, but not from funding specifically for PORTS. The PORTS program also receives \$35,000 annually from the Department of Boating and Waterways.

**Governor's Budget.** The Governor's Budget proposes \$250,000 in local assistance funding from the Oil Spill Prevention and Administration Fund for maintenance of the San Francisco PORTS system.

**Finance Letter.** The Governor has submitted a finance letter for \$300,000 in additional local assistance funding from the Oil Spill Prevention and Administration Fund to provide funding for seven additional sensors in strategic locations throughout the San Francisco and Suisun Bays. The additional sensors would allow the PORTS program to provide improved data that will allow pilots to make better planning and navigational decisions.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the Governor's budget and finance letter proposals.

**Action:** Approved as budgeted

**Vote:** 3-0

## 23. Fish and Game Wardens

**Previous Subcommittee Action.** Due to the significant General Fund structural deficit, the Governor's Budget proposed a ten percent across-the-board reduction to most state departments, including a \$2.6 million reduction to the Department of Fish and Game (DFG) Enforcement Program. This reduction would have resulted in the elimination of 38 warden positions. The Subcommittee rejected the Governor's cut to wardens on April 7.

**Finance Letter.** The Governor submitted a finance letter proposing \$2,437,000 from the Fish and Game Preservation Fund to restore funding for the warden positions. The Governor's proposal also includes a redirection of \$500,000 from the Hunting, Fishing, and Public Use Program for this purpose.

**Staff Recommendation.** Staff recommends that the Subcommittee accept the finance letter. The action of accepting the finance letter will replace the Subcommittee's earlier action of rejecting the warden budget balancing reduction.

**Action:** Accepted finance letter

**Vote:** 3-0

## 24. Oil Spill Response Grant Program

**Background.** The Office of Spill Prevention and Response (OSPR) was established in 1990 to prevent and respond to oil spills affecting marine waters of the State. Currently OSPR provides grants to local governments for updating their oil spill contingency plans and participating in the area contingency plan development process. However, no funds are presently provided for grants to local governments for purchasing and pre-positioning emergency oil spill equipment. This proposal would allow the department to start providing such equipment grants.

**Finance Letter.** The Governor submitted a finance letter proposing \$104,000 from the Oil Spill Prevention and Administrative Fund for state operations and \$650,000 from the Oil Spill and

Prevention Fund for local assistance. The funds would be used for grants to local governments to purchase oil spill response equipment.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the finance letter.

**Action:** Approved as budgeted

**Vote:** 3-0

## 25. Environmental Review of Transportation Infrastructure Projects

**Background.** Proposition 1B, the Highway Safety, Traffic Reduction, Air Quality, and Port Security Act of 2006, provides \$19.9 billion for high-priority transportation projects. The Department of Fish and Game (DFG) must review the California Environmental Quality Act (CEQA) documents for these transportation projects before they can move forward. To ensure that the CEQA documents are approved in an expedited manner, the Governor is requesting additional reimbursement authority for DFG to receive from the Department of Transportation for review.

**Finance Letter.** The Governor has submitted a finance letter proposing \$1,347,000 in reimbursement authority and eight positions for the Department of Fish and Game to receive funds from the Department of Transportation for expedited review of transportation project CEQA documents.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the finance letter.

**Action:** Approved as budgeted

**Vote:** 3-0

## 26. Public Safety Radio Communications System

**Background.** The Department of General Services (DGS) operates the statewide Public Safety Microwave Network (Network) and charges departments for the service. The Department of Fish and Game (DFG) uses the Network to transmit radio communications connecting remote radio locations throughout the state to its three dispatch centers located in Prairie City, Monterey, and Lake Perris. The use of the Network is important to DFG to safely and effectively administer its law enforcement program and deploy other necessary resources in response to emergencies.

**Finance Letter.** The Governor submitted a finance letter proposing \$200,000 from the Fish and Game Preservation Fund to pay for a Department of General Services rate increase to maintain the Public Safety Microwave Network.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the finance letter.

**Action:** Approved as budgeted

**Vote:** 3-0

## 27. Vegetation Mapping Program

**Background.** Vegetation mapping provides detailed natural resource information to guide decision makers in developing general or regional plans, or to plan specific projects, to minimize the impacts on habitat and species. The Department of Fish and Game has received a \$3.9 million grant from the Wildlife Conservation Board from Proposition 84 bond funds for vegetation mapping activities. When it received the grant, DFG administratively established five positions.

**Finance Letter.** The Governor submitted a finance letter proposing to make five administratively established positions four-year limited-term positions to perform vegetation mapping activities. The funding for the positions is coming from Proposition 84.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the finance letter.

**Action:** Approved as budgeted

**Vote:** 2-1 (Cogdill)

## 28. Technical Budget Corrections

**Finance Letter.** The Governor submitted a finance letter proposing \$665,000 from the Marine Invasive Species Control Fund. Specifically, the proposal would:

- Make technical intra-schedule transfers to ensure funds are budgeted in the appropriate program categories;
- Fund monitoring activities and studies of invasive species in marine and estuarine waters, consistent with statute;
- Add budget bill language to specify that funds for the Coastal Watershed Salmon Habitat Program are available for expenditure for four years, consistent with existing law.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the finance letter.

**Action:** Approved as budgeted

**Vote:** 3-0

## 29. CALFED Ecosystem Restoration and Salton Sea Restoration Programs

**Background.** The 2007 Budget Act provided \$49 million in Proposition 84 bond funds for the CALFED Ecosystem Restoration Program and \$13.3 million in Proposition 84 bond funds for the Salton Sea Restoration Program.

**Finance Letter.** The Governor submitted a finance letter proposing reappropriation of the Proposition 84 bond funds provided for CALFED Ecosystem Restoration and Salton Sea Restoration Programs in the *2007 Budget Act*. The proposal further includes budget bill language to allow these funds to be available through June 30, 2011.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the reappropriation as proposed for the Salton Sea Restoration Program. Staff further recommends that the Subcommittee approve the reappropriation of the CALFED Ecosystem Restoration Program until June 30, 2009.

**Action:** Approved Salton Sea Restoration Program reappropriation until June 30, 2011. Approved CALFED Ecosystem Restoration Program reappropriation until June 30, 2009.

**Vote:** 2-1 (Cogdill)

## 3640 Wildlife Conservation Board

### 30. Increase in Position Authority

**Background.** The Wildlife Conservation Board (WCB) acquires, restores, develops, and enhances wildlife habitat and provides compatible public access for enjoyment of the state's wildlife resources. The WCB has 25 staff members to carry out its duties. The staff consists primarily of land agents and field agents, with supervisory and support staff. Since 2000, the voters have approved over \$1.9 billion in new bond funds for the WCB.

The current workload is 75 projects annually for each Senior Land Agent Specialist and 40-50 projects annually for each Public Land Management Specialist position.

**Governor's Budget.** The Governor's Budget proposes two new positions for the department from existing resources. The cost of these positions would be \$242,473 and the funding sources would be various bond funds and Wildlife Restoration Funds.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

**Action:** Approved as budgeted

**Vote:** 2-1 (Cogdill)

### 31. Fund Shift to Replace General Fund

**Previous Subcommittee Action.** On March 24, 2008, Subcommittee 2 reduced the Wildlife Conservation Board's budget by \$204,000 General Fund. The General Fund was less than five percent of the Board's budget, but supported three positions at the Board.



**Staff Recommendation.** Staff recommends that the Subcommittee authorize \$204,000 from the Wildlife Restoration Fund for the positions that were previously funded with General Fund.

**Action:** Approved \$204,000 from the Wildlife Restoration Fund to pay for the positions that were previously funded with General Fund

**Vote:** 3-0

## 32. Habitat Conservation Fund

**Background.** Proposition 117, the mountain lion initiative, created the Wildlife Protection Act of 1990 (Act). The Act created the Habitat Conservation Fund (HCF), which requires an annual transfer of \$30 million into the fund. The Act requires that if special funds are not available for transfer, General Fund monies must be used. These transfers will take place until 2020.

The \$30 million in HCF is divided as follows: \$21 million for the Wildlife Conservation Board, \$4.5 million to the Department of Parks and Recreation, \$4 million to the State Coastal Conservancy, and \$0.5 million to the Tahoe Conservancy.

The Wildlife Conservation Board uses the funds for the acquisition, restoration or enhancement of: (1) habitat including native oak woodlands necessary to protect deer and mountain lions; (2) habitat to protect rare, endangered, threatened, or fully protected species; and (3) enhancement, or restoration of wetlands, aquatic habitat for spawning and rearing of anadromous salmonids and trout resources and riparian habitat.

Proposition 1E provides \$290 million for the enhancement of flood protection corridors, including projects that preserve the wildlife value of the properties.

**Governor's January 10 Budget.** The Governor's Budget proposes \$21 million in General Fund to be transferred to the Habitat Conservation Fund.

**LAO Recommendation.** Based on the allowed uses of the Habitat Conservation Fund and the availability of environmental mitigation funds from Proposition 1E, the LAO believes that the Legislature can appropriate funds from Proposition 1E to the Habitat Conservation Fund—satisfying the requirements of Proposition 117. Therefore, The LAO recommends that the Legislature appropriate \$9.9 million from Proposition 1E to the Habitat Conservation Fund in the budget year and about \$21 million per year thereafter. Also, the LAO recommends the Legislature adopt budget bill language directing the Wildlife Conservation Board to spend those funds in a manner that both provides mitigation for Department of Water Resources' flood control projects and meets the criteria of Proposition 117.

**May Revise.** The May Revise proposes to transfer, for the Wildlife Conservation Board, \$19,630,000 in Proposition 1E bond funds to the Habitat Conservation Fund instead of General Fund. The May Revise further proposes to transfer, for the State Coastal Conservancy, \$1,127,000 in Proposition 1E bond funds to the Habitat Conservation Fund instead of General Fund.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the May Revise proposal.

**Action:** Approved May Revise proposal

**Vote:** 3-0

## 3680 Department of Boating and Waterways

### 33. SANDAG Regional Beach Sand Project – Stage 2

**Background.** The California Public Beach Restoration Act established the Public Beach Restoration Program (PBRP). The Department of Boating and Waterways was given authority under the Act to administer the PBRP and provide funds to local governments to assist in restoring beaches and coastal habitat. Beach restoration activities can restore and preserve safe coastal access; sustain coastal dependent economic activities such as recreation and tourism; provide safety from unstable coastal cliff falls; and restore habitat and foraging areas for numerous coastal and marine species. The San Diego coastline is in an acute state of sediment deficiency due to damming of rivers for flood control and water supply needs along with the construction of seawalls, which halt the natural flow of sand-size sediment to the coast.

The proposed project would restore eroded beaches in the Oceanside, Mission Beach and Silver Strand littoral cells. The project would be coordinated with the San Diego Association of Governments (SANDAG) and the seven coastal cities impacted. The project would restore 4.8 miles of coastal shoreline and create approximately 148 acres of new beach. This restoration would protect environmentally sensitive coastal habitats of the San Diego coastline as well as encourage coastal tourism and recreation. The total project cost for all three phases would be \$22-24 million, of which the State would provide \$19.5 million over three years.

**Governor's Budget.** The Governor's Budget proposes \$6.5 million from the Harbors and Watercraft Revolving Fund for restoring San Diego County beaches.

**Previous Subcommittee Action.** The Subcommittee approved the budget proposal as one-year funding.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the full schedule of three years of appropriations since the funds are coming from special funds, not bond funds.

**Action:** Approved as budgeted

**Vote:** 3-0

## 3720 California Coastal Commission

### 34. Permit Review

**Background.** The Coastal Commission currently has a significant backlog of permits, appeals, local coastal plans, and federal consistency reviews. Consequently, permit applicants are experiencing a multi-year delay in the review of their projects. Some applicants, including private companies and local governments, have offered to provide funding to reimburse the Commission's costs in order to expedite review of their permits.

**Finance Letter.** The Governor has submitted an April finance letter requesting \$300,000 in Reimbursement authority for the Coastal Commission for permit review. The reimbursement would come from permit applicants whose permits are being reviewed.

**Staff Recommendation.** Staff recommends that the Subcommittee accept the finance letter.

**Action:** Approved as budgeted

**Vote:** 2-1 (Cogdill)

## 3760 State Coastal Conservancy

### 35. Sea Otter Funding

**Background.** Revenue and Taxation Code Section 18752 (c) placed an option on the individual income tax form for people to donate a dollar of their refund to sea otter programs.

**Staff Recommendation.** Staff recommends that the Subcommittee appropriate \$225,000 from the California Sea Otter Fund to the State Coastal Conservancy for research and programs related to improving the nearshore ocean ecosystem.

**Action:** Approved \$225,000 from the California Sea Otter Fund, with \$100,000 as one-time funds

**Vote:** 2-1 (Cogdill)

NOTE: A joint proposal for the Wildlife Conservation Board and the State Coastal Conservancy is listed under the Wildlife Conservation Board (3640)

## 3780 Native American Heritage Commission

### 36. Budget Balancing Reduction

**Governor's Budget Balancing Reduction.** The Governor proposes a budget balancing reduction of \$79,000 General Fund to the Commission's budget.

**Impact of Reduction.** This reduction would lead to the loss of 1.4 positions and would reduce the number of Commission meetings to one annually.

**Staff Recommendation.** Staff recommends that the Subcommittee reject the budget balancing reduction.

**Action:** Rejected budget balancing reduction

**Vote:** 2-1 (Cogdill)

## 3790 Department of Parks and Recreation

### 37. Off-Highway Motor Vehicle Recreation Program

**Finance Letter.** The Governor submitted a finance letter for \$5,751,000 from the Off-Highway Vehicle Fund for operating expenses and equipment at the off-highway vehicle parks. This proposal is complementary to the positions the Subcommittee approved on May 12 to meet staffing needs of off-highway vehicle parks.

