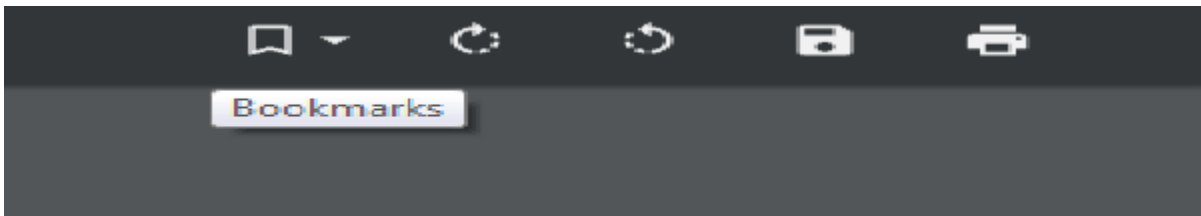


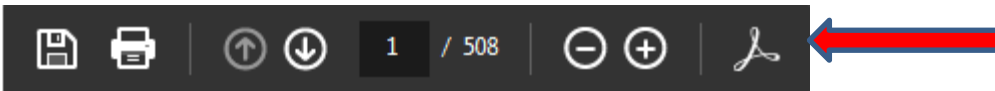
Senate Budget and Fiscal Review

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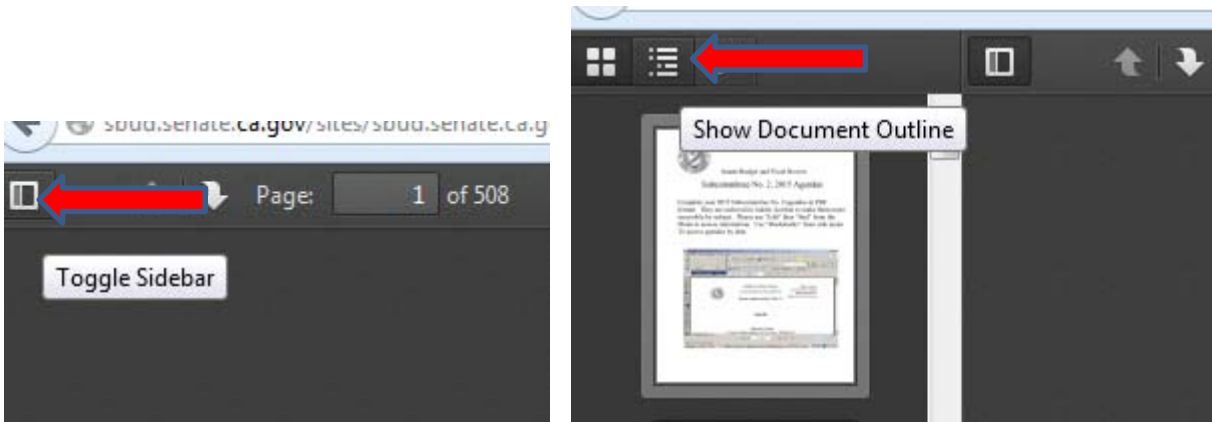
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Senator Bob Wieckowski, Chair
Senator Brian W. Jones
Senator Mike McGuire
Senator William W. Monning
Senator Henry I. Stern



Thursday, March 7, 2019
9:30 a.m. or upon adjournment of session
State Capitol - Room 112

Consultant: Joanne Roy

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VOTE-ONLY CALENDAR

0540 CALIFORNIA NATURAL RESOURCES AGENCY

Issue 1: Scientific Study of Lake Tahoe Clarity

Governor's Proposal. The Governor's budget proposes one-time funding of \$500,000 from the Lake Tahoe Science and Lake Improvement Account for a scientific study that will identify the causes of Lake Tahoe clarity decline, future climate change impacts on water quality, and recommended actions for addressing these issues.

In 2017, Lake Tahoe's average annual water clarity - one of the most iconic benchmarks for the watershed's environmental health - declined to 59.7 feet; the lowest level since monitoring began 50 years ago.

More than \$1 billion has been invested in capital projects throughout the Tahoe Basin over the last two decades, with a primary aim of arresting and ultimately reversing the long-term decline in lake clarity. This proposal would use the latest science to identify the causes of the fall in clarity and actions that need to be taken to address these causes.

Staff Recommendation. Approve as budgeted.

Issue 2: Digital Migration

Governor's Proposal. The Governor's budget proposes \$8.404 million one-time from various funds to perform digital conversion of approximately 103,757,502 paper records for multiple departments under CNRA.

Background. *New Building for the Natural Resources Agency and Its Departments.* Staff at the current Natural Resources building and other satellite offices will be moving to the new Natural Resources Headquarters building, beginning in May of 2021. The new building will be a "Zero Net Energy" building with approximately 20 stories and will have an expected building capacity of 3,450 employees. The departments that will occupy this new building include the California Natural Resources Agency, the Department of Water Resources, the Department of Parks and Recreation, the Department of Fish and Wildlife, the Department of Forestry and Fire Protection, the Department of Conservation, and the Wildlife Conservation Board.

Opportunity to Reduce Physical Space Requirement and Streamlining Current Processes. The new building was designed for maximum staff occupancy and there is insufficient physical storage space to hold the existing paper records required by the new occupants.

This impending move presents an opportunity to digitize current paper records. The first occupants are expected to begin moving into the new building in May 2021. Thus, the digitizing effort for the entities moving into the building must be completed within 24 months to make the records available for use. This equates to processing 873 boxes of paper pages per month.

This proposal includes paper records from the California Coastal Commission, the California Conservation Corps and the California State Lands Commission, even though they will not be moving to the new building.

Staff Recommendation. Approve as budgeted.

3860 DEPARTMENT OF WATER RESOURCES

Issue 3: Joint Operations Center Relocation

Governor's Proposal. The Governor's budget proposes \$266,000 General Fund one-time for Department of General Services expenses related to the relocation of the state/federal Joint Operations Center (JOC) to a new facility. In addition, \$256,000 State Water Project funds will be used for this purpose.

The JOC is a facility that houses state and federal entities working in collaboration to manage and operate the state and federal water projects and respond to the state's flood emergencies.

The 2018 Budget Act included provisional language and funding for DGS to prepare an RFP to proceed with a build-to-suite lease for a new JOC. A new JOC is necessary as the current facilities no longer meet programmatic space needs or comply with essential service needs and lack enough perimeter setback space to meet federal security requirements.

Staff Recommendation. Approve as budgeted.

3600 DEPARTMENT OF FISH AND WILDLIFE

Issue 4: Various Minor Projects

Governor's Proposal. The Governor's budget proposes \$369,000 from the Fish and Game Preservation Fund-State Duck Stamp Account for minor projects in the Shasta Valley and Gray Lodge Wildlife Areas. Specifically:

- \$140,000 for the survey, design, earthwork construction, and installation of water structures at the Gray Lodge Wildlife Area Field 75 minor. Field 75 on Gray Lodge Wildlife Area currently provides marginal habitat and requires considerable active management.
- \$229,000 for the design and construction of a low lift pump station, excavation of 220 linear foot supply channel, installation of a 510 linear foot pipeline and valve, and installation of a second valve into an existing pipeline at the Shasta Valley Wildlife Area Trout Lake Pump State. These improvements will help the Shasta Valley Wildlife Area to improve water reliability and supplies during drought years to support critical wetland habitats.

Staff Recommendation. Approve as budgeted.

ISSUES FOR DISCUSSION

0540 CALIFORNIA NATURAL RESOURCES AGENCY (CNRA)

OVERVIEW

CNRA programs are intended to protect and restore California’s diverse natural and cultural resources, including operating state parks, managing water supplies, supporting forest health, encouraging clean energy, and preserving fish and wildlife habitats, farmlands, and mineral resources. CNRA programs also protect the public through suppression of wildfires and construction of levees in the Central Valley.

Expenditures in the CNRA area totals \$6.4 billion and roughly breaks down as follows:

- Department of Forestry, Fire Protection 31.2 percent
- General Obligation Bonds – Natural Resources 17.8
- Other 15.7
- Department of Parks and Recreation 11.6
- Department of Water Resources 11.4
- Department of Fish and Wildlife 6.1
- Energy Commission 6.0

Issue 5: Proposition 68 Implementation

Governor’s Proposal. The Governor’s budget proposes \$1 billion and 15.5 new position across multiple departments to continue development and implementation of Proposition 68 bond programs. The chart below lists funding amounts requested by department and bond subsection.

*Dollar Amounts in Thousands.

| Category | Bond Section | Agency | Program | Bond Allocation | 2018-19 Budget | 2019-20 Proposed |
|---------------------------|--------------|-------------|---|-----------------|----------------|------------------|
| Parks Improvements | 80050 | State Parks | Safe Neighborhood Parks in accordance with the Statewide Park Development and Community Revitalization Act of 2008 - Competitive Grants | \$725,000 | \$277,379 | \$2,416 |
| | 80061(a) | State Parks | Local Park Rehabilitation, Creation, and Improvement Grants -- Per Capita Grants | \$200,000 | \$185,671 | \$667 |
| | 80061(b) | State Parks | Parks in Urban Areas (jurisdictions 200,000 or less in population) | \$15,000 | \$18 | \$13,925 |
| | 80065 | State Parks | Regional Parks -- Competitive Grants | \$30,000 | \$30 | \$83 |

| | | | | | | |
|---|----------------|------------------------------------|---|--------------------|------------------|------------------|
| | 80066 | State Parks | Local or Regional Park Infrastructure for local agencies with revenue enhancement measures - Proportional Grants | \$40,000 | \$293 | \$37,133 |
| | 80070 | State Parks | Restoration and Preservation of Existing Parks | \$80,000 | \$2,100 | \$132 |
| | 80072 | State Parks | Enterprise Projects | \$10,000 | \$0 | \$4,000 |
| | 80073(a) | State Parks | Grants to Local Agencies for Aging Infrastructure in the State Park System | \$5,000 | \$6 | \$17 |
| | 80074 | Dept. of Food and Agriculture | Facility Improvements to county fairs and district agricultural associations | \$18,000 | \$3,559 | \$7,047 |
| | 80075 | State Parks | Lower Cost Coastal Accommodations | \$30,000 | \$0 | \$0 |
| | 80076 | State Parks | State Park System Natural Resource Values | \$25,000 | \$16,935 | \$30 |
| | 80077 | State Parks | Deferred Maintenance Regional Allocations (\$10 million each: Central Valley, Central Coast, East Bay, Imperial County and Coachella Valley, Inland Empire) | \$50,000 | \$150 | \$11,650 |
| | 80080(a) | Natural Resources Agency | Trails and Greenway Investments - Competitive Grants | \$30,000 | \$117 | \$27,888 |
| | 80090(a) | State Parks | Parks in non-urbanized areas in accordance with the Roberti-Z'berg-Harris Urban Open-Space and Recreation Program Act -- Competitive Grants | \$25,000 | \$30 | \$83 |
| | | | Subtotal | \$1,283,000 | \$486,288 | \$105,071 |
| Climate Adaptation & Ecosystem Restoration | 80100(a)(1)(A) | Santa Monica Mountains Conservancy | Protect or Enhance the Los Angeles River watershed and its tributaries | \$37,500 | \$8,675 | \$8,675 |
| | 80100(a)(1)(B) | Rivers and Mountains Conservancy | Protect or Enhance the Los Angeles River watershed and its tributaries | \$37,500 | \$8,675 | \$5,792 |
| | 80100(a)(2) | State Coastal Conservancy | Santa Ana River Conservancy Program | \$16,000 | \$0 | \$0 |
| | 80100(a)(3) | Wildlife Conservation Board | Lower American River Conservancy Program | \$10,000 | \$2,037 | \$7,281 |

| | | | | | | |
|-----------------------------|--|--|--|----------|----------|---------|
| | | | California River Recreation, Creek, and Waterway Improvements (Los Gatos Creek/Guadalupe River/\$3,000; Russian River/\$3,000; Clear Lake/\$ 5,000, Los Angeles River in Glendale/ \$20,000) | \$31,000 | \$28,840 | \$120 |
| 80100(a)(4), (5), (7), (10) | Natural Resources Agency | | | | | |
| 80100(a)(6) | State Coastal Conservancy | | River Parkway Projects along the Santa Margarita River | \$10,000 | \$9,750 | \$0 |
| 80100(a)(8) | Natural Resources Agency | | California River Parkways Program - Competitive Grants | \$10,000 | \$9,395 | \$120 |
| 80010(a)(9) | Department of Water Resources | | Urban Streams Restoration Program - Competitive Grants | \$10,000 | \$537 | \$7,906 |
| 80110(a) | Natural Resources Agency | | Salton Sea Authority: Management Program Implementation (New River Water Quality, Public Health, River Parkway/\$10,000) | \$30,000 | \$0 | \$0 |
| 80110(b)(1) | Baldwin Hills Conservancy | | Conservancy Specified Purposes | \$6,000 | \$1,235 | \$1,284 |
| 80110(b)(2) | California Tahoe Conservancy | | Conservancy Specified Purposes | \$27,000 | \$3,200 | \$6,181 |
| 80110(b)(3) | Coachella Valley Mountains Conservancy | | Conservancy Specified Purposes | \$7,000 | \$0 | \$2,000 |
| 80110(b)(4) | Sacramento-San Joaquin Delta Conservancy | | Conservancy Specified Purposes | \$12,000 | \$1,056 | \$9,291 |
| 80110(b)(5) | San Diego River Conservancy | | Conservancy Specified Purposes | \$12,000 | \$50 | \$2,100 |
| 80110(b)(6) | Rivers and Mountains Conservancy | | Conservancy Specified Purposes | \$30,000 | \$0 | \$6,602 |
| 80110(b)(7) | San Joaquin River Conservancy | | Conservancy Specified Purposes | \$6,000 | \$0 | \$0 |

| | | | | | | |
|--|--------------|------------------------------------|--|-----------|----------|----------|
| | 80110(b)(8) | Santa Monica Mountains Conservancy | Conservancy Specified Purposes | \$30,000 | \$25,300 | \$300 |
| | 80110(b)(9) | Sierra Nevada Conservancy | Conservancy Specified Purposes | \$30,000 | \$13,017 | \$275 |
| | 80110(b)(10) | State Coastal Conservancy | San Francisco Bay Restoration | \$20,000 | \$19,500 | \$0 |
| | 80110(c) | Wildlife Conservation Board | Specified Purposes + Regional Conservation Investment Strategies/\$5,000; NCCP Implementation/\$52,000; UC Natural Reserve System/\$10,000 | \$137,000 | \$39,515 | \$65,400 |
| | 80114 | Natural Resources Agency | Voluntary Agreements | \$200,000 | \$0 | \$70,000 |
| | 80115 | Department of Fish and Wildlife | Capital Improvements for DFW Deferred Maintenance | \$50,000 | \$0 | \$10,000 |
| | 80116 | Natural Resources Agency | Salton Sea Management Program Restoration Activities | \$170,000 | \$30,000 | \$0 |
| | 80120(a) | Ocean Protection Council | Marine Wildlife and Healthy Ocean and Coastal Ecosystems | \$35,000 | \$10,142 | \$142 |
| | 80120(b) | State Coastal Conservancy | Lower Cost Coastal Accommodation Grants and Project Development | \$30,000 | \$0 | \$0 |
| | 80120(c) | State Coastal Conservancy | Beaches, Bays, Wetlands, and Coastal Watersheds | \$63,750 | \$0 | \$0 |
| | 80120(d) | State Coastal Conservancy | San Francisco Bay Area Conservancy | \$21,250 | \$3,010 | \$3,128 |
| | 80120(e) | State Coastal Conservancy | Coastal Forest Watersheds | \$20,000 | \$19,500 | \$0 |
| | 80120(f) | State Coastal Conservancy | Estuarine Lagoons and Designated Wildlife Areas | \$5,000 | \$0 | \$1,525 |
| | 80132(a) | Wildlife Conservation Board | Direct Expenditures and Grants Pursuant to Wildlife Conservation Law of 1947 - Competitive Grants | \$18,000 | \$10,000 | \$6,706 |

| | | | | | |
|--------------|------------------------------------|---|----------|----------|----------|
| 80132(c) | Wildlife Conservation Board | Pacific Flyway Habitat Protection and Restoration | \$20,000 | \$75 | \$10,062 |
| 80132(c) | Department of Fish and Wildlife | California Waterfowl Habitat Program | \$10,000 | \$0 | \$975 |
| 80132(d) | Department of Fish and Wildlife | Habitat Restoration and Protection - Competitive Grants | \$25,000 | \$4,875 | \$462 |
| 80132(e)(1) | Wildlife Conservation Board | Wildlife or Fish Passage - Competitive Grants | \$30,000 | \$10,113 | \$15,093 |
| 80132(e)(2) | Department of Fish and Wildlife | Southern California Steelhead Habitat - Competitive Grants | \$30,000 | \$9,379 | \$886 |
| 80132(f) | Wildlife Conservation Board | Sierra Nevada and Cascade Mountains - Competitive Grants | \$60,000 | \$10,113 | \$30,186 |
| 80132(g) | Department of Fish and Wildlife | Improve Conditions for Fish and Wildlife - Competitive Grants | \$30,000 | \$9,380 | \$887 |
| 80133(a) | Ocean Protection Council | Projects that Assist Coastal Communities | \$21,200 | \$10,142 | \$142 |
| 80133(b) | State Coastal Conservancy | San Francisco Bay Area Conservancy Program | \$14,000 | \$1,983 | \$2,223 |
| 80133(c) | State Coastal Conservancy | West Coyote Hills | \$4,800 | \$0 | \$0 |
| 80134(b) | Department of Food and Agriculture | Farm and Ranch Management Practices | \$10,000 | \$9,052 | \$448 |
| 80134(c)(1) | Department of Conservation | Working Lands and Riparian Corridors | \$20,000 | \$2,195 | \$15,200 |
| 80135(a) | CAL FIRE | Forest Management Practices | \$10,000 | \$0 | \$8,872 |
| 80135(b) | CAL FIRE | Urban Forestry Program | \$15,000 | \$14,625 | \$0 |
| 80135(c) | Sierra Nevada Conservancy | Sierra Nevada Watershed Improvement Program | \$25,000 | \$23,328 | \$225 |
| 80136 | California Conservation Corps | CCC Restoration and Rehabilitation Projects | \$20,000 | \$4,875 | \$7,159 |
| 80136, ref 1 | California Conservation Corps | Grants to Certified Local Community Conservation Corps | \$20,000 | \$4,875 | \$4,875 |

| | | | | | | |
|-----------------------------|-------------|-------------------------------------|---|--------------------|--------------------|------------------|
| | 80137(a) | Natural Resources Agency | Various Projects (Native American Resources; Repurpose Powerplants; Science Centers; Natural Resources Investments, Cultural and Visitor Centers) -- Competitive Grants | \$40,000 | \$39,115 | \$0 |
| | 80137(b) | Natural Resources Agency | Multibenefit Green Infrastructure Program -- Competitive Grants | \$20,000 | \$18,616 | \$100 |
| | | | Subtotal | \$1,547,000 | \$416,175 | \$312,623 |
| Water | 80140(a) | State Water Resources Control Board | Safe Drinking Water | \$220,000 | \$35,500 | \$170,333 |
| | 80140(b) | State Water Resources Control Board | Regional Water Supply Projects within the San Joaquin River hydrologic unit | \$30,000 | \$27,750 | \$961 |
| | 80141(a) | State Water Resources Control Board | Groundwater Treatment and Remediation -- Competitive Grants | \$80,000 | \$74,000 | \$222 |
| | 80145(a)(2) | Department of Water Resources | Stormwater, Mudslide, Flash-Flood Protection | \$100,000 | \$2,000 | \$30,350 |
| | 80145(a)(3) | Natural Resources Agency | Multibenefit Stormwater Projects -- Competitive Grants | \$100,000 | \$117 | \$92,991 |
| | 80146(a) | Department of Water Resources | Groundwater/Sustainable Groundwater Management Act Implementation | \$190,000 | \$15,000 | \$111,353 |
| | 80146(a) | State Water Resources Control Board | Groundwater Regional Sustainability | \$50,000 | \$40,000 | (\$9,670) |
| | 80146(b) | Department of Water Resources | Groundwater Planning and Implementation -- Competitive Grants | \$50,000 | \$46,750 | \$500 |
| | 80147(a) | State Water Resources Control Board | Water Recycling | \$80,000 | \$0 | \$74,347 |
| | 80147(b) | Department of Food and Agriculture | State Water Efficiency and Enhancement Program | \$20,000 | \$18,400 | \$600 |
| | | | Subtotal | \$1,270,000 | \$259,517 | \$471,987 |
| | | | Projects Total | \$4,100,000 | \$1,161,980 | \$889,681 |
| Statewide Bond Costs | Various | Natural Resources Agency | Statewide Bond Costs | | \$427 | \$425 |
| | Various | State Parks | Statewide Bond Costs | | \$747 | \$748 |

| | | | | | |
|--|---------|-------------------------------|----------------------|--------------------|--------------------|
| | Various | Department of Water Resources | Statewide Bond Costs | \$188 | \$190 |
| | | | Subtotal | \$0 | \$1,362 |
| | | | Grand Total | \$4,100,000 | \$1,163,342 |

*Source: Legislative Analyst's Office (LAO).

Background. Proposition 68. Also known as the California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access For All Act, Proposition 68 was approved on June 5, 2018. This measure provides \$4.1 billion in general obligation bonds for a variety of critical needs in the areas of natural resources and environmental protection. Proposition 68 includes specific dollar amounts for a number of purposes. They are as follows:

| FUNDING ALLOCATIONS | | |
|---------------------|---|-------------------------|
| Chapter | Purpose | Amount (in millions) |
| 2 | Investments in environmental and social equity, enhancing disadvantaged communities | \$725 |
| 3 | Investments in protecting, enhancing, and accessing local and regional outdoor spaces | \$285 |
| 4 | Restoration, preservation, and protection of existing state park facilities and units | \$218 |
| 5 | Trails and greenway investments | \$30 |
| 6 | Rural recreation, tourism, and economic enrichment investment | \$25 |
| 7 | Grants pursuant to the California River Parkways Act of 2004 and the Urban Streams Restoration Program | \$162 |
| 8 | To the state conservancies, Wildlife Conservation Board, California Natural Resources Agency, and the Salton Sea Authority for specified purposes | \$767 |
| 9 | Ocean, bay, and coastal protection | \$175 |
| 10 | Climate preparedness, habitat resiliency, resource enhancement, and innovation | \$443 |
| 11 | Clean drinking water and drought preparedness | \$250 |
| 11.1 | Groundwater sustainability | \$80 |
| 11.5 | Flood protection and repair | \$550 |
| 11.6 | Regional sustainability for drought and groundwater, and water recycling | \$390 |
| TOTAL | | \$4,100 |

Proposition 68 Allocations Last Year. The Budget Act of 2018 authorized \$1.24 million for the first year of various Proposition 68 bond program implementation. Programs and projects funded by the

bond-measure in 2018-19 were prioritized to support a number of existing programs, projects that are shovel-ready and new programs with a phased-in approach.

Proposal Would Establish 15.5 New Positions. The Governor's proposal includes establishing 15.5 new positions to implement Proposition 68-funded programs and activities. This request would add to the 80.5 positions established as part of the 2018-19 budget. The new positions include nine new positions for DWR to implement the Sustainable Groundwater Management Act (SGMA). The other six and a half positions include three positions for the Department of Food and Agriculture, four positions for the Tahoe Conservancy, one position for the San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy, and a half position for the Coastal Conservancy.

There Are Certain Activities Not Proposed to be Funded. The Governor's proposal would fund nearly every category of Proposition 68 in either 2018-19 and/or 2019-20. However, a few exceptions exist. Under the Governor's proposal, seven specific bond categories would not receive funding in either year. The Administration provides two reasons for this approach. First, some programs have funding remaining from earlier bonds. These include two Coastal Conservancy-administered programs, Salton Sea activities, and San Joaquin River Conservancy projects. According to the Administration, they plan to propose Proposition 68 funds for these efforts in future years after previously approved bond resources are depleted. Second, some bond categories are not yet ready to expend funds because departments need to undertake additional work to prepare for effective implementation. These include a new program to develop lower-cost overnight accommodations along the coast. The Administration states that it wants to use an assessment of existing low-cost coastal accommodations to help guide the rollout of this program, and that report was not completed before the Governor's budget was prepared. The final funding category for which the Administration is still determining how best to use Proposition 68 funds before requesting appropriations is \$4.8 million for the Coastal Conservancy to fund a conservation program at West Coyote Hills.

The Consolidated Format of This Proposal Does Not Provide Details on New Programs. The Administration at times has consolidated multiple proposals that are minor or technical into one budget change proposal (BCP). This proposal consolidates 124 unique Proposition 68 expenditure proposals into one. While many of the proposals seek to fund existing programs or projects, there are a few significant new programs that the state would be implementing for the first time, such as:

- a) Voluntary agreements (CNRA, DWR, and DFW)
- b) Trails and greenway investments (CNRA)
- c) Multi-benefit storm water projects (CNRA)
- d) SGMA Implementation grants and new positions (DWR)
- e) Storm water, Mudslide, Flash-Flood Protection (DWR)
- f) Urban Streams Restoration Program (DWR)
- g) Deferred maintenance (DFW)

For the new programs mentioned above, departments have provided more detail below in Issues 4a-4g.

LAO Comments. Governor's Proposals Appear Consistent with Legislative and Voter Intent. The LAO finds the Governor's Proposition 68 proposals to be reasonable. The Legislature and voters structured the bond around specific priorities. In proposing to begin implementing most bond categories in the current and budget years, the Administration is taking steps to address those identified issues. In leaving almost one-half of total funding for future appropriations, the Governor helps ensure some funding is reserved to meet needs that may emerge in future years. The LAO also finds merit in the Governor's plan to delay appropriating Proposition 68 funds for certain programs, either because

they are still in the process of utilizing funds from previous bonds, or because they are not yet ready to expend the funds effectively.

Lack of Detail Makes It Difficult to Assess Specific Proposals. While the LAO did not identify any concerns with the overall structure of the Governor's Proposition 68 proposals, the LAO's review was somewhat hindered by a lack of information for certain proposals. The Administration presented its Proposition 68 proposals in a consolidated form without the level of budget detail typically provided to the Legislature and public. This is particularly problematic for programs that are essentially being initiated for the first time in 2019-20. In contrast, the Administration provided more detailed information as part of the 2018-19 budget process for programs proposed to receive significant new funding from Proposition 68. As noted above, activities that will receive significant Proposition 68 funding for the first time in 2019-20 and represent substantively new state efforts include funding for (1) CNRA to allocate grants for multi-benefit storm water projects (\$93 million); (2) DWR to allocate grants to local groundwater agencies to implement sustainable Groundwater Management Plans (\$88 million); (3) CNRA to implement voluntary agreements (\$70 million); (4) Parks to allocate grants to local agencies for generating revenues (\$37 million); and (5) DWR to initiate new efforts to protect people and property in California's alluvial fan, coastal, and riverine floodplains (\$30 million).

While the Governor's proposals are consistent with bond language directing funding to these broad categories of activities, assessing the merits and efficacy of the Administration's specific plans for *how* it will implement these new efforts is difficult without additional information. The Administration has been forthcoming in providing detail on these proposals to us upon request, however such information has not been made available to the broader public.

Legislature May Want to Modify Timing of Bond Appropriations. Although the Governor's Proposition 68 proposals generally are reasonable and consistent with the bond language the Legislature adopted, they do not represent the only approach to appropriating funding. The Legislature could opt to provide more or less funding for particular bond categories based on its priorities and feedback from stakeholders and implementing departments. The Legislature could use budget subcommittee hearings this spring to solicit such information.

For example, the 2018-19 budget provided \$277 million for competitive grants to create and expand parks in park-poor neighborhoods, but the Governor proposes only \$2 million for this program in 2019-20—leaving nearly \$450 million in this category for future appropriations. If the Legislature discovers that there is unmet demand for these funds in communities that are ready to submit applications in the budget year and begin spending grants right away, it might want to increase the appropriation for this funding category beyond the Governor's proposed amount. In contrast, if the Legislature learns that certain other programs have large amounts of uncommitted funding from prior bonds, it could choose to delay providing Proposition 68 funds for those categories for a few more years.

Adopt Proposition 68 Package that Reflects Legislative Priorities. The LAO recommends the Legislature adopt a Proposition 68 package that reflects its priorities. The LAO believes adopting the Governor's proposals would be a reasonable approach, however the Legislature may want to provide more or less funding for particular bond categories to expedite or increase the effectiveness of program implementation. To inform these decisions, the LAO recommends using the spring budget subcommittee process to solicit feedback from stakeholders and implementing departments on information such as current program demand and available funding from other sources.

Staff Comments. The subcommittee may wish to ask how the departments plan on structuring and implementing these new activities. For example, for the Revenue Enhancement Activities at Parks, what is the structure of this new program? How will grantees be identified and how much funding will

each grantee receive? What types of reporting requirements must grantees meet? How will the department evaluate the effectiveness of local agencies' revenue generation proposals?

Staff Recommendation. Hold open all proposals in Issue 5 (including 5a-5g).

Issue 5a: Proposition 68 Implementation: Voluntary Settlement Agreements

Governor's Proposal. The Governor's budget includes the appropriation of \$70 million that is dedicated by Chapter 8 of Proposition 68 for "implementation of voluntary agreements that provide multi-benefit water quality, water supply, and watershed protection and restoration for the watersheds of the state to achieve the objective of implementing an updated State Water Resources Control Boards' (Water Board) San Francisco Bay/San Joaquin Delta Estuary Water Quality Control Plan (Delta Water Quality Control Plan)." The Governor's proposal would make this funding available for projects that would implement a voluntary agreement (VA) between water users in the Sacramento and San Joaquin Rivers, and tributaries thereto, for the purposes of projects and actions to develop and improve habitat, river flows, water quality, and contribute to conditions that support the viability of native fish species.

Background. The Directors of the Departments of Fish and Wildlife (DFW) and Water Resources (DWR) presented the concept of a voluntary, coordinated effort of state and local water managers to achieve acceptable benefits acceptable to the State Water Resources Control Board (SWRCB) for inclusion in its Delta Water Quality Control Plan. The estimated volume of new outflow that the VA would produce to benefit for fish and wildlife is over 700,000 acre-feet and varies depending on water year type. The estimated capability of the habitat-related projects that would implement the VA are 290,000 cubic yards of new spawning gravel and the creation or restoration of more than 6,400 acres of tributary in-channel, side channel, and floodplain habitat, and that more than 5,400 acres of in-Delta tidal wetland, floodplain, channel bank, and upland habitat. This proposal would provide initial funding to begin implementation.

On December 12, 2018, the SWRCB adopted Resolution 2018-0059, approving an update to the Bay-Delta Plan for the San Joaquin River. The Resolution leaves open the opportunity for potential amendments to implement a VA for all phases of the Bay-Delta Plan. If adopted, the VA would become a part of the Bay-Delta Plan update. The Administration has requested this funding regardless, as the SWRCB process is not finalized.