**Staff Recommendation.** Staff recommends that the Subcommittee accept the finance letter.

**Action:** Approved as budgeted

**Vote:** 3-0

### 38. Proposition 12 Grant Project – Extension of Liquidation

**Project.** This project will connect the Los Angeles River bikeway and the Arroyo Seco bikeway and transform the Confluence Park from an open area to a park with native plants, walking and bicycle paths, benches, and interpretive displays. The project will not be completed by June 30, 2008, because of delays in negotiations with local governments and in the bidding process. This project has a component with the Department of Parks and Recreation and the Santa Monica Mountains Conservancy.

**Finance Letter.** The Governor submitted a finance letter to extend the liquidation period for this local assistance grant until June 30, 2009.

**Staff Recommendation.** Staff recommends that the Subcommittee accept the finance letter.

**Action:** Approved as budgeted

**Vote:** 3-0

### 39. Antes Columbus Club Youth Center Reappropriation Request

**Reappropriation.** The Antes Columbus Club Youth Center in Los Angeles received a Murray-Hayden grant for \$1,272,000. The project has been delayed and the following reappropriation is requested:

Reappropriation, Department of Parks and Recreation. Notwithstanding any other provision of law, the period to liquidate encumbrances in the following citation is extended to June 30, 2009:

0005—Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Bond Act of 2000

(1) Item 3790-102-0005, Budget Act of 2000 (Ch. 52, Stats. 2000), (a) 80.25-Recreational Grants, (5) Murray Hayden Grants, (ey) Concerned Citizens of South Central Los Angeles: Acquisition and construction of Antes Columbus Youth Center, soccer field and pocket park, as added by AB 1681, Ch. 672, Stats. 2000, Sec. 12.

**Staff Recommendation.** Staff recommends that the Subcommittee reappropriate the Antes Columbus Club Youth Center project funds.

**Action:** Approved reappropriation

**Vote:** 3-0

### 40. Urban Parks Reappropriations

**Reappropriation.** The following Murray-Hayden local assistance grants benefit urban areas:

Reappropriation, Department of Parks and Recreation. Notwithstanding any other provision of law, the period to liquidate encumbrances in the following citation is extended to June 30, 2010:

0005 – Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Bond Fund  
(1) Item 3790-101-0005, Budget Act of 2001 (Ch. 106, Stats. 2001), (1) 80.25 – Recreational Grants, (c) Murray-Hayden Urban Parks and Youth Service Program This reappropriation is limited to a \$700,000 grant to the City of Los Angeles Parks and Recreation for the Seoul International Park.

Reappropriation, Department of Parks and Recreation. Notwithstanding any other provision of law, the period to liquidate encumbrances in the following citation is extended to June 30, 2009:

0005 – Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Bond Fund

(1) Item 3790-102-0005, Budget Act of 2000 (Ch. 52, Stats. 2000), (a) 80.25 – Recreational Grants, (6c) Soccer and baseball fields, (r) City of Los Angeles: Boyle Heights Sports Center for development of sports fields both soccer and baseball, as added by SB 1681, Ch. 672, Stats. 2000, SEC. 12.

(2) Item 3790-102-0005, Budget Act of 2000 (Ch. 52, Stats. 2000), (a) 80-25 – Recreational Grants, (5) Murray-Hayden Grants, (p) City of Los Angeles: Juntos Park: outdoor development at a recently acquired parcel to serve as a new park.

**Staff Recommendation.** Staff recommends that the Subcommittee reappropriate the local assistance grants listed in this item.

**Action:** Approved reappropriation

**Vote:** 3-0

## 41. Reappropriations and Extensions of Liquidation

**Reappropriations.** There are some local assistance grants for which the projects were delayed: 3790- Reappropriation, Department of Parks and Recreation. Notwithstanding any other provision of law, the period to liquidate encumbrances in the following citations are extended to June 30, 2009:

0005 - - Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Bond Fund

- (1) Item 3790-102-0005, Budget Act of 2000 (Ch.52, Stats. 2000), (a) 80.25 – Recreational Grants, (5) Murray-Hayden Grants, (c) City of Richmond: Richmond Natatorium, to enable seismic retrofit of the Natatorium
- (2) Item 3790-102-0005(a)(5)(vx), Budget Act of 2000 (Ch. 52, Stats. 2000), YMCA of San Diego County: Border View Expansion.
- (3) Item 3790-102-0005, Budget Act of 2000, (Ch. 52, Stats. 2000), (a) 80.25 Recreational Grants, (5) Murray-Hayden Grants, (x) City of Anaheim: Maxwell Park Expansion Project from 15 to 21 acres.
- (4) 3790-102-0005, Budget Act of 2000 (Ch. 52, Stats. 2000) (a) 80.25-Recreational Grants (6c) Soccer and baseball fields, (r) City of Los Angeles, Boyle Heights Sports Center for development of sports fields for both soccer and baseball as added by SB 1681, Ch. 672, Stats. 2000, SEC. 12.
- (5) 3790-102-0005, Budget Act of 2000 (Ch. 52, Stats. 2000) (a) 80.25 Recreational grants (5) Murray-Hayden Grants (p) City of Los Angeles, Juntos Park: outdoor development at a recently acquired parcel to serve as a new park.

3790---Reappropriation, Department of Parks and Recreation. Notwithstanding any other provision of law, the period to liquidate encumbrances in the following citation is extended to June 30, 2010:

0005-Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Bond Fund

(1) 3790-101-0005, Budget Act of 2001 (Ch. 106, Stats. 2001), (1) 80.25-Recreational Grants, (c) Murray-Hayden Urban Parks and Youth Services Program. This reappropriation is limited to a \$700,000 grant to the City of Los Angeles Parks and Recreation for the Seoul International Park.

**Staff Recommendation.** Staff recommends that the Subcommittee reappropriate the local assistance grants listed under this item.

**Action:** Approved reappropriation

**Vote:** 3-0

## 3860 Department of Water Resources

### 42. Cyber Security for Flood Emergency Response and the State Water Project

**Proposal.** The new position is requested to support the Department of Water Resources' (DWR) Information Security Officer in providing cyber security for departmental cyber assets, flood emergency response, and the State Water Project. Specifically, the new position would be involved with writing grants for Federal Homeland Security funding for disaster preparedness, cyber security, and infrastructure protection to ensure the integrity of DWR's critical business systems, and the State's water supply and flood control systems. This position would also write regular updates to the DWR Operational Recovery Plan, which specifies DWR's response to any incident or disaster that impacts the cyber systems.

**Governor's Budget.** The Governor's Budget proposes \$142,000 from various funding sources for one new permanent position to support DWR's Information Security Office in providing cyber security for flood emergency response and the State Water Project.

**Staff Analysis.** As part of the *2007-08 Budget Act*, Senate Budget Subcommittee 2 requested a report on the State Water Project expenditures in lieu of bringing the State Water Project on-budget. Currently, State Water Project expenditures are not reflected in the Budget. The requested report has not yet been received, making it difficult to evaluate the need for the proposed new resources in context of the entire program.

**Staff Recommendation.** Staff recommends that the Subcommittee reject the budget proposal.

**Action:** Held open

### 43. Environmental Compliance Restoration and Water Quality Monitoring for the State Water Project

**Background.** The Department of Water Resources (DWR) Office of Environmental Compliance and Evaluation (EC&E) is tasked to ensure DWR's compliance with applicable environmental laws and regulations in support of the continued operation of the State Water Project. In the past five years increased monitoring for endangered species has led to an increased workload for the EC&E.

*Environmental Compliance Restoration.* As a part of this request, three new permanent full-time positions are requested for the EC&E to work on environmental and occupational health and safety laws and regulations in support and maintenance of the state water project. These new requirements are related to FERC license implementation, levee maintenance, climate change, water storage, water conveyance, and resource management.

*Water Quality Monitoring.* Due to the decline of pelagic organisms in the Delta, the State Water Project wants to examine the availability of food for pelagic fish in the Delta. This includes water quality testing for benthic communities, phytoplankton, and zooplankton. Currently, the water quality monitoring is being conducted by eight Scientific Aides, who are limited to 1,500 hours of work a year. DWR wants to eliminate the Scientific Aides positions and replace them with five full-time positions.

**Governor's Budget.** The Governor's Budget proposes eight new permanent positions to work on occupational health and safety laws, as well as protection of the ecosystem and sensitive species. The funding will be redirected internally from the State Water Project, so no new funds are requested. The cost of the positions is \$845,000 annually.

**Staff Analysis.** As part of the *2007-08 Budget Act*, Senate Budget Subcommittee 2 requested a report on the State Water Project expenditures in lieu of bringing the State Water Project on-budget. Currently, State Water Project expenditures are not reflected in the Budget. The requested report has not yet been received, making it difficult to evaluate the need for the proposed new resources in context of the entire program. In addition, staff is recommending for approval another proposal to examine the pelagic organism decline in the Delta.

**Staff Recommendation.** Staff recommends that the Subcommittee reject the budget proposal.

**Action:** Held open



## 44. State Water Project Dam Safety, Seismic Monitoring, and New Facilities Maintenance

**Background.** The Department of Water Resources (DWR) owns and operates 24 dams. In 2002, the Dam Safety Program was established to manage safety activities for dams operated and maintained by the DWR Division of Operations and Maintenance (O&M). DWR currently has 118 earthquake monitoring sites at the State Water Project (SWP) facilities. DWR is planning to upgrade and expand this seismic network in the near future by replacing field equipment and adding new seismic stations.

**Proposal.** The Governor's proposal is for:

- SWP Dam Safety – One new position for \$188,000 to manage dam-safety related projects, including review and maintenance of the 24 dams; analysis of dam performance; and maintenance, repair, and procurement of seismic instrumentation of SWP dams and facilities.
- SWP Seismic Monitoring – One new position for \$116,000 to install, calibrate, and maintain sensitive seismic monitoring equipment at SWP-facilities throughout the state.
- Operation and Maintenance of the East Branch of the California Aqueduct – Two new positions at \$249,000 to maintain and repair new SWP facilities on the East Branch Extension of the California Aqueduct.

**Governor's Budget.** The Governor's Budget proposes \$553,000 from State Water Project Funds to support SWP dam safety, SWP seismic monitoring, and operation and maintenance for the SWP facilities at the East Branch Extension of the California Aqueduct.

**Staff Analysis.** Ensuring that the State's dams are in sound structural condition and can withstand an earthquake is a critical life and safety issue for the people of California. If California's dams and water delivery infrastructure were to suffer damage during an earthquake, the resulting flooding or disrupted water distribution could be catastrophic.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

**Action:** Approved as budgeted

**Vote:** 3-0

## 45. Pelagic Organism Decline Investigations and Data Synthesis

**Background.** Pelagic Organism Decline (POD) is the decrease of four pelagic fishes in the Sacramento-San Joaquin Delta. POD has resulted in shutdowns of the State Water Project. Under the State Water Resources Control Board Water Rights Decision D-1641, the California Department of Water Resources is responsible for assessing the impacts of the State Water Project on the Delta ecosystem.

Two positions are proposed to conduct "bottom up" science on POD, meaning an investigation and analysis on the food chain of the pelagic fishes. One new position will conduct extensive

investigations and analyses of potential causes of POD by examining changes in the pelagic organism food chain productivity, specifically phytoplankton, zooplankton, and benthic organisms in both a temporal and geospatial approach. The second position will conduct investigations integrating developed fish life cycle models along with temporal and geospatial water quality, hydrology, and hydrodynamics data to determine co-location with stressors in the environment.

**Governor's Budget.** The Governor's Budget proposes \$334,000 from State Water Project Funds (off-budget) for two permanent positions to conduct investigations and analyses of potential causes of Pelagic Organism Decline.

**Staff Analysis.** Pelagic organisms in the Delta are collapsing. As fish species are in critical status, and as federal courts threaten to shut down water deliveries to southern California, the state should responsibly explore all of the possible causes of pelagic organism decline. Studying the food chain of the pelagic fishes will allow for a more scientific understanding of the problem, and thus a more reasoned response.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

**Action:** Approved as budgeted

**Vote:** 2-1 (Cogdill)

## 46. Bryte Chemical Lab Staff and Data Management

**Background.** The Bryte Chemical Laboratory tests water quality in the Sacramento-San Joaquin Bay Delta. The Bryte Chemical Lab is currently certified by the Department of Health Services to perform mercury analyses for DWR programs and projects involving EPA drinking water and wastewater regulations.

**Positions Requested.** The Governor's Budget requests a chemist for the projected increase in workload capacity to detect mercury levels at the specified concentration range of nanograms per liter (or parts per trillion). This proposal also requests an environmental scientist position to support and augment the Lab's water quality data management services for DWR.

**Governor's Budget.** The Governor's Budget proposes two new positions with existing resources to perform current and future analytical work involving low-level mercury analyses and water quality data management. The cost of the two positions is \$133,000 annually from State Water Project Funds.

**Staff Analysis.** Mercury has been proven to have very serious health effects on humans. Additional testing for mercury in drinking water is advisable.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

**Action:** Approved as budgeted

**Vote:** 2-1 (Cogdill)

## 47. Salton Sea Interim Restoration and Management

**Background.** The *Budget Act of 2007-08* included \$7.3 million in reimbursement authority for the Department of Water Resources to receive Salton Sea Restoration Fund allocation from the Department of Fish and Game for various planning and pilot studies for mitigation of impacts at the Salton Sea and development of interim habitat. Due to contract delays, only about \$1.5 million will be expended in the current year, leaving approximately \$5.8 million unexpended.

**Finance Letter.** The Governor submitted a finance letter to reappropriate approximately \$7.4 million in reimbursement authority for interim restoration and management of the Salton Sea. The reimbursement is coming from Proposition 50 bond funds at the Department of Fish and Game.

**Staff Recommendation.** Staff recommends that the Subcommittee accept the finance letter.

**Action:** Approved as budgeted

**Vote:** 2-1 (Cogdill)

## 48. Flood Protection Corridor Program

**Background.** Proposition 13, passed by voters in 2000, authorized funding for the Flood Protection Corridor Program (FPCP). The FPCP allocates bond funds for direct-expenditure projects and for grants to local agencies and nonprofit organizations for flood protection projects, agricultural land conservation, and wildlife habitat preservation and enhancement. No new project appropriations are available for the FPCP, but the current proposal would provide state operations funding for administration of previously budgeted local assistance funding that is still in the process of being liquidated.

**Finance Letter.** The Governor submitted a finance letter for \$162,000 from the Flood Protection Corridor Subaccount to administer ongoing grant-funded projects under the Flood Protection Corridor Program. The request includes one position and \$25,000 in contract funds.

**Staff Recommendation.** Staff recommends that the Subcommittee accept the finance letter.

**Action:** Approved as budgeted

**Vote:** 3-0

## 49. Systemwide Levee Evaluations and Repairs

**Background.** The levee evaluations inspect levees in the State Plan of Flood Control and non-project levees protecting urban areas that are also protected by State or federal project levees. Levee evaluation is done every 1,000 feet of levee by taking a 100 foot deep sample of the levee materials. The levee evaluation program also focuses on developing uniform standards for

collecting and managing existing and new geotechnical data, so that information can be shared by federal, state, and local agencies.

Levee repairs are bringing the levy back to its original standard of design. The original design standard means (a) the approved levee height (3 feet above the design water surface profile); (b) standard approved cross section (levee slopes, crown width); and (c) the ability to safely carry the flood waters at the design water surface profile.

**Governor's Budget.** The Governor's Budget proposes \$126,500,000 from Proposition 1E bond funds for levee evaluations and repairs in the State Plan of Flood Control. The funds would be:

- \$39 million for levee evaluations
- \$39 million for levee repairs
- \$48.5 million for erosion repairs

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal.

**Action:** Approved as budgeted

**Vote:** 3-0

## 50. Integrated Regional Water Management and Stormwater Flood Management

**Background.** Proposition 84 and Proposition 1E, passed by voters in November 2006, jointly provided \$1.9 billion for integrated regional water management. The Department of Water Resources is proposing to use these funds for local assistance grants, grant administration, and technical assistance, including data analysis, and program assessment.

**Governor's Budget.** The Governor's Budget proposes \$350,025,000 from Proposition 84 bond funds and \$102 million from Proposition 1E bond funds for Integrated Regional Water Management and Stormwater Flood Management (IRWM). Specifically, the funds requested are:

Proposition 84 Bond Funds – Integrated Regional Water Management Regional Funds

- IRWM Implementation Grants – \$300 million
- IRWM Planning Grants – \$7.5 million

Proposition 84 Bond Funds – Integrated Regional Water Management Interregional Funds

- IRWM Planning Grants – \$5 million
- IRWM Planning Grants for Disadvantaged Communities – \$2.5 million
- Local Groundwater Assistance Grants – \$4.5 million
- Directed Actions to Projects With Inter-Regional and Statewide Benefits – \$9,525,000
- Directed Actions to Projects Providing for Critical Needs of Disadvantaged Communities – \$2.5 million
- CALFED Scientific Research Grants – \$8 million

Proposition 84 Bond Funds – Integrated Regional Water Management Program Delivery

- \$10.5 million

Proposition 1E Bond Funds – Stormwater Flood Management Grant Program

- Stormwater Flood Management Grants – \$100 million
- Program Delivery – \$2 million

Proposition 50 – Fund Shift from Local Groundwater Assistance to Integrated Regional Water Management

- \$6.4 million from Local Groundwater Assistance to Integrated Regional Water Management

**Previous Subcommittee Action.** On April 14 the Subcommittee rejected this proposal since these appropriations will be handled through a policy bill.

**Staff Recommendation.** It has come to the attention of the Subcommittee that only the Proposition 84 and Proposition 1E bond funds will be handled through the policy bill. Thus staff recommends that the Subcommittee approve the Proposition 50 bond fund component of this proposal.

**Action:** Approved Proposition 50 bond funds for \$6.4 million. Also noted that the CALFED Scientific Research Grants were approved at an earlier hearing, so it stayed approved.

**Vote:** 3-0

## 3960 Department of Toxic Substances Control

### 51. Fiduciary Responsibility: Appropriate Litigation Support for DTSC

**Background.** Historically, the Department of Justice (DOJ) has provided litigation support to the Department of Toxic Substances Control (DTSC) through a direct appropriation to DOJ. As part of the *2007-08 Budget Act*, the Governor vetoed half of the toxic litigation support funding with a statement that DTSC and local governments were completing much of the work themselves. This request is for an appropriation to DTSC with an interagency agreement with DOJ for the litigation services. DTSC believed that it will be able to better manage the cases that are most important to it if DTSC approves all expenditures.

**Governor's Budget.** The Governor's Budget proposes \$2,168,000 (\$1,181,000 from the Toxic Substances Control Account and \$987,000 from the Hazardous Waste Control Account) for an interagency agreement with the Department of Justice to provide litigation support for DTSC cost recovery and enforcement activities.

**Proposed Trailer Bill Language.** The proposed trailer bill changes Health and Safety Code Sections 25173.6 and 25174 to allow DTSC to enter into an interagency agreement with DOJ rather than the funds for toxics litigation being directly appropriated to DOJ.

**May Revise.** The May Revise proposes an additional \$1 million from the Hazardous Waste Account for an interagency agreement with the Department of Justice to provide litigation support for cost recovery and enforcement cases.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the budget proposal and the May Revise proposal. Staff further recommends that the Subcommittee approve the proposed trailer bill language.

**Action:** Approved as budgeted

**Vote:** 3-0

## 52. Board of Equalization Fee Collection Agreement

**Background.** Department of Toxic Substances Control (DTSC) environmental fees are deposited in the Toxic Substances Control Account and hazardous waste fees are deposited in the Hazardous Waste Control Account. Current statute requires the Board of Equalization (BOE) to bill the DTSC separately for these fees. Based on these separated billings, DTSC has determined that the funding split needs to be adjusted to appropriately allocate the fee collection costs.

**May Revise.** The May Revise proposes to increase the Hazardous Waste Control Account by \$518,000 and decrease the Toxic Substances Control Account by \$518,000.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the May Revise proposal.

**Action:** Approved as budgeted

**Vote:** 2-1 (Cogdill)

## Discussion Items

### 0540 Secretary for Resources

#### 1. Coastal Impact Assistance Program

**Background.** The Coastal Impact Assistance Program (CIAP) allocates federal funds to California and five other states for coastal conservation and mitigation projects and activities. The Secretary for Resources will use these funds to: (1) develop and implement a standardized set of wetlands assessment and tracking tools for California wetlands and riparian areas, (2) implement the West Coast Governor's Agreement on Ocean Health, and (3) hold a conference on California and the World Ocean.

**Finance Letter.** The Governor has submitted a finance letter for \$9,568,000 in federal funds for implementation of the Coastal Impact Assistance Program. This request includes reimbursement authority with the following departments for program implementation:

- Department of Fish and Game—Increase reimbursement authority by \$1,917,000, and amend Item 3600-001-0001 to reflect this change to: (1) provide ecosystem-based monitoring in support of the Marine Life Protection Act and Marine Life Management Act, (2) enhance marine law enforcement, and (3) draft an environmental impact report for the southern Marine Life Protection Act study region.
- San Francisco Bay Conservation and Development Commission—Increase reimbursement authority by \$445,000 and amend Item 3820-001-0001 to reflect this change to: (1) assist local governments in preparing for sea level rise in the San Francisco Bay, and (2) develop a regional sediment management program in the San Francisco Bay region.
- Department of Boating and Waterways—Increase reimbursement authority by \$650,000 and amend Item 3680-101-0516 to reflect this change to develop three regional sediment management plans.
- California Coastal Commission—Increase reimbursement authority by \$537,000 and amend Item 3720-001-0001 to reflect this change to: (1) develop coastal access and resource maps, (2) present workshops for land use planners on impacts of development on coastal water quality, (3) develop an on-line guide on addressing climate change impacts within the context of the Coastal Act, and (4) develop a program to more efficiently and effectively assist energy and ocean-based project applicants before and during the permit application process.
- State Coastal Conservancy (SCC)—Increase reimbursement authority by \$290,000 and amend Item 3760-001-0565 to reflect this change. In addition, increase reimbursement authority by \$2,576,000 and amend Item 3760-301-6051 to reflect this change. The SCC

will use this funding to: (1) control invasive cordgrass, (2) prepare plans to remove the San Clemente Dam, (3) implement a sustainable shoreline erosion management program at Surfer's Point at the mouth of the Ventura River, (4) examine long-term shoreline change in San Francisco Bay related to projected sea-level rise, and (5) develop a website for users of the San Francisco Bay Area Water Trail.

- Ocean Protection Council (OCP)—Increase reimbursement authority by \$2,080,000 and amend Item 3760-301-6076 to reflect this change to: (1) conduct the California seafloor mapping program, (2) support science services for the OPC, (3) perform a public awareness campaign, and (4) conduct the Santa Cruz Debris Program.
- State Lands Commission—Increase reimbursement authority by \$250,000 and amend Item 3560-001-0001 to reflect this change to remove hazardous structures in the Santa Barbara Channel.
- Department of Parks and Recreation (Parks)—Increase reimbursement authority by \$268,000 and amend Item 3790-001-0001 to reflect this change to: (1) treat and manage unpaved roads in coastal watersheds, (2) plan and direct Parks' role in supporting the Marine Life Protection Act, (3) remove invasive veldt grass at Morro Dunes, (4) restore the Glass Beach coastal trail and Perched Dune, and (5) begin restoration of the Espa Lagoon in Humboldt County. In addition, Parks requests the establishment of 1.0 position for these activities.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the finance letter. Approval here should be interpreted as approval of the funds and the reimbursement authority for each of the recipient departments.

**Action:** Approved as budgeted

**Vote:** 3-0



## 0555 Secretary for Environmental Protection

### 2. Greenhouse Gas Report Card

**Background.** Executive Order S-3-05 requires the Secretary for Environmental Protection to report biannually starting in 2006 on the impact of climate change on water supply, public health, agriculture, the coastline, and forestry, and shall prepare and report on mitigation and adaptation plans to combat these impacts.

The Legislature, as part of the *2007-08 Budget Act*, passed trailer bill language establishing an annual Greenhouse Gas Report Card with the purpose of establishing routine, quantified, verified, consistent, and public reporting of measures to reduce greenhouse gases and the effectiveness of those measures. The Greenhouse Gas Report Card includes information on:

- The list of measures that have been adopted and implemented by the state agency to meet greenhouse gases (GHG) emissions reduction targets;
- A status report on the actual GHG emissions reduced as a result of the measures taken;
- A list and timetable for adoption of any additional measures needed to meet GHG emission reduction targets; and
- Comparison of the actions taken and proposed to be taken by the individual state agencies and their projected GHG emission reductions against the state agency GHG emission reduction targets and statewide GHG emission reduction limits.

**Staff Recommendation.** Staff recommends that the Subcommittee adopt the following trailer bill language:

Added to Section 12892 (a) of the Government Code:

(3) The current year budget and the Governor's proposed January 10 Budget of all climate change response activities by department that includes all new proposals, base budget, and positions.

(4) An inventory of all contracts and agreements that the administration, department, or agency has entered into with another state or country. When possible, the inventory should include the quantified emissions reductions from the agreements that are anticipated and how those emissions reductions will be enforced.

(5) An estimate of the department's own greenhouse gas emissions, as well as an explanation of the increases or decreases over the previous year's emissions.

**Action:** Approved the following trailer bill language:

Added to Section 12892 (a) of the Government Code:

(3) The current year budget and the Governor's proposed January 10 Budget of all climate change response activities by department that includes all new proposals, base budget, and positions.

(4) An inventory of all contracts and agreements on climate change that the administration, department, or agency has entered into with another state or country. When possible, the inventory should include the quantified emissions reductions from the agreements that are anticipated and how those emissions reductions will be enforced.

(5) An estimate of the departments' own greenhouse gas emissions, as well as an explanation of the increases or decreases over the previous year's emissions.

**Vote:** 2-1 (Cogdill)

## 3340 California Conservation Corps

### 3. Proposition 84 Bond Funds

**Background.** The Safe Drinking Water, Water Quality, Flood Control, River and Coastal Protection, and Parks Bond Act of 2006 (Proposition 84), Chapter 5, Section 75050, provides \$45 million to the California Conservation Corps. Of this amount, \$32.5 million must go to the local conservation corps.

**Governor's Budget.** The Governor's Budget proposes \$33.3 million in Proposition 84 bond funds for 2008-09 and \$4 million in Proposition 84 bond funds for 2009-10. The 2008-09 funding would be divided with \$3 million for state operations and \$30.3 million for local assistance. The 2009-10 funding would be entirely for state operations. No new positions are being requested.

**Staff Analysis.** The California Conservation Corps provide staff with a list of local conservation corps projects and acquisitions that are ready for implementation in 2008-09. This list of projects and acquisitions costs total under \$23 million. It would be premature to provide all of the available Proposition 84 bond funds to the local conservation corps before there were projects that those funds could be used toward responsibly.

**Staff Recommendation.** Staff recommends that the Subcommittee approve \$26 million total with \$3 million for state operations and \$23 million for local corps. The funding would be one-time.

**Action:** Approved as budgeted

**Vote:** 3-0

## 3940 State Water Resources Control Board

### 4. Continuing Program Implementation for Propositions 204, 13, 40, and 50

**Background.** The State Water Resources Control Board has small amounts of funding left from several older bonds that it is requesting for reappropriation or appropriation of already reverted funds. The funds are for water quality projects, including water recycling, agricultural water quality, clean beaches, watershed protection, and nonpoint source pollution control.