Staff Comment. The subcommittee may wish to ask the following questions: How will the proposed funds be spent? Are there specific projects already identified? How will projects be prioritized and selected for funding? Why is \$70 million being proposed for 2019-20 rather than a larger or smaller amount (out of the \$200 million total available from Proposition 68 for these activities)? How much funding is still available to execute these agreements from previous appropriations from earlier bonds?

Staff Recommendation. Hold open all proposals in Issue 5 (including 5a-5g).

Issue 5b: Proposition 68 Implementation: Trails and Greenway Investments

Governor's Proposal. The Governor's budget proposes \$27.888 million in support and local assistance to administer the Proposition 68 Trails and Greenways program per PRC Section 80080(a), and requests one position (previously approved one-time in 2018-19) to administer the program and related projects. This competitive program will grant funds for nonmotorized trail projects to promote

new or alternate access to parks, waterways, outdoor recreational pursuits, and forested or other natural environments. The projects are intended to encourage health-related active transportation and opportunity for Californians to reconnect with nature.

Background. Public Resources Code Section 80080(a) allocates \$30 million to the California Natural Resources Agency to administer the Trails and Greenway Investments program. In 2018-19, the Agency was appropriated support costs and one position (Associate Parks and Recreation Specialist) to begin development of the program, and is requesting local assistance funding in FY 2019-20 to fund projects. The position will continue to support the program's development, project solicitation process, grant agreement development, and management of projects through to completion. Per statute, this program will work in close cooperation with State Parks and award up to 25 percent of the funds for projects that demonstrate innovation and provide outdoor experiences to disadvantaged youth. The program will also fund at a minimum 20 percent of available funds to projects serving severely disadvantaged communities.

Staff Recommendation. Hold open all proposals in Issue 5 (including 5a-5g).

Issue 5c: Proposition 68 Implementation: Multibenefit Stormwater Projects

Governor's Proposal. The Governor's budget proposes \$92.99 million in support and local assistance to administer the Proposition 68 Multibenefit Stormwater Projects program per Public Resources Code Section 80145(a)(3), and requests three positions to develop and administer the program. This is a competitive program and will grant funds for multibenefit stormwater projects in urbanized areas to address flooding. The projects will support stormwater capture and reuse, planning and implementation of low-impact development, restoration of urban streams and watersheds, and increasing permeable surfaces to help reduce flooding.

Background. Public Resources Code Section 80145(a)(3) allocates \$100 million to CNRA to administer the Multibenefit Stormwater Program. In 2018-19, CNRA was appropriated support costs and three positions (Associate Parks and Recreation Specialist) to begin development of the program, and is requesting local assistance funding in 2019-20 to fund projects. The positions will continue to support the program's development, project solicitation process, grant agreement development, and management of projects through to completion. This program will work in close cooperation with SWRCB and DWR, along with other state agencies that lend subject-matter expertise so that projects can maximize multiple public benefits. The program will also fund at a minimum 20 percent of available funds to projects serving severely disadvantaged communities.

Staff Recommendation. Hold open all proposals in Issue 5 (including 5a-5g).

Issue 5d: Proposition 68 Implementation: SGMA Implementation Grants and New Positions

Governor's Proposal. The Governor's budget proposes \$171.8 million in mutli-year funding from Proposition 68 to support nine new positions and 28.4 existing positions for continued implementation of drought and groundwater investments to achieve regional sustainability.

This proposal is requesting the remaining balance of Proposition 68 funding as follow up to the 2018-19 appropriation. Consistent with last year's request, this BCP proposes the following:

- *\$104.8 million – Sustainable Groundwater Implementation Grant Program* to support planning, design, and implementation projects for groundwater recharge and conjunctive use

projects. These projects will directly support sustainable groundwater management and groundwater sustainability plans (GSP) implementation.

- *\$65 million – Sustainable Groundwater Data, Tools, and Analysis* to support successful development and evaluation of GSPs and facilitate groundwater recharge as part of the Sustainable Groundwater Management Act (SGMA). These data collection, tool development, and analysis efforts enhance and extend DWR’s existing technical assistance program.
- *\$2 million – Sustainable Groundwater Planning (SGWP) Grant Program* for continued support of existing SGWP Grant Program defined in Water Code Section 79775.

Staff Comment. The subcommittee may wish to ask the following: Why are additional staff needed? The state provided six new positions for this program in 2018-19. Why has staff workload increased? What is the status of the SGMA planning grants that were funded in the current and prior years? What is the demand for implementation grants from local agencies and what is the justification for why this additional funding is needed now (as opposed to in future years)? How many local grants will the proposed level of funding for 2019-20 support? What prioritization criteria will be used for allocating grants across applicants?

Recommendation. Hold open all proposals in Issue 5 (including 5a-5g).

Issue 5e: Proposition 68 Implementation: Stormwater, Mudslide, Flash-Flood Protection

Governor’s Proposal. The Governor’s budget proposes \$30.35 million in one-time funding from Proposition 68 – \$25 million in Local Assistance and \$5.35 million State Operations - in support of the Floodplain Management, Protection and Risk Awareness Program (Floodplain Risk Program).

Funding is requested to continue the work of the Floodplain Risk Program to protect people and property in California’s alluvial fan, coastal and riverine floodplains. The local assistance funds are requested as multi-year funds with three years to encumber and two years to liquidate. Funding will support 10.6 existing positions.

Background. The Floodplain Risk Program focuses on identification of flood prone areas through:

- *Risk assessment and risk mapping* – flood risk (such as alluvial fan) mapping, watershed flood risk assessments, and information management
- *Community assistance* - technical community support, risk awareness, and zoning and building standards
- *Floodplain mitigation planning* – mitigation planning (floodplain management plans), project implementation (grants), and disaster mitigation cost recovery

The Floodplain Risk Program will integrate local assistance grant awards with internal technical assistance to reduce flood risk in coastal, alluvial fan and riverine floodplain areas. The Floodplain Risk Program guidelines and proposal selection criteria are being developed to ensure funding is awarded to multi-benefit water resource projects that include fish and wildlife habitat enhancement. Priority consideration will be given to projects with these enhancements and the following:

- Where public safety improvements address high flood risk areas, communities and to protect critical state assets
- Where investment are made to reduce flood risk under future climate change and sea level rise conditions
- Where improvements are provided to economically disadvantaged communities

Staff Recommendation. Hold open all proposals in Issue 5 (including 5a-5g).

Issue 5f: Proposition 68 Implementation: Urban Streams Restoration Program

Governor’s Proposal. The Governor’s budget proposes funding (\$9.21 million) for the DWR Urban Streams Restoration Program (Urban Streams Program) that would be funded by Proposition 68. The requests are for local assistance (\$7.58 million) and state operations (\$1.633 million) to continue development and implementation of the Proposition 68 bond program. The new appropriation as requested is needed to make proposition funds available for the Program and continues the roll-out of the bond funds for statewide urban stream restoration projects. This request complements the 2018-19 appropriations to the Program, which prepared the framework for a Local Assistance solicitation and grants consistent with its implementation plan in the budget request for 2018-19.

Background. The Urban Streams Program was established in 1984 by Water Code Section 7048. Over the last 34 years it has issued nearly 200 grants, distributed over \$50 million in local assistance funding, and provided technical assistance to nearly 300 community-based projects managed by state and local entities. The Urban Streams Program has been a pioneer in of integrated, multi-benefit projects since its inception, blending flood risk reduction with environmental enhancement, and included community outreach, education, and participation as requirements of its grant program.

DWR has parallel funding related to this request. In 2018-19 DWR received its last year of state operations funding to support technical assistance, grant program administration, and complete implementation of grants from the 2014 Urban Streams Program grants cycle in the Riverine Stewardship Technical Assistance BCP. This funding is independent of the 2018-19 Proposition 68 BCP that is a one-time appropriation of \$537,000 in state operations to support 2.1 existing positions to provide technical assistance to develop grant solicitations for Proposition 68 funds only.

Staff Recommendation. Hold open all proposals in Issue 5 (including 5a-5g).

Issue 5g: Proposition 68 Implementation: Deferred Maintenance

Governor’s Proposal. The Governor’s budget proposes \$10 million from the \$50 million Proposition 68 allocation for DFW deferred maintenance. These funds will be directed to the highest priority health and safety projects at DFW facilities statewide. DFW will act on a set of “no regrets” projects in 2019-20 based on what is currently known about asbestos and water quality, along with other critical health and safety needs such as plumbing and electrical repair, and structural rehabilitation. In 2018, DFW issued a public request for information to secure a contractor to do a more comprehensive assessment of the condition of DFW properties. This assessment will include testing for asbestos and other hazardous materials, structural analysis of buildings, prioritization of corrective actions and cost estimates, and will inform projects to be undertaken with Proposition 68 deferred maintenance funds in

subsequent fiscal years. The plan for requesting Proposition 68 appropriations as shown in CNRA's consolidated BCP is as follows (does not add up to \$50 million due to statewide bond costs):

- 2019-20: \$10 million
- 2020-21: \$5 million
- 2021-22: \$10 million
- 2022-23: \$15 million
- 2023-24: \$8.75 million

Background. Control Section 6.10 of the Budget Act of 2016 appropriated \$15 million General Fund to DFW for deferred maintenance. Provisional language allowed for liquidation of these funds through June 30, 2020. This appropriation funded close to 200 projects, which are approximately 90 percent complete as of Jan. 1, 2019. As of Jan. 1, 2019, \$14.7 million of the 2016 deferred maintenance funds have been spent or encumbered (\$13.4 million spent, \$1.3 million in outstanding encumbrances). A wide range of improvements were made, many of which address health and safety, including fire suppression repairs, HVAC systems, water fixture and pump replacement, and repairs to state owned housing units.

Staff Recommendation. Hold open all proposals in Issue 5 (including 5a-5g).

Issue 6: Deferred Maintenance Funding for Various Departments

Governor’s Proposal. The Governor’s budget proposes \$45 million General Fund one-time for multiple agencies to address deferred maintenance projects. Specifically the deferred maintenance funding is requested to be allocated as follows:

- \$34 million for the Department of Parks and Recreation (Parks),
- \$6 million for the Department of Forestry and Fire Protection (CalFire),
- \$1 million for the California Conservation Corps,
- \$1 million for the California Tahoe Conservancy, and
- \$3 million for the Exposition Park.

Background. *State Has a Large Deferred Maintenance Backlog.* Maintenance includes the recurring, usual upkeep needed to preserve and extend the useful life of facilities. “Deferred maintenance” refers to when maintenance is delayed or does not occur. The Administration’s 2018-19 budget estimates that the state has \$67 billion in deferred maintenance, most of which is in the transportation area. In 2015-16, 2016-17 and 2018-19, the state provided almost \$1.3 billion for deferred maintenance, mostly from the General Fund (non-Proposition 98).

Deferred Maintenance Needs at Parks. Parks was created in 1928 to manage the State Park System. Today the State Park System consists of over 5,000 buildings, approximately 1.6 million acres of land and 280 park units. Parks' maintenance budget has not kept pace with the increase in its size or visitation over the years. Often, when Parks is required to redirect funding to higher priority activities such as public safety or revenue generation, lower priority activities suffer a loss of support resources. This lack of funding for ongoing maintenance results in a deferred maintenance backlog. Currently, the deferred maintenance backlog is approximately \$1.2 billion with over 5,000 unique projects.

Deferred Maintenance Needs at CalFire. CalFire’s facility inventory equates to approximately 2,600 state-owned structures, which collectively exceed 3.5 million square feet in total. Most of these facilities were constructed between 1930 and 1970, with over 80 percent having been built prior to 1970. CalFire is responsible for ongoing maintenance and facility repairs for use by CalFire staff, cooperators, and the public. CalFire’s annual facility repair budget of \$1.7 million is insufficient to meet its facility needs and CalFire has had to redirect funding to address critical health and safety issues. The funding requested in this proposal will help to address CalFire's existing \$147.4 million backlog of deferred maintenance projects.

Deferred Maintenance Needs at California Conservation Corps (CCC). The CCC operates 26 facilities in urban and rural areas statewide, including nine residential facilities and 17 non-residential facilities that are situated in rural and remote areas throughout the state comprising approximately 582,000 square feet of building space. The typical residential facility includes dormitory, educational, dining and kitchen, administration, recreational, and warehouse space. The residential facilities house from 80 to 100 corpsmembers and operate 24 hours a day throughout the year. The typical non-residential facility includes educational and administrative space. Non-residential centers service from 30 to 60 corpsmembers. Many CCC facilities are older and in fair condition, while others are in dire need of many repairs. Currently, CCC's deferred maintenance backlog is over \$2 million. CCC has prioritized a subset of the deferred maintenance backlog, focusing on the most pressing health, life and safety repair needs and the preservation of the state assets.

Deferred Maintenance Needs at Tahoe Conservancy. The Tahoe Conservancy was established in 1984 to restore and enhance the extraordinary natural and recreational resources of the Lake Tahoe Basin. As a part of its mission and in accordance with its governing statutes, the Conservancy acquires, restores, and manages environmentally sensitive lands and undertakes projects to improve public access and provide other recreational opportunities. The Conservancy owns nearly 4,700 parcels totaling 6,500 acres, including thousands of quarter-acre lots within the Basin's urban areas. Additionally, the Conservancy manages 11 properties with recreational amenities, including six beaches that provide public access to Lake Tahoe. The Conservancy has identified a backlog of deferred maintenance projects related to its facilities and properties throughout the Lake Tahoe Basin that must be addressed to ensure the

Deferred Maintenance Needs at Exposition Park. Within Exposition Park, the common areas and facilities under the purview of the Office of Exposition Park Management (GEPM) and the facilities that comprise the California Science Center have experienced abnormal wear and tear due to increased use and attendance. Much of the infrastructure is reaching or has exceeded its expected life span and overall deterioration is occurring at a faster pace. Funding in this request will be available to the Office of Exposition Park Management and the California Science Center. Both programs have a critical need for these projects as delays have already resulted in estimated project cost-escalation.

LAO Comments. The LAO recommends that the Legislature require (1) departments receiving funding to report on the approach they will use to prioritize projects, as well as specific projects they plan to undertake; (2) the Department of Finance to report, no later than January 1, 2023, on the projects that the departments ultimately undertook with the funds provided; and (3) departments that continue to experience growth in deferred maintenance backlogs over the next few years to identify the reasons for the increases and the specific steps they plan to take to improve maintenance practices on an ongoing basis.

Staff Comments. The subcommittee may wish to ask how deferred maintenance projects are prioritized and the plan to reduce the deferred maintenance backlog.

Staff Recommendation. Approve as budgeted and include SRL to require:

- 1) Department of Finance report on the projects that the departments ultimately undertook with the funds provided.
- 2) Departments to report on the size of their deferred maintenance backlogs and identify the reasons for any increases in those backlogs, as well as the specific steps they plan to take to improve maintenance practices on an ongoing basis.

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| Issue 7: Various Bond Appropriations and Technical Adjustments |
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Governor’s Proposal. The Governor's budget proposes various bond appropriations and technical reappropriations, reversions, reversions with associated new appropriations, and baseline appropriation adjustments to continue implementation of previously authorized programs.

The various technical adjustments are as follows:

| Department | Title | Amount (Dollars in thousands) | Fund | Original Enacted Year | Reason |
|------------------------------------|---|-------------------------------------|---|-----------------------------|---|
| CNRA | Federal Fund Item Reestablishment | \$ 1 | Federal Trust Fund | 2019-20 | CNRA’s Federal Fund Item of appropriation was completely removed from the budget in 2018-19. As there is no mechanism to add a Federal Fund Item during a budget year, this technical adjustment creates a placeholder Item of \$1,000 to allow augmentation, upon receipt of future Federal Funds when they become available. |
| CNRA | Extension of Liquidation | N/A | Prop 1 | 2016-17 | CNRA requests the period to liquidate encumbrances of Item 0540-001-6083 from the Budget Act of 2016 be extended by four years, to June 30, 2025 to allow sufficient time for project completion. |
| CNRA | Reversion | (\$115) | Prop 68 | 2018-19 | Technical correction to revert over allocation from Section 80137(a). |
| OPC | Extended Encumbrance Period | N/A | Ocean Protection Trust Fund | 2019-20 | Technical request to add provisional language allowing funds to be encumbered for three years, to allow sufficient time for projects to be completed. |
| CAAM | Reimbursement Authority Increase | \$ 45 | Reimbursements | 2019-20 | The California African American Museum (CAAM) is requesting an increase of \$45,000 in ongoing reimbursement authority to allow for the receipt of anticipated funds going forward. |
| Special Resources Program | TRPA Retirement Program | \$ 300 | Environmental License Plate Fund (ELPF) | N/A | The Tahoe Regional Planning Agency requests ongoing funding to provide retirement benefits consistent with those required in the bi-state compact. A related proposal has been submitted to the State of Nevada requesting proportional funding as outlined in the compact. |
| Special Resources Program | Threshold Evaluation | \$ 150 | ELPF | N/A | The Tahoe Regional Planning Agency requests one-time funding to support environmental assessments the agency is required to complete once every four years. A related proposal has been submitted to the State of Nevada requesting funding consistent with the proportional split established in the bi-state compact. |
| Special Resources Program | Salary Merit Review | \$ 111 | ELPF | N/A | The Tahoe Regional Planning Agency requests ongoing funding to provide for merit salary increases for staff, who are not considered employees of the State of California or Nevada. A related proposal has been submitted to the State of Nevada requesting funding consistent with the proportional split established in the bi-state compact. |
| California Tahoe Conservancy | Federal Trust Fund Authority Increase | \$ 83 | Federal Trust Fund | N/A | The California Tahoe Conservancy requests additional federal trust fund authority and one position to account for increased federal grant funding pursuant to current and future grants agreements with federal partners. |

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| California Tahoe Conservancy | Forest Resilience and Wildfire Protection Reimbursement Authority | \$1,374 | Reimbursements | N/A | The California Tahoe Conservancy requests additional reimbursement authority and one position to account for increased grant funding pursuant to grant agreements with state and local partners for forest health projects. |
| California Tahoe Conservancy | Lake Tahoe License Plate Marketing Efforts | \$ 50 | ELPF | N/A | The California Tahoe Conservancy requests one-time funding of \$50,000 Environmental License Plate Fund to undertake marketing efforts for the Lake Tahoe license plate, the revenues of which are deposited into the Lake Tahoe Conservancy Account and used to support Conservancy projects. |
| CCC | AB 109 (Chapter 249, Statutes of 2017) Collins-Dugan Reimbursement Account Reappropriation | N/A | Collins-Dugan Reimbursement Account | 2017-18 | The California Conservation Corps requests to reappropriate \$5 million Collins-Dugan Reimbursement Account for forest health projects to extend encumbrance availability until June 30, 2020. |
| CalFire | 2016-17 Greenhouse Gas Reduction fund Extension of Liquidation | N/A | Greenhouse Gas Reduction Fund | 2016-17 | CalFire requests the period to liquidate encumbrances of Item 3540-001-3228 from the Budget Act of 2016 be extended by two years, to June 30, 2022, to allow sufficient time for project completion. |
| CalFire | Technical Services Unit Funding Conversion | \$2,262 | General Fund | N/A | CalFire requests resources to support personnel working on agency-retained capital outlay projects, for which these costs will be offset by future reductions in the individual project costs. A portion of these costs were shifted to the General Fund in 2017-18 and this request will transition the remaining staff to being funded fully through the General Fund. |
| CalFire | Reappropriation of Schedule 4.5 of Item 3540-001-0001, Budget Act of 2012, as reappropriated by Item 3540-492, Various Budget Acts | \$ - | General Fund | 2012-13 | CalFire requests to reappropriate the unencumbered balance of funds for Department of Justice legal services from the Budget Act of 2012 by three years to June 30, 2022 to ensure the funding continues to be available to the department for ongoing litigation. |
| DFW | Hatchery Trout Production | \$2,534 | Hatchery and Inland Fisheries Fund | N/A | DFW requests a one-time increase of \$2.5 million Hatchery and Inland Fisheries Fund in Fiscal Year 2019-20 to replace aged and inefficient fish transport vehicles and tanks, purchase additional fish food inventory to increase trout production, and to support efforts to enhance public outreach and visitation. This request would also assist in the achievement of both Legislative mandates and the Department's Mission, while improving trout fishing opportunities and angler participation statewide. |
| DFW | Spill Preparedness and Response | \$1,820 | Oil Spill Prevention and Administration Fund | N/A | DFW requests a one-time increase of \$1.8 million Oil Spill Prevention and Administration Fund in Fiscal Year 2019-20 to perform structural maintenance, repairs and site work at its research and laboratory facilities and to procure response equipment, including the replacement of outdated/cost inefficient vehicles and vessels, necessary for effective statewide oil spill |

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| | | | | | response, scientific analysis and resource assessment. |
| WCB | Reappropriation Prop 40, San Joaquin River Conservancy | Balance | Prop 40 | 2016-17 | Wildlife Conservation Board requests reappropriation of the unencumbered balance of the original appropriation due to unforeseen delays that prevented the successful development of viable projects to encumber all funds. |
| California Coastal Commission | Whale Tail License Plate Marketing | \$ 55 | ELPF | N/A | The California Coastal Commission requests \$55,000 ELPF in Fiscal Years 2019-20 and 2020-21 to enhance marketing in order to increase revenue of the Whale Tail License Plate. |
| Parks | Transparency Drill Update | \$ - | N/A | 2018-19 | Parks requests a technical adjustment to update the Budget Transparency drill by 1,575.7 positions in Fiscal Year 2018-19. The Department would like to mirror the completed Budget Transparency drills from other Natural Resource Agency departments. The other departments included temporary help rather than only permanent position and recalculated the Position Vacancy Percentage and Per Position Payroll Cost details. These adjustments to the Departments Budget Transparency drill will more accurately display the Department's vacant positions while still accomplishing the goals of CS 4.11 and the Budget Transparency drill. |
| SMMC | Proposition 12 Local Assistance Grant Program reappropriation | Balance | Prop 12 | 2014-15 | Santa Monica Mountains Conservancy requests reappropriation of these funds due to project delays, which result in a need for extended authority. |
| SMMC | Proposition 12 Local Assistance Grant Program reappropriation | Balance | Prop 12 | 2015-16 | Santa Monica Mountains Conservancy requests reappropriation of these funds due to project delays, which result in a need for extended authority. |
| SMMC | Environmental Education Program | \$ 100 | ELPF | 2018-19 | Santa Monica Mountains Conservancy requests the ongoing appropriation of these funds for the Naturalist Explorers program. This program introduces youth to natural and cultural resources, outdoor and camping skills, principles of interpretation, park careers in the field, community advocacy, public speaking, and career development. At the end of the Naturalist Explorer program, graduates are eligible to apply for jobs as outdoor leaders and park naturalists. |
| RMC | Reappropriation Prop 1 | \$3,261 | Prop 1 | 2015-16 | The Rivers and Mountains Conservancy requests reappropriation of these funds due to project delays and withdrawn grants which, result in a need for extended authority. The balance is requested to be available for encumbrance or expenditure through June 30, 2023. |
| RMC | Reappropriation Prop 50 | \$ 670 | Prop 50 | 2015-16 | The Rivers and Mountains Conservancy requests reappropriation of these funds due to project delays and withdrawn grants, which result in a need for extended authority. The balance is requested to be available for encumbrance or expenditure through June 30, 2023. |
| RMC | Reappropriation Prop 84 | \$2,374 | Prop 84 | 2011-12 2015-16 | The Rivers and Mountains Conservancy requests reappropriation of these funds due to project delays and withdrawn grants, which result in a need for extended authority. The balance is requested to be available for encumbrance or expenditure through June 30, 2023. |

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| RMC | Reappropriation Prop 84 | \$2,144 | Prop 84 | 2011-12 2015-16 | The Rivers and Mountains Conservancy requests reappropriation of these funds due to project delays and withdrawn grants, which result in a need for extended authority. The balance is requested to be available for encumbrance or expenditure through June 30, 2023. |
| BHC | Reappropriation of Propositions 1 and 40 | Balance | Prop 1 and Prop 40 | 2016-17 | Baldwin Hills Conservancy requests reappropriation of the unencumbered balances of the 2016 Prop 1 and Prop 40 appropriations for encumbrance availability to June 30, 2022 and liquidation until June 30, 2024. The reappropriation would make available the bond funds for the ongoing local assistance grant programs. |
| SDRC | Reappropriation Prop 1 | Balance | Prop 1 | 2016-17 | San Diego River Conservancy requests reappropriation of these funds due to project delays, which result in a need for extended authority. |
| CVMC | Reappropriation of Proposition 1 Balance | Balance | Prop 1 | 2016-17 | The Coachella Valley Mountains Conservancy requests reappropriation of the unencumbered balance of the 2016 Proposition 1 appropriation for encumbrance availability to June 30, 2022 and liquidation until June 30, 2024. The reappropriation would make available the bond funds for the ongoing grant program. |
| Sierra Nevada Conservancy | Federal Trust Fund Authority Increase | \$2,334 | Federal Trust Fund | N/A | The Sierra Nevada Conservancy requests additional federal trust fund authority to account for increased federal grant funding pursuant to current and future grants agreements with federal partners. This includes \$2.3 million in 2019-20, 2020-21, and 2021-22 based on a Good Neighbor Authority agreement with the U.S. Forest Service and \$50,000 ongoing based on an anticipated increase in future federal grant funding. |
| DWR | Partial Restoration of Baseline for Safe Drinking Water and Bond Clean-Up | \$1,749 | Prop 50 | 2012-13 | Restoration of previously removed \$5 million baseline that was removed to cover bond allocations. DWR is also reverting funds to cover a new 2019-20 appropriation. |
| CVMC | Mountain Resource Program | \$ (4) | Prop 12 | N/A | The Coachella Valley Mountains Conservancy requests a net-zero shift from support funding to local assistance. |
| CVMC | Land, Air, and Water Conservation | \$ (16) | Prop 40 | N/A | The Coachella Valley Mountains Conservancy requests a net-zero shift from support funding to local assistance. |
| CVMC | Mountain Resource Program | \$ 4 | Prop 12 | N/A | The Coachella Valley Mountains Conservancy requests a net-zero shift from support funding to local assistance. |
| CVMC | Land, Air, and Water Conservation | \$ 16 | Prop 40 | N/A | The Coachella Valley Mountains Conservancy requests a net-zero shift from support funding to local assistance. |

The various bond appropriations are as follows:

| Department | Program | Bond Proposition | New Positions | Amount (Dollars in thousands) |
|-------------------|--|-------------------------|----------------------|--|
| DOC | California Farmland Conservancy Program | 12 | - | \$ 78 |
| DOC | California Farmland Conservancy Program | 12 | - | 313 |
| DOC | Watershed Coordinator Program | 50 | - | 216 |
| DOC | Watershed Coordinator Program | 50 | - | 1,542 |
| DOC | Planning Grants and Incentives | 84 | - | 9 |
| DOC | Planning Grants and Incentives | 84 | - | 20 |
| DOC | Planning Grants and Incentives | 84 | - | 95 |
| DOC | Planning Grants and Incentives | 84 | - | 407 |
| WCB | Proposition 1, Stream Flow Enhancement Program, Project Delivery, State Operations | 1 | 0.5 | 78 |
| SCC | Santa Ana River Parkway - unspecified | 84 | - | 2,000 |
| SCC | Santa Ana River Parkway - San Bernardino County | 84 | - | 2,000 |
| SCC | State Coastal Conservancy Programs | 84 | - | 2,000 |
| SCC | San Francisco Bay Area Conservancy - unspecified | 84 | - | 1,500 |
| SCC | San Francisco Bay Area Conservancy - ocean draining | 84 | - | 1,500 |
| SCC | Monterey Bay and Adjacent Watersheds | 84 | - | 2,000 |
| SCC | San Diego Bay and Adjacent Watersheds | 84 | - | 1,000 |
| SCC | Multibenefit Ecosystem and Watershed Protection and Restoration Projects - Competitive Grants | 1 | - | 12,214 |
| Parks | Cultural Resources Program | 84 | - | 4,000 |
| Parks | Interpretive Exhibits Program | 84 | - | 500 |
| SMMC | Proposition 40 Local Assistance Grant Program. Appropriation of the allocation balance. | 40 | - | 19 |
| SMMC | Proposition 50 Local Assistance Grant Program. Appropriation of the allocation balance. | 50 | - | 81 |
| RMC | San Gabriel/Lower Los Angeles Rivers watersheds protection-land, water, and wildlife conservation-Program delivery | 50 | - | 97 |
| RMC | San Gabriel/Lower Los Angeles Rivers watersheds - project | 50 | - | 237 |
| RMC | Ecosystem, Watershed Protection and Restoration | 1 | - | 222 |
| RMC | Ecosystem, Watershed Protection and Restoration | 1 | - | 2,100 |
| DWR | Riverine Stewardship Technical Assistance | 84 | - | 45 |
| DWR | Urban Streams Restoration | 50 | - | 64 |
| DWR | Urban Streams Restoration | 50 | - | 4,800 |

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| DWR | Urban Streams Restoration | 84 | - | 1,840 |
| DWR | Delta Levee Subventions | 1 | - | 10,000 |
| DWR | Delta Emergency Response Grant | 1 | - | 5,000 |
| DWR | Flood Corridor | 84 | - | 540 |
| DWR | Flood Corridor | 84 | - | 1,500 |
| DWR | Flood Control Subventions | 84 | - | 750 |
| SSJDC | Water Quality Supply and Infrastructure Improvement | | - | 235 |
| SSJDC | Water Quality Supply and Infrastructure Improvement | | - | 12,050 |

Staff Recommendation. Hold open.

3860 DEPARTMENT OF WATER RESOURCES (DWR)

OVERVIEW

DWR protects and manages California's water resources. In this capacity, DWR plans for future water development and offers financial and technical assistance to local water agencies for water projects. In addition, the department maintains the State Water Project, which is the nation's largest state-built water conveyance system. Finally, DWR performs public safety functions such as constructing, inspecting, and maintaining levees and dams.

DWR's proposed budget is \$3.27 billion, which represents a 21.9 percent decrease in expenditure from last year. Most of DWR's proposed budget is comprised of special funds, with \$147.3 million in General Fund.

Issue 8: Central Valley Flood Protection Board – Permitting and Enforcement Branch Support

Governor's Proposal. The Governor's budget proposes five permanent positions and two-year limited-term reimbursable authority of \$1.089 million, which will be reimbursed by the Sacramento Area Flood Control Agency (SAFCA). This request will allow the CVFPB to add a section in its Operations Branch dedicated to enforcing encroachments in conjunction with SAFCA and the United States Army Corps of Engineers (USACE).

While the Board is an independent entity, its budget is contained within the DWR, and it receives some staff and administrative support from the Department.

Background. *The State Plan of Flood Control (SPFC).* SPFC is the state-federal flood protection system in the Central Valley. SPFC includes over 1,600 miles of levees, over 1,300 miles of designated floodways, and approximately 18,000 parcels of land held in fee, easement, or other agreements. Although many SPFC components were locally or federally constructed, in the 1950s, the state committed to the federal government that it would oversee the SPFC system and maintain it pursuant to federal standards. For most segments of SPFC levees, the state has developed formal agreements with local governments (primarily local reclamation districts) to handle regular operations and maintenance responsibilities.