**Governor's Budget.** The Governor's Budget proposes the following reversions, reappropriations, and appropriations:

- Proposition 204 – reversion of \$538,000
- Proposition 13 – reappropriation of \$13,983,400 of which \$1,740,000 is for CALFED
- Proposition 13 – new appropriation of \$7,477,200 for local assistance
- Proposition 13 – new appropriation of \$1,661,000 for state operations
- Proposition 40 – reappropriation of \$3,352,900 for local assistance
- Proposition 40 – reappropriation of \$170,000 for state operations
- Proposition 50 – reappropriation of \$1,936,200 for local assistance
- Proposition 50 – reappropriation of \$282,300 for CALFED
- Proposition 50 – new appropriation of \$1,995,000 for CALFED

**Staff Recommendation.** Staff recommends that the Subcommittee approve the reappropriations and reversion, but reject all new proposals.

**Action:** Held open

### 5. Regional Board Line Items

**Background.** Currently, the nine Regional Water Quality Control Boards' budgets are presented as one line item in the budget. This allows the State Board to move funds between the various Regional Boards as need arises, but does not provide transparency for the Legislature as to how much money each Regional Board is receiving.

**Staff Recommendation.** Staff recommends that the Subcommittee request that each Regional Water Board be provided its own line item in the budget for transparency. Funds could still be moved between the Boards with a 30-day notification letter to the Joint Legislative Budget Committee.

**Action:** Held open

## 6. Agricultural Water Runoff Supplemental Report Language

**Background.** Agricultural nonpoint source (NPS) pollution is the leading source of water quality impacts on surveyed rivers and lakes, the second largest source of impairments to wetlands, and a major contributor to contamination of surveyed estuaries and ground water. Agricultural activities that cause NPS pollution include poorly located or managed animal feeding operations; overgrazing; plowing too often or at the wrong time; and improper, excessive, or poorly timed application of pesticides, irrigation water, and fertilizer. Pollutants that result from farming and ranching include sediment, nutrients, pathogens, pesticides, metals, and salts.

Impacts from agricultural activities on surface water and ground water can be minimized by using management practices that are adapted to local conditions. The State Water Resources Control Board is currently researching how to best adapt such management practices for California.

**Staff Recommendation.** Staff recommends that the Subcommittee adopt the following supplemental report language:

On or before January 30, 2009, the State Water Resources Control Board shall submit a report to the Joint Legislative Budget Committee and to the relevant policy committees that details: 1) the precise actions the SWRCB would have to undertake to obtain a 30 percent reduction to agricultural pollution runoff into the Sacramento-San Joaquin Delta and its tributary watersheds by 2012; 2) the estimated costs of those actions and mechanisms for funding those actions; and 3) which of those actions can be completed administratively and which would require legislation to implement.

**Action:** Held open

## 3960 Department of Toxic Substances Control

### 7. Green Chemistry and Pollution Prevention

**Background.** Green chemistry is the process of reducing or eliminating the use of hazardous materials altogether. The Green Chemistry Initiative is a collaborative approach for identifying options to significantly reduce the impacts of toxic chemicals on public health and the environment. The Green Chemistry Initiative strives to provide recommendations for: developing a consistent means for evaluating risk; reducing exposure; encouraging less-toxic industrial processes; and identifying safer, non-chemical alternatives. Green chemistry is a fundamentally new approach to environmental protection, transitioning away from managing toxic chemicals at the end of the lifecycle to reducing or eliminating their use altogether.

**Proposal.** The positions requested in this proposal would:

- Continue outreach and education of projects completed;
- Develop at least four additional pilot projects every two years (for six total);
- Expand technical assistance, outreach, and education using materials developed during pilot projects to small business assistance programs, industry associations, and local implementing agencies; and
- Measure the effectiveness of implementing pollution prevention technologies to evaluate whether future programs to provide funding are feasible.

**Governor's Budget.** The Governor's Budget proposes \$772,000 from the Toxic Substances Control Account and 6 positions for focusing on product design and industrial innovation that reduces the use of harmful chemicals in products.

**Staff Analysis.** The Green Chemistry program began by working with manufacturers at the factory level to examine how to keep toxic materials out of the product line. However, the conceptual direction of the Green Chemistry program is best served when the toxicity of the product materials is considered at the design phase. Without knowledge as to which chemicals pose the greatest risk, and what is the toxicity level of various chemicals, the department cannot recommend alternatives to the product designers. Thus the Department of Toxic Substances Control (DTSC) should create a matrix to identify the hazard traits posed by chemicals generally in order to avoid threats of potential substitute or alternative ingredients.

**Staff Proposed Trailer Bill Language.** Staff recommends that the Subcommittee adopt the following trailer bill language:

Section 1. The department shall develop a framework for the management and regulation of toxic chemical substances in products to help ensure compliance with the Department's statutes. The framework shall include the following: identification and development of test methods and protocols to identify toxic chemical substances in products; assistance to

product manufacturers to detect potentially toxic substances and identify safe alternatives; assistance to product manufacturers for product reformulation, production process changes, supply chain management and related source reduction measures; assistance to product retailers and users to identify and avoid the purchase of toxic products.

Section 2. The department shall contract for the development of framework and infrastructure recommendations for a web-based data system through which information could be arrayed in the form of a matrix to identify the hazard traits posed by chemicals in commerce. The web-based data system should provide for a source of data that includes current and prospective regulatory actions on chemicals on a global basis; a method for identifying those chemicals that may pose lesser or no threats to the environment and public health based scientific assessments. The framework and infrastructure recommendations should lead to the development of a data system that is decentralized, web-accessible and understandable to the general public and designed in such a way as to be continuously updated. Framework and infrastructure recommendations should be available by January 1, 2010, and allow for the development of the data system for public access no later than January 1, 2011.

**Staff Recommendation.** Staff recommends that the Subcommittee approve the staff proposed trailer bill language and approve \$772,000 and three positions from the Toxic Substances Control Account for the following actions:

1. Provide \$400,000 for two years with a two year encumbrance period for the creation of the chemicals matrix.
2. Approve three positions to work on regulation of toxic substances in products.

**Action:** Held open

# California State Senate

COMMITTEE ON  
BUDGET AND FISCAL REVIEW  
SUBCOMMITTEE #2 ON RESOURCES,  
ENVIRONMENTAL PROTECTION AND ENERGY

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SENATOR  
**ALAN LOWENTHAL**  
CHAIR

**Agenda Outcomes**  
**May 28, 2008**  
**10 a.m. - Room 4203**

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**3360 Energy Resources Commission**

<b>Program Description</b>	<b>Comments</b>
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**3360-001-3117 Energy Resources Commission**

<p><b>Alternative and Renewable Fuel and Vehicle Technology Program</b></p> <p><b>Background.</b> AB 118 (Nunez, 2007) created the Alternative and Renewable Fuel and Vehicle Technology Program (Program) to be administered by the Energy Commission. AB 118 requires the Energy Commission to develop an investment plan to determine priorities and opportunities for the Program. The Energy Commission must provide funding mechanisms to a multitude of public and private agencies to develop and deploy innovative technologies that transform California’s fuel and vehicle types to help attain the state’s alternative fuels and climate change policies.</p> <p><b>Governor’s Budget.</b> The Governor’s Budget proposes \$100,891,000 from the Alternative and Renewable Fuel and Vehicle Technology Fund and six new permanent positions for implementation of AB 118. Of the amount requested, \$100 million would be for projects while \$891,000 would be for six positions and operations costs.</p> <p><b>Staff Analysis.</b> By Fall 2008, the Energy Commission is going to develop an Investment Plan for the Program that will define priorities for the program but not actual projects. Prior to the release of the Investment Plan it will be difficult for the Legislature to evaluate the Program. Also, it will take about 6-8 months for the Energy Commission to develop regulations for the Program. Because of the time required to create new regulations, it will be difficult for the Energy Commission to distribute \$100 million in grants in the budget year.</p>	<p><b>Staff Recommendation:</b> Discuss options.</p>
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**3360**

**Energy Resources Commission**

<b>Program Description</b>	<b>Comments</b>
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**Action:**

Approved \$50 million as one-time funds with two-year expenditure authority.

Approved \$891,000 for six permanent staff positions.

Approved the following budget bill language:

1. An additional sum of \$50 million is hereby appropriated from the Alternative and Renewable Fuel and Vehicle Technology Fund for the award of grants and other financial incentives by the commission pursuant to Chapter 750, Statutes of 2007 (AB 118, Núñez), not sooner than 30 days after notification to the Chairperson of the Joint Legislative Budget Committee of the completion of specified guidelines required by Chapter 750 to be developed by the Air Resources Board, or not sooner than whatever lesser time the Chairperson, or his or her designee, may determine. To the extent that monies are made available pursuant to the terms of this appropriation, unexpended funds from the appropriation at the end of the 2009–10 fiscal year shall revert to the Alternative and Renewable Fuel and Vehicle Technology Fund.

**Vote:** 2-1 (Cogdill)

**3540 Department of Forestry and Fire Protection**

<b>Program Description</b>	<b>Comments</b>
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**3540-301-0001 Department of Forestry and Fire Protection**

**Capital Outlay Reappropriations**

**Issue.** Two General Fund funded capital outlay projects are delayed:

- Mt. St. Helena: Communication Facility, Renovation – Construction. Due to phasing requirements related to ensuring continuous communication capabilities, the construction period will extend into the next fiscal year.
- Statewide: Construct Communication Facilities – Construction. The project has been delayed by due diligence concerns and environmental issues at several sites. The working drawings phase is scheduled to be completed by June 30, 2008. However, there is a possibility that this schedule may extend into the beginning of the next fiscal year.

**Finance Letter.** The Governor submitted a finance letter proposing reappropriation of these two General Fund funded capital outlay projects.

**Action:** Approved finance letter

**Vote:** 3-0

**Staff Recommendation:**  
Approve finance letter.

3600

Department of Fish and Game

Program Description	Comments
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3600-001-6051 Department of Fish and Game

**Anadromous Fish Management**

**Issue.** The Department of Fish and Game (DFG) Anadromous fish management has three components:

- *Coastal Salmonid Monitoring Plan.* The State of California does not have in place a coast-wide program to monitor the status and trend of salmon and steelhead populations. The six temporary staff would be used to collect data, to develop a plan, in collaboration with universities, Tribes, counties, and watershed groups.
- *Coho Recovery Plan Implementation.* The DFG adopted a Coho Recovery Strategy in 2004 that sets forth detailed actions to recover the species to the point of de-listing. However, the strategy has not yet been implemented. Two positions would be added to this program. This proposal would decrease the Coho salmon recovery period from 300 years to 50 years.
- *Coastal Steelhead and Chinook Recovery.* The DFG approved a Steelhead Restoration and Management Plan in 1996, but no funding has been provided for the implementation of this plan. Nearly all salmon and steelhead runs on the coast are now listed as threatened or endangered.

**Governor’s Budget.** The Governor’s Budget proposes \$10,856,000 from Proposition 84 bond funds for grant funds and eight permanent and six temporary positions to support Anadromous fish management.

**Staff Analysis.** The 2008 Salmon run was at a historic low. The Salmon population fell nearly 80 percent in one year. The department must take more aggressive action than just planning for Salmon recovery.

**Action:** Approved as budgeted

**Vote:** 3-0

**Staff Recommendation:**

Approve requested funds and temporary PYs only.

**3600 Department of Fish and Game**

<b>Program Description</b>	<b>Comments</b>
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**3600-001-0320 Department of Fish and Game**

<p><b>Office of Spill Prevention and Response Administrative Fund</b></p> <p><b>Issue.</b> The primary objective of the Office of Spill Prevention and Response (OSPR) is to prevent and respond to oil spills affecting marine waters of the state. The Senate Subcommittee 2 approved two requests from the OSPR administrative fund for port equipment maintenance and new oil spill prevention equipment (totaling \$550,000). Currently, each California port utilizes a separate system for measuring weather patterns. The Department of Fish and Game is in the process of creating a plan for standardizing the equipment for all California ports.</p> <p><b>Action:</b> Appropriated \$10 million in one-time surplus funds for increased unannounced inspections and drills, boats, booms, and other oil spill related equipment, and improved tracking of tracking of equipment to ensure it is available in the event of a spill. Approve BBL requiring that the equipment purchases be standardized in order to create a consistent system for all California ports.</p> <p><b>Vote:</b> 2-1 (Cogdill)</p>	<p><b>Staff Recommendation:</b> Appropriate \$13 million surplus funds for increased unannounced inspections and drills, boats, booms, and other oil spill related equipment, and improved tracking of tracking of equipment to ensure it is available in the event of a spill. Approve BBL requiring that the equipment purchases be standardized in order to create a consistent system for all California ports.</p>
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**3720 California Coastal Commission**

<b>Program Description</b>	<b>Comments</b>
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**3720-001-0593 California Coastal Commission**

**Coastal Access Account Trailer Bill Language**

**Issue.** Currently, all Coastal Commission permit fees are deposited into the Coastal Access Account. However, all the funds from the Coastal Access Account go to the State Coastal Conservancy for restoration and preservation efforts. The Coastal Commission is funded from the General Fund.

**Governor’s Budget.** The Governor’s Budget proposes trailer bill language to make funds in the Coastal Access Account also available to the Coastal Commission, upon appropriation from the Legislature.

**Action:** Approve trailer bill language establishing a new account for the Coastal Commission. The first \$500,000 in permit fees and penalty revenues collected will continue to be deposited into the Coastal Access Account. The new account will receive all permit fee and penalty revenue over \$500,000. The new account will be subject to appropriation by the Legislature. The Subcommittee Chair expressed that his intent was to be consistent with Assembly action.

**Vote:** 2-1 (Cogdill)

**Staff Recommendation:**

Approve trailer bill language establishing a new account for the Coastal Commission. The first \$500,000 in permit fees and penalty revenues collected will continue to be deposited into the Coastal Access Account. The new account will receive all permit fee and penalty revenue over \$500,000. The new account will be subject to appropriation by the Legislature.

**3720 California Coastal Commission**

<b>Program Description</b>	<b>Comments</b>
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**3720-001-0593 California Coastal Commission**

<p><b>Operating Expenses, Equipment, and Information Technology</b></p> <p><b>Issue.</b> The Coastal Commission has six offices for which the rent has been increasing. In addition, due to budget constraints, much of the equipment such as computers and copiers has not been replaced on schedule. However, the funding source for this proposal is dependent on the passage of the Coastal Access Account Trailer Bill Language.</p> <p><b>Governor’s Budget.</b> The Governor’s Budget proposes \$524,000 (\$205,000 one-time) from the Coastal Access Account for increasing the operating expenses and equipment baseline budget of the Coastal Commission and providing a one-time information technology augmentation.</p> <p><b>Action:</b> Appropriated \$524,000 from the newly created account for the Coastal Commission.</p> <p><b>Vote:</b> 2-1 (Cogdill)</p>	<p><b>Staff Recommendation:</b> Approve funding from the new account created for the Coastal Commission.</p>
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**3720 California Coastal Commission**

<b>Program Description</b>	<b>Comments</b>
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**3720-001-0001 California Coastal Commission**

<p><b>Administrative Penalty Trailer Bill</b></p> <p><b>Issue.</b> Currently, to seek a penalty against a violation of the Coastal Act, the Coastal Commission must take the violator to court. This process can take a long time and is expensive. Approximately \$150,000 is collected annually.</p> <p><b>LAO Proposal.</b> The LAO proposes trailer bill language to allow the Coastal Commission to levy administrative penalties on coastal permit violators. Administrative penalty authority is common for regulating bodies. The LAO further recommends establishing a special fund into which the penalty revenues would be deposited.</p> <p><b>Action:</b> Approved LAO proposed trailer bill language. The Subcommittee Chair expressed that his intent was to be consistent with Assembly action.</p> <p><b>Vote:</b> 2-1 (Cogdill)</p>	<p><b>Staff Recommendation:</b> Approve LAO proposed trailer bill language.</p>
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3720

California Coastal Commission

Program Description	Comments
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3720-001-0001

California Coastal Commission

**Local Coastal Plan Amendment Fee Trailer Bill**

**Issue.** Local Coastal Plan (LCP) must be amended when there is a development in the coastal zone. Currently permit fees for these amendments are paid only to the local government, even though the local government and the Coastal Commission both review the amendment. The Commission reports that larger projects, such as big developments, energy facilities, etc, exhaust significant staff time because of their controversial nature and their workload.

**Proposal.** Adopt trailer bill language to provide the Coastal Commission with authority to charge separate fees on projects for which a LCP amendment is required. Conceptually under this proposal, fees would be directed to the project proponents as a pass-through fee from the local government.

**Action:** Approved proposed trailer bill language. The Subcommittee Chair expressed that his intent was to be consistent with Assembly action.

**Vote:** 2-1 (Cogdill)

**Staff Recommendation:**

Approve trailer bill language authorizing the Coastal Commission to collect a fee for project-driven LCP amendment reviews.

**3760 State Coastal Conservancy**

<b>Program Description</b>	<b>Comments</b>
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**3760-001-6051 State Coastal Conservancy**

**Coastal Conservancy Programs**

**Issue.** Subcommittee 2 on March 24 approved budget bill language providing \$3 million from the State Coastal Conservancy’s Proposition 84 bond funds to the San Diego River Conservancy. The State Coastal Conservancy has pointed out to staff that if the San Diego River Conservancy does not produce projects the funds would not go toward any project. The language adopted was:

*Of the amount appropriated in this item, \$3,000,000 shall be allocated for projects under the direction of the San Diego River Conservancy.*

**Governor’s Budget.** The Governor’s budget proposes \$89,098,000 in Proposition 84 bond funds for the State Coastal Conservancy. Subcommittee 2 approved these funds on March 24.

**Action:** Approved the following budget bill language to replace the previously approved budget bill language:

Of the amount appropriated in this item, \$3,000,000 shall be allocated for projects authorized by the San Diego River Conservancy

**Vote:** 2-1 (Cogdill)

**Staff Recommendation:** Change budget bill language to:

Of the amount appropriated in this item, \$3,000,000 shall be allocated for projects authorized by the San Diego River Conservancy

**3790 Department of Parks and Recreation**

<b>Program Description</b>	<b>Comments</b>
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**3790-001-0001 Department of Parks and Recreation**

<p><b>Park Closures</b></p> <p><b>Budget Balancing Reduction.</b> The Governor proposed to reduce the Department of Parks and Recreation funding by \$13.3 million General Fund, leading to the closure of 48 parks.</p> <p><b>May Revise.</b> The May Revise Budget proposed to restore \$11.8 million General Fund to the department and raise fee revenue by \$1.5 million on the most popular parks.</p> <p><b>LAO Proposal.</b> The LAO recommended a fee increase of \$25 million on state parks. Of this amount, the LAO recommended using \$13.3 million to keep parks open and \$11.7 million for park maintenance.</p> <p><b>Action:</b> Accepted May Revise letter.</p> <p><b>Vote:</b> 3-0</p>	<p><b>Staff Recommendation:</b> Approve May Revise proposal.</p>
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3790

Department of Parks and Recreation

Program Description	Comments
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3790-001-6051 Department of Parks and Recreation

**Nature Education and Research Facilities**

**Issue.** Proposition 84 provides \$500 million to the Department of Parks and Recreation, of which \$100 million is for nature education and research facilities. Grants may be used for buildings, structures, and exhibit galleries that present the collections to inspire and educate the public and for marine wildlife conservation research equipment and facilities. The Department of Parks and Recreation states that it had not yet adopted funding criteria. The California Cultural and Historical Endowment (CCHE) was established in law for this purpose when similar funds were allocated under Proposition 50.

**Governor’s Budget.** The Governor’s Budget does not appropriate any of these funds.

**Action:** Appropriated one-half of the funds allocated under Proposition 84 (\$50,000,000), adopted BBL/TBL specifying that \$25,000,000 shall be spent by the Department of Parks and Recreation pursuant to recommendations made by the California Cultural and Historical Endowment (CCHE).

**Vote:** 2-1 (Cogdill)

**Staff Recommendation:**

Appropriate one-half of the funds allocated under Proposition 84 (\$50,000,000), adopt BBL/TBL specifying that \$25,000,000 shall be spent by the Department of Parks and Recreation pursuant to recommendations made by the California Cultural and Historical Endowment (CCHE).

**3790 Department of Parks and Recreation**

<b>Program Description</b>	<b>Comments</b>
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**3790-001-0001 Department of Parks and Recreation**

<p><b>Diesel Vehicle Emissions Retrofit</b></p> <p><b>Issue.</b> On December 8, 2005, the California Air Resources Board adopted a fleet rule to reduce diesel particulate matter emissions from fleets operated by public agencies and utilities based on a phased implementation schedule. This rule requires vehicle modification or replacement of any State-owned one-road heavy-duty diesel fueled vehicles. The Department of Parks and Recreation has 151 such diesel vehicles. Of those, 82 must be retrofitted by December 2009.</p> <p><b>Governor’s Budget.</b> The Governor’s Budget proposes one-time \$910,000 in General Fund for retrofitting about 150 diesel vehicles and establishment of an ongoing program for reporting and record keeping to maintain compliance.</p> <p><b>Action:</b> Appropriated \$910,000 one-time funds from the Air Quality Improvement Fund for retrofitting the department’s diesel vehicles.</p> <p><b>Vote:</b> 2-1 (Cogdill)</p>	<p><b>Staff Recommendation:</b> Appropriate \$910,000 one-time funds from the Air Quality Improvement Fund for retrofitting the department’s diesel vehicles.</p>
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3790

Department of Parks and Recreation

Program Description	Comments
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3790-001-0001 Department of Parks and Recreation

**Empire Mine State Historic Park**

**Issue.** The Empire State Historic Park covers 850 acres of land. The mining operations left the land contaminated with various dangerous chemicals, including arsenic, cyanide, mercury, thallium, manganese, and iron. As the owner of the Empire Mine lands, the Department of Parks and Recreation was sued for alleged violations of the Federal Clean Water Act. The lawsuit was settled on January 13, 2006 through a consent decree in federal court. The consent decree requires California State Parks and Recreation to immediately implement corrective measures to mitigate the impacts from toxic soils and contaminated surface water discharges to the local watershed.

**Finance Letter.** The Governor has submitted a finance letter for \$5,001,000 in General Fund and six positions for continued remediation and treatment activities at the Empire Mine State Historic Park.

**LAO Recommendation.** The LAO recommends that the Legislature use Proposition 84 state planning funds for the Empire Mine remediation. Since Proposition 84 planning funds are restricted to five percent of the \$400 million for the department, the Empire Mine remediation would deplete 25 percent of the department's planning funds.

**Action:** Approved \$3 million General Fund and \$2 million in Proposition 84 bond funds.

**Vote:** 3-0

**Staff Recommendation:**

Approve \$3 million General Fund and \$2 million in Proposition 84 bond funds.

**3790 Department of Parks and Recreation**

<b>Program Description</b>	<b>Comments</b>
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**3790-001-0995 Department of Parks and Recreation**

<p><b>Office of Historic Preservation Environmental Review</b></p> <p><b>Issue.</b> Federal law requires Caltrans to consult with the Office of Historic Preservation to ensure that historic properties are adequately protected during the planning and development phases of transportation projects. Currently the Office of Historic Preservation is not able to complete the reviews within the 30-day timeframe, leading to delays in transportation projects.</p> <p><b>May Revise.</b> The May Revise proposes \$102,000 in Reimbursements and one limited-term position for the Office of Historic Preservation to review transportation projects.</p> <p><b>Action:</b> Approved the May Revise letter.</p> <p><b>Vote:</b> 3-0</p>	<p><b>Staff Recommendation:</b> Approve May Revise proposal.</p>
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3790

Department of Parks and Recreation

Program Description	Comments
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3790-001-0516 Department of Parks and Recreation

**Quagga Mussel Infestation**

**Issue.** The Quagga Mussel is a rapidly multiplying invasive species that leaches nutrients from water and can clog water-delivery infrastructure. Recent reports have confirmed that Quagga infestation is occurring at Lake Skinner, approximately 17 miles south of Lake Perris. The Quagga Mussel is transported from one water body to another by boats.

**May Revise.** The May Revise proposes \$1,413,000 from the Harbors and Watercraft Revolving Fund for a two-year pilot project to prevent infestation of Quagga mussels at Lake Perris, Riverside County. The funds would pay for the purchase of a cleaning station and nine new limited-term positions (one ranger and eight seasonal employees).

**Action:** Approved May Revise letter.

**Vote:** 2-1 (Cogdill)

**Staff Recommendation:**  
Approve May Revise proposal.



**3810 Santa Monica Mountains Conservancy**

<b>Program Description</b>	<b>Comments</b>
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**3810-001-0140 Santa Monica Mountains Conservancy**

**Grant Award Review by Attorney General**

**Issue.** The Santa Monica Mountains Conservancy is required to have the Office of the Attorney General review the grants the Conservancy provides to ensure that grants issued from the Conservancy's appropriation are in accordance with the General Obligation Bond Law and the specific provisions of the bond funds from which appropriations have been made. The Legislature is concerned with the timeliness of the approval process for the Santa Monica Mountains Conservancy bond funded grant programs, and recognizes that the requirements to review the grants has placed additional unfunded mandates on the Office of the Attorney General. In addition, the Legislature understands that for budgetary reasons the Attorney General has discontinued attendance at Conservancy meetings.

**Action:** Approved the following budget bill language:

The Santa Monica Mountains Conservancy shall execute a Memorandum of Understanding with the Office of the Attorney General providing for the reimbursement of the Attorney General's costs for reviewing the Santa Monica Mountains Conservancy's grant awards and attending the Santa Monica Mountains Conservancy's meetings.

**Vote:** 2-1 (Cogdill)

**Staff Recommendation:** Adopt the following budget bill language:

The Santa Monica Mountains Conservancy shall execute a Memorandum of Understanding with the Office of the Attorney General providing for the reimbursement of the Attorney General's costs for reviewing the Santa Monica Mountains Conservancy's grant awards and attending the Santa Monica Mountains Conservancy's meetings.

**3860 Department of Water Resources**

<b>Program Description</b>	<b>Comments</b>
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**3860-510-0502 Department of Water Resources**

**Cyber Security for Flood Emergency Response and the State Water Project**

**Issue.** The new position is requested to support the Department of Water Resources' (DWR) Information Security Officer in providing cyber security for departmental cyber assets, flood emergency response, and the State Water Project. Specifically, the new position would be involved with writing grants for Federal Homeland Security funding for disaster preparedness, cyber security, and infrastructure protection to ensure the integrity of DWR's critical business systems, and the State's water supply and flood control systems. This position would also write regular updates to the DWR Operational Recovery Plan, which specifies DWR's response to any incident or disaster that impacts the cyber systems.

**Governor's Budget.** The Governor's Budget proposes \$142,000 from various funding sources for one new permanent position to support DWR's Information Security Office in providing cyber security for flood emergency response and the State Water Project.