The Central Valley Flood Protection Board (CVFPB) Oversees the SPFC Facilities. CVFPB is an independent state agency and the lead authority for flood protection in the Central Valley. CVFPB is responsible for permitting and enforcing encroachments and operation and maintenance of all SPFC facilities. CVFPB collaborate with local authorities and stakeholders to ensure an integrated flood control system. CVFPB also manages real estate and easements necessary for flood control. CVFPB's activities include: 1) collaborating with local agencies to improve SPFC flood protection structures; 2) issuing permits for work on SPFC levees and facilities; and 3) ensuring that levees are maintained up to required standards, including ensuring that levee "encroachments" such as pipes or docks either meet code requirements and receive permits or are removed.

State is Financially Liable for the Loss of Life or Property if SPFC Facilities Fail. In the 2003 *Paterno* decision, the California's Supreme Court found the state liable from the 1986 Linda Levee collapse in Yuba County. The levee failure killed two people and destroyed or damaged about 3,000 homes. The court opined that, "when a public entity operates a flood management system built by someone else, it accepts liability as if it had planned and built the system itself." The state settled with

property owners for \$500 million. Since the 2005 settlement, the state has invested billions of dollars in improving the levees and other SPFC facilities.

SPFC System Needs. USACE identified thousands of non-compliant encroachments and/or deficient maintenance and operations of facilities within the SPFC. Currently, approximately 15,000 non-compliant encroachment violations have been identified by USACE as part of their Periodic Inspection Reports. Unauthorized pipes, retaining walls and an underground wine cellar are among the encroachments USACE has found in Sacramento, Yolo, and Solano County levees. These encroachments are one of the primary reasons 90 percent of the levee systems within the Central Valley fail periodic inspections.

The US Army Corps of Engineers Recently Received a Special Supplemental Funding Package of \$1.6 billion. This supplemental funding package amounts to approximately 18 times the average annual allocation. This funding will be used to complete projects along the heavily populated Sacramento and American Rivers in Sacramento. The requested increase in CVFPB staff will allow the state to fulfill its obligation of enforcing encroachments, permitting, and inspecting encroachments upon the SPFC facilities and allow important major construction projects to move forward within the extremely short time limits imposed by USACE for expenditure of the supplemental funds. Completion of these projects will provide Sacramento Metropolitan Area with 200-plus year flood protection and concurrently lower the risk of significant loss of life and property due to a catastrophic levee failure.

Staff Comments. This request is to implement the SAFCA projects that were funded with USACE grants. That funding could now be at risk from the President's proposed State of Emergency border wall funding redirection. The subcommittee may wish to ask the following questions:

- What would happen to these projects if the federal funding does not materialize?
- Would SAFCA still move forward with these projects absent this federal funding?
- If federal funding is lost, would these positions go unfilled?
- If federal funding is lost, would the state be on the hook for providing the funding for these positions instead?
- Would SAFCA still be on the hook for providing the funding for these positions even without the federal funds to complete the projects?

Staff Recommendation. Approve as budgeted.

Issue 9: Continuation of California Statewide Groundwater Elevation Monitoring

Governor’s Proposal. The Governor’s budget proposes \$2.2 million General Fund one-time and \$2 million annually thereafter to fund 6.1 existing positions and consulting costs to continue implementation of the California Statewide Groundwater Elevation Monitoring (CASGEM) program, maintain and enhance the CASGEM operating system and the Online System for Well Completion Reports.

Background. *Sustainable Groundwater Management Act (SGMA).* SGMA was a trio of legislative bills that were signed into law in 2014. SGMA created a framework for sustainable, groundwater management. SGMA requires governments and water agencies of high and medium priority basins to halt overdraft and bring groundwater basins into balanced levels of pumping and recharge. Under SGMA, these basins should reach sustainability within 20 years of implementing their sustainability plans. For critically over-drafted basins, that will be 2040. For the remaining high and medium priority basins, 2042 is the deadline. SGMA also empowers local agencies to form Groundwater Sustainability Agencies (GSAs) to manage basins sustainably and requires those GSAs to adopt Groundwater Sustainability Plans (GSPs) for crucial groundwater basins in California.

California Statewide Groundwater Elevation Monitoring (CASGEM) Program. The CASGEM program began implementation in early 2010 and has since tracked seasonal and long-term groundwater elevation trends in groundwater basins statewide. The program relies on local agencies monitoring and reporting groundwater elevations that demonstrate seasonal and long-term trends.

The CASGEM program continues to develop methods in support of SGMA that will allow for the efficient collection, management, and reporting of SGMA information with modifications to the CASGEM operating system.

Funding for the program was provided on a limited-term basis through 2018-19 to allow further evaluation to better determine continually changing needs for the program.

California’s Statewide Groundwater Elevation Monitoring operating system (CASGEMOS). The CASGEMOS, developed in 2010, is used by monitoring entities to meet mandated groundwater elevation reporting requirements.

The existing CASGEMOS software architecture and services have been continuously optimized and modernized over time. These improvements are consistent with the implementation of SGMA and include improving functional capacity, simplifying application administration for program staff, and improving the user experience when interacting with the CASGEM system.

Staff Comments. The subcommittee may wish to ask DWR to provide an update on how SGMA implementation is progressing and how these various funding requests help contribute to that progress.

Staff Recommendation. Approve as budgeted.

Issue 10: Perris Dam Remediation Plan

Governor's Proposal. The Governor's budget proposes \$5 million Proposition 84 to support 7.2 existing positions to provide public access to recreation and fish and wildlife enhancement resources at Perris Dam. The total project cost is \$227.19 million. This project will also be supported by approximately \$10 million in State Water Project funds.

Background. *Perris Dam and Reservoir.* The Perris dam is located in San Bernardino County and is a terminal State Water Project Reservoir, which provides key water supply and delivery benefits. The Lake Perris State Recreation Area is a popular and highly visited State Water Project recreational facility with over one million visitors annually. This state park unit provides recreational opportunities including boating, swimming, and other water-based recreation in an area significantly deprived of other such resources. Water Code Section 12944 requires DWR to provide water based recreation opportunities at Lake Perris.

Seismic Safety Risks Identified at Perris Dam. In 2005, DWR identified potential seismic safety risks in a section of the foundation of Perris Dam that were not known at the time of construction. In the interest of ensuring the maximum public safety for those using Lake Perris and those communities downstream of the lake, DWR lowered the lake's water level, until the safety issues can be resolved. This affects both the water supply purpose of the reservoir as well as its recreation and fish and wildlife enhancement purpose.

Perris Dam Remediation Program. In October 2005, DWR's Director gave approval for the Division of Operations and Maintenance and the Division of Engineering to proceed with repairing Perris Dam and restoring the reservoir to its normal maximum operating level, elevation 1588 feet. Restoring the dam's ability to impound water up to the maximum pool elevation level will permit a return to full operation and maximum use of the recreational facilities that include boating, swimming, camping, picnicking, and other day use, and a stocked sport fishery.

The Perris Dam Remediation Program was established with the following projects being identified:

- Perris Dam Remediation Project
- Perris Dam Environmental & Right-of-Way
- Perris Dam Outlet Tower Improvements
- Perris Dam Emergency Release Facility

Staff Recommendation. Approve as budgeted.

Issue 11: Statewide Flood Improvement Projects

Governor's Proposal. The Governor's budget proposes \$92 million one-time (\$73 million Proposition 68 and \$19 million Proposition 1) to implement multi-benefit flood improvement projects. This request will support existing staff and contract work needed to carry out the projects.

Background. *California Has Significant Flood Risk.* More than seven million people and \$580 billion in assets are exposed to flood hazards in the state. As the climate changes, our flood control systems will continue to be pushed to the limit with extreme drought conditions and extreme rainstorms. After five years of drought, California experienced more precipitation in 2017 than in any year recorded. The heavy rainfall caused flooding, levee breaks, and sinkholes in multiple regions in California. The Governor declared a state of emergency in 52 of the state's 58 counties due to damage from the winter storms and floods.

According to a report by the Legislative Analyst's Office, estimates suggest 7.3 million people (one in five Californians), structures valued at \$575 billion, and crops valued at \$7.5 billion are located in areas that have at least a 1 in 500 probability of flooding in any given year. Furthermore, several studies have estimated that reducing flood risk across the state will cost tens of billions of dollars above current expenditure levels over the next couple of decades.

California is a flood-prone state with many Californians living in flood-vulnerable areas. A report in September of 2017, by the Public Policy Institute of California suggests that California needs to spend at least \$34 billion to upgrade dams, levees, and other flood management infrastructure.

The Governor's budget proposes to spend Proposition 68 funds on projects such as the following multi-benefit projects:

- The ongoing Yolo Bypass Phase I program, which includes benefits from flood protection, tidal marsh restoration, fish passage improvements, and waterfowl habitat improvements. DWR has identified over \$2.5 billion in multi-benefit projects that could be completed within the Yolo Bypass. The Yolo Bypass is a complex tapestry of agriculture, flood management and ecosystem facilities and interests. Each proposed project would assist with building a resilient and sustainable water management system. This funding request would include work such as:
 - Lower Elkhorn Basin Levee Setback/Bryte Landfill (\$5 million Proposition 1 Section 79780, \$47 million Proposition 68) which includes the continued construction of seven miles 79780, \$47 million Proposition 68) which includes the continued construction of seven miles of setback levees to improve flood system capacity and provide opportunity for ecosystem improvements while supporting agricultural land uses in the bypasses.
 - Little Egbert (\$5.1 million Proposition 1 Section 79781) involves lowering levee heights to facilitate more efficient flow during flood events and improve the environment for multiple objectives.
 - Lower Yolo Bypass Fixes in place (\$4 million Proposition 1 Section 79781) are projects designed to increase flood capacity in the Yolo Bypass and improve ecosystem function.
 - Lookout Slough (\$3 million Proposition 68 and \$1.9 million Proposition 1) is a levee setback to lower stages in the Yolo Bypass, contribute to improved system capacity, and improve environment for multiple objectives.
 - Environmental Enhancement (\$5 million Proposition 68) includes habitat restoration projects that will be completed as improvements for the impacts of flood projects with the intention of increasing the efficiency of flood project approval within specific geographic areas. This program will include environmental enhancement as part of

multi-benefit projects. Consistent with Proposition 68 requirements, funding will not be used for mitigation.

- Tisdale Weir and Bypass Program (\$3 million Proposition 1, Section 79780) includes two key multi-benefit elements. The first provides integrated structural rehabilitation of the eighty-six-anadromous fish-stranding problem. Weir rehabilitation will eliminate the risk of structural failure and will extend its design life by an additional 50 years. Fish passage will improve hydraulic connectivity between the Sacramento River and Tisdale Bypass. Of key concern are ongoing historical losses to Chinook salmon and North American green sturgeon. The second element will develop and implement, with active participation by local stakeholders, a Tisdale Bypass Management Plan which would include consideration of feasible long-term sustainably-funded management of sediment, vegetation, and juvenile fishery rearing habitat within the bypass.
- Paradise Cut (\$3 million Proposition 68) to provide public safety benefits by constructing a new weir and levee setbacks that will provide ecosystem improvements by increasing riparian and wetland habitats.
- Butte Slough Outfall Gates (\$15 million Proposition 68) repair project will rehabilitate the gates so that they function as designed allowing floodwaters to be diverted into the Sacramento River.

Staff Recommendation. Hold open.

Issue 12: Urban Flood Risk Reduction

Governor's Proposal. The Governor's budget proposes \$25 million Proposition 68 one-time to implement multi-benefit urban flood risk reduction improvement projects and support existing staff and contract work needed to carry out the projects.

Background. *The Governor's budget proposes to spend Proposition 68 funds on the following multi-benefit projects:*

- Bushy Lake and Woodlake Restoration (\$420,000) project to eliminate or reduce fish stranding potential, restoration of riparian forest and seasonal wetland.
- Multi-benefit Sacramento Area Flood Control Agency Levee Accreditation Project Habitat Berm (\$4.2 million) will add a new berm with additional plantings and enhance wildlife habitat in the northern portion of the Delta and Stone Lakes Wildlife Refuge Area.
- Multi-benefit Reclamation District-17 Multi-usage Seepage Berms (\$9.1 million) will improve 8 miles of existing levee and add to the protection of surrounding urban areas.
- Multi-benefit Southport Setback Levee (\$7.88 million) involves the construction of a 5-mile levee setback along the Sacramento River in West Sacramento.
- Oroville Wildlife Area Weir Enhancement (\$3.4 million) will provide weir enhancements and ecosystem restoration.

These projects are priorities identified in DWR's flood planning documents and are projects that have already begun or will begin in 2019-20.

Staff Recommendation. Hold open.

3860 DEPARTMENT OF WATER RESOURCES (DWR)
3940 STATE WATER RESOURCES CONTROL BOARD (SWRCB)**Issue 13: Making Water Conservation a California Way of Life (AB 1668 and SB 606)**

Governor's Proposal. The Governor's budget proposes the following resources to implement AB 1668 (Friedman), Chapter 15, Statutes of 2018, and SB 606 (Hertzberg), Chapter 14, Statutes of 2018. Specifically, the request includes:

- DWR: \$5.1 million General Fund in 2019-20, approximately \$2 million in 2020-21 and 2021-22, \$1.7 million in 2022-23, and \$1.5 million annually thereafter to support six existing positions (three positions in the first year) and contract funds.
- SWRCB: \$2.7 million General Fund in 2019-20 and \$717,000 annually thereafter to support four permanent positions and one-time contracts.

Background. *The Recent Multiyear Drought Increased Focus on Water Conservation.* California experienced the worst drought on record from 2012-2016. These conditions had various effects across the state, including contributing to domestic wells going dry and loss of drinking water in certain communities.

In January of 2014, Governor Brown issued an executive order declaring a drought state of emergency and requested a voluntary 20 percent reduction in urban potable water use. The Governor issued an executive order in April of 2015, requiring SWRCB to implement mandatory restrictions to achieve a 25 percent statewide reduction in urban potable use, over 2013 levels of use.

On May 9, 2016, Governor Brown signed Executive Order B-37-16 to "make water conservation a way of life" in California. Among other things, the executive order required the DWR to work with the SWRCB to develop a conservation framework. Since the executive order, five departments and agencies, including the DWR and the SWRCB, issued a final report on April 7, 2017, on "making water conservation a way of life" (framework).

The water use restrictions ended in 2017 when statewide water conditions improved. While the most recent drought was historic, current climate change models predict that severe drought will become a more common occurrence.

Legislation in 2018 Created New Long-Term Urban Water Use Standards. SB 606 and AB 1668 provide authority for long-term standards for the efficient use of water and require the standard to be a water budget-based methodology. The standard is to include specific components on indoor residential water use, outdoor residential water use, and outdoor irrigation of landscape areas with dedicated irrigation meters in connection with commercial, industrial, and institutional water use, and water loss through leaks. Among the various provisions, the bills: establish bonus incentives for potable reuse water production and delivery; establish a water use objective to be the sum of the standard components as the benchmark by which urban water suppliers are measured to determine if they are meeting the standards; and require the inclusion of variances for water use. The bills further require that the development of data necessary for the development of the outdoor residential standards is reasonably accurate for compliance with the water use objective, and requires DWR to provide data to urban water suppliers sufficient to allow its accuracy to be verified at the parcel level. The bills establish an enforcement mechanism for the standards of civil liability and provide SWRCB with the authority to issue information notices, written notices, and conservation orders to urban water suppliers

that do not meet their water use objective. The bills prohibit SWRCB from requiring an urban water supplier to impose civil liability.

LAO Comments. *Adopt Governor’s Budget Proposals.* Effective implementation of SB 606 and AB 1668 will help local agencies around the state use water more efficiently and better prepare for future droughts. LAO recommends adopting the Governor’s budget proposals for DWR and SWRCB in 2019-20 and the coming years, as LAO finds them to be well aligned with the responsibilities assigned by the legislation.

Conduct Continued Oversight to Monitor Implementation and Ensure Legislative Goals Are Met.

While LAO believes adopting the Governor’s budget proposals will help DWR and SWRCB implement the water conservation legislation, funding is not the only factor required to successfully achieve the goals contained in SB 606 and AB 1668. The Legislature will want to conduct ongoing oversight to ensure that the deadlines established in the legislation are being met, and that overall efficiency and drought resilience outcomes are being attained. The legislation included several reporting and status update requirements, but the Legislature may also want to hold oversight hearings to monitor implementation and solicit input from stakeholders over the coming years. Some of the key oversight issues and questions to monitor include:

- ***Implementation Progress.*** Are DWR and SWRCB meeting required deadlines? Has the data necessary to proceed with implementation been collected and provided as anticipated? Are the findings of the studies conducted by DWR and the subsequent regulations developed by SWRCB consistent with the Legislature’s intentions? Once SWRCB has established efficiency standards, are local agencies making progress towards meeting their local water use objectives?
- ***Implementation Barriers.*** Are departments or local agencies encountering notable challenges in meeting the requirements contained in SB 606 and AB 1668? Did the CEQA analysis raise any unforeseen issues? Is any additional action by the Legislature needed to clarify its policy intent or to address barriers?
- ***State-Level Capacity.*** As implementation proceeds, do DWR and SWRCB continue to have the appropriate level of staff and funding to meet their responsibilities? Do notably more- or fewer-than-anticipated numbers of water suppliers require state-level intervention such as technical assistance and/or enforcement actions?
- ***Local-Level Capacity.*** What feedback are local agencies providing about their experiences complying with the new requirements? Do they have the requisite technical, managerial, and financial resources to meet their new obligations? Are there additional steps the state should take to facilitate their success in achieving the goals established by SB 606 and AB 1668?
- ***Lessons Learned.*** Have some urban or agricultural agencies identified particularly effective strategies towards improving efficient water use, and can these be propagated elsewhere? Has implementation of SB 606 and AB 1668 revealed strategies, incentives, or consequences that the Legislature should consider adopting through additional legislation?
- ***Long-Term Outcomes.*** How will statewide water use change upon full implementation of SB 606 and AB 1668? How will cumulative water use compare to the 20 percent reduction goal? When the next drought occurs, can local communities sustain prolonged water shortages without major health and safety impacts? How well do agricultural entities withstand sustained dry periods?

Staff Recommendation. Approve as budgeted.

3600 DEPARTMENT OF FISH AND WILDLIFE (DFW)

OVERVIEW

DFW is responsible for promoting and regulating the hunting of game species, promoting and regulating recreational and commercial fishing, and protecting California's fish and wildlife for the public trust. The department manages over one million acres of public land including ecological reserves, wildlife management areas, and hatcheries throughout the state.

DFW's proposed budget is \$558.1 million, which represents a 9.8 percent decrease in expenditure from last year. Most of DFW's proposed budget is comprised of special funds, with \$121 million in General Fund.

Issue 14: Law Enforcement Radio Replacement

Governor's Proposal. The Governor's budget proposes \$1.629 million General Fund each year for three years, to replace vehicle-mounted and handheld radios for Wildlife Law Enforcement Division officers.

Background. *Wildlife Law Enforcement Division Officers.* The mandated role of Wildlife Officers is to protect fish and wildlife while ensuring public safety throughout California. Their roles encompass homeland security, hazardous spill response, drug interdiction duties, commercial fishery enforcement, cannabis regulation, and environmental habitat protection.

Wildlife Officers are usually solo patrol units whose operational areas range from urban to the most remote rural areas. Wildlife Officers spend approximately 50 percent of their patrol time away from a vehicle.

Wildlife Officers frequently work alone in remote areas and rely on radio equipment to communicate with dispatch operators and other law enforcement agencies and first responders.

DFW's current handheld and vehicle mount radios are no longer viable. Current vehicle-mounted, and handheld radios are not compatible with the new FirstNet interoperable public safety broadband network.

Further, DFW's handheld radio was discontinued by the manufacturer in 2017 and is no longer available for purchase. Current vehicle-mounted radios are unable to interoperate with other law enforcement agencies.

Staff Recommendation. Approve as budgeted.

Issue 15: Nutria Eradication and Control Program

Governor's Proposal. The Governor's budget proposes \$1.949 million General Fund one-time and 10 positions and \$1.624 million ongoing thereafter, to fund a program to eradicate nutria, a highly invasive, non-native, semi-aquatic rodent.

Background. Nutria is a Highly Invasive Pest. The Coypu, also known as Nutria, is a large, herbivorous, semiaquatic rodent. Nutria can rapidly expand their numbers and geographic presence. Nutria reach sexual maturity as early as 4-6 months of age and can produce their first litter by 8 months of age. They breed year-round, producing up to three litters per year, with 2-13 young per litter. This rodent pest is disruptive to water delivery systems and can become a primary cause of food safety issues by spreading contaminants through irrigation systems. Nutria can cause extensive damage to wetlands, riparian habitat, restoration projects, levees, water conveyance and flood-protection infrastructure, and agriculture

Recent Detection of Nutria. Nutria were not known to be present in the wild in California until March 2017 when a nutria was captured in the wetlands of Merced County. Since then, more than 363 nutria have been captured or documented in six Central Valley counties (Merced, Stanislaus, Tuolumne, Fresno, San Joaquin, and Mariposa). The Nutria are currently as close as 10 miles upstream from the Sacramento-San Joaquin Delta. The natural riparian woodland habitat along the rivers, where they are currently found, is not prime habitat, but once they reach the Delta, with its extensive emergent marsh and agricultural fields, their population will explode. It is unclear at this point the extent of the nutria infestation.

Multi-Agency Effort to Eradicate Nutria. DFW initiated an Incident Command System in March 2018 and has assumed the leadership role in coordinating a multi-agency effort to eradicate nutria. In the 2018 Budget Act, CDFA received \$400,000 per year for 2018-19 and 2019-20 to implement nutria surveys. CDFA anticipates implementing their survey efforts in concert with DFW's priorities, and they will utilize DFW's data collection and management systems

DWR is also engaged and collaborating with DFW to identify how to contribute to the effort. Various CNRA boards and commissions have engaged with DFW on the effort and pledged to assist within their existing means and appropriate jurisdictions. Staff from the US Fish and Wildlife Service (USFWS) San Joaquin River National Wildlife Refuge have also provided short-term assistance with surveys on their properties.

DFW's efforts to eradicate nutria. In 2017-18, DFW redirected over 40 permanent staff and \$672,000 to remove nutria in order to prevent population growth and dispersal, while concurrently delineating the area of nutria infestation. In 2018-19, an additional \$528,000 was redirected to continue efforts to prevent population growth. The Nutria Eradication Project is currently operating with one dedicated staff and the remaining staff were redirected from other projects throughout DFW. DFW currently has approximately \$230,000 per year available in its Invasive Species Program for statewide invasive species management. DFW has secured \$1.8 million in state grants from the Delta Conservancy and Wildlife Conservation Board and \$1.25 million in a Federal grant from the USFWS State Wildlife Grant Program that can be utilized Statewide for 2019-22. DFW has also obligated \$238,000 through the Federal Trust Fund for eradication efforts specific to the Central Region. These funds can be utilized through the end of the 2018-19.

Staff Recommendation. Approve as budgeted.

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VOTE-ONLY CALENDAR

3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CALFIRE)

Issue 1: Regulation of Power Tool Use in Tolerance Zones (AB 1914)

Governor's Proposal. The Governor's budget proposes \$139,000 in Safe Energy Infrastructure and Excavation Fund on a two year limited-term basis to implement AB 1914 (Flora), Chapter 708, Statutes of 2018.

Background. AB 1914 created the California Underground Facilities Safe Excavation Board (Dig Safe Board) to improve excavation safety around buried utilities. AB 1914 requires the Dig Safe Board to adopt regulations by July 1, 2020 to limit the type of power-operated or boring equipment excavators may use prior to determining the exact location of subsurface installations in conflict with the excavation. AB 1914 also authorize the Dig Safe Board to set other conditions on the use of power-operated or boring equipment within the tolerance zone.

Staff Recommendation. Approve as budgeted.

Issue 2: Stewardship Council Lands: Acquisition

Governor's Proposal. The Governor's budget proposes \$425,000 General Fund one-time for the acquisition of five properties from the Pacific Gas and Electric Company: Pit River/Tunnel Reservoir, Battle Creek, Cow Creek, Lake Spaulding and Bear River. The acquired properties will serve to enhance CalFire's existing network of Demonstration State Forests.

Background. Established in 1946, CalFire's Demonstration State Forest System has been a center for long-term monitoring activities, research, and demonstration of best forest management practices.

Staff Recommendation. Approve as budgeted.

Issue 3: Technical Adjustments – Various Projects

Governor's Proposal. The Governor's budget proposes the reversion of the existing funding authority, and approval of new appropriations (resulting in a net-zero cost), for the following projects to provide for the continued encumbrance of funds throughout the life of the projects without requesting additional reappropriations.

| Project Name | ID | Phase | Amount |
|---|-----|-------|--------------|
| Bieber Forest Fire Station - Helitack Base: Relocate Facility | 167 | WC | \$23,691,000 |
| Baker Forest Fire Station: Replace Facility | 166 | WC | \$10,213,000 |
| Cayucos Forest Fire Station: Relocate Facility | 170 | C | \$9,584,000 |
| Parkfield Forest Fire Station: Relocate Facility | 182 | PWC | \$7,794,000 |
| Pine Mountain Forest Fire Station: Relocate Facility | 185 | WC | \$9,612,000 |
| Rincon Forest Fire Station: Replace Facility | 188 | WC | \$12,943,000 |
| Soquel Forest Fire Station: Replace Facility | 192 | WC | \$9,976,000 |
| Mount Buillon Conservation Camp: Emergency Sewer System Replace | 975 | C | \$727,000 |
| San Luis Obispo Headquarters Replacement | 712 | WC | \$35,012,000 |

| Project Name | ID | Phase | Amount |
|---|---------|-------|-------------|
| Paso Robles Fire Station - Replace Facility | 0000678 | C | \$7,057,000 |
| Westwood Fire Station - Replace Facility | 0000200 | W | \$362,000 |
| Westwood Fire Station - Replace Facility | 0000200 | C | \$4,915,000 |
| Westwood Fire Station - Replace Facility | 0000200 | C | \$1,335,000 |

Staff Recommendation. Approve as budgeted.

3340 CALIFORNIA CONSERVATION CORPS (CCC)

Issue 4: Corpsmember Educational and Employment Outcome Reporting

Governor’s Proposal. The Governor's budget proposes \$358,000 one-time (\$208,000 General Fund, \$150,000 Collins Dugan Reimbursement Account) and \$108,000 ongoing starting 2020-21 (\$63,000 General Fund, \$45,000 Collins Dugan Reimbursement Account) to fund one position and one-time programming costs (\$250,000 in 2019-20) to implement new reporting requirements in SB 854 (Committee on Budget and Fiscal Review), Chapter 51, Statutes of 2018.

Background. SB 854 requires the CCC to provide an annual report to the Legislature by December 31 of each year, commencing January 1, 2020, demonstrating the specific educational and employment outcomes of the cohort of corps members who permanently separated from the CCC during the state fiscal year that ended 18 months before the date the report is due.

Staff Recommendation. Approve as budgeted.

3125 CALIFORNIA TAHOE CONSERVANCY

Issue 5: Conceptual Feasibility Planning

Governor's Proposal. The Governor's budget proposes \$322,000 one-time (\$222,000 Proposition 40 and \$100,000 Lake Tahoe Conservancy Account) for conceptual and feasibility planning for future capital outlay projects. The Conservancy also requests the reversion of \$325,000 from a 2015 Budget Act Prop 40 appropriation to free up funding for this request.

This will provide a blanket of funds needed for initial conceptual and feasibility planning, involving both outside contractors and Conservancy staff time, for new Conservancy project proposals and opportunities. This will allow investigation of project opportunities for a number of Conservancy ownerships in key watersheds at several potential lakefront access points, and other sites requiring restorative treatments and improvements. There will likely be future funding proposals for preliminary planning, working drawings, and construction phases as individual projects further identified.

Staff Recommendation. Approve as budgeted.

Issue 6: Minor Capital Outlay

Governor's Proposal. The Governor's budget proposes \$1 million (\$204,000 Tahoe Conservancy Fund, \$322,000 Habitat Conservation Fund, and \$480,000 Proposition 84) for various capital outlay projects to secure previously acquired property, and complete upgrades on developed facilities to meet Americans with Disability Act requirements.

Total project costs are estimated at \$1.006 million (\$646,000 professional services contracts, \$290,000 agency retained items, and \$70,000 other project costs). The current project schedule estimates construction activities will begin July 1, 2019 and will be completed in June 2020.

Staff Recommendation. Approve as budgeted.

3840 DELTA PROTECTION COMMISSION

Issue 7: National Heritage Area Management Plan

Governor's Proposal. The Governor's budget proposes \$200,000 one-time from the Environmental License Plate Fund for consultant work to prepare several full Project Management Plans that will facilitate a Delta National Heritage Area Management Plan in support of the Delta Plan.

Background. The Delta Plan is a long-term management plan for the Delta and provides guidance to state and local actions in managing the Delta while furthering the state's coequal goal to: 1) improve statewide water supply reliability, 2) protect and restore a vibrant and healthy Delta ecosystem, and 3) enhance the unique agricultural, cultural, and recreational characteristics of the Delta.

Staff Recommendation. Approve as budgeted.

ISSUES FOR DISCUSSION

3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CALFIRE)

Issue 8: Enhanced Fire Protection Resources

Governor's Proposal. The Governor's budget proposes \$96.9 million (offset by \$1.8 million in reduced reimbursement authority for CCC) and 228 positions to implement the proposals described below. Under the proposals, this funding for CalFire would increase to over \$120 million in subsequent years.

- ***Additional Fire Engines (\$40.3 Million).*** The budget supports adding 13 new fire engines to CalFire's fleet, as well as 131 additional positions to staff those engines. This would bring the total size of the fleet to 356 fire engines. Under the proposal, these 13 new engines would be operated on a year-round basis bringing the total number of fire engines operated on a year-round basis to 65 engines.
- ***Increased Staffing (\$15.1 Million).*** The budget includes two proposals to increase CalFire's fire response staffing. First, the budget includes \$10.6 million and 34 heavy equipment operator positions in order have a total of three heavy equipment operators for each of CalFire's 58 bulldozers to provide 24 hours a day, seven days a week staffing. Second, the budget includes \$4.5 million to support 13 positions to provide situational awareness staffing—dedicated staff to provide real-time intelligence to decision makers during a wildfire.
- ***CCC Crews Dedicated to CalFire (\$13.6 million).*** The budget proposes to add five CCC crews dedicated to CalFire for fire response and prevention activities. This includes converting four existing CCC reimbursement crews into crews dedicated full-time to CalFire work and creating one new crew dedicated to CalFire work. Under the proposal, the total number of CCC crews dedicated to CalFire will increase to 12.
- ***C-130 Air Tankers and Related Capital Outlay (\$13.1 million).*** The budget includes funding and six positions to implement the first year of a plan to accept seven used C-130 air tankers from the federal government to replace CalFire's existing fleet of aircraft, with the first air tanker scheduled to be received in 2020-21. The state will receive the aircraft for free, but the department's costs will increase over the next several years for operating and maintenance costs. CalFire estimates annual costs will rise steadily over the next five years reaching \$50 million in increased annual costs by 2023-24. In addition, the proposed 2019-20 funding level includes \$1.7 million for the first phase of three capital outlay projects to construct barracks to accommodate the new larger flight crews needed to operate the C-130 aircraft. These three projects along with a fourth barracks project expected to be initiated next year are estimated to cost a total of \$26 million over several years.
- ***Employee Wellness (\$6.6 million).*** The budget proposes to expand two employee wellness programs. First, the budget would expand an existing health and wellness pilot program to a statewide program. The health and wellness pilot program involves conducting voluntary wellness screenings to test for health conditions common to firefighters, such as heart disease and certain types of cancer. Second, the budget increases staffing for CalFire's Employee

Support Services program that provides mental health support to CalFire employees and family members. The proposal would allow CalFire to provide more services to firefighters at the location of major fires and provide additional education and information related to post-traumatic stress disorder.

- ***Fire Detection Cameras (\$5.2 million)***. The Administration proposes to join an existing network of wildfire detection cameras and to expand the network by 100 additional cameras in locations determined by CalFire. Specifically, the funding will support a contract between CalFire and ALERTWildfire—a consortium of the University of Nevada, Reno; the University of California, San Diego; and the University of Oregon—to allow CalFire to access and control ALERTWildfire’s existing network of wildfire detection cameras.
- ***Mobile Equipment Replacement (\$3 million)***. The budget proposes to continue on an ongoing basis a one-time 2018-19 funding augmentation to CalFire’s budget for replacement of mobile equipment, such as bulldozers and fire engines. Funding would be used to replace additional mobile equipment that has experienced additional wear and tear from the extended fire seasons in recent years.

Legislative Analyst’s Office (LAO) Comments. *Increasing Fire Response Resources Is Reasonable in Concept.* The magnitude and severity of recent fire seasons suggest that severe wildfires could be a worsening problem. Moreover, ongoing impacts from the drought, bark beetle infestations, tree mortality, climate change, and effects of decades of fire suppression activities all contribute to increased risks of severe wildfires. Given the recent fire conditions and the likelihood that conditions persist or even worsen, it is reasonable to increase the state’s fire response resources.

C-130 Air Tanker Proposal Lacks Detail. The Administration typically submits detailed budget documents that provide background, justification, and fiscal details for each budget proposal. While the Administration submitted these budget documents for the proposals to increase CalFire’s fire response resources, the documents lack certain details necessary to evaluate specific components of the proposals and to fully understand future costs and expected outcomes. This is particularly the case for the proposed C-130 air tankers. For example, it is unclear why funding for maintenance and operations contracts is needed in 2019-20 when the state is not scheduled to receive the first C-130 air tanker until 2020-21. Similarly, it is unclear whether current costs related to operating and maintaining CalFire’s existing air fleet (which will be decommissioned) are being netted out from the total amount of funding being requested for the new air tankers. Given the significant cost, especially in future years, to operate and maintain the C-130 air tankers, it is important for the Legislature to have the detail necessary to understand all of the components and costs of the proposal and why each component is needed. While CalFire staff have been helpful and responsive in providing additional details on the proposals, questions regarding the air tanker proposal remain outstanding.

Administration Has Not Conducted Assessment to Inform Future Budget Decisions. In light of the state’s increasingly severe fire seasons and the trend of increasing wildfire response resources in recent budgets, we expect there will be continued pressure to expand fire response funding in the future. Having more information on existing fire response capacity and gaps in capacity would help the Legislature in its consideration of future budget proposals to increase fire response resources. However, the Administration has not completed a recent assessment of state, mutual aid, and federal wildfire response capacity; potential gaps; and where additional resources would be most beneficial. Without such an assessment it is difficult to know the extent to which the specific fire response augmentations proposed address the highest priorities, fill the most critical gaps in response coverage, and take the most cost-effective approach to addressing fire response challenges. In addition, an

assessment of response capacity, gaps, and benefits could help inform future budget decisions, as well as better allow the state to develop longer-term funding plans for the deployment of future resources to ensure that additional resources approved in the future are used in the most beneficial and cost-effective manner.

LAO Recommendations. *Approve Most of the Governor’s Budget Proposals.* The LAO recommends that the Legislature approve the Governor’s requests for additional fire response resources in CalFire, with the exception of the proposal to support additional C-130 air tankers. The LAO finds these proposals reasonable given the recent severe fire seasons and ongoing wildfire risks in many areas of the state.

Require CalFire to Provide Additional Information on C-130 Air Tankers. The proposal for the C-130 air tankers lacks important details, including the rationale for funding maintenance and operations contracts before the new air tankers are delivered. Accordingly, the LAO recommends that the Legislature require CalFire to provide additional details on the air tanker proposal at spring budget hearings before determining what action to take on the proposal. While the overall concept of replacing CalFire’s air fleet with the C-130 air tankers is reasonable, the LAO thinks the Legislature will want to fully understand the costs of implementing this proposal before taking action on this item. To the extent, the department is unable to provide sufficient justification for some components of this proposal, the LAO would recommend the Legislature reject those components of the proposal in 2019-20. Doing so would not impede the department’s ability to accept the C-130s in future years or to begin the related capital projects proposed.

Require an Assessment to Inform Future Budget Decisions. In order to guide potential increases in fire response resources in future years, the LAO recommends that the Legislature adopt supplemental reporting language to require CalFire, in coordination with the Governor’s Office of Emergency Services, to provide an assessment of existing state, mutual aid, and federal fire response capacity; gaps in capacity; and where additional resources would be most beneficial. Such an assessment should evaluate state and local responsibilities, and include all types of fire response including fire engines, air attack, and other resources. The assessment should evaluate the cost-effectiveness of increasing CalFire resources compared to increasing other resources, appropriate funding sources, goals for fire response, and expected outcomes and benefits from addressing gaps in capacity. In addition, the assessment should identify potential capital outlay needs, such as adding fire stations or helitack bases. Lastly, the assessment should prioritize identified gaps in coverage or identified demands for additional resources. The LAO recommends that the Legislature require CalFire to submit this assessment by April 1, 2020, in order to inform potential future budget decisions related to increasing fire response capacity.

Staff Recommendation. Hold open.

Issue 9: Emergency Medical Services: Data and Information Systems (AB 1129)

Governor's Proposal. The Governor's budget proposes \$3.2 million General Fund and 7.8 positions ongoing to comply with AB 1129 (Burke), Chapter 377, Statutes of 2015.

Background. *AB 1129 (Burke).* AB 1129 requires emergency medical care providers to use an electronically transmissible data collection system that is compliant with the California Emergency Medical Services Information System standards, compliant with the National Emergency Medical Services Information System (NEMSIS) standards, and capable of integrating with the local emergency medical services agency's data system.

AB 1129 also required the Emergency Medical Services Authority to first promulgate regulations, which then allowed CalFire to determine its business needs and which technology could best meet the new requirements. These steps needed to be completed before a required Stage/Gate deliverables could be developed, which delayed the submission of a request for resources related to AB 1129 implementation.

NEMSIS Standards. NEMSIS establishes the national standard for emergency medical services data collection for state, territories, and federal agencies. All agencies have signed a Memorandum of Understanding to provide the NEMSIS with the required data to evaluate patient and emergency medical services outcomes to identify unmet needs, determine effective treatments, and improve the emergency medical services system throughout the United States and its territories.

NEMSIS also provides data collection parameters that emergency medical services agencies must follow to integrate emergency medical services patient care data with electronic medical records at hospitals, allowing emergency medical services providers, hospitals, and government agencies to exchange patient information securely and in real-time.

Collecting statewide patient care data will enable CalFire to implement a comprehensive continuous quality improvement program that will ensure that CalFire emergency response personnel provide a high level of quality patient care, identify areas for performance improvement and training needs, and provide reliable patient statistical data for identifying trends in EMS response consistent with state regulations.

Staff Recommendation. **Hold open.**

Issue 10: Enhanced Industrial Disability Leave (SB 334 and SB 1144)

Governor's Proposal. The Governor's budget proposes \$4.2 million General Fund one-time for the estimated increase in workers' compensation and overtime costs. This request also included budget bill language authorizing an augmentation of up to \$3.5 million if expenditure data shows that costs related to SB 334 (Dodd), Chapter 857, Statutes of 2017, and SB 1144 (Dodd), Chapter 897, Statutes of 2018, exceed the \$4.2 million budgeted for SB 334.

Background. *Worker's Compensation at CalFire.* CalFire pays for injured workers' compensation benefits and medical expenses on a dollar for dollar basis. The State Compensation Insurance Fund (SCIF) provides claims administration services for CalFire, as overseen by the California Department of Human Resources. CalFire also pays SCIF a service fee for administrative services on each open case.

SB 334 (Dodd), Increases Worker's Compensation Cost for CalFire. SB 334 provides that CalFire firefighters may receive enhanced industrial disability leave (EIDL) benefits if they are temporarily (22 consecutive days) disabled in the course of state employment regardless if it is on a scene of a fire or during training. The bill also entitles those eligible to receive an amount equivalent to their net salary for a period not to exceed 52 weeks.

SB 1144 (Dodd), Increases Worker's Compensation Cost for CalFire. SB 1144 removes the requirement for 22 consecutive days of disability before the member becomes eligible for the EIDL benefit and provides for salary increases during the period of disability. By removing the 22-day wait and providing salary increased during leave, SB 1144 broadens the scope of SB 334 and potentially increasing the cost to CalFire.

Budget Act of 2018 Provided One-Time Funding While CalFire Gathers Data on Funding Needs. The Budget Act of 2018 provided \$4.2 million on a one-time basis to address anticipated increases in workers' compensation costs related to SB 334. The budget request indicated that SB 334 expenditures and related funding requests will be reviewed on an annual basis until three years of data is available to demonstrate the incremental increases in costs directly related to the legislation, at which time CalFire's ongoing funding needs will be assessed. Aggregating three years of data is important because (1) the EIDL benefit can extend up to three years, and (2) the expenditure data will be more representational of actual costs.

Staff Recommendation. Approve as budgeted.

Issue 11: Facilities Repairs and Maintenance

Governor's Proposal. The Governor's budget proposes \$9.5 million General Fund and 22.3 permanent positions in 2019-20, with additional staff in subsequent years, to build capacity in its Technical Services Unit to undertake projects and effectively repair and maintain over 2,000 structures across its 530 facilities statewide.

This proposal includes trailer bill language (TBL) to establish the CalFire Infrastructure Projects Revolving Fund to enhance its ability to undertake agency-retained infrastructure improvement projects.

Background. *CalFire's Facility Inventory Includes Approximately 2,600 State-Owned Structures.* Collectively, CalFire's facility inventory exceed 3.5 million square feet in total. Most of these facilities were constructed between 1930 and 1970, with over 80 percent having been built prior to 1970. Under the Americans with Disabilities Act (ADA), state and local governments are required to follow specific architectural standards in new construction and alterations of existing buildings to ensure equal access. The requirements of ADA are not met in any CalFire facility over 20 years old.

CalFire's Deferred Maintenance Backlog. The accumulated deferred maintenance at CalFire has grown from \$126 million in 2015-16 to over \$140 million in 2019-20. Much of this is due to increased capacity and use of facilities for longer periods during the fire season. After one-time deferred maintenance funding expires, the existing facility repair budget of \$1.7 million annually is inadequate to protect the state's investment in CalFire's facilities or slow the increase of deferred maintenance costs.

Previous Funding for CalFire to Address Deferred Maintenance Needs. The budget Act of 2015 provided CalFire with \$3 million General Fund to address deferred maintenance needs, which was used to address drought exacerbated water supply issues at fire protection facilities. The Budget Acts of 2016 and 2018 allocated one-time appropriations of \$8 million and \$2 million, respectively, to CalFire for deferred maintenance projects. However, the backlog of repairs is growing year over year.

Proposed Trailer Bill Language. The proposed TBL is anticipated to improve CalFire's operational stability and streamline its processes for agency-retained infrastructure projects. According to CalFire, the TBL requested is intended to provide CalFire the ability to more efficiently and effectively complete agency-retained infrastructure projects ranging from construction to facility improvements. The proposed Infrastructure Projects Revolving Fund would also reduce workload and remove barriers for CalFire's Technical Services Unit staff by providing flexibility to extend timelines when necessary to complete all stages of complex projects.

The proposed Fund is consistent with other department-specific revolving funds that has been authorized so support the completion of mission critical agency-retained projects.

Staff Recommendation. Hold open (BCP and TBL).

Issue 12: Fireworks Management and Disposal

Governor's Proposal. The Governor's budget proposes \$3.6 million General Fund ongoing to increase the state's overall fire prevention efforts and to reduce the influx of illegal fireworks within the state.

Background. *The Office of the State Fire Marshal Regulates Fireworks.* Under state law, the Office of the State Fire Marshal (OSFM) within CalFire is responsible for the management and disposal of seized illegal fireworks. The OSFM is required to destroy dangerous and illegal fireworks once they are seized by local fire departments or law enforcement agencies.

Types of Fireworks. Fireworks are classified through laboratory analysis, field examinations, and the test firing of firework devices. Firework classifications include: "safe and sane" or consumer fireworks; agricultural, wildlife, emergency signaling devices; party poppers and snap caps; and model, high-power, and experimental rocket motors.

Regulation of Fireworks Varies Across California. Fireworks may be declared illegal by federal, state, or local governments. California law only allows certain fireworks that are designated as "safe and sane" by OSFM to be sold in California. Many local jurisdictions in California choose to ban the sale or use of all fireworks within their borders. Consequently, illegal fireworks seized by law enforcement agencies include those that are illegally made in or transported into the U.S., as well as fireworks that are legally purchased in one jurisdiction (including parts of California, in some cases) and brought into another jurisdiction where they are illegal. There are three broad types of illegal fireworks that are seized by local enforcement agencies:

- Dangerous fireworks as defined in HSC section 12505.
- Consumer fireworks that are approved for sale at the federal level but are not approved for sale in California ("federally legal" fireworks).
- "Safe and sane" fireworks that are legal for sale in California annually between June 28 and July 6, but are sold or possessed outside of this period or in an area where the local permitting entity has not approved their use.

The seized illegal fireworks are stockpiled for eventual collection and disposal by the OSFM.

Seized Illegal Fireworks are Deemed Hazardous Waste. The seized illegal fireworks are classified as hazardous waste and must be disposed as such. The approach for disposal has previously taken two forms: (1) burning of unpackaged fireworks under an emergency burn permit issued by the Department of Toxic Substances Control (DTSC), and (2) out-of-state shipping of fireworks in their original federally-approved packaging for disposal through a federally-approved waste hauler.

Only Way to Dispose of Illegal Fireworks is to Transport Out of State. In 2013, the DTSC notified CalFire that the burn facility previously utilized for disposal purposes could no longer be used for the open burn of fireworks. Additionally, since illegal and dangerous fireworks are seized on a recurring annual basis, DTSC determined that the seized fireworks no longer met the eligibility criteria to qualify for emergency burn permits. The lack of an approved burn facility and the inability to obtain emergency permits eliminated one of the two available options for the treatment of seized illegal fireworks. Thus, all seized illegal fireworks must now be transported to an approved out-of-state hazardous waste facility by a federally approved waste hauler.

Multiple Attempts to Establish Sustainable Funding for Disposal. SB 839 (Calderon), Chapter 563, Statutes of 2007, created the Fireworks Fund and required that moneys collected from increased fines and penalties from the seizure of illegal fireworks be deposited into the Fireworks Fund for enforcement and disposal of illegal fireworks. However, since its establishment, the Fireworks Fund has failed to provide a stable source of funding.

In 2013-14, the Governor's budget proposed ongoing funding of \$500,000 in General Fund to dispose of seized illegal and dangerous fireworks stockpiled throughout the state. The Legislature only approved the funding on a one-time basis so that the policy committees could find a long-term solution to the problem. A solution did not materialize.

In 2014-15, the Governor's budget proposed trailer bill language to establish a fee at the retail point of sale collected by the wholesalers of safe-and-sane fireworks in order to fund the ongoing fireworks problem. The proposal also included one-time funding of \$1.5 million from the Toxic Substance Control Account until the fees were assessed and collected to fund the program. The budget request was approved, however, the trailer bill failed passage.

In 2015-16, the Governor's budget proposed one-time funding of \$5 million from the Toxic Substance Control Account to fund disposal of seized illegal and dangerous fireworks in anticipation of discussions with stakeholders on the development of a long-term solution. This one-time funding was approved.

In 2018-19, a May Revision proposal included one-time funding of \$3.6 million from the Environmental License Plate Fund and \$2.1 million in ongoing reimbursement authority for the Fireworks Fund. The proposal included trailer bill language to establish the Fireworks Stewardship Program. The funding generated by the program would support OSFM in overseeing fireworks management and disposal activities. The budget request was approved, however, the trailer bill language failed passage.

Lack of Sustainable Funding for Disposal Has Resulted in Stockpiling. Each year the state seizes on average over 220,000 pounds of fireworks needing to be disposed. Disposal of illegal fireworks is costly. Without a stable funding source for enforcement and disposal, the confiscation of illegal and dangerous fireworks throughout the State has resulted in stockpiles.

Staff Recommendation. Hold open.

Issue 13: Professional Standards Program Continuation

Governor's Proposal. The Governor's budget proposes \$4 million ongoing (\$2.5 million General Fund, \$178,000 Greenhouse Gas Reduction Fund, and \$1.3 million in reimbursement authority) and 14 positions to continue the Professional Standards Program.

Background. *Administrative investigations at CalFire.* CalFire is required to conduct an administrative investigation when a formal complaint is filed against a peace officer pursuant to the Public Safety Officers Procedural Bill of Rights and the Firefighters Procedural Bill of Rights. CalFire is also required to conduct an investigation when a complaint or suspicion of employee misconduct is filed and received via the California Whistleblowers Protection Act.

The most common administrative investigations are conducted in response to citizen complaints and employee behavior. An administrative investigation consists of interviewing the subject(s) of the allegation(s), witnesses to activities, and supervisors of affected employees. Investigations require evidence collection, document review, analysis of gathered information, surveillance, and detailed documentation of all findings and opinions. These investigations typically average between 40 and 80 hours to complete. Complex investigations can require hundreds of hours and a multitude of personnel.

The Professional Standards Program (PSP). The PSP is a centralized dedicated unit that: (1) trains all employees on professional conduct, (2) provides more comprehensive supervisor and manager training, (3) provides guidelines to promote the application of consistent progressive discipline throughout CalFire, and (4) provides additional oversight on administrative investigations.

The PSP was created and funded as part of the Budget Act of 2016. However, the funding and positions were only provided on a three-year limited term basis.

Prior to the PSP, CalFire did not have a centralized process or dedicated staff responsible for performing administrative investigations and preparing adverse actions. Instead, they had to redirect existing staff from other programs, resulting in the delay or deferral of assigned responsibilities. According to the Administration, prior to the establishment of the PSP, the quality of investigation and written adverse actions suffered because temporarily assigned investigators are unable to maintain proficiency in these skills. Further, at that time, the lack of a centralized oversight resulted in inconsistent investigations and execution of adverse actions, penalties, and investigative materials.

Staff Recommendation. Hold open.

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| Issue 14: Various Capital Outlay Projects |
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Governor's Proposal. The Governor's budget proposes \$40.041 million for a number of capital outlay projects. Specifically, this proposal includes for the following:

| Project Title | Description |
|---|---|
| Butte Fire County: Replace Facility (New) | \$2.65 million General Fund one-time for the preliminary plans phase to replace the Butte Conservation Camp, in Butte County. Butte Fire Center was constructed in the mid-1940s and no longer meets current operational requirements. |
| Davis Mobile Equipment Storage (New) | \$975,000 General Fund one-time for the preliminary plans, working drawings, and construction phases of this project to construct two metal storage buildings. These buildings will replace the existing warehouse at the Davis Mobile Equipment Facility in Yolo County and will house 12 fire engines. |
| Elsinore Fire Station: Relocate Facility (New) | \$1.8 million General Fund one-time for the acquisition phase to replace the Elsinore Fire Station in Riverside County. The Elsinore Fire Station built in 1946 has functional deficiencies and is not large enough to properly house both equipment and employees. The apparatus building is inadequate to accommodate the larger fire engines currently in use. |
| Growlersburg Conservation Camp: Replace Facility (New) | \$3.05 million General Fund one-time for the preliminary plans phase to replace the existing Growlersburg Conservation Camp in El Dorado County, which no longer meets programmatic needs. |
| Hemet-Ryan Air Attack Base: Replace Facility (New) | \$1.931 million General Fund one-time for the preliminary plans phase to replace the existing Hemet-Ryan Air Attack Base in Riverside County, which no longer meets programmatic needs. |
| Hollister Air Attack/Bear Valley Helitack Base: Relocate Facilities (New) | \$12.15 million General Fund one-time for the acquisition phase to relocate the existing Hollister Attack Base and Bear Valley Helitack Base in San Benito County, which no longer meets programmatic needs. |
| Humboldt-Del Norte Unit Headquarters - Relocate Facility (New) | \$1.86 million General Fund one-time for the acquisition phase to relocate the Humboldt-Del Norte Unit Headquarters and the Fortuna Fire Station in Humboldt County, which no longer meets programmatic needs. |
| Ishi Conservation Camp: Replace Kitchen (Continuing) | \$5.38 million General Fund one-time for the construction phase to replace the kitchen/dining facility that was destroyed by fire at the existing state-owned Ishi Conservation Camp in Tehama County. |
| Minor Projects-Boggs Mountain DSF Administration Building Replacement (New) | \$975,000 General Fund one-time to construct a new administration building at the existing state-owned Boggs Mountain Demonstration State Forest. |

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| Minor Projects- Rohnerville AAB Aviation Fuel System Replacement (New) | \$975,000 General Fund one-time for the Rohnerville Air Attack Base Fuel System Replacement project. This project would remove the current aviation fuel tank and replace it with an upgraded 25,000-gallon aviation fuel tank and it also would remove and replace the fuel distribution system with a system capable of fueling multiple aircraft at the same time. |
| Minor Projects- Weed Fire Station- Construct Administration Building (New) | \$851,000 General Fund one-time to construct a new administration building at the existing state-owned Weed Fire Station in Siskiyou County to improve Unit operations. |
| Perris Emergency Command Center: Remodel Facility (Continuing) | \$834,000 General Fund one-time for the construction phase to remodel the Perris Emergency Command Center in Riverside County, which has functional deficiencies. |
| Potrero Forest Fire Station: Replace Facility (Continuing) | \$981,000 General Fund one-time for the working drawings phase to replace the Potrero Forest Fire Station in San Diego County, which has functional deficiencies. |
| Prado Helitack Base: Replace Facility (Continuing) | \$1.3 million General Fund for the working drawings phase to replace the existing Prado Helitack Base in San Bernardino County, which no longer meet programmatic needs. |
| Shasta Trinity Unit Headquarters/ Northern Operations: Relocate Facility (Continuing) | \$4.329 million General Fund one-time for the preliminary plan phase to construct a new joint facility to co-locate the Shasta Trinity Unit Headquarters and several Northern Region Operations - Redding facilities. |

Background. *CalFire Operates Over 500 Facilities Statewide.* Collectively, CalFire's facility inventory exceed 3.5 million square feet in total. CalFire facilities include forest fire stations, telecommunication sites, fire/conservation camps, ranger unit headquarters, air attack bases, helitack bases, state forests, administrative headquarters, and miscellaneous facilities.

Main Drivers of Capital Outlay Needs. The main driver of capital outlay needs is the replacement of aging facilities with structural and space deficiencies. Further, changes in technology, equipment, and emergency response techniques renders a majority of the older facilities no longer provide adequate space. Although the age of a facility does not directly drive infrastructure need, there is a strong correlation between the age of a facility and structural and spatial deficiencies. For example, some of the older fire stations are not big enough to accommodate new fire trucks and other modern fire-fighting equipment. In addition, years of constant use have degraded the quality and safety of some of the older structures. As a general rule, facilities in excess of 50 years, which is the maximum amount of time these facilities are currently designed to last, are the most likely to require replacement.

In addition to aging facilities, urban encroachment on rural areas also drives capital outlay needs. As rural areas become more populated and incorporated by cities, the land surrounding or nearby some fire stations is no longer SRA. Urban encroachment also brings traffic congestion, which can further increase response times. Because initial response times are critical, especially in preventing major fire

events, as certain stations become less strategically located within SRAs it is sometimes necessary to move these stations closer to the areas over which they have responsibility.

Site lease expirations also drive the need for some relocation projects. A large number of CalFire's facilities were built between 1930 and 1960, when it was common for the state to acquire low-cost, long-term leases in lieu of land purchases. Many of the leases had 50 to 60-year terms that are now expiring. Although negotiations result in some lease extensions, some owners are unwilling to extend their leases with the state or request lease terms that the state finds unacceptable. In such cases, the only option is to relocate the facility.

Proposed Capital Outlay Projects Were Part of CalFire's Five-Year Infrastructure Plan. Many of the proposed projects are listed as new proposals. However, these projects at one point in time received funding for early capital outlay stages such as a study or a preliminary plan. Due to funding constraints of both General Fund and General Fund supported bond financing, these projects were placed on hold.

Staff Comments. CalFire has significant capital outlay and maintenance needs due to the age of their facilities. Nearly three-fourths of CalFire's facilities were built prior to 1950. In addition, many facilities were not designed for the amount and type of use required of them today.

Staff Recommendation. Hold open.

Issue 15: Contract County Capital Outlay

Governor’s Proposal. The Governor's budget proposes \$3.3 million General Fund ongoing to restore proportional capital outlay funding to the six Contract Counties.

Background. *Contract Counties.* CalFire contracts with six counties (Kern, Los Angeles, Marin, Orange, Santa Barbara, and Ventura) to fulfill its responsibilities related to wildfires on state responsibility areas (SRAs) within each county. These six counties are known as the “contract counties.”

The annual budget includes General Fund resources—about \$79 million in 2018-19—to support contract counties’ wildfire operations. Prior to 2012-13, CalFire also provided funding to the contract counties for capital outlay. This capital outlay funding was determined by a formula based on a percentage—about 19 percent—of annual state expenditures on CalFire capital outlay projects. Capital outlay funding for contract counties was eliminated beginning in 2012-13 due to General Fund budget constraints. Since that time, the annual budget has not included capital outlay funding for contract counties with the exception of \$250,000 provided on a one-time basis in 2016-17.

LAO Comments. *Providing Funding for Contract County Capital Outlay Is Reasonable in Concept.* In LAO’s view, the concept of providing some funding for capital outlay for contract counties is reasonable. Contract counties are providing a service to CalFire, and counties have to build and maintain infrastructure, such as fire stations, in order to provide this service effectively.

Funding Formula Proposed Likely to Result in Planning Challenges. The proposed funding formula is linked to annual spending on state capital outlay projects. State expenditures on CalFire projects can vary considerably from year to year based on the number, type, and phase of capital projects funded in a particular year. Consequently, the proposed formula is likely to result in significant fluctuations in the annual funding level provided to contract counties for capital outlay. For example, if this funding had not been removed from the budget in 2012-13, the annual amount provided since then would have fluctuated from a low of \$97,000 in 2018-19 to a high of \$9.3 million in 2013-14. Fluctuations of this magnitude could make it difficult for counties to plan for how they would use the funds.

Funding Formula Not Based on Specific Capital Outlay Needs. The formula that the Governor proposes to reinstate is based on two factors (1) the annual spending level for CalFire capital outlay projects, and (2) the ratio of contract county fire stations to CalFire fire stations. However, these two factors do not account for actual capital outlay needs for contract counties. Instead, the factors that are most likely to affect local costs to build and maintain wildland fire protection facilities are the age of existing facilities and changes in demands on facilities. In addition, counties sometimes operate fire stations that serve both their wildland fire protection responsibilities, as well as their responsibilities to respond to local structure fires, making it more challenging to determine what share of capital costs should be attributed to the SRA responsibilities. Currently, the state does not have data on actual local capital outlay needs associated with wildland fire protection. Moreover, obtaining such accurate information and updating it regularly could be relatively expensive compared to the total level of funding proposed.

LAO Recommendation. *Select Different Approach to Determining Funding Level if Funding Is Reinstated.* The concept of providing funding to contract counties for capital outlay is reasonable. However, because this funding generally has not been provided in several years, the Legislature may wish to weigh whether reinstating this funding is as high of a priority for the General Fund as other programs.

If providing this funding is a legislative priority, the LAO recommends that the Legislature simply designate the funding amount for this program in the 2019-20 budget and ongoing based on its General Fund priorities. This would provide counties with a more consistent level of funding for counties than under the Governor’s proposal. It would also be simpler to administer than the proposed formula.

The LAO notes that there is probably not a “right” level of funding to provide contract counties for capital outlay. Therefore, the LAO offers a couple of different approaches the Legislature could consider. One approach would be to establish the Governor’s proposed level of \$3.3 million as the ongoing annual funding level. Alternatively, the ongoing funding level could be based on the average amount that would have been provided over the last decade—about \$2.2 million. Additionally, the Legislature could consider mechanisms for adjusting the level of funding over time to account for factors such as inflation or changes in the share of SRA contract counties, such as if an additional county became a contract county. In the future, if better information were available about actual capital outlay costs associated SRA responsibilities, the Legislature could revisit the funding level provided.

Staff Recommendation. Hold open.

3600 DEPARTMENT OF FISH AND WILDLIFE (DFW)**Issue 16: Wildfire Prevention and Recovery Legislation: Timber Harvest Plan Exemption Review (SB 901)**

Governor's Proposal. The Governor's budget proposes 15 positions and \$3.483 million (\$1.483 million General Fund and \$2 million Timber Regulation and Forest Restoration Fund (TRFRF)) in 2019-20, \$3.042 million annually through 2023-24, and \$1.042 million annually thereafter to implement SB 901 (Dodd), Chapter 626, Statutes of 2018.

Background. SB 901 (Dodd). SB 901 increases the number of projects that improve forest health, vegetation management activities, and the frequency and scale of defensible space or fuel break projects. SB 901 requires DFW to review notices of exemption prior to the commencement of timber operations to assess impacts to species or natural resource, areas of concern, and proper permitting.

Timberland Conservation Program (TCP). DFW's TCP reviews proposed timber harvesting plans and exemptions on private and state-owned land for consistency with the Forest Practice Act/Rules and the Fish and Game Code, including California Endangered Species Act (CESA). While CalFire is the lead agency for timber harvesting activities, DFW participates as an official review team agency and as a trustee agency as defined by the California Environmental Quality Act (CEQA). DFW is also responsible for issuing regulatory authorizations such as Incidental CESA Take Permits (ITP) and Lake and Streambed Alteration Agreements if activities proposed in a timber-harvesting plan would result in impacts to resources within the Department's statutory jurisdiction.