**Action:** Approved as budgeted.

**Vote:** 2-1 (Cogdill)

**Staff Recommendation:** Hear from the department.

**3860 Department of Water Resources**

<b>Program Description</b>	<b>Comments</b>
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**3860-301-6052 Department of Water Resources**

<p><b>Systemwide Levee Evaluations and Repairs</b></p> <p><b>Previous Subcommittee Action.</b> On May 22, the Subcommittee 2 approved \$126.5 million for critical levee repairs, erosion repairs, and levee evaluations. However, there were no positions included as part of that appropriation.</p> <p><b>Finance Letter.</b> The Governor submitted a finance letter proposing 33 limited-term positions (until June 30, 2012) to continue systemwide evaluation of the State’s levees, and to repair levees and erosion sites where deficiencies are found. These positions would be funded out of the already-approved Proposition 1E bond funds for levee evaluations and repairs.</p> <p><b>Action:</b> Approved finance letter.</p> <p><b>Vote:</b> 3-0</p>	<p><b>Staff Recommendation:</b> Approve the finance letter.</p>
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**3860 Department of Water Resources**

<b>Program Description</b>	<b>Comments</b>
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**3860-510-0502 Department of Water Resources**

**Alternative Delta Conveyance**

**Issue.** In response to crashing ecosystems in the Delta, the State has been supporting various Delta-related planning efforts including the Delta Vision Task Force that have all agreed that current water conveyance in the Delta is not sustainable from either an environmental or water supply perspective. As recommended by the Delta Vision, this proposal would provide staff augmentations to manage technical studies to begin studying alternatives available for improving the Delta water conveyance systems.

**Governor’s Budget.** The Governor’s Budget proposes \$1.4 million from State Water Project funds for eight new positions to support the collection, review, and updating of information on an Alternative Delta Conveyance Facility and begin preparation of an Environmental Impact Report for such a facility.

**Staff Analysis.** The Governor sent a letter to Senators Perata, Steinberg, and Machado outlining the administration’s actions being considered as part of a comprehensive solution in the Delta. Alternative Delta Conveyance was only one component of these solutions. The funding for the solutions should be considered together as a package.

Also, it has come to the attention of staff that the department may construe the approval of this proposal as an implicit approval to construct the entire peripheral canal. The Subcommittee may wish to consider trailer bill language prohibiting the department from moving forward with construction without Legislative approval.

**Staff Recommendation:** Discuss options.

**3860**

**Department of Water Resources**

<b>Program Description</b>	<b>Comments</b>
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**Action on Alternative Delta Conveyance:**

Approved the funding for the study.

Approved the positions with TBL to ensure that the PYs are authorized to work solely on environmental studies related to delta conveyance and not to work on conveyance design or construction.

Approved TBL language to prohibit construction of any delta conveyance project without explicit legislative authorization.

**Vote:** 2-1 (Cogdill)

**3860 Department of Water Resources**

Program Description	Comments
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**3860-001-6026 Department of Water Resources**

**Reappropriation of CALFED Funds**

**Finance Letter.** The Governor submitted a finance letter requesting reappropriation of the following projects:

- CALFED Conveyance System – Fish Collection, Handling, Transportation, and Release Evaluation (\$71,101; 2003)
- CALFED Conveyance System – Fish Collection, Handling, Transportation, and Release Evaluation (\$711,294; 2004)
- CALFED Conveyance System – Delta Cross Channel (\$229,312; 2004)
- CALFED Conveyance System – Franks Tract (\$1,473,593; 2004)
- CALFED Conveyance System – Through Delta Facility Study (\$4,642,662; 2004)
- CALFED Ecosystem Restoration Project (\$4,744,058; 2004)
- CALFED Science Program (\$1,646,838; 2004)
- CALFED Conveyance System – Fish Collection, Handling, Transportation, and Release Evaluation (\$1,814,283; 2005)
- CALFED Conveyance Program – Hydrodynamic Investigations (\$1,553,147)
- CALFED Conveyance Program – Through Delta Facility Study (\$947,950; 2006)
- CALFED Drinking Water Quality – Franks Tract (\$1,171,182; 2006)
- CALFED Ecosystem Restoration Project (\$13,509,640; 2006)
- CALFED Conveyance Program – Hydrodynamic Investigations (\$347,844; 2007)
- CALFED Drinking Water Quality – Franks Tract (\$603,000; 2007)
- CALFED Drinking Water Quality – Old River (\$2,284,000; 2007)

**Staff Recommendation:**

Approve finance letter.

Note: In the April 14 hearing, Subcommittee 2 approved new DWR ecosystem projects for 2008-09 only. Also, new CALFED Department of Fish and Game capital outlay ecosystem restoration projects were rejected.

**Action:** Approved finance letter.

**Vote:** 2-1 (Cogdill)

**3860 Department of Water Resources**

<b>Program Description</b>	<b>Comments</b>
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**3860-001-6031 Department of Water Resources**

<p><b>Reappropriation of CALFED Funds</b></p> <p><b>Finance Letter.</b> The Governor submitted a finance letter requesting reappropriation of the following projects:</p> <ul style="list-style-type: none"><li>• Water Supply Reliability Program (\$29,006,000; 2003)</li><li>• CALFED Drinking Water Quality – Franks Tract (\$3,506,687; 2006)</li><li>• CALFED Water Use Efficiency Grants (\$30,136,000; 2006)</li></ul> <p><b>Action:</b> Approved finance letter. <b>Vote:</b> 2-1 (Cogdill)</p>	<p><b>Staff Recommendation:</b> Approve finance letter.</p> <p>The Subcommittee approved new CALFED water quality funds for DWR for 2008-09 only.</p>
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**3860 Department of Water Resources**

<b>Program Description</b>	<b>Comments</b>
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**3860-001-6023 Department of Water Resources**

<p><b>Extension of Liquidation for CALFED Funds</b></p> <p><b>Finance Letter.</b> The Governor submitted a finance letter requesting extension of liquidation for the following Proposition 13 funded projects:</p> <ul style="list-style-type: none"><li>• Groundwater Recharge Facilities Loan Program (\$500,000; 2001)</li><li>• Urban Water Conservation Program (\$2,544,611; 2001)</li><li>• Groundwater Recharge Facilities Loan Program (\$456,020; 2003)</li><li>• Groundwater Recharge Facilities Loan Program (\$600,000; 2005)</li><li>• Groundwater Storage Program (\$23,356,328; 2001)</li><li>• CALFED Conveyance Program – Delta Cross Channel (\$46,097; 2003)</li><li>• CALFED Ecosystem Restoration Project (\$1,382,569; 2003)</li><li>• Interim Reliable Water Supply Program (\$40,655,339; 2001)</li><li>• Interim Reliable Water Supply Program (\$471,680; 2001)</li></ul> <p><b>Action:</b> Approved finance letter. <b>Vote:</b> 2-1 (Cogdill)</p>	<p><b>Staff Recommendation:</b> Approve the finance letter.</p>
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**3860 Department of Water Resources**

<b>Program Description</b>	<b>Comments</b>
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**3860-001-6031 Department of Water Resources**

<p><b>Extension of Liquidation for CALFED Funds</b></p> <p><b>Finance Letter.</b> The Governor submitted a finance letter requesting extension of liquidation for the following Proposition 50 funded projects:</p> <ul style="list-style-type: none"><li>• Delta Levees Special Projects (\$425,000; 2003)</li><li>• Delta Levees Special Projects (\$900,000; 2005)</li><li>• Delta Levees Subventions (\$1,500,000; 2005)</li></ul> <p><b>Action:</b> Approved finance letter. <b>Vote:</b> 2-1 (Cogdill)</p>	<p><b>Staff Recommendation:</b> Approve the finance letter.</p>
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**3860 Department of Water Resources**

<b>Program Description</b>	<b>Comments</b>
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**3860-001-0000 Department of Water Resources**

<p><b>Reappropriation of Non-CALFED Funds</b></p> <p><b>Finance Letter.</b> The Governor submitted a finance letter requesting reappropriation of the following projects:</p> <ul style="list-style-type: none"><li>• Fund 0544 – Sacramento Valley Water Management (\$8,448,000; 2007)</li><li>• Fund 6010 – Yuba Feather Flood Protection Program (\$315,568; 2007)</li><li>• Fund 6031 – Integrated Water Management (\$6,400,000; 2002)</li></ul> <p><b>Action:</b> Approved finance letter. <b>Vote:</b> 3-0</p>	<p><b>Staff Recommendation:</b> Approve finance letter.</p>
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**3860 Department of Water Resources**

<b>Program Description</b>	<b>Comments</b>
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**3860-001-0000 Department of Water Resources**

**Extension of Liquidation for Non-CALFED Funds**

**Finance Letter.** The Governor submitted a finance letter requesting extension of liquidation for the following projects:

- Fund 0543 – Local Projects Loan and Grant Program (\$28,200; 2001)
- Fund 6005 – Flood Protection Corridor Program (\$3,996,745; 2003)
- Fund 6007 – Urban Streams Restoration Program (\$699,428; 2001)
- Fund 6007 – Urban Streams Restoration Program (\$1,699,951; 2003)
- Fund 6010 – Yuba Feather Flood Protection Program (\$127,781; 2001)
- Fund 6010 – Yuba Feather Flood Protection Program (\$149,029; 2003)
- Fund 6010 – Yuba Feather Flood Protection Program (\$1,410,000; 2005)
- Fund 6014 – Delta Science Center (\$1,550,000; 2001)
- Fund 6023 – Infrastructure Rehabilitation Program (\$64,542; 2001)
- Fund 6023 – Infrastructure Rehabilitation Program (\$130,966; 2003)
- Fund 6023 – Infrastructure Rehabilitation Program (\$460,405; 2005)

**Action:** Approved finance letter.

**Vote:** 3-0

**Staff Recommendation:**  
Approve the finance letter.

3900

**Air Resources Board**

<b>Program Description</b>	<b>Comments</b>
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**3900-001-3119 Air Resources Board**

<p><b>Implementation of Air Quality Improvement Program and Enhanced Fleet Modernization Program</b></p> <p><b>Issue.</b> AB 118 (Nunez, 2007) created three new programs to fund air quality improvement projects as well as develop and deploy technology and alternative and renewable fuels at the Air Resources Board (ARB). The programs are funded through increased fees on smog abatement, vehicle registration, and vessel registration fees. These new programs provide incentives for reducing emissions with viable technologies, and are intended to cover areas outside the Carl Moyer Program or the Goods Movement Program (Prop 1B funds). The new AB 118 programs address new source categories such as emerging hybrid engine technologies, evaporative emission controls, and lawn and garden equipment. The three new programs are:</p> <ul style="list-style-type: none"><li>• Air Quality Improvement Program</li><li>• Enhanced Fleet Modernization Program</li><li>• Alternative and Renewable Fuel and Vehicle Technology Program</li></ul> <p><b>Governor’s Budget.</b> The Governor’s Budget proposes \$1,740,000 from the Air Quality Improvement Fund for 8 permanent positions, 2 limited-term positions, and \$250,000 in contract funding to implement AB 118.</p> <p><b>Action:</b> Approved as budgeted. <b>Vote:</b> 2-1 (Cogdill)</p>	<p><b>Staff Recommendation:</b> Approve as budgeted.</p>
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3900

**Air Resources Board**

<b>Program Description</b>	<b>Comments</b>
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3900-001-3119

**Air Resources Board**

<p><b>Financial Incentive Program for Heavy-Duty Vehicles</b></p> <p><b>Issue.</b> AB 118 (Nunez, 2007) created three new programs to fund air quality improvement projects as well as develop and deploy technology and alternative and renewable fuels at the Air Resources Board (ARB). The ARB will receive \$50 million annually from fees for the Air Quality Improvement Program (AQIP). However, it will take the ARB almost a year to develop the guidelines for the AQIP.</p> <p><b>May Revise.</b> The May Revise proposes a one-time \$48,700,000 appropriation from the Air Quality Improvement Fund for the Air Resources Board to develop, administer, and fund financing programs, including loans, revolving loans, loan guarantees, or other appropriate funding measures, to achieve surplus emission reductions from on and off-road heavy-duty vehicle and equipment projects. This proposal would support early action on regulatory requirements, thereby assisting affected fleets and ensuring the state achieves emission reductions critical to meeting federal and state air quality standards.</p> <p><b>Trailer Bill.</b> The proposal includes trailer bill language to authorize expenditure of the Air Quality Improvement Fund for loans and loan guarantees.</p> <p><b>Provisional Language.</b> Authorizes the funding to be expended without regard to fiscal year, so that the loan options can be provided to eligible fleet owners over the multi-year phase-in compliance periods applicable to the regulations.</p>	<p><b>Staff Recommendation:</b></p> <p>Approve \$40,965,000.</p> <p>Approve Governor’s TBL.</p> <p>Reject Governor’s provisional language and adopt new provisional language specifying that the vehicles retrofitted must be registered in California.</p>
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**3900**

**Air Resources Board**

<b>Program Description</b>	<b>Comments</b>
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**Action for financial incentives for heavy-duty vehicles:**

Approved \$40,965,000.

Approve Governor's TBL.

Reject Governor's provisional language and adopt new provisional language specifying that the vehicles retrofitted must be registered in California.

Approved staff introduced TBL.

**Vote:** 2-1 (Cogdill)

3900

Air Resources Board

Program Description	Comments
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3900-001-0115 Air Resources Board

**Ongoing Implementation of the Global Warming Solutions Act of 2006**

**Issue.** The requested funding would allow the ARB to work on the following:

*Low Carbon Fuel Standard:* The ARB would develop test data on candidate low carbon fuels that currently do not exist, including evaluating the impact of using different diesel fuels, conducting lifecycle assessment, reviewing new technologies, and tracking emerging national and international programs. The ARB would work on exhaust and evaporative emissions testing. Also, the ARB would conduct analysis of emission, fuel, and particulate samples.

*Scoping Plan and Early Action Measures:* The ARB would maintain an aggressive development schedule for the scoping plan and the early action measures.

*Fee Revenue Mechanism:* The ARB would develop a fee program for the on-going support of AB 32 implementation and to pursue additional early action measures.