DFW is funded to participate in the review of a portion of the timber harvesting plan reviews and currently engages on prescribed burning projects in a limited capacity.

DFW's role as a review team agency, coinciding with other agencies (CalFire, California Geological Survey, and State/Regional Water Quality Control Boards), is to review timber harvesting plans for their conformance with the California Forest Practice Rules and to ensure potential adverse, significant impacts to the environment are avoided or mitigated to less than significant. Registered Professional Foresters often consult with the Department regarding proposed stream crossings and water diversions and how to avoid or minimize significant impacts or take of special status species related to timber operations.

DFW's TCP is currently engaging in most of the statewide fire policy and prevention issues that have arisen in the last 3-5 years. The TRFRF currently funds DFW staff who are required to engage in the timber harvesting review process in the state. Fully engaging with CalFire, the California Board of Forestry and Fire Protection, and local communities on matters of fire prevention policy and activities is outside of the current funding structure of any DFW program.

Staff Recommendation. Hold open.

3340 CALIFORNIA CONSERVATION CORPS (CCC)

Issue 17: Various Capital Outlay Projects

Governor's Proposal. The Governor's budget proposes \$9.3 million one-time in General Fund for the working drawing phases to replace several residential centers. Specifically, this proposal includes:

- \$808,000 for working drawings to renovate the existing Fortuna Residential Center in Humboldt County.
- \$3.745 million for working drawings to replace the existing Greenwood Residential Center in El Dorado County.
- \$1.194 million for working drawings to renovate the existing Los Piños facility located in Orange County.
- \$3.55 million for working drawings to replace the existing Ukiah Residential Center in Mendocino County.

Background. CCC Facilities. The CCC operates 24 facilities in urban and rural areas statewide, eight residential centers and 16 nonresidential facilities known as satellite facilities. The typical residential center includes a dormitory, dining room and kitchen, administrative offices, recreational facilities, classroom space, and warehouse space. The residential centers normally house between 80 and 100 corpsmembers. About 644 corpsmembers (44 percent) live in residential centers. About 806 corpsmembers (56 percent) report to nonresidential centers.

The Administration Asserts that the Proposed Expansion Will Achieve Multiple Goals. First, residential centers allow access to the CCC program for young adults from all parts of the state, not just those that live within commuting distance of a nonresidential center. Corpsmembers must find affordable housing within commuting distance of a nonresidential center. This can present a barrier in regions where the cost of living is relatively high.

Second, CCC states that residential centers offer an enhanced level of service than its nonresidential centers by (1) providing a structured environment offering full immersion in work projects and educational programs, (2) offering stability and security, (3) providing many opportunities for community engagement and personal development, and (4) allowing CCC to respond more quickly to requests for emergency assistance. According to CCC, residential centers also provide more time for corpsmembers to dedicate to academics, in part, because they spend less time commuting. CCC has provided some limited data to show that corpsmembers in school at residential centers achieved greater gains in math and reading levels than their counterparts in nonresidential centers. The department also states that residential center corpsmembers are more likely to participate in community service projects than nonresidential center corpsmembers.

Third, CCC states that the proposed expansion would allow it to better meet the needs of the local communities by having more corpsmembers and offering a residential center program in additional areas of the state.

Budget Act of 2016 Approved the Initial Phase of Three New Residential Centers. The Governor's budget in 2016-17 proposed a major expansion of the CCCs' residential centers. The plan at the time proposed a combined total of \$171 million over the next five years from the General Fund and lease-revenue bond funds to design and construct the new CCC residential centers.

The Budget Act of 2016 included \$400,000 for the acquisition phase of residential centers in Napa (\$200,000), Pomona (\$100,000), and Ukiah (\$100,000). Acquisition phase costs include an investigation of the condition of a property, surveys, title costs, appraisal fees, and staff time.

Acquisition of the Ukiah Residential Center is currently underway. The sites in Napa and Pomona are no longer being pursued for CCC residential centers.

Budget Act of 2018 Approved the Preliminary Plans Phase of the Proposed Expansion. The Governor's budget in 2018-19 proposed a total of \$8.463 million for the preliminary plans phase of all four projects.

The Budget Act of 2018 approved: \$1.052 million General Fund for the new Multi-Purpose Building at the Fortuna Residential Center, \$2.866 million General Fund for the replacement of the existing Ukiah Residential Center, \$1.373 million General Fund for the renovation of the existing Los Pinos facility, and \$3.172 million General Fund for the replacement of the existing Greenwood Residential Center.

Staff Recommendation. Hold open.

3125 CALIFORNIA TAHOE CONSERVANCY

Issue 18: Alta Mira Public Access Project

Governor's Proposal. The Governor's budget proposes \$600,000 from the Proposition 68 funds for a study of proposed alternatives, environmental review, and better understand the costs associated with improving public access and site resilience to climate change.

Background. In 2014, the Conservancy and the California State Lands Commission acquired the former Alta Mira building properties to enhance public lake access. This project will provide equitable access to outdoor recreation and other benefits to the environment such as reducing shoreline erosion and capturing storm water. It will also improve ecosystems, wildlife habitat, and greenhouse gas sequestration through enhanced and stabilized vegetation and shoreline.

Staff Recommendation. Hold open.

Issue 19: Opportunity Acquisitions

Governor's Proposal. The Governor's budget proposes \$7 million (\$5 million Proposition 68, \$1.6 million Reimbursements, and \$397,000 Habitat Conservation Fund) for the acquisition of environmentally sensitive or significant resource areas.

Background. The Lake Tahoe region has a unique system of land ownership and associated development rights. Development rights are entitlements someone has to acquire before they can develop a property. The Conservancy mainly acquires development rights through the purchase of developed properties. Development rights are transferable assets for a property owner and can be sold and transferred to eligible receiving parcels.

Conservancy staff and partner agencies have identified up to 15 properties (apartments, commercial development, and residential lots in local flood areas) for acquisition in both the City of South Lake Tahoe and Kings Beach.

Staff Recommendation. Hold open.

3100 EXPOSITION PARK

Issue 20: Security Contract Augmentation

Governor's Proposal. The Governor's budget proposes \$2.075 million General Fund ongoing to enter into an inter-agency agreement with the California Highway Patrol (CHP) to continue providing personnel for around the-clock public safety support to Exposition Park.

Background.

The Office of Exposition Park Management (OEPM) requests \$2.075 million General Fund ongoing to enter into an inter-agency contract with the CHP to provide around-the-clock public safety support and management at Exposition Park. The new plan is intended to improve the operations and staff management to more efficiently address the daily public safety needs of Exposition Park. Public safety is part of the OEPM's mission and is a service that is required to be provided to various parties across various lease and operating agreements held with joint powers (State of California, County of Los Angeles, City of Los Angeles), County of Los Angeles, City of Los Angeles, University of Southern California (USC), Los Angeles Football Club, and the Lucas Museum of Narrative Art.

The OEPM is responsible for public safety operations, parking services management and overall park maintenance and beautification. In addition, the OEPM supervises and coordinates park-wide events, and facilitates communication between state, city, and county entities represented within the park. For the past four years, the CHP has been providing on-site command staff to help manage the Department of Public Safety, a division of OEPM. Exposition Park has experienced increase notoriety and visibility due to the arrivals of its two newest tenants—Los Angeles Football Club and Lucas Museum of Narrative Art. These two new high-profile tenants have created an increased demand for quality public safety. To help address the growing needs and limit liability, the proposed plan would move towards a combined operational model with CHP management, officers and administrative support along with consolidated team of state museum security officers. The OEPM will also retain the Dispatcher-Clerk positions (BU 4). For special events, where the need is primarily of a monitoring nature, we would still provide the museum security officers the first right of refusal to provide security for those events. If museum security officers are unable or unwilling to work the events, then we would work with the event organizer to contract directly with private security to minimize the cost to the organizer.

This proposal is consistent with the OEPM's mission to provide the highest level of public safety to all park tenants and visitors and efficiently manage state property and resources. The CHP is well suited to provide this service. In addition to a more consolidated Exposition Park Department of Public Safety staffing, this interagency contract would provide CHP personnel to cover public safety operations in Exposition Park 24-7 / 365-days per year. The on-site CHP staff would collaborate and consult directly with the General Manager of Exposition Park to ensure public safety measures are in place for daily operations. Special Event public safety scenarios would be discussed with the CHP and recommendations would be presented to the special event promoter(s) or entities hosting such events. The cost to augment public safety for special events would be a reimbursable cost paid for by the event promoter. A full command staff would consist of one captain, three sergeants, three officers (two regular and one K-9), and two office technicians.

Staff Recommendation. Approve as budgeted.

3100 CALIFORNIA SCIENCE CENTER

Issue 21: Utilities Cost Adjustment

Governor's Proposal. The Governor's budget proposes \$559,000 in 2019-20 and \$639,000 ongoing from a combination of the General Fund and the Exposition Park Improvement Fund to address utility rate increases for the Office of Exposition Park Management (OEPM), the California Science Center (Science Center), and California African American Museum (CAAM).

This request is jointly submitted by OEPM, the Science Center, and CAAM.

Background. *The Los Angeles Department of Water and Power (LADWP) Rate Increases.* The LADWP electricity rate will increase by another 3.7 percent each year or cumulatively, 18.5 percent by end of the year 2020 and, as such, the Department is submitting this BCP for a baseline budget consideration to address this increase.

There are a total of 23 active LADWP Meters located throughout Exposition Park that get read and billed monthly. CAAM is solely responsible for one, OEPM is solely responsible for four, and the Science Center is solely responsible for two. The remaining 16 meters are paid according to a fund split between the Science Center at 78 percent and OEPM at 22 percent.

All three departments have implemented energy saving programs. However, these initiatives do not generate sufficient savings to keep up with the Los Angeles Department of Water and Power (LADWP) rate increases.

Energy Savings. In 2015, The Department of General Services (DGS) with Johnson Control Inc. conducted an investment-grade audit of the Science Center and certain areas under OEPM. In January 2016, DGS entered into a performance contract agreement with Johnson Control, Inc. to implement nine facility improvement measures identified during the audit. The project was substantially completed at the end of February 2017 and was funded through a loan from Johnson Control Inc., which was to be repaid through energy savings resulting from the improvements. The Science Center and OEPM have achieved a cost savings of \$422,210 through this process, exceeding the guaranteed energy savings of \$345,037, which would be applied toward repayment of the loan. However, the success achieved via energy cost savings is instead offset by a significant LADWP rate increase, which means that the departments have to redirect operating funds to repay the loan.

Security Issues. Exposition Park is experiencing a growing homeless population, street vending, vandalism, and graffiti that require the state to take necessary safety precautions. One major deterrent is to ensure that common areas, walkways and interior streets from venues to parking facilities (operated by the state) and to public transportation are well illuminated and directional and traffic signage and emergency call boxes are operating and visible.

Reducing energy use (reducing lighting inside and outside facilities, powering down operating systems, etc.) may attract vandalism and graffiti. Lowering lighting along common areas and pathways may increase crime or injuries (i.e., slip/trip and fall) - potentially posing unnecessary legal exposure to state entities.

Staff Recommendation. Hold open.

ISSUES FOR DISCUSSION

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| | Issue 10: Pharmaceutical and Sharps Waste Stewardship Program 5-0 | |
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| 3960 | DEPARTMENT OF TOXIC SUBSTANCES CONTROL (DTSC) | 19 |
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| | Issue 19: Nonpotable Reuse Water Systems (SB 966) 4-0 (Jones not voting) | |
| | Issue 20: Sewer Service Provision for Disadvantaged Communities (SB 1215) 4-0 (Jones not voting) | |
| | Issue 21: State Administrators Consolidation (AB 2501) 4-0 (Jones not voting) | |
| | Issue 22: Wildfire Prevention and Recovery Legislation: Review of Timber Harvest Plan Exemptions and Utility Corridor Vegetation Management Permitting (SB 901) Held open | |
| | Issue 23: Orphan Site Cleanup Fund Grants 4-0 (Jones not voting) | |

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 Issue 24: Turlock North Valley Animal Health Laboratory Replacement **4-0 (Jones not voting)**
 Issue 25: California Biodiversity Initiative **Held open**
 Issue 26: Citrus Pest and Disease Prevention Program Resources **4-0 (Jones not voting)**
 Issue 27: Various Technical Adjustments **Held open**
 Issue 27a: Various Technical Adjustments: Mountain Pass Border Protection Station Operations Expansion **Held open**
 Issue 27b: Various Technical Adjustments: Office of Information Technology Services Infrastructure **Held open**
 Issue 27c: Various Technical Adjustments: Development of Pesticide Alternatives **Held open**
 Issue 27d: Various Technical Adjustments: Industrial Hemp Positions **Held open**
 Issue 27e: Various Technical Adjustments: Organic Waste Management **Held open**
 Issue 28: Deferred Maintenance **4-0 (Jones not voting)**

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 Issue 29: Safe and Affordable Drinking Water (SADW) – Budget Change Proposal (BCP) and Trailer Bill Language (TBL) **Held open**

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VOTE-ONLY CALENDAR

3970 DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY (CALRECYCLE)

Issue 1: Information Security Office Staffing

Governor's Proposal. The Governor's budget proposes \$304,000 various special funds and two permanent, full-time positions to respond to increasing state information security mandates and to address the increased workload of security audits.

CalRecycle requests these positions to do the following:

- Develop and manage information securing infrastructure, policies, and programs.
- Manage information security systems to block cyber intrusion attempts, reconfigure software in response to incidents, coordinate information security actions with sister agencies, and combat and remediate ongoing social engineering (phishing) and other cybersecurity attacks;
- Meet new state security-related oversight and workload requirements.
- Perform required testing and refinement of the department Technology Recovery Plan to ensure the ability of the CalRecycle to recover from an interruption to information technology services, whether caused by a cyber-attack, or other event.

Staff Recommendation. Approve as budgeted.

Issue 2: 2020 Statewide Waste Characterization Study

Governor's Proposal. The Governor's budget proposes \$985,000 Integrated Waste Management Account for a waste characterization study during calendar year 2020. Of the total, \$715,000 is to characterize and quantify the types and amounts of materials disposed in processing, transfer, and disposal facilities statewide, and \$270,000 is to characterize and quantify the types and amounts of targeted materials generated by targeted sectors.

Staff Recommendation. Approve as budgeted.

Issue 3: Administrative Support Workload

Governor's Proposal. The Governor's budget proposes \$241,000 various special funds and two permanent positions to meet increased workload in the Human Resource Program to administer the hiring and recruitment program for increased staffing needs and to ensure fair and equal hiring.

Staff Recommendation. Approve as budgeted.

3940 STATE WATER RESOURCES CONTROL BOARD (SWRCB)**Issue 4: Bond Technical Adjustments**

Governor's Proposal. The Governor's budget proposes technical bond adjustments including new appropriations, re-appropriations, reversions, and re-directions for various bond-funded programs. These technical adjustments are critical to meet the expectation that voter-approved bond funds will be provided to municipalities, local agencies and nonprofit organizations to provide safe drinking water and support local water quality programs.

Staff Recommendation. Approve as budgeted.

Issue 5: Lead Exposure: Child Day Care Facilities (AB 2370)

Governor's Proposal. The Governor's budget proposes one permanent full-time position, and \$350,000 in General Fund to do the following: (1) collaborate with the Department of Social Services in the development of lead regulations for day care facilities, develop and implement guidance documents for day care facilities, parents and staff for sampling protocol, create means for the electronic submittal of lead data and provide a response to lead level exceedances; (2) create a database for day care facilities, review facilities that have not reported lead levels to the SWRCB database or that have elevated lead levels and convey said information to the Department of Social Services. Determine if missing data results from non-compliance with sampling requirements, data entry issues, or problems with reporting the data, or if sampling and reporting is scheduled by the end of the sampling period. Ensure Environmental Laboratory Accreditation Program certified laboratories are used to run lead analyses and data is electronically submitted to SWRCB database; and (3) ensure compliance for all day care facilities and respond appropriately for facilities that exceed appropriate lead standards.

Staff Recommendation. Approve as budgeted.

Issue 6: Timber Regulation and Forest Restoration Local Assistance Program

Governor's Proposal. The Governor's budget proposes continued spending authority of \$1 million from the Timber Regulation and Forest Restoration Fund (TRFRF), for fiscal year 2019-20 for local assistance grants to implement forest restoration as provided for in AB 1492 (Blumenfield), Chapter 289, Statutes of 2012). These funds are requested with a three-year encumbrance period.

Background. *AB 1492 (Blumenfield).* AB 1492 established the Timber Regulation and Forest Restoration Program with goals that include creating a funding source for the restoration of the state's forested lands, promoting restoration of fisheries and wildlife habitat, improving water quality and promoting restoration and management of forested landscapes consistent with the California Global Warming Solutions Act of 2006 (AB 32 (Núñez), Chapter 488, Statutes of 2006).

The major responsibilities under the AB 1492 Timber Regulation and Forest Restoration Program are categorized under five key components:

- Timber Harvest Document Review, Approval and Enforcement
- Administrative Accountability, Efficiency and Transparency
- Data and Monitoring
- Ecological Performance Measures
- Forest Restoration Grants

A one percent fee on lumber and other wood products sold in California generates revenue deposited into the TRFRF and funds the activities of the program. SWRCB provides local assistance grants for forest restoration efforts - efforts that include water quality improvement projects. These funds are administered in conjunction with and generally use the same staff resources as the existing Clean Water Act Section 319 grant program. SWRCB administers the grant program using existing staff resources and no new positions are requested in this proposal.

Grant Award History Fiscal Year 2015/16 – 2018/19

| Grant Category | Number of Projects Funded | Total Funds |
|------------------------------------|----------------------------------|--------------------|
| Fire prevention/Post Fire Recovery | 8 | \$3,384,355 |
| Sediment Control | 6 | \$3,531,211 |
| Habitat Restoration | 2 | \$990,228 |
| Grand Total | 16 | \$7,905,794 |

Staff Recommendation. Approve as budgeted.

ITEMS FOR DISCUSSION

0555 CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY (CALEPA)

OVERVIEW

According to the Department of Finance (DOF), CalEPA programs reduce greenhouse gas emissions, restore and protect environmental quality, and protect public health. The Secretary coordinates the state's environmental regulatory programs and ensures fair and consistent enforcement of environmental law, which safeguards the state's residents and promotes the state's economic vitality.

CalEPA has \$4.2 billion worth of expenditures, which does not include federal funds, certain non-governmental cost funds, or reimbursements. The following is a breakdown of each department's portion of CalEPA's budget (state funds):

- | | |
|--|--------------|
| • Air Resources Board | 27.3 percent |
| • Department of Pesticide Regulation | 2.5 |
| • Department of Resources Recycling and Recovery | 37.1 |
| • Department of Toxic Substances Control | 7.4 |
| • State Water Resources Control Board | 24.6 |
| • Other | 1.0 |

The following table reflects positions and expenditures for each department in CalEPA for the budget year. State funds reflect total General Fund, special funds, and selected bond funds. Total funds include state funds, federal funds, other non-governmental cost funds, and reimbursements.

| Code | Departments | Positions | Total State Funds <i>(Dollars in thousands)</i> | Total All Funds <i>(Dollars in thousands)</i> |
|---|--|-----------------|--|--|
| 0555 | Environmental Protection, Secy | 69.4 | \$17,399 | \$22,160 |
| 3900 | Air Resources Board | 1,542.40 | \$1,158,367 | \$1,185,088 |
| 3930 | Department of Pesticide Regulation | 378.3 | \$106,645 | \$109,626 |
| 3940 | State Water Resources Control Board | 2,129.50 | \$1,044,712 | \$1,419,592 |
| 3960 | Department of Toxic Substances Control | 953.8 | \$313,220 | \$363,055 |
| 3970 | Resources Recycling and Recovery | 723 | \$1,574,685 | \$1,578,413 |
| 3980 | Environmental Health Hazard Assessment | 132.9 | \$23,701 | \$27,862 |
| 3996 | General Obligation Bonds-Environmental | - | \$3,330 | \$3,330 |
| Totals, Positions and Expenditures | | 5,929.30 | \$4,242,059 | \$4,709,126 |

Issue 7: Various Technical Adjustments

Governor’s Proposal. The Governor’s budget proposes for various technical adjustments, reappropriations, and baseline appropriation adjustments to continue implementation of previously authorized programs.

Staff Comments. As noted by the Legislative Analyst’s Office (LAO), several proposals lack typical support information, lacking detailed explanation and sufficient workload justification. This budget change proposal (BCP) may be considered one of them, which includes 14 proposals totaling \$29 million and six new positions. One proposal of note in this BCP relates to AB 617 implementation, which is included in this agenda immediately below (Issue 7a).

Although the Administration has been forthcoming in providing information when asked about specific proposals within a consolidated BCP, this information is not as readily available to the public as it would normally have been had it been posted on the Department of Finance’s website along with other BCPs.

Staff Recommendation. Hold open (not including Issue 7a).

Issue 7a: Various Technical Adjustments: AB 617

Governor’s Proposal. Within the CalEPA BCP for “Various Technical Adjustments,” the Governor’s budget proposes \$4.158 million Greenhouse Gas Reduction Fund to support 22 existing positions and three new Human Resources positions to continue the implementation of AB 617 (C. Garcia), Chapter 136, Statutes of 2017.

The Governor proposes \$3.8 million to extend funding for 22 Air Resources Board (ARB) positions that were also approved in 2017-18, but on a two-year limited-term basis. The Governor’s proposal would extend funding for these 22 positions for an additional three years. Four positions would work on the Technology Clearinghouse and 18 positions would work on selecting communities for future action. The proposal also provides \$405,000 to add three new permanent human resources positions.

Background. *Air Quality Regulation Divided Between ARB and Regional Air Districts.* In California, ARB and 35 regional air pollution control and air quality management districts (air districts) share responsibility for the regulation of air quality. Historically, regulatory efforts have largely focused on reducing “criteria” pollutants that affect regional air quality, such as nitrogen oxides that contribute to smog. Regional air districts generally manage the regulation of *stationary sources* of pollution (such as factories) and prepare regional implementation plans to achieve compliance with federal and state air quality standards. ARB is responsible primarily for the regulation of *mobile sources* of pollution (such as cars and trucks) and for the review of regional air district programs and plans. (Regional air districts also administer some mobile source incentive programs.) Over the last few decades, the state has also developed various programs intended to reduce local toxic air pollution—such as diesel particulate matter and hexavalent chromium—and global pollution that contributes to climate change, such as carbon dioxide.

AB 617 Established a New Program Focusing on Heavily Polluted Communities. Passed in 2017, AB 617 made a variety of changes that are intended to help monitor and reduce criteria and toxic air

pollutants that have adverse effects on heavily polluted communities. Importantly, these changes focus on pollution at the *community* level, rather focusing primarily on *global* or *regional* effects. Community-level effects include the cumulative pollution from regional criteria pollutants, as well local toxic air pollutants. The changes are implemented by both ARB and air districts, in consultation with community groups and other state agencies. The major requirements and implementation time frames include:

- ***Community Air Monitoring Systems.*** AB 617 required ARB, by October 1, 2018, to (1) develop a statewide plan for monitoring community air pollution, and (2) select the highest priority locations to deploy monitoring systems, based on their exposure to toxic and criteria pollutants. The purpose of the statewide monitoring plan is to provide guidance to air districts that will be deploying the monitoring systems in the selected communities. Once the initial communities (also known as “first year” communities) are selected, air districts must deploy the monitoring systems in those communities by July 1, 2020. Each year thereafter, ARB must select additional communities to deploy monitoring systems, as it deems appropriate, and the regional air districts must deploy systems in those communities within one year.
- ***Community Emission Reduction Plans.*** AB 617 also required ARB to develop, by October 1, 2018, a statewide strategy to reduce toxic and criteria emissions in communities with high pollution, and to update the strategy every five years. As part of the statewide strategy, ARB is also required to select communities with high cumulative exposure to air pollutants that will develop emission reduction programs (also known as first year communities). Within one year of selecting the communities, air districts—in consultation with local community groups and other stakeholders—must develop community emission reduction plans for each selected community and submit them to ARB for review. The plans must include emission reduction targets, specific reduction measures, a schedule for implementation, and an enforcement plan. ARB must select additional communities for emission reduction plans annually thereafter, as it deems appropriate.
- ***Other AB 617 Changes.*** AB 617 made a variety of other changes to air quality monitoring and regulation, including requirements that (1) ARB establish a uniform statewide system of reporting annual emissions of criteria pollutants from stationary sources, (2) ARB establish a clearinghouse that identifies best available technologies for pollution control, and (3) air districts adopt expedited schedules for requiring industrial facilities that are subject to the state’s cap-and-trade regulation to install updated pollution control technologies if they have not done so since 2007. It also required ARB to provide grants to community-based organizations for technical assistance and to support community participation in the AB 617 process.

LAO Comments. *Funding to Extend 22 ARB Positions Lacks Adequate Justification.* At the time of LAO’s report, “The 2019-20 Budget: Natural Resources and Environmental Protection” (February 14, 2019), ARB had not provided adequate information to justify the proposed \$3.8 million to extend funding for the above 22 positions. The proposal was originally submitted as part of a group of “technical” changes for California Environmental Protection Agency departments, with no description of the proposed activities or workload justification. Subsequently, after LAO requested information, ARB submitted a description of the type of AB 617 activities it will be conducting, plus workload information for the three new positions. However, for the 22 existing positions the information provided does not include a quantification of the amount of workload that the positions would complete, such as the estimated number of staff hours needed to complete different AB 617 activities. As a result, it is unclear how many positions will be needed to perform the work.

In 2017-18, the Legislature originally approved 22 of the 72 positions on a limited-term basis because AB 617 was a new program and there was significant uncertainty about ongoing workload. It was unclear how ARB's staffing needs would change as program activities transitioned from initial regulatory development to program implementation, much of which is done by local air districts. For example, ARB has now developed a statewide strategy and guidance for air monitoring systems and emission reduction plans, but the implementation of monitoring and emission reduction activities largely will be done by air districts and local communities. The information provided by the Administration so far does not adequately explain why the 22 positions are still needed as ARB's AB 617 responsibilities and workload evolve.

LAO Recommendations. *Reject ARB Proposal to Extend Limited-Term Funding for 22 Positions.* LAO does not have concerns with the vast majority of the Administration's proposed funding to continue implementation of AB 617. However, LAO recommends the Legislature reject the proposed \$3.7 million to extend ARB funding for 22 positions. At the time of LAO's report, there was inadequate workload justification to support the requested funding. If the Administration provides additional workload information in the coming months, the LAO will review the information and update the Legislature accordingly. The LAO notes that even under its recommendation to reject these positions, ARB would still retain funding for 50 positions approved in the 2017-18 budget on an ongoing basis, plus three new positions.

Staff Recommendation. **Reject without prejudice.**

3980 OFFICE OF ENVIRONMENTAL HEALTH HAZARD ASSESSMENT (OEHHA)**OVERVIEW**

OEHHA is the lead state agency for the assessment of health risks posed by environmental contaminants. OEHHA's mission is to protect human health and the environment through scientific evaluation of risks posed by hazardous substances. OEHHA provides scientific evaluations that inform, support and guide regulatory decisions and other actions. OEHHA performs risk assessments for various regulatory programs under CalEPA, as well as other state and local agencies, and provides these programs with the scientific tools and information upon which to base risk management decisions. Distinct programs focus on assessing health risks, including risks to children and other sensitive subpopulations, from exposure to chemicals in air, drinking water, food, pesticides, consumer products, hazardous and municipal waste facilities, fish and shellfish, and sediments in bay and estuarine waters. OEHHA also evaluates community pollution burdens and vulnerabilities that guide the state's efforts to invest in disadvantaged communities.

Among its various responsibilities, OEHHA implements the Safe Drinking Water and Toxic Enforcement Act of 1986, commonly known as Proposition 65, and compiles the state's list of substances that cause cancer or reproductive harm. OEHHA also develops health-protective exposure levels for contaminants in air, water, and soil as guidance for regulatory agencies and the public. These include health goals for contaminants in drinking water and both cancer potency factors and non-cancer reference exposure levels for the Air Toxics Hot Spots Program.

OEHHA's total amount of expenditures in 2018-19 is \$28.12 million with a proposed decrease in 2019-20 to \$27.86 million. OEHHA's total number of positions in 2018-19 is 125.4 positions with a proposed increase in 2019-20 to 132.9 positions.

Issue 8: Environmental Health Support for Communities (AB 617)

Governor's Proposal. The Governor's budget proposes \$982,000 in Greenhouse Gas Reduction Fund (GGRF) (including \$350,000 for contracts) and four permanent positions to support the Air Resources Board (ARB), local air districts, and impacted communities to implement AB 617 (C. Garcia), Chapter 136, Statutes of 2017.

AB 617 requires ARB, in consultation with OEHHA and other specified entities, to prepare a plan for the deployment of community air monitoring systems in high priority locations throughout the state and to develop a strategy to reduce emissions of air contaminants in burdened communities. The requested OEHHA staff and contract funds are intended to provide: (1) expertise in the interpretation of potential health effects that may result from exposures to air toxics observed through the air quality monitoring data, and the benefits in reducing emissions of those pollutants; (2) for the development of health guidance values needed to fully analyze the health effects and the benefits of reducing emissions of those pollutants; and (3) for the design and implementation of targeted biomonitoring studies to track exposures in communities.

Background. *AB 617 (C. Garcia).* AB 617 identifies OEHHA, along with other entities as consultants to ARB, for the development of both the community monitoring plan and the statewide emissions reduction strategy. OEHHA initially anticipated providing only a modest level of consultation that would require no additional resources. However, as the bill's implementation has progressed, ARB has recognized the concerns of local air districts and environmental justice organizations that have emphasized the importance of considering health impacts in the bill's activities.

OEHHA's core expertise is in evaluating the health impacts of environmental pollutants, and it has become apparent that OEHHA will need to provide a substantially higher level of consultation than originally anticipated. OEHHA is proposed to provide expert advice on the health implications of air monitoring studies and the health benefits of alternative emissions reduction strategies and activities.

Thus far, OEHHA has devoted existing resources to provide input to ARB in the development of its proposed community selection process, monitoring plan, and statewide strategy in 2017-18. OEHHA has primarily drawn on its experience in developing a statewide screening tool to identify cumulatively impacted communities (CalEnviroScreen) in providing advice regarding selection of priority locations. OEHHA has also supported ARB's public process by participating in regional workshops, and convening a meeting of Biomonitoring California's Scientific Guidance Panel to discuss ways to support AB 617 activities. ARB selected ten first-year communities in September 2018. The implementation of the air monitoring programs by the districts with selected communities is required to occur by July 1, 2019.

Staff Recommendation. **Hold open.**

3970 DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY (CALRECYCLE)**OVERVIEW**

CalRecycle protects public health, safety, and the environment by regulating solid waste facilities, including landfills, and promoting recycling of a variety of materials, including organics, beverage containers, electronic waste, waste tires, used oil, carpet, paint, mattresses, and other materials. CalRecycle also promotes the following waste management and recycling practices: (1) source reduction, (2) recycling and composting, and (3) reuse. Additional departmental activities include research, permitting, inspection, enforcement, public awareness, education, market development to promote recycling industries, and technical assistance to local agencies.