**Governor’s Budget.** The Governor’s budget proposes \$5,579,000 from the Air Pollution Control Fund (APCF) and 27 new positions to continue implementation of AB 32 (Nunez, 2006). These funds are a loan from the Beverage Container Recycling Fund to the APCF.

**Staff Analysis.** AB 118 provides a funding source for the fuel testing and other vehicle emissions and air quality related work. In addition, AB 32 provides the ARB with authority to pass a fee to fund AB 32 activities.

**Staff Recommendation:**

Approve \$24 million for ARB’s AB 32 activities, including this proposal and baseline, from the Alternative and Renewable Fuel and Vehicle Technology Fund. Approve an additional \$8 million from Health and Safety Code 38597.

Approve TBL authorizing emergency regulations and require permanent regulations within a year.

**3900**

**Air Resources Board**

<b>Program Description</b>	<b>Comments</b>
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**Action on Ongoing Implementation of the Global Warming Solutions Act of 2006:**

Approved \$24 million for ARB's AB 32 activities, including this proposal and baseline, from the Alternative and Renewable Fuel and Vehicle Technology Fund. Approve an additional \$8 million from Health and Safety Code 38597.

Approved TBL authorizing emergency regulations and require permanent regulations within a year.

**Vote:** 2-1 (Cogdill)



3900

**Air Resources Board**

<b>Program Description</b>	<b>Comments</b>
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**3900-001-0044 Air Resources Board**

<p><b>Diesel Vehicles and Engines: Healthy Heart and Lung Act</b> <b>Issue.</b> The Air Resources Board (ARB) commercial vehicle idling regulations are enforced across the state by the ARB, local air districts, and other law enforcement officials. Tests on vehicles are performed by ARB inspection teams at border crossings, California Highway Patrol weigh stations, fleet facilities, and randomly selected roadside locations. The ARB issues about 1,000 citations per year for violations of excessive smoke, vehicle tampering, and excessive idling regulations. There are about 1,800 commercial vehicles currently in the state that have uncleared violations. AB 233 (Jones, 2007) requires that fines for commercial vehicle idling provisions be increased to a minimum of \$300 per violation and that vehicles with uncleared violations cannot be reregistered until the violations are cleared. Also, AB 233 requires the ARB to, every three years, submit a plan to the Legislature addressing enforcement needs for on- and off-road diesel emission control regulations.</p> <p><b>Governor’s Budget.</b> The Governor’s Budget proposes \$145,000 from the Motor Vehicle Account and one position to implement and support the requirements established under AB 233.</p> <p><b>Staff Analysis.</b> The Motor Vehicle Account has a structural deficit of over \$300 million, and it would not be prudent to add to that structural deficit by approving new positions.</p> <p><b>Action:</b> Rejected budget proposal. <b>Vote:</b> 3-0</p>	<p><b>Staff Recommendation:</b> Reject budget proposal.</p>
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**3900 Air Resources Board**

Program Description	Comments
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**3900-001-0044 Air Resources Board**

**Regulatory Implementation and Enforcement**

**Governor’s Budget.** The Governor’s Budget proposes \$8,522,000 from the Motor Vehicle Account and 46 positions to implement and enforce the Air Resources Board’s new and augmented regulatory programs. This proposal requests 46 new positions to work on the following activities:

- Enforcement of the Heavy-Duty Diesel Vehicle Idling Emission Reduction Regulation, including commercial vehicle and school bus idling – 8 positions
- Implementation of the In-Use Off-Road Diesel Vehicles Regulation – 18 positions
- Enforcement of the In-Use On-Road Diesel Fueled Heavy-Duty Drayage Trucks – 6 positions
- Enforcement of multiple Maritime Port and Rail Yard Regulations – 2 positions
- Implementation of the New-Generation Light Duty Vehicle Testing Program, including light-duty diesel vehicles – 4 positions
- Implementation and enforcement of Formaldehyde in Composite Wood Products Regulation, including laboratory test method development – 8 positions
- Enforcement of Ozone Generating Air Cleaners Regulation, including field enforcement and laboratory certification – one position

**Staff Analysis.** Enforcement of formaldehyde in composite wood products regulation and ozone generating air cleaners regulation is not an appropriate use of Motor Vehicle Account funds.

**Staff Recommendation:**

Approve 37 PYs, equipment, and contract funds for \$6,825,000 from the Air Quality Improvement Fund. The approved positions and contract funds should not be used for enforcement of formaldehyde in composite wood products regulation or enforcement of ozone generating air cleaners regulation.

**3900**

**Air Resources Board**

<b>Program Description</b>	<b>Comments</b>
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**Action for Regulatory Implementation and Enforcement:**

Approved 37 PYs, equipment, and contract funds for \$6,825,000 from the Air Quality Improvement Fund. The approved positions and contract funds should not be used for enforcement of formaldehyde in composite wood products regulation or enforcement of ozone generating air cleaners regulation.

**Vote:** 2-1 (Cogdill)

**3900 Air Resources Board**

<b>Program Description</b>	<b>Comments</b>
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**3900-001-0044 Air Resources Board**

<p><b>Zero Emission Vehicle and Infrastructure Implementation Support Program</b> <b>Issue.</b> The Zero Emission Vehicle (ZEV) regulation requires automakers to demonstrate and commercialize zero emission vehicles. The ZEV regulation allows automakers to comply with a portion of their obligation with ZEV through enabling technologies such as hybrid electric vehicles; plug-in hybrid electric vehicles; hydrogen internal combustion engine vehicles; and compressed natural gas vehicles.</p> <p><b>Governor’s Budget.</b> The Governor’s Budget proposes \$6 million from the Motor Vehicle Account for the Zero Emission Vehicle Program. Of this amount, \$1 million would be for incentives and co-funding opportunities for the purchase, lease, and demonstration of zero emission vehicles and certain advanced technology near zero emission vehicles. The other \$5 million would be for co-funding up to three hydrogen fueling stations.</p> <p><b>LAO Recommendation.</b> The LAO concludes that the ARB has sufficient resources to continue the hydrogen initiative in the budget year without additional funding because nearly one-half the funds appropriated during the three-year history of the program—\$9.4 million—currently remains available for new projects. Also, the ARB indicates that it intends to use all but \$600,000 of the \$9.4 million as matching funds for the construction of publicly accessible hydrogen fueling stations. The LAO therefore recommends that the Legislature deny this budget request.</p>	<p><b>Staff Recommendation:</b> Reject budget proposal.</p>
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**Action:** Rejected budget proposal.

**Vote:** 3-0

**3910 California Integrated Waste Management Board**

<b>Program Description</b>	<b>Comments</b>
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**3910-001-0995 California Integrated Waste Management Board**

**3480-001-0133 Department of Conservation**

**3360-001-0465 Energy Resources Commission**

<p><b>Education and Environment Initiative</b></p> <p><b>Issue.</b> The Office of Education and the Environment within the California Integrated Waste Management Board (CIWMB) is charged with the development of a model curriculum and making the Education and Environment Initiative (EEI) model curriculum available to California’s K-12 public schools. The EEI has no dedicated funding source but has rather been funded through annual transfers from various special funds.</p> <p><b>Governor’s Budget.</b> The Governor’s Budget proposes \$1,167,000 from reimbursements paid by the Department of Conservation from the Beverage Container Recycling Fund for one new staff position and consultant contracts. In addition, \$917,000 from the California Beverage Container Recycling Fund is requested for 2009-10.</p> <p><b>Staff Analysis.</b> According to statute, the main elements to be included in the EEI are: integrated waste management, energy conservation, water conservation and pollution prevention, air resources, integrated pest management, toxic materials, and wildlife conservation and forestry.</p> <p><b>Action:</b> Rejected budget proposal for Department of Conservation. Appropriated \$1,167,000 from the Energy Resources Programs Account for the EEI. Appropriated \$1,167,000 in Reimbursement authority to the CIWMB for the EEI.</p> <p><b>Vote:</b> 2-1 (Cogdill)</p>	<p><b>Staff Recommendation:</b> Appropriate \$1,167,000 from the Energy Research Programs Account at the Energy Commission for the EEI. Reject the Governor’s proposed loan from the Beverage Container Recycling Fund for the EEI.</p>
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**3940 State Water Resources Control Board**

<b>Program Description</b>	<b>Comments</b>
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**3940-001-0001 State Water Resources Control Board**

<p><b>State Water Board Accountability</b></p> <ul style="list-style-type: none"><li>• The State and Regional Water Boards are statutorily accountable to US EPA and the public through the federal Clean Water Act to prevent and clean up water pollution, but they are failing at this task. The state board and nine regional boards are not accountable in any meaningful way for expenditures of funds in the budget act. Meanwhile, more and more water bodies in the state are listed as “impaired” or polluted.</li><li>• The current water board system emphasizes process, not outcomes. It is not set up to get to an outcome of clean water. Instead it is set up to get to an outcome of number of permits processed, number of inspections, and number of negotiated settlements.</li><li>• Accountability is impaired further because there is little coordinated water quality monitoring and the existing permit and enforcement data are of questionable validity and because the funding is almost impossible to track, resulting in a lack of understanding of where the money is going now and how it is being used.</li><li>• The water quality regulatory system has become so arcane that only a few people in the state can successfully navigate it. The “trees over forest” approach has shut out other stakeholders and agencies that might provide assistance in achieving clean water.</li></ul> <p><b>Issue:</b> The Governor’s budget appropriates \$739.5 million to fund the state and regional water boards, but provides no accountability or improvement in water quality.</p>	<p><b>Staff Recommendation:</b></p> <ol style="list-style-type: none"><li>1. Adopt BBL/TBL that identifies where funding for permitting, water quality, enforcement and planning activities is spent at each of the nine regional boards.</li><li>2. Adopt TBL downsizing the regional boards and increasing accountability among the state and regional water boards.</li></ol>
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**3940 State Water Resources Control Board**

<b>Program Description</b>	<b>Comments</b>
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**Action:**

Adopted BBL and TBL that identifies where funding for permitting, water quality, enforcement and planning activities is spent at each of the nine regional boards.

Adopted TBL downsizing the regional boards and increasing accountability among the state and regional water boards.

**Vote:** 2-1 (Cogdill)

**3940 State Water Resources Control Board**

<b>Program Description</b>	<b>Comments</b>
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**3940-001-3058 State Water Resources Control Board**

<p><b>Water Supply Reliability and Stream Flow Protection</b></p> <p><b>Issue.</b> The department states that the additional requested funds would allow them to collaborate with other state and federal agencies in the department’s efforts to protect Bay-Delta beneficial water uses; reduce illegal water diversions; improve compliance with existing water right permits; improve processing time for water right applications, petitions, and other submittals; reduce existing permitting, petition, and licensing backlogs; improve program oversight, and improve stakeholder outreach and education.</p> <p><b>Governor’s Budget.</b> The Governor’s Budget proposes \$316,000 from the Water Rights Fund and 6.5 positions to increase the service level of the Water Rights Program.</p> <p><b>Staff Analysis.</b> The department has informed staff that the approval of new funding from the Water Rights Fund without corresponding fee increases would create a structural deficit in the fund. In addition, the water rights fee is currently in litigation and the program’s future funding is uncertain. If the courts find the water rights fee inappropriate, the State would have to pay back the expended funds with General Fund.</p> <p><b>Action:</b> Rejected budget proposal.</p> <p><b>Vote:</b> 3-0</p>	<p><b>Staff Recommendation:</b> Reject budget proposal.</p>
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**3940 State Water Resources Control Board**

<b>Program Description</b>	<b>Comments</b>
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**3940-001-0193 State Water Resources Control Board**

**Investigations, Enforcement, and Fraud**

**Issue.** The State Water Resources Control Board (SWRCB) relies on the dischargers and diverters to comply with an honor-system of self-monitoring and reporting to the Water Board on their compliance with permit and other monitoring and reporting mandates. A recent review of facility self-monitoring data by a contractor for the USEPA found that more than 50 percent of the 300 California facilities reviewed had misreported data about their waste discharges.

Unauthorized water diversions have adverse affects on those who are legally diverting as well as on fisheries. The SWRCB has the authority to enforce against illegal diversions of water, but normally lacks the self-reporting to justify an investigation.

**Governor’s Budget.** The Governor’s Budget proposes \$1.3 million and 8.5 positions.

- Water Quality: 5.2 positions and \$790,000 from the Waste Discharge Permit Fund for enforcement of water quality violations.
- Water Rights: 3.3 positions and \$524,000 from the Water Rights Fund to perform inspections of water diversions and enforcement of water right violations.

**Staff Analysis.** The department has informed staff that the approval of new funding from the Water Rights Fund without corresponding fee increases would create a structural deficit in the fund. In addition, the water rights fee is currently in litigation and the program’s future funding is uncertain. If the courts find the water rights fee inappropriate, the State would have to pay back the expended funds with General Fund.

**Action:** Rejected budget proposal.

**Vote:** 3-0

**Staff Recommendation:** Reject budget proposal.

**3940 State Water Resources Control Board**

<b>Program Description</b>	<b>Comments</b>
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**3940-001-0001 State Water Resources Control Board**

<p><b>Regional Board Line Items</b></p> <p><b>Issue.</b> Currently, the nine Regional Water Quality Control Boards’ budgets are presented as one line item in the budget. This allows the State Board to move funds between the various Regional Boards as need arises, but does not provide transparency for the Legislature as to how much money each Regional Board is receiving.</p> <p><b>Action:</b> Approved staff recommendation.</p> <p><b>Vote:</b> 2-1 (Cogdill)</p>	<p><b>Staff Recommendation:</b> Provide each Regional Water Board its own line item in the budget for transparency. Funds could still be moved between the Boards: 1) with a 30-day notification letter to the Joint Legislative Budget Committee if the transfers collectively exceed \$100,000 during a 30-day period; or 2) upon the discretion of the Director of the Department of Finance if the transfers collectively are less than \$100,000 during a 30-day period.</p>
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**3940 State Water Resources Control Board**

Program Description	Comments
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**3940-001-0001 State Water Resources Control Board**

<p><b>Agricultural Water Runoff Supplemental Report Language</b></p> <p><b>Issue.</b> Agricultural nonpoint source (NPS) pollution is one of the sources of water quality impacts on surveyed rivers and lakes. Agricultural activities that cause NPS pollution include poorly located or managed animal feeding operations; overgrazing; plowing too often or at the wrong time; and improper, excessive, or poorly timed application of pesticides, irrigation water, and fertilizer. Pollutants that result from farming and ranching include sediment, nutrients, pathogens, pesticides, metals, and salts.</p> <p>Impacts from agricultural activities on surface water and ground water can be minimized by using management practices that are adapted to local conditions. The State Water Resources Control Board is currently researching how to best adapt such management practices for California.</p> <p><b>Action:</b> Adopted supplemental report language recommended by staff.</p> <p><b>Vote:</b> 2-1 (Cogdill)</p>	<p><b>Staff Recommendation:</b> Adopt the following supplemental report language:</p> <p>On or before March 30, 2009, the State Water Resources Control Board shall submit a report to the Joint Legislative Budget Committee and to the relevant policy committees that details: 1) the precise actions the SWRCB would have to undertake to obtain a 30 percent reduction in agricultural pollution runoff into the Sacramento-San Joaquin Delta and its tributary watersheds by 2012; 2) the estimated costs of those actions and mechanisms for funding those actions; and 3) which of those actions can be completed administratively and which would require legislation to implement.</p>
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**3960 Department of Toxic Substances Control**

<b>Program Description</b>	<b>Comments</b>
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**3960-001-0557 Department of Toxic Substances Control**

<p><b>Green Chemistry and Pollution Prevention</b></p> <p><b>Issue.</b> The Green Chemistry Initiative strives to provide recommendations for: developing a consistent means for evaluating risk; reducing exposure; encouraging less-toxic industrial processes; and identifying safer, non-chemical alternatives. Green chemistry is a fundamentally new approach to environmental protection, transitioning away from managing toxic chemicals at the end of the lifecycle to reducing or eliminating their use altogether.</p> <p><b>Governor’s Budget.</b> The Governor’s Budget proposes \$772,000 from the Toxic Substances Control Account and 6 positions for focusing on product design and industrial innovation that reduces the use of harmful chemicals in products.</p> <p><b>Staff Analysis.</b> The conceptual direction of the Green Chemistry program is best served when the toxicity of the product materials is considered at the design phase. Without knowledge as to which chemicals pose the greatest risk, and what is the toxicity level of various chemicals, the department cannot recommend alternatives to the product designers. This matter will be handled in a policy bill.</p> <p><b>Action:</b> Rejected budget proposal.</p> <p><b>Vote:</b> 3-0</p>	<p><b>Staff Recommendation:</b> Reject budget proposal.</p>
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**3960 Department of Toxic Substances Control**

<b>Program Description</b>	<b>Comments</b>
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**3960-001-0001 Department of Toxic Substances Control**

<p><b>Biomonitoring</b></p> <p><b>Issue.</b> SB 1379 (Perata, 2006) establishes the California Environmental Contaminant Biomonitoring Program (CECBP) to systematically collect, analyze, and archive blood and other human biological specimens from a statistically valid representative sample of California’s general population. The CECBP will be undertaken by the Department of Public Health, the Department of Toxic Substances Control (DTSC), and the Office of Environmental Health Hazard Assessment. The program is funded from the General Fund.</p> <p><b>Governor’s Budget.</b> The Governor’s Budget, after the budget balancing reduction, includes \$310,000 General Fund for biomonitoring.</p> <p><b>Action:</b> Reduced all of the General Fund for the biomonitoring program and replaced it with \$344,000 in Toxic Substances Control Account funds. Also, adopted TBL to allow for the use of these funds.</p> <p><b>Vote:</b> 3-0</p>	<p><b>Staff Recommendation:</b> Reduce all of the General Fund in the DTSC biomonitoring program and replace it with Toxic Substances Control Account funds (\$344,000) and adopt TBL to allow for the use of these funds.</p>
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**3980 Office of Environmental Health Hazard Assessment**

<b>Program Description</b>	<b>Comments</b>
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**3980-001-0001 Office of Environmental Health Hazard Assessment**

<p><b>Biomonitoring</b></p> <p><b>Issue.</b> SB 1379 (Perata, 2006) establishes the California Environmental Contaminant Biomonitoring Program (CECBP) to systematically collect, analyze, and archive blood and other human biological specimens from a statistically valid representative sample of California’s general population. The CECBP will be undertaken by the Department of Public Health, the Department of Toxic Substances Control (DTSC), and the Office of Environmental Health Hazard Assessment (OEHHA). The program is funded from the General Fund.</p> <p><b>Governor’s Budget.</b> The Governor’s Budget includes, after the budget balancing reduction, \$326,000 General Fund for biomonitoring.</p> <p><b>Action:</b> Reduced all of the General Fund for biomonitoring, and appropriated \$557,000 from the Toxic Substances Control Account. Also, adopted TBL to allow for the use of these funds.</p> <p><b>Vote:</b> 3-0</p>	<p><b>Staff Recommendation:</b> Reduce all of the General Fund in the OEHHA biomonitoring program and replace with Toxic Substances Control Account funding (\$557,000) and adopt TBL to allow for the use of these funds.</p>
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**8570 Department of Food and Agriculture**

<b>Program Description</b>	<b>Comments</b>
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**8570-001-0001 Department of Food and Agriculture**

**8570-001-0044**

**Private Vehicle Inspections at Border Protection Stations**

**Issue.** All 16 of the state’s border inspection stations ceased performing inspections on private vehicles in 2003 due to funding constraints. In 2006-07, the Legislature provided funds to operate the border inspection station at Needles as a pilot project. In 2007-08, the funding was increased due to the success of the Needles project and the need to inspect boats for the Quagga Mussel, and an additional four inspection stations began to inspect private vehicles. Currently, two border inspection stations perform inspections on private vehicles, but not 24/7.

**Governor’s Budget.** The Governor’s Budget proposes \$7,509,000 (\$7,099,000 from the Motor Vehicle Account and \$407,000 from General Fund) and 51 permanent positions and 69 temporary positions to operate all Border Protection Stations on a full-time basis and inspect all private vehicles entering California for pest infested materials.

**Action:** Approved \$2,774,000 from the Motor Vehicle Account and no General Fund for the border protection stations, including the Needles pilot project. Approved 17 new positions and 23 temporary positions. Though this is intended to be the first phase of a three-year phase-in of the border protection stations, the Subchair made it clear that the department is expected to return to the Legislature for the next round of funding.

**Vote:** 2-1 (Cogdill)

**Staff Recommendation:**

Approve \$2,774,000 from the Motor Vehicle Account and no General Fund for the border protection stations, including the Needles pilot project. Staff recommends that the Subcommittee approve 17 new positions and 23 temporary positions.

**8570 Department of Food and Agriculture**

<b>Program Description</b>	<b>Comments</b>
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**8570-001-0001 Department of Food and Agriculture**

**Quagga Mussel Eradication Efforts**

**Issue.** The Quagga Mussel is a highly invasive freshwater mussel that is capable of devastating aquatic ecosystems and impacting water infrastructure. Early estimates indicate that the establishment of this species in California waters can result in costs to the state of at least \$70 million in infrastructure costs and \$40 million in annual maintenance. The Quagga Mussel is spread by boats that are moved from one body of water to another.

**Previous Subcommittee Action.** On April 28, Subcommittee 2 approved the Governor’s proposal for \$2,379,000 General Fund for Quagga Mussel eradication efforts at the Department of Food and Agriculture (CDFA). These funds had been given to the Department of Fish and Game in 2007-08, and passed to CDFa through an interagency agreement. The Subcommittee action moved the funds directly to CDFa.

**Action:** Replaced \$2,379,000 General Fund with Harbors and Watercraft Funds, and added \$113,000 in Harbors and Watercraft Funds for staff benefits.

Also, the Subcommittee acted to replace the Department of Fish and Game Quagga Mussel General Fund funding with Harbors and Watercraft Funds.

**Vote:** 2-1 (Cogdill)

**Staff Recommendation:** Replace the \$2,379,000 General Fund with Harbors and Watercraft Funds, and add \$113,000 in Harbors and Watercraft Funds for staff benefits.



# **SUBCOMMITTEE NO. 2**

## **Agenda**

### **Committee on Resources, Environmental Protection and Energy**

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Chair, Senator Joseph Simitian



**December 11, 2008**

**1:00 P.M.**

**Room 3191**

(Seija Virtanen)

**Senate Budget and Fiscal Review Subcommittee #2 (Resources)**  
December 11, 2008

Program Reduction		Gov Proposal			LAO Options			November Alternative			Senate Republican Alternatives		
		2008-09	2009-10	Total	2008-09	2009-10	Total	2008-09	2009-10	Total	2008-09	2009-10	Total
<b>Resources</b>													
<b>1</b>	Parks and Recreation—Shift funding for Empire Mine remediation to bonds. Proposition 84 funds for state park planning and administrative purposes are an eligible alternative funding source for this activity.			0.0	4.0	0.0	4.0	4.0	0.0	4.0			0.0
<b>2</b>	Parks and Recreation—Shift funding for Americans With Disabilities Act lawsuit compliance to bonds. Proposition 84 bond funds for the state park system are an eligible alternative funding source for this activity.			0.0	11.0	11.0	22.0	11.0	11.0	22.0			0.0
<b>3</b>	Parks and Recreation—Increase state park fees. User fees in the state park system are comparatively low and many have not increased significantly over the last decade. The increased fee revenues would facilitate a reduction in the department's General Fund spending.			0.0	0.0	25.0	25.0			0.0			0.0
<b>4</b>	Forestry and Fire Protection—Partially shift funding for wildland fire protection in state responsibility areas to new fees. Property owners benefiting from the service should also pay a share of state costs. The state would still bear one-half the cost of protecting wildlands from fire.			0.0	0.0	239.0	239.0			0.0			0.0
<b>5</b>	Various Resources Departments and CalEPA Departments - Shift funding for timber harvest plan review from General Fund to new fees.			0.0	0.0	21.2	21.2			0.0			0.0
<b>6</b>	Department of Fish and Game - Shift funding for regulatory programs from General Fund to new fees.			0.0	0.0	4.6	4.6			0.0			0.0
<b>7</b>	Department of Water Resources - Shift funding for the Central Valley Flood Protection Board and watermaster program from General Fund to new user fees.			0.0	0.0	4.6	4.6			0.0			0.0
<b>8</b>	State Water Resources Control Board - Shift funding for water quality programs from General Fund to new broad-based fees.			0.0	0.0	18.5	18.5			0.0			0.0
<b>9</b>	State Water Resources Control Board - Shift funding for regulatory programs from General Fund to regulatory fees.			0.0	1.6	6.4	8.0			0.0			0.0
<b>10</b>	Office of Environmental Health Hazard Assessment - Shift funding for various regulatory support activities from General Fund to regulatory fees.			0.0	4.9	4.9	9.8			0.0			0.0
<b>11</b>	Integrated Waste Management Board—Delay budgeted special fund loan repayments. Full repayment of loans from California Tire Recycling Management Fund and Integrated Waste Management Account is not statutorily required and can be delayed; repayment of loan from Recycling Market Development Revolving Loan Subaccount also can be delayed.			0.0	26.0	0.0	26.0	26.0	0.0	26.0			0.0
<b>12</b>	Public Utilities Commission—Delay budgeted special fund loan repayments. Repayment of \$5 million on loan from California Teleconnect Fund is not statutorily required and can be delayed to a later year.			0.0	5.0	0.0	5.0	5.0	0.0	5.0			0.0
<b>13</b>	Streamline CEQA Process												NA

**Senate Budget and Fiscal Review Subcommittee #2 (Resources)**  
**December 11, 2008**

<b>Program Reduction</b>		<b>Gov Proposal</b>			<b>LAO Options</b>			<b>November Alternative</b>			<b>Senate Republican Alternatives</b>			
		<b>2008-09</b>	<b>2009-10</b>	<b>Total</b>	<b>2008-09</b>	<b>2009-10</b>	<b>Total</b>	<b>2008-09</b>	<b>2009-10</b>	<b>Total</b>	<b>2008-09</b>	<b>2009-10</b>	<b>Total</b>	
<b>14</b>	Delay AB 32 Implementation; 3rd Party Analysis of ARB Regulations													NA
<b>15</b>	Extend Deadline for In-Use/On Road Diesel Regulations													NA
<b>16</b>	Timber Harvest Plan Extension and Streamlining													NA

# **SUBCOMMITTEE NO. 2**

## **Committee on Resources**

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# **Agenda**

**Chair, Senator Joseph Simitian**  
**Senator Sam Aanestad**  
**Senator Dave Cogdill**  
**Senator Dennis Hollingsworth**  
**Senator Alan Lowenthal**  
**Senator Fran Pavley**  
**Senator Patricia Wiggins**



**December 16, 2008**

**1:00 P.M.**

**Room 2040**

**(Staff: Seija Virtanen)**

**Senate Budget and Fiscal Review Subcommittee #2 on Resources**

**Senate Republican's Proposed Solutions for Special Session (December)**

(Dollars in Millions)

<b>Program Reduction</b>		<b>2008-09</b>	<b>2009-10</b>	<b>Total</b>	<b>Source</b>
1	<b>Hydrogen Highway</b> - No Funding at this time	0.0	6.0	6.0	Joint Republican proposal
2	<b>Timber Harvest Plan Extension and Streamlining.</b> Note that this issue was not heard last week.	None provided	None provided		Senate Republicans