The following table reflects CalRecycle's positions and expenditures for past, current, and budget years:

3-YEAR EXPENDITURES AND POSITIONS

| | Positions | | | Expenditures | | |
|--|--------------|--------------|--------------|--------------------|--------------------|--------------------|
| | 2017-18 | 2018-19 | 2019-20 | 2017-18* | 2018-19* | 2019-20* |
| 3700 Waste Reduction and Management | 368.8 | 349.9 | 361.9 | \$315,141 | \$504,149 | \$232,411 |
| 3705 Loan Repayments | - | - | - | -6,306 | -3,501 | -4,786 |
| 3710 Education and Environment Initiative | 7.8 | 10.1 | 11.1 | 1,450 | 4,690 | 2,785 |
| 3715 Beverage Container Recycling and Litter Reduction | 217.5 | 226.0 | 234.0 | 1,339,684 | 1,357,205 | 1,348,003 |
| 9900100 Administration | 86.7 | 109.0 | 116.0 | 14,200 | 17,487 | 18,030 |
| 9900200 Administration - Distributed | - | - | - | -14,200 | -17,487 | -18,030 |
| TOTALS, POSITIONS AND EXPENDITURES (All Programs) | 680.7 | 695.0 | 723.0 | \$1,649,969 | \$1,862,543 | \$1,578,413 |

*Dollars in thousands

Issue 9: Food Service Packaging (SB 1335)

Governor’s Proposal. The Governor’s budget proposes \$152,000 Integrated Waste Management Fund and one permanent full-time position to implement the Sustainable Packaging for the State of California Act of 2018 (SB 1335 (Allen), Chapter 6, Statutes of 2018).

Background. *SB 1335 (Allen).* SB 1335 requires CalRecycle to promulgate regulations and establish a process for determining whether food service packaging is reusable, recyclable, or compostable. SB 1335 also requires CalRecycle to conduct ongoing evaluations of food service packaging, which will include analysis of materials and products’ performance at end-of-life, assessment of recycling and composting infrastructure and markets, review of various records, technical standards and tests, and extensive consultation with stakeholders and state agencies. CalRecycle is required to publish a list of food service packaging products used by state-owned food facilities on its website. CalRecycle anticipates conducting rulemaking every three to four years to update the list pursuant to the implementation of its evaluation process.

SB 1335 requires CalRecycle to develop criteria via regulations to define reusability, recyclability, and compostability of food service packaging and to publish a list of acceptable food service packaging products used by state-owned food facilities on its website.

Ocean Pollution. According to the Ocean Protection Council, ocean litter, also commonly referred to as “marine debris,” is a persistent and growing problem worldwide that significantly impacts the health and beauty of oceans and beaches.

According to the National Oceanic and Atmospheric Administration, approximately 80 percent of marine debris comes from land-based sources, with food and beverage packaging making up the largest component of that debris. These food and beverage containers can enter the marine environment in several ways: through inefficient or improper waste management, intentional or accidental littering, and through stormwater runoff. Once in the marine environment, it can damage habitats, harm wildlife through entanglement and digestion, and have negative economic impacts on coastal communities. Scientific research shows that debris in oceans is increasing at an alarming rate.

Solid Waste Diversion Goals. An estimated 35 million tons of waste are disposed of in California’s landfills annually. CalRecycle is tasked with diverting at least 75 percent of solid waste from landfills statewide by 2020. Local governments have been required to divert 50 percent of the waste generated within the jurisdiction from landfill disposal since 2000.

Staff Recommendation. Approve as budgeted.

Issue 10: Pharmaceutical and Sharps Waste Stewardship Program

Governor's Proposal. The Governor's budget proposes \$1.4 million Pharmaceutical and Sharps Stewardship Fund (PSSF) and 10 positions, and \$1.2 million ongoing beginning in 2022-23 to implement SB 212 (Jackson), Chapter 1004, Statutes of 2018.

This proposal includes a loan of \$1.8 million from the Electronic Waste Recovery and Recycling Account to the PSSF. This loan would provide adequate cash flow to support all direct appropriations charging to the fund until the administrative fee authorized by SB 212 can be collected by CalRecycle.

Background. *SB 212 (Jackson).* SB 212 requires covered entities (pharmaceutical and sharps manufacturers, distributors licensed as wholesalers, repackagers, licensees of trademarks or brands, and importers) to establish a pharmaceutical and sharps extended producer responsibility program. This private-sector approach would establish a Pharmaceutical and Sharps Program for the proper end-of-life management of covered drugs and home-generated sharps waste.

Environmental Contamination. There are two general sources of pharmaceutical contamination in the environment: human excretion and disposal. Estimates suggest that 3 to 50 percent of prescriptions become waste. US hospitals and long-term care facilities annually flush approximately 250 million pounds of unused pharmaceuticals down the drain.

A study conducted by the US Geological Survey (USGS) from 1999-2000 sampled 139 streams across 30 states and found that 80 percent had measurable concentrations of drugs, steroids, and reproductive hormones. Since the USGS released its report in 2002, a number of studies have demonstrated the low-level presence of pharmaceutical agents throughout the environment.

Medical Sharps. An estimated one million Californians inject medications outside traditional health care facilities, which generate approximately 936 million sharps each year that then need to be properly disposed. According to statistics from CalRecycle, 43 percent of all self-injectors throw needles in the trash.

Staff Recommendation. Approve as budgeted.

3930 DEPARTMENT OF PESTICIDE REGULATION (DPR)

OVERVIEW. DPR regulates pesticide sales and use and fosters reduced-risk pest management. DPR ensures compliance with pesticide laws and regulations through its oversight of County Agricultural Commissioners, who enforce pesticide laws and regulations at the local level.

Department of Pesticide Regulation Fund. Below is a table reflecting the fund condition statement for the DPR Fund.

| | 2017-18* | 2018-19* | 2019-20* |
|--|-----------|-----------|-----------|
| 0106 Department of Pesticide Regulation Fund⁵ | | | |
| BEGINNING BALANCE | \$20,292 | \$14,447 | \$7,396 |
| Adjusted Beginning Balance | \$20,292 | \$14,447 | \$7,396 |
| REVENUES, TRANSFERS, AND OTHER ADJUSTMENTS | | | |
| Revenues: | | | |
| 4121200 Delinquent Fees | 235 | 425 | 425 |
| 4127400 Renewal Fees | 16,062 | 16,175 | 16,363 |
| 4129200 Other Regulatory Fees | 81,505 | 82,624 | 87,346 |
| 4129400 Other Regulatory Licenses and Permits | 2,263 | 2,263 | 2,385 |
| 4140000 Document Sales | 1 | 1 | 1 |
| 4143500 Miscellaneous Services to the Public | 3 | 3 | 3 |
| 4163000 Investment Income - Surplus Money Investments | 202 | 445 | 468 |
| 4170700 Civil and Criminal Violation Assessment | 2,000 | 2,000 | 2,000 |
| 4171400 Escheat - Unclaimed Checks, Warrants, Bonds, and Coupons | 1 | 5 | 5 |
| 4172500 Miscellaneous Revenue | 3 | 3 | 3 |
| Total Revenues, Transfers, and Other Adjustments | \$102,275 | \$103,944 | \$108,999 |
| Total Resources | \$122,567 | \$118,391 | \$116,395 |
| EXPENDITURE AND EXPENDITURE ADJUSTMENTS | | | |
| Expenditures: | | | |
| 0555 Secretary for Environmental Protection (State Operations) | 998 | 1,023 | 1,023 |
| 3900 Air Resources Board (State Operations) | 481 | 46 | 45 |
| 3930 Department of Pesticide Regulation (State Operations) | 71,074 | 72,312 | 72,299 |
| 3930 Department of Pesticide Regulation (Local Assistance) | 28,850 | 29,822 | 31,532 |
| 3960 Department of Toxic Substances Control (State Operations) | 550 | 54 | 54 |
| 3970 Department of Resources Recycling and Recovery (State Operations) | 79 | 196 | 127 |
| 3980 Office of Environmental Health Hazard Assessment (State Operations) | 1,972 | 2,225 | 2,240 |
| 4265 Department of Public Health (State Operations) | 320 | 328 | 328 |
| 8880 Financial Information System for California (State Operations) | 92 | 8 | -18 |
| 8885 Commission on State Mandates (Local Assistance) | 50 | 65 | 65 |
| 9892 Supplemental Pension Payments (State Operations) | - | 780 | 600 |
| 9900 Statewide General Administrative Expenditures (Pro Rata) (State Operations) | 3,654 | 4,136 | 3,773 |
| Total Expenditures and Expenditure Adjustments | \$108,120 | \$110,995 | \$112,068 |
| FUND BALANCE | \$14,447 | \$7,396 | \$4,327 |
| Reserve for economic uncertainties | 14,447 | 7,396 | 4,327 |

Subcommittee staff notes that this fund condition statement, which is a significant majority of the department's budget, shows projected decreases in the fund balance/reserve for economic uncertainties in the current and budget years.

Issue 11: Pesticides: Schoolsites (AB 2816)

Governor's Proposal. The Governor's budget proposes one permanent Environmental Scientist position and \$136,000 DPR Fund annually for two years to implement AB 2816 (Muratsuchi), Chapter 720, Statutes of 2018, which requires DPR to submit a report to the Legislature, by January 1, 2021, to evaluate the implementation and the effect of the implementation of the Healthy Schools Act (HSA) and provide recommendations to improve the implementation and efficacy of the HSA.

Background. *Pests in Schools.* Pests such as insects, rodents, fungi, and weeds can affect the school environment and the people who work and learn there. While pests can be found in many places in and around schools, common habitats for pests include cafeterias, classrooms, lockers, gyms, locker rooms, dumpsters, landscapes, and athletic fields. Pests can cause human health problems, structural damage, and plant damage.

AB 2816 (*Muratsuchi*). AB 2816 requires DPR, on or before January 1, 2021, to submit a report to the Legislature that 1) evaluates the implementation, and the effect of the implementation, of the provisions of the Healthy Schools Act of 2000, and 2) provides recommendations on improving the implementation and efficacy of the Healthy Schools Act of 2000. The bill authorizes the DPR to consult, as appropriate, with relevant local, state, or federal agencies, stakeholders, and experts in the preparation of the report.

Healthy Schools Act of 2000 (HAS). AB 2260 (Shelley), Chapter 718, Statutes of 2000, established the HAS, which provides that it is the policy of the state for the least toxic pest management practices be the preferred method of managing pests at schoolsites in order to reduce children's exposure to toxic pesticides. The HSA established a process for notifying school staff and parents or guardians of pesticide use, including through posting warning signs at schoolsites 72 hours prior to pesticide application and through an annual written notification. Schools are required to keep records of pesticide use for four years. AB 2260 also required the DPR to assist schools in the development of Integrated Pest Management (IPM) programs that include a model program guidebook, resources provided through the DPR's Internet Web site, and a training program.

IPM. Under the HSA, IPM is defined as a pest management strategy that focuses on long-term prevention or suppression of pest problems through a combination of techniques such as monitoring for pest presence and establishing treatment threshold levels, using non-chemical practices to make the habitat less conducive to pest development, improving sanitation, and employing mechanical and physical controls.

Staff Recommendation. Hold open.

Issue 12: Information Security Team

Governor’s Proposal. The Governor’s budget proposes \$446,000 DPR Fund and three positions in 2019-20 and \$646,000 for ongoing costs annually thereafter. These resources will support additional information technology security and administrative needs.

Background. According to the department, DPR’s mission is to protect human health and the environment by regulating pesticide sales and use, and by fostering reduced-risk pest management. To support this mission, DPR has a number of critical information systems including a large amount of sensitive data.

In 2017, the California Office of Information security implemented the California Compliance and Security Incident Reporting System (Cal-CSIRS). Cal-CSIRS includes a comprehensive risk management and compliance tool used to guide the evaluation of departmental applications against the National Institute of Standards and Technology 800-53 information security framework. The evaluation tool contains over 700 criteria, known as “controls,” that are individually evaluated against all state applications. All deficient controls require remediation, long-term support/maintenance, and re-reporting.

DPR implemented an enterprise security vulnerability scanner in 2018. Scans are performed on a monthly basis. In June 2018, the scanner identified over 49,000 vulnerabilities, including over 13,000 critical vulnerabilities, which require remediation. Additionally, new vulnerabilities and exploits are detected every day, and DPR requires staff to support the remediation of those items.

Staff Recommendation. Hold open.

3960 DEPARTMENT OF TOXIC SUBSTANCES CONTROL (DTSC)

OVERVIEW

DTSC: Three Major Program Areas. DTSC's mission is to protect public health and the environment from toxic harm by restoring contaminated resources, enforcing hazardous waste laws, reducing hazardous waste generation, and encouraging the manufacture of chemically safer products. DTSC has approximately 900 scientists, engineers, toxicologists, chemists, geologists, attorneys, criminal investigators, and administrative staff. DTSC employees are geographically located in Sacramento headquarters and nine offices throughout the state, and in two environmental chemistry laboratories located in Berkeley and Pasadena. DTSC operations fall under three major program areas:

1. ***Site Mitigation and Brownfields Reuse Program.*** This program implements the state's laws regarding site cleanup and the federal Superfund program. The program currently oversees approximately 1,170 hazardous substance release site investigations and cleanups, known as US EPA National Priorities List (NPL) sites. The program also monitors long-term operations and maintenance activities at more than 470 sites where the cleanup process is complete. Additionally, the program is responsible for ensuring compliance with the terms of approximately 820 land-use restrictions in place on properties throughout the state. This program is responsible for the cleanup and restoration of contaminated sites throughout the state; including legacy landfills (e.g., Stringfellow Acid Pits and the BKK Landfill), the Santa Susana Field Lab, military bases, former industrial properties, and school sites.
2. ***Hazardous Waste Management Program.*** This program regulates the generation, storage, transportation, treatment, and disposal of hazardous waste to minimize risks to public health and the environment. The program oversees permitting and compliance at 119 authorized facilities that manage hazardous waste, approximately 900 registered businesses that transport hazardous waste, approximately 300 facilities/generators that are subject to corrective actions, and approximately 100,000 entities that generate hazardous waste in California. Many hazardous waste generators and facilities are located near communities who look to DTSC to protect them from the threats posed by potential releases of harmful chemicals into their air, land, and water. The program additionally monitors hazardous waste transfer, storage, treatment, and disposal facilities for illegal activity, including surveillance and monitoring of registered hazardous waste transporters; enforcement of hazardous waste requirement violations found through routine inspections; complaint intake, triage, and investigations; and other focused enforcement initiatives. The program also provides emergency response support for hazardous materials-related emergencies throughout California.
3. ***Safer Consumers Products and Workplaces Program.*** This program is responsible for reducing toxic chemicals in consumer products, creating new business opportunities in the emerging green chemistry industry, and helping consumers and businesses identify what chemicals are in the products they buy. Through this program, DTSC identifies and prioritizes chemicals of concern in consumer products, evaluates alternatives, and specifies regulatory responses to reduce chemicals of concern in products.

DTSC: Two Primary Funding Sources. DTSC is funded by fees paid by persons that generate, transport, store, treat, or dispose of hazardous wastes; environmental fees levied on most corporations; federal funds; and General Fund dollars. DTSC's operating budget for 2018-19 is \$317 million.

DTSC's two largest funding sources are the Hazardous Waste Control Account (HWCA) and the TSCA. These funds comprise more than half of the DTSC's spending authority. They provide funding for the Hazardous Waste Management Program, the Cleanup Program and the Safer Consumer Products Program. They are also the primary funding source for DTSC's support programs, including administration, information technology, legal and communications.

- **TSCA** is the largest fund available to DTSC. This account provides response authority for hazardous substances releases, including spills and hazardous waste disposal sites posing a threat to the public and the environment. The Environmental Fee constitutes over 80 percent of revenue deposited into the account. The Environmental Fee is assessed on all businesses in California, based on the number of employees, under the premise that every business generates some hazardous waste in its normal operations whether it be batteries, fluorescent lightbulbs, or oil. The base Environmental fee is set in statute (HSC §25205.6) and is adjusted annually, up or down, based on changes to the Consumer Price Index.
- **HWCA** is the second largest fund available to DTSC. This account supports DTSC's management of hazardous waste by generators, transporters, and storage, treatment, and disposal facilities in California. The HWCA supports these activities through the collection of a variety of fees, including the generator fee, facility fee, transporter fee and manifest user fee.

DTSC: HWCA and TSCA Have Large, Growing Structural Deficits. Expenditures out of HWCA and TSCA currently exceeds revenues from fees, taxes, and cost recovery. The structural imbalance is largely a reflection that the baseline fees that feed into both funds, while adjusted annually based Consumer Price Index, have not been modified in over 20 years to account for new statutory mandates and the growth and changes in various programs. Additionally, changes in the Consumer Price Index do not fully reflect changes in the cost of operating DTSC.

| HAZARDOUS WASTE CONTROL ACCOUNT (HWCA) | | | |
|---|---|---|---|
| | 2017-18 <i>(in whole dollars)</i> | 2018-19 <i>(in whole dollars)</i> | 2019-20 <i>(in whole dollars)</i> |
| Adjusted beginning balance | \$16,842,000.00 | \$4,592,000.00 | -\$5,647,000.00 |
| Total Revenues, Transfers & Loans | \$54,013,000.00 | \$59,935,000.00 | \$61,228,960.00 |
| Total Expenditures | \$66,263,000.00 | \$70,174,000.00 | \$68,028,000.00 |
| Fund Balances | \$4,592,000.00 | -\$5,647,000.00 | -\$12,446,040.00 |

| Toxic Substances Control Account (TSCA) | | | |
|--|-------------------------|-------------------------|------------------------|
| | | | |
| Adjusted beginning balance | \$ 11,440,000.00 | \$ 29,811,000.00 | \$ 22,527,000.00 |
| Total Revenues, Transfers & Loans | \$ 78,472,000.00 | \$ 129,299,000.00 | \$ 154,676,000.00 |
| Total Expenditures | \$ 60,101,000.00 | \$ 136,583,000.00 | \$ 171,871,000.00 |
| Fund Balances | \$ 29,811,000.00 | \$ 22,527,000.00 | \$ 5,332,000.00 |

The structural deficit for TSCA is expected to worsen in the next couple of years as a number of Superfund/NPL sites are anticipated to enter the post-cleanup monitoring and maintenance phase. Under federal law, the state is responsible for all post-cleanup costs. The structural deficit in TSCA will also grow with the identification of additional cleanup sites, especially when there is no responsible party available (i.e. orphan sites). Currently DTSC has identified approximately 10,000 sites, however, US EPA estimates there are between 96,000 and 212,000 sites in the state.

DTSC estimates the demand for funding NPL and state orphan sites to be \$15 - \$20 million annually for the next few years from TSCA, though the account only has approximately \$10 million in revenues annually. Failure to address this revenue shortfall will prevent DTSC from carrying out its core mission, especially in regards to the remediation of orphan sites, many of which are impacting groundwater designated for irrigation or drinking, or migrating towards priority groundwater reserves. Orphan sites also release toxic vapors into buildings where people live and work.

Issue 13: Increased Exide Residential Cleanup Costs

Governor's Proposal. The Governor's budget proposes a loan of \$24.5 million from the General Fund to the TSCA to complete cleanup activities at residences, schools, parks, day care centers, and child care facilities near the Exide Technologies, Inc. lead-acid battery recycling facility in the City of Vernon.

Background. *Exide Technologies Facility Closed in 2015.* Exide Technologies Inc. (Exide), headquartered in Georgia, is a worldwide producer, distributor, and recycler of lead-acid batteries. In 2000, Exide purchased a facility—first opened in 1922—in an industrialized area in the City of Vernon, a few miles southeast of downtown Los Angeles, and operated the facility until its closure in 2015. The facility's operations included recycling scrap materials from lead-acid batteries.

The Exide residential cleanup project constitutes the largest cleanup effort undertaken by California. Several factors contribute to its complexity, including the nature of the contamination, the concentration of people in a relatively small area, the high number of impacted property owners and residents, the comparatively short timeline to conduct the cleanup, and the keen interest in the project by members of the community and stakeholders.

Legislature Has Provided Funds for Exide Cleanup. In order to expedite the cleanup of contamination in the residential neighborhoods surrounding Exide to address the public health threat posed, the Legislature has provided the following funding for cleanup and enforcement activities:

- ***Exide Enforcement Order (\$1.7 Million).*** In 2015-16, the Legislature provided \$734,000 (Hazardous Waste Control Account) annually for two years, and in 2018-19, the Legislature provided an additional \$1 million from the Lead-Acid Battery Cleanup Fund (LABCF) annually for two years to continue overseeing the Exide enforcement order.
- ***Emergency Funding (\$7 Million).*** In 2015-16, the Legislature provided \$7 million (special funds) in emergency funding to (1) sample up to 1,500 residential properties around the Exide facility, (2) develop a comprehensive cleanup plan, and (3) begin cleanup of the 50 highest-priority properties based on the extent of lead contamination and the potential for exposure.
- ***General Fund Loan to TSCA (\$176.6 Million).*** AB 118 (Santiago), Chapter 10, Statutes of 2016 and SB 93 (de León), Chapter 9, Statutes of 2016, provided a one-time \$176.6 million General Fund loan to the TSCA for Exide-related cleanup of residential properties. DTSC has committed all of the \$176.6 million to cleanup activities and anticipates fully expending it by June 2021.
- ***Third-Party Quality Assurance Contractor (\$1.4 Million).*** In 2017-18, the Legislature provided \$1.4 million annually for three years from a loan from LABCF to the Hazardous Waste Control Account for a third-party quality contractor to monitor Exide cleanup activities.
- ***Parkways Cleanup Funding (\$6.5 Million).*** In 2018-19, the Legislature provided \$6.5 million (\$5 million General Fund and \$1.5 million California Environmental License Plate Fund) on a one-time basis to sample soil and clean up parkways in the communities around Exide.

Cleanup Activities are Underway. As of February 2019, lead removal has been completed at roughly 600 parcels. This includes 330 parcels that have been cleaned up based on initial work plans and orders. For example, DTSC ordered Exide to clean up 186 properties in the initial assessment areas between August 2014 and November 2015.

In addition, cleanup activities have been completed at an additional 275 parcels consistent with DTSC's July 2017 cleanup plan and final environmental impact report for the cleanup of lead-impacted soil in neighborhoods around the Exide recycling facility. In total, the cleanup plan calls for removing lead contamination from approximately 2,500 properties within 1.7 miles of the former battery recycling facility—known as the preliminary investigation area (PIA)—over a two-year period. Properties were initially prioritized for cleanup based on properties sampled prior to release of the cleanup plan, and DTSC has entered into contracts to conduct the cleanup activities. At that time, soil samples had been collected and analyzed for more than 8,200 parcels out of an estimated total of 10,173 in the PIA. DTSC had indicated that it might identify additional properties for cleanup if funding permits.

LACBF. AB 2153 (C. Garcia), Chapter 666, Statutes of 2016, created new fees on lead-acid battery manufacturers and purchasers, with the resulting revenue deposited into the LACBF. The fund may be used (among other purposes) for repayment of the \$177 million loan made from the General Fund for activities related to the Exide cleanup. Payments of \$16.7 million from LACBF to the General Fund are budgeted for this purpose in 2018-19.

Cleanup Plan. In 2018, DTSC awarded three contracts for the cleanup of up to 2,025 parcels prioritized under the Cleanup Plan. DTSC began implementation of the Cleanup Plan in May 2018. To date, DTSC has overseen the cleanup of 560 parcels within 1.7 miles of the facility with the highest lead levels and greatest exposure risk (including parcels addressed prior to and under the Cleanup Plan). DTSC has fully committed the \$176.6 million appropriation toward investigation and cleanup of lead-contaminated properties in the PIA. DTSC anticipates completing cleanup activities under the Cleanup Plan and fully expending funding by June 2021. The 2018 Budget Act includes \$6.5 million to sample and cleanup parkways around the former Exide facility. DTSC anticipates that sampling of the parkways within the PIA will begin in the spring of 2019.

The Exide residential cleanup project constitutes the largest cleanup effort ever undertaken by the State of California. Several factors contribute to its complexity, including the nature of the contamination, the concentration of people in a relatively small area, the high number of impacted property owners and residents, the comparatively short timeline to conduct the cleanup, and the keen interest in the project by members of the community and stakeholders.

When DTSC prepared its cost estimate for undertaking the cleanup activities in 2016, it had limited information about the scope and nature of the contamination in the communities surrounding Exide and about the potential costs of the cleanup work. Since undertaking the cleanup effort, DTSC has concluded that its initial cost estimate did not include certain activities (i.e., quality assurance sampling contractor, sample storage, project labor agreement, and performance and payment bonds). In addition, other activities have proven to be costlier than originally estimated. This has resulted in higher overall project costs than originally estimated.

LAO Comments. *State Has an Interest in Accelerating Exide Cleanup.* Due to the public health risks from lead contamination, the state has a clear and immediate interest in cleaning up the residential parcels contaminated with lead by the Exide facility. As described earlier in this analysis, Exide may take up to ten years or more to pay for the cleanup after DTSC's approval of the Residential Corrective Measures Study and implementation of a cleanup plan. If the state waited for this process to unfold, residents within the PIA would potentially be exposed to unhealthy levels of lead contamination for up to a decade or more compared to the accelerated approach adopted by the state.

Uncertainty Remains About Total Cost of the Cleanup and When Loans Will Be Repaid. DTSC has not provided an estimate of the total cost for the Exide cleanup, or the time frame for completing the

cleanup. Under the Governor's proposal, DTSC would be provided an additional \$74.5 million in one-time loans to complete the cleanup of 3,200 parcels out of about 10,173 parcels in the PIA. However, DTSC is still in the process of sampling some of the parcels in the PIA for lead contamination, and obtaining permission from property owners to sample other parcels. Therefore, it is uncertain how many parcels will ultimately need to be cleaned up and what the total cleanup cost may be.

There is also uncertainty about when Exide will begin to pay for cleanup costs in addition to the \$14 million it was already required to deposit into the Trust Fund. The Administration has expressed its intent to recover all the cleanup costs the state incurs from Exide in keeping with the polluter pays principle that the responsible party should bear the costs of the cleanup. However, as discussed above, Exide is contesting DTSC's requirement to complete the study. Moreover, according to the department, moneys deposited into the Trust Fund cannot be used to reimburse DTSC for costs it has incurred in implementing the interim residential cleanup work. According to DTSC, it is working with the Attorney General's Office to ensure that all necessary steps are taken to hold Exide responsible. Consequently, it is unclear how much of the cleanup costs the company ultimately will pay and when they will be received by the state.

LAO Recommendation. *Approve Additional General Fund Loans to Continue Cleanup Efforts.* The LAO recommends the Legislature approve the Governor's proposals to provide a total of \$74.5 million in one-time General Fund loans to TSCA for the cleanup of residential parcels contaminated by the Exide facility. Due to the serious public health threat posed by lead contamination in the soil, the LAO believes the state should move forward with the cleanup as expeditiously as possible.

Require DTSC to Report at Budget Hearings on Estimated Cleanup Cost and Time Line. The Legislature would benefit from additional information to assess anticipated time lines and costs for cleanup activities. This information would allow the Legislature to assess what additional costs the state is likely to incur for the Exide cleanup beyond what is requested in 2019-20, as well as when Exide will begin to bear the costs of the cleanup. The LAO recommends the Legislature require DTSC to respond at budget hearings to the following questions:

- When does DTSC anticipate it will complete the sampling of the 10,173 parcels within the PIA and the cleanup of parcels contaminated by lead?
- How much does DTSC estimate it will cost to complete the sampling and cleanup of all of the parcels that require cleanup within the PIA? Should the Legislature expect to see additional requests for one-time General Fund loans in future budgets?
- When does DTSC estimate Exide will begin to repay the state for the cleanup costs it has incurred and how are these payments likely to be scheduled over time?
- What authority does DTSC have to ensure Exide will ultimately bear the costs of the cleanup?

Staff Recommendation. Hold open.

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| Issue 14: Acceleration of Additional Cleanup from Exide Technologies Facility |
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Governor's Proposal. The Governor's budget proposes a loan of \$50 million one-time General Fund to the TSCA to accelerate the cleanup of additional properties within 1.7 miles of the Exide

Technologies facility in Vernon by June 30, 2021.

The proposal includes trailer bill language specifies purposes for which the loan may be used, which includes cleanup and investigation of properties contaminated with lead, job training activities related to the cleanup and investigation, and actions to pursue all available remedies against potential responsible parties.

This proposal is intended to support the acceleration of soil testing and clean up for approximately 700 additional properties with the highest lead contamination levels and greatest potential for exposure within a 1.7-mile radius of the Exide facility.

Background. *(Please see Background in Issue 13.)*

LAO Comments. *(Please see LAO Comments in Issue 13.)*

LAO Recommendation. *(Please see LAO Recommendation in Issue 13.)*

Staff Recommendation. **Hold open (BCP and TBL).**

**3940 STATE WATER RESOURCES CONTROL BOARD (SWRCB)
4265 CALIFORNIA DEPARTMENT OF PUBLIC HEALTH (DPH)****Issue 15: Increased Drinking Water Laboratory Services**

Governor's Proposal. The Governor's budget proposes \$837,000 in 2019-20 and \$782,000 annually thereafter from the Safe Drinking Water Account to fund four positions and laboratory equipment under an interagency agreement with the California Department of Public Health (DPH) to meet the primacy agreement with the United States Environmental Protection Agency (US EPA) and, in support of those activities, meet new laboratory standards.

DPH has a request for a corresponding increase in reimbursement authority and four permanent positions.

Background. On July 1, 2014, the Division of Drinking Water (DDW), and its authority to enforce the Safe Drinking Water Act (SDWA), was transferred from DPH to SWRCB. US EPA granted primacy to SWRCB for enforcement of SDWA in California through a primacy agreement.

Among other requirements, the primacy agreement requires SWRCB to have the ability to analyze every contaminant listed under the SDWA and have access to a reference laboratory as necessary. DPH serves as SWRCB's Principal Laboratory in accordance with requirements of the primacy delegation agreement for the drinking water regulatory program from the US EPA.

SWRCB identified 51 additional constituents that DPH's Drinking Water and Radiation Laboratory (DWRL) did not previously have the capacity to perform. These 51 constituents require 25 separate analytical methods that require method validation, measurement of limits detection and quantification, evaluation of precise and bias, evaluation of selectivity, and proficiency testing.

This proposal is intended to provide resources necessary to meet an expanded range of water quality analyses and the development of new analytical methods for regulatory standards and method validation. When promulgating state drinking water standards, SWRCB must identify analytical methods that detect a particular constituent at low levels sufficient to protect public health.

Staff Recommendation. Approve as budgeted.

3940 STATE WATER RESOURCES CONTROL BOARD (SWRCB)**Issue 16: Administrative Hearings Office (AHO) (AB 747)**

Governor's Proposal. The Governor's budget proposes a total of \$2.2 million funded by the Water Rights Fund (\$1.7 million) and the General Fund (\$572,000) for the support of nine permanent positions to establish an AHO which will provide administrative hearing officers and supporting staff to preside over administrative hearings in water right enforcement actions and prepare proposed decisions. The resources requested are necessary to implement AB 747 (Caballero), Chapter 668, Statutes of 2018.

Background. AB 747 (Caballero). AB 747 creates an AHO within SWRCB, effective July 1, 2019. The purpose of the office would be to provide qualified, impartial hearing officers, to ensure that water rights matters, including water-related cannabis enforcement matters, are resolved in a timely manner, and to provide the board flexibility to assign hearing officers to other matters, such as those involving water right change petitions and other matters concerning water right permits and licenses.

Hearings in enforcement actions for water right violations are conducted administratively before SWRCB, with one or more board members acting as hearing officers, assisted by staff from SWRCB's Office of Chief Counsel and Division of Water Rights. SWRCB's administrative adjudication procedures are consistent with modern administrative practices, and SWRCB's procedures and proceedings, including the separation of the administrative and adjudicative functions, have been upheld by the California Supreme Court as meeting due process requirements. There is, however, a perception of unfairness and inefficiency, which has led to calls to have independent hearing officers. In addition, SWRCB anticipates prosecuting more water right enforcement actions due to its new cannabis enforcement authority and expects implementation of the Drinking Water Program and the Sustainable Groundwater Management Act to result in more hearing requests in the coming years. As more hearings are requested, board member and advisory staff time will be consumed with hearings at the expense of other responsibilities, unless some of the workload is delegated to hearing officers comprised of SWRCB staff.

Due to a variety of factors, including competing responsibilities for board members and key staff, there is a backlog on processing hearing requests. There can be long delays, sometimes for years, between a request for hearing and when a hearing is scheduled, and between the completion of the hearing and the release of a proposed decision. Having hearings held by qualified hearing officers, whose focus is to apply their specialized knowledge to presiding at hearings and preparing proposed decisions, as authorized by AB 747, is intended to help address these problems.

Staff Recommendation. Approve as budgeted.

Issue 17: Drinking Water System Sanitary Survey

Governor’s Proposal. The Governor’s budget proposes six additional permanent positions and \$1.1 million from the Safe Drinking Water Account to increase staffing in the Northern and Southern California Field Operations Branches to resolve the backlog of sanitary surveys (i.e. water system inspections). Though the Division of Drinking Water (DDW) has continued to improve its rate of sanitary survey completion, it continues to have a backlog in federally mandated water system sanitary surveys, including small water systems in severely disadvantaged communities. These six positions are intended to increase the number of federally mandated sanitary surveys completed annually.

Background. The DDW currently has 242 authorized positions. Of those positions, 181 (75 percent) are assigned to the field offices, which implement the drinking water program across the state. The total number of field staff in technical classifications to perform sanitary surveys is 132. Field office workload is measured by a number of metrics including: (1) water systems regulated, (2) number of permits issued or amended, (3) number of sanitary surveys conducted within mandated timeframes, and (4) number of enforcement actions issued.

In July 2016, Budget Change Proposal, 3940-301-BCP-BR-2016-A1, Drinking Water Program Federally Mandated Inspections Workload, was approved and created 10 additional field positions for the DDW. The result over the last two years was that the sanitary survey federally mandated rate was increased from 75 percent to 88 percent. Sanitary surveys completed in calendar year 2016 (860) compared to calendar year 2017 (1152) shows an increase of 292 sanitary surveys.

SWRCB, as the federally designated primacy agency for the drinking water regulatory program in California, is responsible for the implementation of the federal Safe Drinking Water Act (SDWA). Part of the SDWA required workload involves water system inspections (sanitary surveys). As of January 2018, SWRCB determined that there were 455 backlogged sanitary surveys of public water systems. The US EPA has communicated a number of concerns with the DDW backlog, and that given this backlog, SWRCB could be subject to US EPA sanctions, including the possible loss or withholding of federal funds.

Additionally, based on the DDW Human Right to Water webpage on July 1, 2018, there are currently 269 public water systems serving a population of approximately 352,631 people, mostly located in disadvantaged and severely disadvantaged communities that are in violation of one or more primary maximum contaminant levels. “Severely disadvantaged community” means a community with a median household income of less than 60 percent of the statewide average.

Staff Recommendation. Approve as budgeted.

Issue 18: Microplastics in Drinking Water: Testing in Drinking Water (SB 1422)

Governor's Proposal. The Governor's budget proposes \$1.1 million Environmental License Plate Fund in 2019-20, followed by \$175,000 Safe Drinking Water Account for three years to implement SB 1422 (Portantino), Chapter 902, Statutes of 2018, which among other things, requires SWRCB to define microplastics in drinking water and develop testing protocol for microplastics in drinking water.

The resources equivalent to a position are for purposes of drafting and managing the contract to acquire the scientific and statistical expertise to define microplastics and develop an analytical method for determining its concentration. The funding is also intended to be utilized to accredit laboratories under the Environmental Laboratory and Accreditation Program, develop the microplastic testing protocol, ensure public water systems conduct testing of their water supply for microplastics, and if appropriate, move forward with public notification and/or consumer guidance regarding microplastics in water. \$900,000 is requested on a one-time basis to fund and implement the contract.

Background. SB 1422 (Portantino). SB 1422 requires SWRCB to do the following:

- By July 1, 2020, adopt a definition for microplastics in drinking water.
- By July 1, 2021, develop an analytical method for testing microplastics in water.
- Develop a procedure to accredit laboratories performing the developed analytical method.
- Adopt testing requirements for microplastics in drinking water.
- If appropriate, develop notification levels and/or guidance that adequately protect public health for consumers that have microplastics in the potable water.

SWRCB is not resourced to implement the provisions SB 1422 and the new requirements related to microplastics.

Microplastics in Tap Water. Microplastics is an emerging contaminant of concern. Researchers at the State University of New York and the University of Minnesota tested 159 drinking water samples from cities and towns across five continents. 83 percent of those samples worldwide contained microplastics. In the United States, 94 percent of the samples contained microplastics, including a sample collected from the US EPA headquarters. People, therefore are ingesting microplastics when they drink and eat foods prepared by using tap water.

Developing a definition is a process that requires a cross section of experts consisting of analytical chemists, health professionals, and engineers, as well as individuals from the plastics manufacturing industry. SWRCB does not have this type of expertise in-house and must draft a contract to bring such a group together. Also, SWRCB does not have in-house laboratory services and must contract with DPH's DWRL to develop the analytical method.

The Administration states that both requirements must be performed using contract services and will require \$1.075 million for the actual services along with funding to write the contracts and manage their outcome.

Staff Recommendation. Approve as budgeted.

Issue 19: Nonpotable Reuse Water Systems (SB 966)

Governor's Proposal. The Governor's budget proposes \$924,000 General Fund for the following:

- 2019-20 one-time \$500,000 from the General Fund in contracting costs to form an expert panel to develop risk-based log reduction targets for removal of pathogens to protect public health.
- Ongoing \$424,000 annually to fund one Senior Water Resources Control Engineer (WRCE) position and one WRCE position to do the following: administer and supervise the expert panel, consult with other agencies and states on a technical risk-based framework development, develop and adopt detailed regulations required per SB 966, develop and implement the new program statewide, and provide technical assistance to local jurisdictions across the state. After the program is developed, the two positions are intended to review monitoring reports, assist local jurisdictions with highly technical issues, and conduct enforcement actions needed statewide.

Background. Recycled Water. Recycled water, also known as reclamation or reuse, is an umbrella term encompassing the process of treating wastewater and storing, distributing, and using recycled water. Recycled water means water which, as a result of treatment of waste, is suitable for a direct beneficial use or a controlled use that would not otherwise occur and is therefore considered a valuable resource.

SB 966 (Wiener). SB 966 requires SWRCB to regulate and permit onsite nonpotable water treatment and reuse, which is recycled water used onsite for non-drinking purposes. SB 966 requires standards for onsite nonpotable reuse. Expanded onsite nonpotable water treatment and reuse, through the local programs is authorized under this bill, and may result in significant water savings across the state.

SB 966 requires a local jurisdiction (city and/or county) that elects to establish a program for onsite treated nonpotable water systems to, among other things, adopt, through ordinance, a local program that includes the risk-based water quality standards established by SWRCB. SB 966 prohibits an onsite treated nonpotable water system from being installed except under a program established by a local jurisdiction in compliance with SWRCB regulations.

SWRCB does not have staff available with the expertise, experience, and training needed to fulfill the requirements of SB 966. As a result, SWRCB will convene an expert panel to assist in developing the risk-based framework.

Two (one senior and one staff) WRCE are requested to administer the expert panel, consult with other agencies, develop the new onsite water reuse regulations, develop and implement a new statewide program, and provide highly technical assistance to local jurisdictions across the state that establish the program. After the new statewide program is established, these positions are intended to provide ongoing support of permitting, review of monitoring reports, inspections, and enforcement. Including providing highly technical assistance to local jurisdictions across the state, conducting technical reviews of performance-based log reduction targets for the treatment of pathogens, and reviewing management and monitoring practices, new water sources, end uses, advances in approaches, and methodologies to estimate the risk.

Staff Recommendation. Approve as budgeted.

Issue 20: Sewer Service Provision for Disadvantaged Communities (SB 1215)

Governor's Proposal. The Governor's budget proposes three initial permanent positions and \$525,000 Waste Discharge Permit Fund spending authority annually in 2019-20, six additional permanent positions and \$1.612 Waste Discharge Permit Fund spending authority ongoing annually for purposes of implementing SB 1215 (Hertzberg), Chapter 982, Statutes of 2018.

Background. SB 1215 (Hertzberg). SB 1215 (Hertzberg), Chapter 982, Statutes of 2018, authorized the Regional Water Quality Control Boards (RWQCBs) to order a city, county or special districts with an existing receiving system (collection system and/or wastewater treatment system) to provide sewer services to disadvantaged communities with inadequate septic tank systems, for protection of public health, and prevention of potential impacts to sources of drinking water.

SB 1215 is intended to address the need to encourage, and as necessary, mandate local agencies with existing sewer systems to provide sewer services to adjacent disadvantaged communities with inadequate septic tanks. Through SB 1215, RWQCBs are authorized to order agencies with existing systems to provide sewer service to adjacent disadvantaged communities through annexation or extension of their service areas. SB 1215 requires SWRCB and RWQCBs to take certain actions before ordering a local agency (a receiving system) to extend its sewer services, similar to required actions for the consolidation or extension of drinking water systems (through SB 88 (Committee on Budget and Fiscal Review), Chapter 27, Statutes of 2015, which authorized SWRCB to order consolidation with another public water system where a public water system, or a state small water system within a disadvantaged community, consistently fails to provide an adequate supply of safe drinking water).

Staff Recommendation. Approve as budgeted.

Issue 21: State Administrators Consolidation (AB 2501)

Governor's Proposal. The Governor's budget proposes \$730,000 General Fund to support four permanent positions to address the greatly expanded number of potential consolidation cases that will occur. This includes \$419,000 to support two permanent positions annually for the Division of Drinking Water (DDW) to conduct necessary review and casework for each new consolidation or administrator appointment, and \$311,000 to support two permanent positions annually for the Office of Public Participation to coordinate associated public outreach efforts.

Background. AB 2501 (Chu). There are approximately 7,500 public water systems in California; many located in rural disadvantaged communities which lack the size, expertise, and financial capacity to maintain and operate their drinking water infrastructure systems. This lack of capacity and resources results in thousands of customers being served drinking water that does not meet public health standards.

AB 2501 (Chu), Chapter 871, Statutes of 2018, expands SWRCB's authority to require consolidation of public and state small drinking water systems and individual wells that serve disadvantaged people, and which consistently fail to deliver safe drinking water. AB 2501 authorizes the DDW to appoint administrators to provide administrative and managerial services to struggling water systems that fail to deliver an adequate and affordable supply of safe drinking water, particularly if consolidation is not a viable option.

Staff Recommendation. Approve as budgeted.

Issue 22: Wildfire Prevention and Recovery Legislation: Review of Timber Harvest Plan Exemptions and Utility Corridor Vegetation Management Permitting (SB 901)

Governor's Proposal. The Governor's budget proposes 22 permanent positions and \$4.4 million (\$2.6 million General Fund and \$1.8 million Waste Discharge Permit Fund) in fiscal year 2019-20, \$4.1 million in 2020-21, \$3.5 million annually through 2023-24, and \$1.8 million annually thereafter to address workload associated with implementation of SB 901 (Dodd), Chapter 626, Statutes of 2018, including:

- Field inspections and enforcement due to the newly authorized road building activities without prior regulatory review or oversight under the newly revised Forest Fire Prevention Exemption.
- New workload associated with conducting inspections and enforcement of timberlands harvested under the Small Timberland Owner exemption.
- Creation or modification and enforcement of various timber, fire, and vegetation management plans.
- Increased engagement in revised Board of Forestry rulemaking proceedings that may now occur continually throughout the year.
- Development, implementation, and enforcement of a statewide utility corridor vegetation management permit.

Background. 2018 Wildfire Legislation Package. In September 2018, a comprehensive wildfire prevention and recovery package was enacted to strengthen California's ability to prevent and recover from catastrophic wildfires. The bills make a number of changes to do the following:

- Remove barriers to facilitate increases in the rate of forest health and fire prevention activities.
- Improve fire safety standards across the state.
- Set more rigorous requirements for utility wildfire mitigation plans and the maintenance and improvement of utility infrastructure.

The 2019-20 Governor's Budget proposes a total of \$234.5 million to implement the various requirements of the legislation and build the state's resilience to climate change-driven wildfire activity.

Water Boards and Forestland & Vegetation Management. The mission of SWRCB and regional water quality control boards (RWQCBs) is to preserve, enhance, and restore the quality of California's water resources, and ensure their proper allocation and efficient use for the benefit of present and future generations.

The water boards are responsible for protecting and enforcing the many uses of water, including the needs of industry, agriculture, municipal districts, and the environment. RWQCBs are responsible for enforcing the Porter-Cologne Water Quality Control Act (Act) through implementation of regional

Basin Plans, and Total Maximum Daily Loads within their regions. The Act and the Basin Plans prohibit the discharge of materials that adversely affect the beneficial uses of waters of the state. RWQCBs have authority to take enforcement action, ranging from staff level informal enforcement actions to issuing administrative civil liabilities (fines) against persons who violate the Porter-Cologne Water Quality Control Act and/or the water quality objectives contained in the Basin Plans.

Forestland and vegetation management operations are considered nonpoint sources and generally have a high potential to cause discharges of waste to waters of the state. The state has a nonpoint source implementation and enforcement policy that provides the water boards with three options to address nonpoint source discharges: 1) develop waste discharge requirements (WDRs or permit), 2) develop conditional waivers of WDRs (permit), or 3) establish prohibitions.

Currently, the Central Valley, Lahontan and North Coast RWQCBs have one or more general or individual WDRs, and/or conditional waivers to address timber harvesting activities, however these mechanisms are not currently tailored to the timber harvest exemptions included in SB 901 and do not cover any of the utility corridor work outlined in SB 901. Further, existing RWQCB staff are required to triage newly submitted timber harvest plans (THPs) to prioritize response based upon the highest risk to water quality. This review and triage do not currently include review of activities conducted under the numerous Forest Practice Act exemptions since the focus is on the discretionary permits (THPs).

Timber harvesting activities with the greatest potential to impact waters of the state include: road construction and reconstruction, road use and maintenance, road removal; watercourse crossing construction, reconstruction, or removal; felling, yarding, and hauling of trees; and pesticide (herbicide) applications.

Excessive vegetation alteration associated with these land disturbing activities, along with soil erosion and sediment delivery can negatively impact the beneficial uses of water by:

- Silting over fish spawning habitats
- Clogging drinking water intakes
- Filling in pools creating shallower, wider, and warmer streams (increasing favorable conditions for harmful algal blooms), and increasing downstream flooding
- Creating unstable stream channels
- Causing infrastructure failure (such as downslope roads and watercourse crossings)
- Impacting the quality of drinking and domestic use water
- Creating loss of riparian vegetation, habitat and function

Inspections and Enforcement. The water boards have historically demonstrated that upfront inspections and technical outreach and assistance through the compliance inspection and enforcement process significantly increases compliance and improves the performance outcomes of land disturbing activities.

Timber harvesting activities under an Exemption SB 901 expands the types and extent of timber harvesting and vegetation management activities that may be performed under an exemption to the Forest Practice Act with the modifications to the Section 4527 exemption, the Forest Fire Prevention Exemption and the Small Timberland Owner Exemption.

SB 901 authorizes timber harvesting, vegetation removal, and road construction under the Forest Fire

Prevention Exemption, using a process that is exempt from the standard Timber Harvest Plan review process and without any prior review or conditioning by the established multi-agency review team. This bill expands the current Forest Fire Prevention exemption to include the building of roads on slopes of 30 percent or less with additional specified conditions.

Roads and road construction alter forest hydrology by increasing and concentrating storm water runoff, thereby increasing erosion and potential sediment discharges to streams. Roads also increase the potential for landslides, and thus further sediment discharges to streams. Such discharges impact the beneficial uses of water, the health of aquatic species and their habitats in-stream, create potential for increased water temperatures (conditions ideal for invasive aquatic species and harmful algal growth), and threaten clean drinking water supplies.

Additional water quality concerns with forestland management activities include the use of pesticides adjacent to surface waters, which may result in bare soil conditions that are vulnerable to erosion, and the potential discharge of pesticides (herbicides) directly to surface waters along with eroded soil.

Historically, the water boards have not participated in field inspections for the multitude of Forest Practice Act exemption types, primarily because operations conducted under exemptions have not been allowed to include activities like construction of roads and watercourse crossings. The water boards anticipate that many timberland owners will conduct timber harvesting activities under these modified exemptions of the Forest Practice Rules rather than completing a traditional Timber Harvest Plan (THF). The expected increase in use of these exemptions will require increases in RWQCB staffing to conduct field inspections to ensure that adverse effects upon water quality are mitigated and to pursue enforcement action for violations of water quality standards where necessary. The bill requires workload activities that are entirely new to the water boards.

Staff Recommendation. Hold open.

Issue 23: Orphan Site Cleanup Fund Grants

Governor’s Proposal. The Governor’s budget proposes \$10 million Petroleum Contamination Orphan Site Cleanup Fund one-time for orphan site cleanup grants. SWRCB requests the local assistance funds be available for encumbrance until June 30, 2022, and liquidation of encumbrance until June 30, 2025.

Background. *Orphan Site Cleanup.* The Orphan Site Cleanup Account (OSCA) was established in 2005, under the Underground Storage Tank (UST) Cleanup Fund to provide financial assistance for remediation of the harm caused by petroleum contamination from USTs where the financially responsible party has not been identified. OSCA was established to make funding available to person that did not cause the petroleum contamination but are willing to undertake the cleanup. Projects range from commercial development to affordable infill housing.

OSCA received \$10 million per year for three fiscal years 2005-06, 2006-07, and 2007-08 before its expiration on January 1, 2008. SWRCB awarded the full appropriation of \$30 million in grants.

Effective 2009, a new Orphan Site Cleanup Fund (OSCF) was created and \$10 million was appropriated into the fund in 2008-09, 2009-10, and 2010-11 for \$30 million total. A total of \$14.4 million was transferred from the UST Cleanup Fund to OSCF and SWRCB also received \$15.6 million in federal American Recovery and Reinvestment Act (ARRA) Leaking Underground Storage Tank Trust Fund grant for brownfields in July 2009. SWRCB fully expended the ARRA grants by September 2011.

The request for OSCF grants decreased for a number of years and is on the rise again. The decrease was a result of the use of ARRA to fund projects rather than the OSCF and the reduction in number of requests due to the long-term impacts of the recession on the real estate market. Current trends in grant applications are increasing due to both the stronger real estate market and the expansion of OSCF eligibility by removing the “urban brownfield” requirement effective September 25, 2014.

Staff Recommendation. Approve as budgeted.

8570 DEPARTMENT OF FOOD AND AGRICULTURE (CDFA)

OVERVIEW

CDFA is charged with promoting and protecting a safe, healthy food supply, and enhancing local and global agricultural trade, through efficient management, innovation, and sound science, with a commitment to environmental stewardship.

CDFA is organized into five divisions:

- Animal Health and Food Safety Services
- Inspection Services
- Marketing Services
- Measurement Standards
- Plant Health and Pest Prevention Services

The following table reflects CDFA's positions and expenditures for past, current, and budget years.

| | Positions | | | Expenditures | | |
|--|----------------|----------------|----------------|------------------|------------------|------------------|
| | 2017-18 | 2018-19 | 2019-20 | 2017-18* | 2018-19* | 2019-20* |
| 6570 Agricultural Plant and Animal Health; Pest Prevention; Food Safety Services | 1,076.7 | 1,078.5 | 1,144.5 | \$247,075 | \$263,664 | \$259,056 |
| 6575 Marketing; Commodities and Agricultural Services | 373.9 | 461.1 | 422.1 | 127,680 | 171,399 | 151,378 |
| 6580 Assistance to Fair and County Agricultural Activities | 8.2 | 10.2 | 10.2 | 4,817 | 8,440 | 11,934 |
| 6590 General Agricultural Activities | 25.0 | 34.5 | 40.5 | 253,534 | 227,257 | 139,445 |
| 9900100 Administration | 174.4 | 185.4 | 194.4 | 24,786 | 27,480 | 29,077 |
| 9900200 Administration - Distributed | - | - | - | -24,607 | -27,301 | -28,898 |
| TOTALS, POSITIONS AND EXPENDITURES (All Programs) | 1,658.2 | 1,769.7 | 1,811.7 | \$633,285 | \$670,939 | \$561,992 |

*Dollars in thousands.

The year-over-year decrease in spending is mainly explained by a few one-time appropriations made in 2018-19 that are not proposed in 2019-20. The specific reductions include:

- A net reduction of \$62 million from the Greenhouse Gas Reduction Fund (reflecting a proposed spending reduction of \$74 million for methane reductions from dairies, partly offset by a proposed increase of \$13 million for the Healthy Soils Program);
- A net reduction of \$23 million in Proposition 68 (2018) bond funds mostly related to decreased spending on the Healthy Soils Program and water efficiency; and,
- A \$15 million reduction in General Fund spending for grants to provide nutrition incentives to CalFresh clients who purchase fruits and vegetables at farmers markets and funding to small businesses to purchase energy-efficient refrigeration units.

Issue 24: Turlock North Valley Animal Health Laboratory Replacement

Governor's Proposal. The Governor's budget proposes \$3.946 million General Fund one-time for the Performance Criteria Phase of the design-build project to build a new full-service California Animal Health and Food Safety Laboratory System (CAHFS) laboratory in the northern San Joaquin Valley to replace the existing, obsolete CAHFS Turlock laboratory.

Background. *Turlock North Valley Animal Health Laboratory.* Due to infrastructure deficiencies, the existing laboratory, which opened in 1958, prevents CAHFS from fully meeting the testing required to safeguard human and animal health from animal and food-borne diseases in the northern San Joaquin Valley or provide comprehensive services to the large concentration of livestock and poultry producers in this area. The existing lab is too small (approximately 5,100 assignable square feet including two on-site trailers) to provide mammalian necropsy/pathology services to the San Joaquin Valley, and as a result only accepts avian (bird) species. The current avian necropsy room is approximately 245 sf, and does not have adequate space or capacity for a large animal hoist, a large animal necropsy table, or floor drains necessary to accommodate cows that can exceed 1,500 pounds. Owners, veterinarians, and producers of cattle and calves, sheep and lambs, goats, and pigs in the surrounding areas do not have a laboratory in close proximity to bring their carcasses for necropsy. According to the Journal of Veterinary Diagnostic Investigation, there is a statistically significant downward trend in the likelihood to submit when clients are located farther from a laboratory.

Design-Bid-Build vs. Design-Build. According to CDFA, for Capital Outlay projects, there are typically two ways that they get built:

- *Design-Bid-Build* is the most common process, which may include an initial study, acquisition, preliminary plans, working drawings, and construction phases.
- *Design-Build* includes an initial study, acquisition phase if necessary, a performance criteria phase, and a design/construction phase. Design-build projects can be more efficient because there are less steps and the company constructing the project is the same that designed it. The Performance Criteria Phase is where the scope and requirements are identified to provide companies with enough information to place a bid to design and build the facility.

The difference between the two is in the design-bid-build process, one entity complete the plans for a project and then it is put out to bid for a company to construct. For design-build, the design and construction are put out as one project, where one company designs and constructs the facility.

For the Turlock project, CDFA had initially started with the design-bid-build process in mind. After discussions with Department of General Services (DGS), DGS thought this project would be a good candidate for a design-build project. At this point in the project, CDFA has done an initial study and received funds for acquisition. Up to this point, the processes are identical.

The Acquisition Phase for this project was approved in 2017-18 Budget Act as a design-bid-build project. Since that time, the proposed procurement method has been re-evaluated. This proposal requests authority and funding to replace the existing Turlock Laboratory using the design-build process.

Staff Recommendation. Approve as budgeted.

Issue 25: California Biodiversity Initiative

Governor's Proposal. The Governor's budget proposes \$4.22 million General Fund one-time, \$3.9 million General Fund in 2020-21 and ongoing and eight positions to initiate the planning and coordination of the workload associated with the California Biodiversity Initiative-A Roadmap for Protecting the State's Natural Heritage. This proposal also includes funding to restart CDFA's noxious weed management program, as well as provisional language to make this funding available for encumbrance or expenditure over a two-year period.

Background. In 2018, Governor Brown's Executive Order (CA EO B-54-18) established the Roadmap, which embraces the broad goals of securing the future of all existing native California Species by preserving, protecting, recovering and increasing the ecosystems and native species distributions. The goal is also to improve ecological conditions, ecosystem functions and natural processes vital for sustaining these ecosystems across California. The Roadmap focuses on several goals that are relevant to the mission of CDFA. These goals include:

- *Establishing the California Biodiversity initiative Working Group.* The cross-agency working group will be co-chaired by the Director of the Department of Fish and Wildlife and the Secretary of the Department of Food and Agriculture to facilitate coordinated actions to achieve the state's biodiversity goals. Government must work across its Institutions such as: the California Landscape Conservation Cooperative; California Biodiversity Council; Strategic Growth Council; Department of Conservation; Governor's Office of Planning and Research; Ocean Protection Council; Department of Parks and Recreation; Fish and Game Commission; Natural Resources Agency; and, California Environmental Protection Agency.
- *Accelerating and Streamlining Prevention, Detection and Management of invasive Species and Pests.* California has an interest in minimizing the threats posed by invasive species and pests. The Roadmap calls for the expansion of programs to prevent, detect and manage invasive species and pests; develop California-specific invasive species risks assessments; support and expand early detection programs and evaluate and improve weed management efforts.
- *Expanding Seed Banking and Collection to Create a Hedge Against Extinction.* Expanding seed and germplasm banking is a hedge against permanent loss of native plant biodiversity. California Plant Rescue is a collaborative project involving the Department of Fish and Wildlife, CDFA, the California Native Plant Society, Consortium of California Herbaria, the National Center for Genetic Resources Preservation and several California's arboreta, botanic gardens, universities and other non-governmental organizations. This network preserves the future of California's native flora by collecting seeds of California species for long-term preservation in secure regional seed banks. In two years, this program has collected and stored the seeds of over 300 seed accessions of 95 rare plant taxa. The plan should advance a statewide seed banking effort to conserve the native plant biodiversity of California and to develop an official California Seed Bank, as a distributed network of currently existing seed banks. This effort could include generating philanthropic support.
- *Establishing a Soil Carbon Map of California.* The soil carbon map will serve as an indicator of soil health, which is key to ecosystem health and maintenance of biodiversity. There are current projects that map soil carbon in California, including, the University of California, Davis Web Soil Survey and the compost eligibility mapping tool developed by the California

Air Resources Board.

Staff Comments. *Germplasm Bank to Preserve and Protect Native Plant Species.* This proposal states, “California currently does not have a germplasm bank to preserve and protect its native plant species. A fully staffed germplasm facility is needed for collecting and storing the native plant species in a central location and ensure their long-term viability...CDFA requests one-time funding of \$125,000 for a feasibility study for a germplasm facility.”

Stakeholders have stated that such a study is not needed because germplasm banks currently exist and the collection and storage of native plant species is taking place now. The California Plant Rescue program is a collaboration of California universities, nongovernmental organizations, and the California Department of Fish and Wildlife (DFW) Natural Diversity Database, which focuses on seed banking.

The purpose of preserving and protecting native plant species is laudable. However, a question arises as to where the proper home, state agency-wise, is to lead such efforts – Is CDFa more appropriate to oversee native plant species preservation and protection on behalf of the state than other state entities, such as DFW or a university already in the collaborative mentioned above?

CDFa’s mission statement is “To serve the citizens of California by promoting and protecting a safe, healthy food supply, and enhancing local and global trade, through efficient management, innovation and sound science, with a commitment to environmental stewardship.” CDFa states its goals to be the following:

- Ensure that only safe and quality food reaches the consumer.
- Protect against invasion of exotic pests and diseases.
- Promote California agriculture and food products both at home and abroad.
- Ensure an equitable and orderly marketplace for California’s agricultural products.
- Build coalitions supporting the state’s agricultural structure to meet evolving industry needs.

A question arises as to how CDFa’s request for one-time funding for a feasibility study for a germplasm facility to preserve and protect native plant species fits within the CDFa’s mission.

DFW’s mission statement says, “The Mission of [DFW] is to manage California’s diverse fish, wildlife, and plant resources, and the habitats upon which they depend, for the ecological values and their use and enjoyment by the public.”

Also, according to DFW’s website, the “California Endangered Species Act (CESA) states that all *native* species of fishes, amphibians, reptiles, birds, mammals, invertebrates, and *plants*, and their habitats, threatened with extinction and those experiencing a significant decline which, if not halted, would lead to a threatened or endangered designation, will be *protected or preserved*. The California *Department of Fish and Wildlife* will work with all interested persons, agencies and organizations to *protect and preserve such sensitive resources* and their habitats.” (*emphasis added*.)

In addition, the Department of Forestry and Fire Protection (CalFire) provides a substantial seed bank for the wide genetic variety of forest tree species at the L.A. Moran Reforestation Center. The center specializes in forest tree cone and seed processing and seed bank storage.

If there should be one state agency to lead the charge in preserving and protecting native plants, it seems that a reasonable choice may be an agency with the statutory purview of protecting and

preserving native species. However, it would certainly behoove the state entities, including departments and universities, to provide their expertise and work collaboratively towards the same goal of preserving and protecting native plants.

Also, the subcommittee may wish to ask: With the current efforts of seed banking taking place in the state, are there gaps that exist in those efforts? If gaps do exist, then how best should they be addressed?

Staff Recommendation. Hold open.

Issue 26: Citrus Pest and Disease Prevention Program Resources

Governor's Proposal. The Governor's budget proposes \$5 million ongoing (\$2.5 million General Fund and \$2.5 million Department of Food and Agriculture Fund) and 65 positions to build a dedicated Citrus Pest and Disease Prevention Division (CPDPD) within CDFA to enhance Asian Citrus Psyllid (ACP) and Huanglongbing (HLB) detection, suppression and eradication activities throughout the state.

Background. According to CDFA's Pest Ratings Policy and Definitions, ACP and HLB are 'A' rated pests, and as such, CDFA is required to take steps to mitigate their spread. Detecting, controlling/eradicating and enforcing quarantine regulations to prevent the artificial movement of ACP will prevent the HLB disease from infecting citrus trees.

HLB has been found in limited areas in Los Angeles, Orange, and Riverside Counties; allowing the ACP population to increase and spread is a recipe for disaster. The vast majority of commercial and residential citrus can still be protected by enhanced suppression and quarantine enforcement activities in the existing infested areas and newly detected areas. The establishment of ACP and HLB in other parts of the state would also result in the imposition of quarantines on both commercial citrus growers and ornamental nurseries.

Citrus produced in an area that is within quarantine must be treated with pesticides and all stems and leaves must be removed from the fruit before transiting out of the quarantine area. Nursery stock grown in an HLB quarantine area requires inspection and testing for HLB, must be grown within a CDFA-approved screen house, tested for HLB, and only sold within the HLB quarantine area. The enforcement of statewide quarantine regulations is also a benefit to the general public. Therefore, the Administration proposes that it is reasonable to establish a dedicated program and use General Fund to help support program activities.

In counties considered to be infested with ACP, growers engage in area-wide management activities and the CPDPD funds buffer treatments in surrounding residential areas. CDFA is currently suppressing infestations of ACP in 16 California counties utilizing industry funds. In prior years, suppression operations began in the counties of Imperial, Los Angeles, Orange, San Bernardino, Riverside, San Diego, Ventura, Tulare, Santa Barbara, San Benito, Fresno, Kern, Madera, San Joaquin, Santa Clara and San Luis Obispo. The ACP suppression activities have expanded into the counties of Kings, Placer, Monterey, Solano, Yolo, Alameda, Contra Costa, San Mateo, Stanislaus and Merced, as ACP was detected in these areas for the first time between 2015 and 2017. In counties where ACP was known to occur, there was a three-fold increase in the ACP population. Growers in Riverside, Imperial, Ventura, San Bernardino, Santa Barbara and San Diego Counties have transitioned to area-wide ACP management which requires that CDFA conduct residential buffer treatments around commercial groves that participate in the coordinated area-wide treatment.

LAO Comments. *ACP and HLB Continue to Spread.* Data indicates that the area affected by ACP and HLB has increased substantially in California in recent years.

Spending on Suppression and Eradication of ACP and HLB

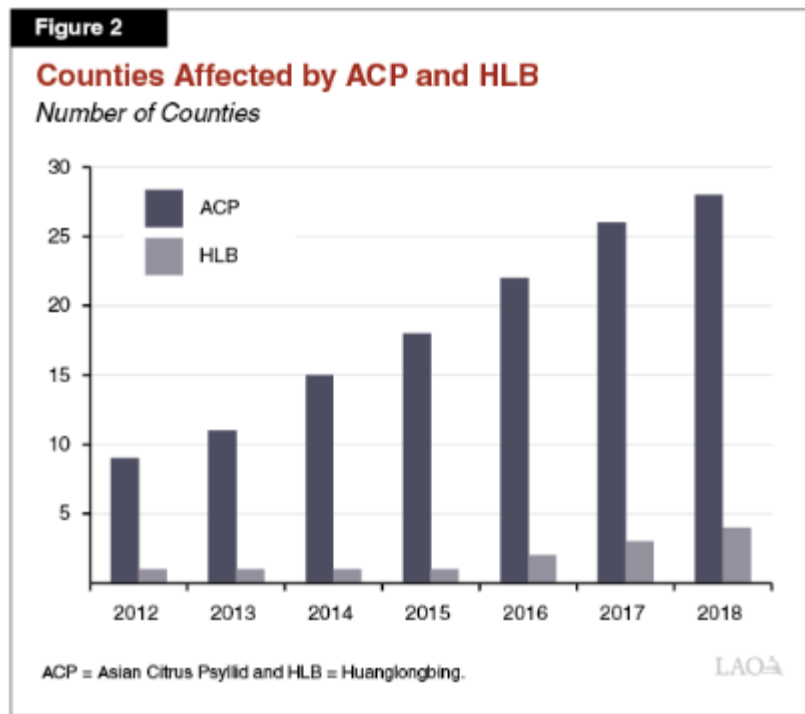
Fund Source (In Millions)

| Program Budget | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | Estimated 2018-19 | Proposed 2019-20 |
|---------------------------|---------------|---------------|---------------|---------------|---------------|-------------------|------------------|
| General Fund | \$1.0 | — | — | — | \$9.8 | \$12.5 | \$5.0 |
| Reimbursements | 0.5 | \$0.4 | \$0.5 | \$0.4 | — | — | — |
| Food and Agriculture Fund | 8.9 | 16.2 | 16.1 | 21.3 | 19.9 | 16.3 | 22.8 |
| Federal funds | 8.1 | 8.2 | 13.3 | 11.6 | 13.3 | 12.1 | 12.1 |
| Totals | \$18.5 | \$24.8 | \$29.9 | \$33.3 | \$43.0 | \$40.9 | \$39.9 |

ACP = Asian Citrus Psyllid and HLB = Huanglongbing.

Source: LAO.

The following figure shows that from 2012 through 2018 the number of counties where ACP has been detected more than tripled from 9 to 28, and the number of counties with an HLB infected tree grew from one to four. Over this period, the number of square miles under quarantine for ACP more than tripled from 25,813 to 87,656. Similarly, between 2014 and 2018 the number of square miles under quarantine for HLB increased more than nine-fold, from 92 to 850, and the number of trees identified as infected with HLB grew from 1 to 906.



CDFA Estimates It Will Not Spend Entire ACP/HLB Budget This Year. Below, Figure 3 summarizes revised estimated funding for ACP and HLB suppression and eradication in 2018-19 compared to the amount budgeted. As illustrated in the figure, CDFA estimates it will spend \$7.8 million less than the \$48.7 million budgeted in 2018-19. CDFA has not explained why current-year spending is expected to be significantly lower than the budgeted level.

Figure 3

Current-Year Budgeted Versus Estimated Spending on Suppression of ACP and HLB

(In Millions)

| Fund Source | Budgeted | Estimated Expenditures | Difference |
|---------------------------|---------------|------------------------|---------------|
| General Fund | \$12.5 | \$12.5 | — |
| Reimbursements | 0.5 | — | -\$0.5 |
| Food and Agriculture Fund | 20.2 | 16.3 | -3.9 |
| Federal funds | 15.5 | 12.1 | -3.4 |
| Totals | \$48.7 | \$40.9 | -\$7.8 |

ACP = Asian Citrus Psyllid and HLB = Huanglongbing.

Proposal Would Help Ensure a Continuous Effort to Suppress ACP and HLB. The creation of a new CPDPD within CDFA—including the addition of 65 new permanent positions—would help ensure that the state’s program to suppress and eradicate ACP and HLB has sufficient dedicated resources to perform key functions throughout the year. Specifically, the proposed CDPDP would have a dedicated workforce to perform ongoing activities such as enforcement of quarantine areas and eradication of HLB infected trees. As previously mentioned, the state’s citrus program has at times been disrupted by outbreaks of other pests. When outbreaks occurred, such as the one that occurred when a major Mediterranean fruit fly infestation occurred in Los Angeles County, CDFA redirected staff away from ACP and HLB suppression and eradication activities in order to address a more immediate threat.

In LAO’s view, having a dedicated division for these activities makes sense because efforts to suppress and eradicate ACP and HLB are distinct, in some ways, from efforts to suppress and eradicate pests that infest other crops. This is because citrus trees are widely found in residential areas, as well as in commercial groves. Therefore, ACP and HLB suppression and eradication efforts require coordination across large geographic areas including residential neighborhoods. This is especially true where neighborhoods are located near commercial groves. In comparison, many other fruit trees and other types of crops (such as grapes) are not as widely grown in residential areas. Instead they are more concentrated in certain geographic areas where climate and soil conditions are favorable and they are mainly grown by farmers. This typically allows suppression and eradication efforts to be concentrated in the areas where growers operate.

LAO Recommendations. Approve Governor’s Proposal. The LAO recommends the Legislature approve the Governor’s request for funding to suppress ACP and HLB. Given the recent increases in the spread of both ACP and HLB, the growing number of trees infected with HLB over the past few years, and the threat ACP and HLB pose to the state’s citrus industry, the LAO believes the request for additional staff resources and a dedicated division is reasonable.

Require CDFA to Report at Budget Hearings on Current-Year Expenditures. The LAO recommends the Legislature require CDFA to report at budget hearings on projected spending in the current year on ACP and HLB suppression and eradication activities. Specifically, the department should report on why it anticipates that \$7.8 million of the funds appropriated for the program in 2018-19 are projected to remain unspent. This total includes \$3.9 million from the Food and Agriculture Fund and \$3.4 million in Federal Funds.

Require CDFA to Report on Ongoing Efforts to Manage Spread of ACP and HLP. The LAO recommends the Legislature require CDFA to report at budget hearings on the status of its efforts to address the spread of ACP and HLP, including whether the proposed level of resources will be sufficient on an ongoing basis to address the threat posed by ACP and HLB to the state’s citrus crops.

Specifically, the department should report on (1) why the measures it is currently implementing have been insufficient to stop the continuing geographic spread of ACP and HLB, (2) how the Governor's proposal would address any shortfalls in the current program, (3) what targets and outcomes CDFA would use to measure the effectiveness of its ACP/HLB suppression efforts, and (4) whether there are additional measures that the state should implement to suppress ACP and HLB. This information would help the Legislature assess CDFA's progress to date for suppression of ACP/HLB and establish reasonable expectations for suppression of ACP/HLB in the future.

Staff Recommendation. Approve as budgeted.

Issue 27: Various Technical Adjustments

Governor's Proposal. The Governor's budget proposes for technical baseline appropriation adjustments to continue implementation of previously authorized programs and chartered legislation proposals without an appropriation.

Among seven proposals in the "Various Technical Adjustments" BCP, the Governor's proposal includes two requests that fall within the realm of "technical":

- **Technical Adjustment to Convert Blanket Positions to Authorized Positions:** Request to convert six blanket positions to permanent authorized positions pursuant to Budget Letter (BL) 18-16. This is a request for position authority only with no increase in expenditure authority.
- **Federal Milk Marketing Order and Quota Implementation Program Establishment:** Request of a reduction of 34 positions to close the Dairy Marketing Branch (DMB) and the Milk Pooling Branch (MPB) in 2019-20 and ongoing due to the establishment of the Federal Milk Marketing Order (FFMO), which was effective November 2018. CDFA also requests \$799,000 in Department of Food and Agriculture Fund authority for 2019-20 and ongoing to support five positions that were reclassified to comply with the request from the dairy industry to create a stand-alone Quota Implementation Program (QIP).

The other five proposals in this BCP arguably should have warranted separate BCPs. They are included in this agenda as Issues 27a-27e.

Staff Recommendation. For all requests in Issue 27 (including 27a-27e), hold open.

Issue 27a: Various Technical Adjustments: Mountain Pass Border Protection Station Operations Expansion

Governor's Proposal. The Governor's budget proposes \$724,000 General Fund and eight positions in 2019-20 and ongoing to operate additional lanes at the new Border Protection Station (BPS) in Mountain Pass based on expanded design capacity.

Background. The BPS' mission is mandated within Food and Agricultural Code Sections 5341-5349 to protect ornamental and native horticulture as well as agricultural crops and animals from the harm caused by exotic pests and diseases. The impacts of invasive species are economically and environmentally devastating to California. Insects, pathogens, weeds and animals that plague other states and countries are a constant threat. The most significant commercial pathways for invasive species are private vehicles (passenger vehicles, vans, recreational vehicles, private moving trucks, etc.) entering via overland highways and private parcel shipments mailed into California. The Mountain Pass BPS was approved by the Legislature in the late 1990s, and completed in August 2018, to replace the aging Yermo BPS that is part of the Division of Plant Health and Pest Prevention Services, Border Protection Station Program (BPS Program). The Yermo BPS was originally designed to accommodate approximately one million vehicles annually, but by 2017, yearly traffic volume surpassed 8.3 million vehicles per year. In 2017, the Yermo BPS issued 1,104 warning holds on suspect agricultural products, made 451 pest interceptions, and issued 226 rejections to contents of vehicles entering from out of state. Out of the 451 pest interceptions, 47 were found to be "actionable"

pests that require CDFA to legally take enforcement action. Positioned directly on 1-15 without the option for vehicles to bypass, the Yermo BPS often created a risky traffic situation for the public due to the large volume of traffic coming from Las Vegas and other points further east which caused long inspection queues for extended periods of time.

While an expanded BPS at Mountain Pass will address the structural deficiencies of the aging Yermo BPS, a new facility alone does not address the health and safety issues to the public, nor does it address the need for additional staff. With vehicle traffic exceeding 8.3 million coming into California on 1-15 in 2017, additional CDFA staff is needed to perform state mandated inspections fast enough to prevent massive traffic back-ups on 1-15. Previously, the queues for inspection during peak traffic times are so long, that the California Highway Patrol (CHP) often asked CDFA to cease inspections out of concern for the public's safety. At that point, CDFA was forced to choose between enforcing state quarantine laws to keep economically damaging pests out of the state and CHP's request to put public safety first. The Mountain Pass BPS was built with more lanes to help create a better flow of traffic. It is important for this newly constructed BPS to have additional staff to successfully run the station without traffic issues and minimize health and safety issues.

Staff Recommendation. For all requests in Issue 27 (including 27a-27e), hold open.

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| Issue 27b: Various Technical Adjustments: Office of Information Technology Services Infrastructure |
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Governor's Proposal. The Governor's budget proposes \$930,000 in distributed administration and one position in 2019-20 and \$142,000 and one position in 2020-21 and ongoing to (1) operate and monitor CDFA's network and security infrastructure; (2) migrate to the California Department of Technology's (CDT) Tenant Managed Services Data Center environment; and (3) replace critical equipment that has reached the end of its useful life.

Background. In 2016, CDFA underwent a security audit by the California Military Department on behalf of CDT; several security findings were documented and needed remediation. Since the audit, CDFA's Office of Information Technology Services (OITS) has established a Project Management Office; developed an Enterprise Architecture; categorized and classified all program data; purchased Information Technology (IT) Asset Management software; documented and improved on processes; purchased hardware to accelerate system response time in remote offices; and developed policies for cybersecurity. Some of the findings identified in the audit still need to be implemented. This request is part of CDFA's continued effort to reform, improve and enhance performance of CDFA's IT infrastructure.

Staff Recommendation. For all requests in Issue 27 (including 27a-27e), hold open.

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| Issue 27c: Various Technical Adjustments: Development of Pesticide Alternatives |
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Governor's Proposal. The Governor's budget proposes \$671,000 Department of Food and Agriculture Fund (Ag Fund) authority in 2019-20 and ongoing for the Office of Pesticide Consultation and Analysis (OPCA) to support the scientific development of biological control efforts and testing of alternatives for pesticides being considered for deregistration in California.

Background. OPCA was formed in 1992 after the separation of CDFA's pesticide regulatory functions and subsequent formation of the California Environmental Protection Agency's Department of Pesticide Regulation (DPR). OPCA's primary role is to provide DPR unbiased analysis of potential pesticide regulatory impacts and pest management alternatives that may result in economic impacts to the agriculture food production sector. In 2018-19, CDFA received \$529,000 General Fund to support scientific development of alternatives for pesticides. However, despite the augmentation, OPCA retains a shortfall in resource authority necessary to fully implement plans to develop pesticide alternatives. This proposal will be funded from a reserve from the mill assessment on agricultural pesticide sales that is deposited into the Ag Fund. CDFA's Memorandum of Understanding with DPR will include language that specifically allows CDFA to utilize the funding for the research requested in this proposal.

Implementation Plan. OPCA anticipates funding three or four new IR-4 projects and a new biological control project every one to three years. IR-4 and biological control projects will be implemented on a three to five-year schedule. An average implementation timeline for IR-4 and Biological Control projects is reflected in the table below. All project outcomes will be included in the grant agreements and verified by OPCA's scientists.

| | |
|-------------------------------|---|
| July 2019 – August 2019 | IR-4 & Biological Control: Research priorities, project selection and logistics will be developed in collaboration with USDA, DPR, and University cooperators. |
| September 2019 – October 2019 | IR-4: Review 2019 research plan, protocols, field trial locations, etc. Biological Control: Review foreign exploration plans, applications for importation and rearing of target pest and natural enemies. |
| January 2020 – July 2020 | IR-4: Finalize sampling protocol and monitor fieldwork and residue analysis. Biological Control: Monitor overseas fieldwork and rearing protocols. Begin non-target species testing. |
| July 2020 – July 2022 | IR-4: Review final report and petition for submission to DPR and Environmental Protection Agency. Biological Control: Continue non-target species testing and review USDA paperwork for release permits for natural enemies. |

Staff Recommendation. For all requests in Issue 27 (including 27a-27e), hold open.

Issue 27d: Various Technical Adjustments: Industrial Hemp Positions

Governor's Proposal. The Governor's budget proposes six positions in 2019-20 and ongoing for the development, enforcement, and administration of the Industrial Hemp Program (IHP) in accordance with Food and Agricultural Code (FAC) Division 24, which pertains to industrial hemp.

Background. SB 566 (Leno). SB 566 (Leno), Chapter 398, Statutes of 2013, created the California Industrial Hemp Farming Act, which authorized the commercial production of industrial hemp in California and established an Industrial Hemp Advisory Board. Although chaptered in 2013, the California Industrial Hemp Farming Act was not effective until the Adult Use of Marijuana Act (Proposition 64, November 2016) made FAC Division 24 operative on January 1, 2017.

The California Industrial Hemp Farming Act requires that CDFA establish a registration fee and appropriate a renewal fee to be paid by growers of industrial hemp for commercial purposes and seed breeders, not including an established agricultural research institution, to cover the actual costs of implementing, administering, and enforcing the provisions of FAC Division 24.

Staff Recommendation. For all requests in Issue 27 (including 27a-27e), hold open.

Issue 27e: Various Technical Adjustments: Organic Waste Management

Governor's Proposal. The Governor's budget proposes \$140,000 General Fund and one position in 2019-20 through 2025-26 to administer CDFA functions specified in AB 1981 (Limón), Chapter 633, Statutes of 2018.

Through January 1, 2026, AB 1981 continues the requirement for CalEPA to coordinate with several other state agencies, including CDFA, to develop and implement policies to aid in diverting organic waste from landfills by promoting the composting of specific organic waste and by prompting the appropriate use of that compost in California. The bill also specifies the purpose of promoting the appropriate use of that compost through the state to improve the state's soil organic matter.

Background. *Healthy Soils Program (HSP).* CDFA's HSP incentivizes growers to implement management practices, including the use of compost, that build the state's soils organic matter. CDFA anticipates being closely engaged in the interagency discussion, research and technical work that informs policy development to promote production and agricultural land application of compost.

CDFA's HSP is designed to reduce greenhouse gases and promote carbon sequestration in agricultural soils. These greenhouse gas reductions contribute to the agricultural sector meeting its 2020 and 2030 targets. Compost application to agricultural soils, including rangeland soils, is one of the most popular management practices in the HSP among applicants and award recipients.

The diversions referenced in AB 1981 create a "supply" while the HSP provides the "demand" for compost production and use in California. CDFA has engaged with CalEPA, with existing resources, on interagency workgroup efforts to address the diversion of organic waste from landfills into compost production and use in agricultural lands.

However, CDFA does not have additional resources to cover the required functions of AB 1981. These functions include meeting at least quarterly with other agencies and specific stakeholders, including agricultural land managers, to implement policies needed to meet the goal of organic diversion from landfills; and working to ensure and promote the application of compost on working land such as agricultural lands and rangelands.

In addition, AB 1981 updated the Public Resources Code Section 42649.87 to include the Department of Forestry and Fire Protection to engage with other state agencies in the development of policies to aid in diverting organic waste from landfills by promoting the composting of specific organic waste and by prompting the appropriate use of that compost in California. CDFA is included as a collaborating state agency considering houses the HSP.

Staff Recommendation. For all requests in Issue 27 (including 27a-27e), hold open.

Issue 28: Deferred Maintenance

Governor's Proposal. The Governor's budget proposes \$3 million General Fund one-time to address critical structural deficiencies at the Hawaii Fruit Fly Rearing Facility and the Plant Pest Diagnostic Center in Sacramento.

Background. *The Hawaii Fruit Fly Rearing Facility.* The Administration states that this facility needs \$1.174 million to replace the heating, ventilation, and air conditioning system that no longer function properly. Due to the climate in this location, a reliable system is needed to maintain the environmental conditions necessary to produce sterile medflies. The replacement of this system is intended to address this issue.

Plant Pest Diagnostic Center. The Administration states that the Plant Lab needs \$1.826 million to address water intrusion repairs, replacement of failed window systems and ponding issues in some areas of the building. Continuing water issues can result in mold and other damages over time that could be more costly and hazardous to address in the future. CDFA has recently completed the replacement of the lab's roof. This requested funding is intended to allow CDFA to further protect the lab from additional water damage.

Staff Recommendation. Approve as budgeted, and adopt supplemental reporting language requiring the Department of Finance to notify the Chair of the Joint Legislative Budget Committee prior to allocating deferred maintenance funding to the department.

**3940 STATE WATER RESOURCES CONTROL BOARD (SWRCB)
8570 CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE (CDFA)****Issue 29: Safe and Affordable Drinking Water (SADW) – Budget Change Proposal (BCP) and Trailer Bill Language (TBL)**

Governor’s Proposal. The Governor’s budget proposes the following BCP and TBL:

- BCP of \$4.8 million General Fund one-time as follows:
 - \$3.4 million to SWRCB for 23 positions to: (1) map high-risk aquifers and process water quality data from small water systems; (2) develop an assessment of the total annual funding needed to assist water systems in the state to deliver safe drinking water; (3) develop an implementation plan that includes funding priorities and guidelines; and, (4) process fees that will be deposited into a new fund and perform accounting work.
 - \$1.4 million to CDFA for seven positions to: (1) establish a new registration and fee collection system for dairies, farms, and ranches; and (2) administer the fertilizer materials mill assessments augmentation.
- TBL, which do the following:
 - Establish four charges, including:
 - A safe drinking water fee for confined animal facilities excluding dairies (amount generated not estimated).
 - A fertilizer safe drinking water fee (\$14 million to \$17 million).
 - A dairy safe drinking water fee (\$5 million).
 - A SADW fee for community water system customers (\$100 million to \$110 million).
 - Establish the SADW Fund to provide a source of funding to assist communities in paying for costs of obtaining access to SADW, such as operations and maintenance costs and capital costs associated with water system consolidation and service extensions.
 - Require SWRCB to administer a new SADW Program.
 - Require SWRCB to conduct a public review and assessment of the Safe Drinking Water Fund at least every 10 years.
 - Require SWRCB to prepare a report of expenditures annually, as specified.
 - Require SWRCB to make available a map of aquifers that are high-risk of containing contaminants and that exceed primary federal and state drinking water standards.

- Exempt an agricultural operation from enforcement action for causing, contributing, creating, or threatening to create a condition of pollution or nuisance for nitrates in groundwater if the operation meets specified criteria.

Under a separate BCP, the Governor’s budget proposes \$168.5 million in Proposition 68 funds for public water systems in disadvantaged communities for infrastructure improvements, including drinking water and wastewater treatment projects. This BCP was heard on March 7, 2019, in this subcommittee, as part of the Proposition 68 issue.

The Legislature and Governor enacted AB 72 (Committee on Budget), Chapter 1, Statutes of 2019), which does the following to address safe and affordable drinking water needs in the current budget year, 2018-19:

- \$10 million General Fund one-time to continue emergency funding for emergency drinking water and technical assistance.
- \$10 million General Fund one-time for grants and contracts to provide administrative, technical, operational, or managerial services to water systems – mainly in disadvantaged communities – to support compliance with current drinking water standards.

Background. Sources of Drinking Water. According to the State Water Resources Control Board (SWRCB), the majority of public water systems (PWSs) in California use groundwater as their primary source of supply. PWSs that use both groundwater sources and surface water sources are categorized as surface water systems by convention. Although over 80 percent of PWSs use only groundwater as their primary source of water, these systems serve less than 20 percent of the population. Almost 80 percent of the population served by PWSs are served treated surface water in whole or part.

Federal, State, and Local Entities Regulate Drinking Water. The federal Safe Drinking Water Act (SDWA) was enacted in 1974 to protect public health by regulating drinking water. California has enacted its own safe drinking water act to implement the federal law and establish state standards. The United States Environmental Protection Agency (US EPA) enforces the federal SDWA at the national level. However, most states, including California, have been granted “primacy” by the US EPA, giving them authority to implement and enforce the federal SDWA at the state level.

SWRCB’s Division of Drinking Water (DDW) regulates PWSs that provide water for human consumption and have 15 or more service connections, or regularly serve at least 25 individuals daily at least 60 days out of the year. DDW also oversees water recycling projects, permits water treatment devices, supports and promotes water system security and works closely with SWRCB’s Division of Financial Assistance (DFA) on funding for PWSs. DDW regulates approximately 7,500 water systems, of which about one-third of these systems have between 15 and 200 service connections.

The state does not regulate water systems with less than 15 connections. Instead, county health officers oversee these smaller systems. The number of smaller systems—specifically, those with 14 or fewer connections—is unknown but estimated to be in the thousands.

At the local level, 30 of the 58 county environmental health departments in California have been delegated primacy—known as Local Primacy Agencies (LPAs)—by the SWRCB to regulate small water systems with between 15 and 200 connections within their jurisdiction to ensure that these systems deliver adequate and safe drinking water.

For investor-owned public water utilities under the jurisdiction of the California Public Utilities Commission (CPUC), the CPUC shares water quality regulatory authority (including compliance with the Safe Drinking Water Act) with the DDW or LPAs.

SADW as a Human Right. In response to concerns about the prevalence of unsafe drinking water in California, the Legislature and the Governor enacted AB 685 (Eng), Chapter 524, Statutes of 2012. This law declares the state's policy that every human being has the right to safe, clean, affordable, and accessible water adequate for human consumption, cooking, and sanitary purposes. Under AB 685, state agencies are required to consider this policy when revising, adopting, or establishing policies, regulations, and grant criteria. AB 685 stated that it did not expand any obligation of the state to provide water or to require the expenditure of additional resources to develop water infrastructure.

California Safe Drinking Water Act. The California Safe Drinking Water Act requires SWRCB to regulate drinking water to protect public health, and requires SWRCB to ensure that PWSs are operated in compliance with the Act. If a PWS within a disadvantaged community (DAC) consistently fails to provide an adequate supply of safe drinking water, SWRCB may order the water system to consolidate with a receiving water system. SWRCB may also contract with an administrator to provide administrative and managerial services to a designated PWS to assist with the provision of an adequate and affordable supply of safe drinking water.

Multiple Causes of Unsafe Drinking Water. The causes of unsafe drinking water generally can be separated into two categories (1) contamination caused by human action and (2) naturally occurring contaminants. In some areas, there are both human caused and natural contaminants in the drinking water.

Three of the most commonly detected pollutants in contaminated water are arsenic, perchlorate, and nitrates. While arsenic is naturally occurring, perchlorate contamination is generally a result of military and industrial uses. High concentrations of nitrates in groundwater are primarily caused by human activities, including fertilizer application (synthetic and manure), animal operations, industrial sources (wastewater treatment and food processing facilities), and septic systems. Agricultural fertilizers and animal wastes applied to cropland are by far the largest regional sources of nitrates in groundwater, although other sources can be important in certain areas.

PWS Violations. According to SWRCB, violations data for 2017 shows that 93.8 percent of PWSs, serving 98.4 percent of people in the state, complied with maximum contaminant levels (MCLs) and treatment techniques (TTs) contained in the federal rules established under SDWA.

In 2017, the Drinking Water Program issued approximately 2,220 enforcement actions to PWSs for failing to comply with regulations. The board's records show that 459 PWSs had one or more violations in 2017. In all, about 592,000 people were affected by these violations. That number does not include people who rely on private wells or "state small" water systems with fewer than 15 connections. Overall, 24 percent of PWSs subject to enforcement actions had returned to compliance for an MCL or TT violation incurred in 2017.

In some cases, unsafe contamination levels may persist over time because the local agency cannot generate sufficient revenue from its customer base to implement, operate, or maintain the improvements necessary to address the problem. The challenge in these systems is often a product of a combination of factors, including the high costs of the investments required, low-income of the customers, and the small number of customers among whom the costs would be spread.

Office of Sustainable Water Solutions (OSWS). AB 92 (Committee on Budget), Chapter 2, Statutes of 2015, established the OSWS, which is in SWRCB's Division of Financial Assistance (DFA). The purpose of OSWS is to promote permanent and sustainable drinking water and wastewater treatment

solutions ensuring effective and efficient provision of safe, clean, affordable, and reliable drinking water and wastewater treatment services.

OSWS provides grants, principal forgiveness and low interest loans for planning and construction projects utilizing state and federal funds. In addition, OSWS provides pre-planning assistance for projects seeking funding and technical, managerial and financial assistance through its technical assistance program.

OSWS staff manage over 330 drinking water projects in 290 communities and over 250 wastewater projects in 150 communities. The 580 active drinking water and wastewater projects currently span approximately 56 of the 58 counties in California. Since January 2018, OSWS has received, and is working on processing, 220 new applications for drinking water and wastewater projects (121 and 99, respectively).

OSWS: Accomplishments since 2014. Since DDW was established at SWRCB in July 2014, DFA has been able to help approximately 7.2 million people in 220 communities receive safe and reliable drinking water. Approximately 1.15 million of the people reside in 200 small disadvantaged (approximately 40 percent of the 200) or small severely disadvantaged communities (approximately 60 percent of the 200).

OSWS: Technical Assistance. In calendar year 2018, technical assistance was provided to approximately 174 small disadvantaged communities, benefitting more than 175,000 people, to develop projects to provide safe drinking water and wastewater solutions. Approximately 120 of the communities that received technical assistance were small disadvantaged or small severely disadvantaged drinking water systems. The scope of technical assistance provided to the drinking water systems included: (1) assisting the water system to improve their compliance and develop their technical, managerial, and financial capacity; and (2) assisting the communities that do not currently have access to safe and adequate drinking water to be connected to sustainable water suppliers.

Current SWRCB Funding Programs Addressing SADW Issues. DFA administers multiple funding programs to assist water systems to achieve and maintain compliance with safe drinking water standards. These programs use federal funds and state funds to address the highest priorities of infrastructure need and include the following:

Drinking Water State Revolving Fund (DWSRF). The largest drinking water funding program that SWRCB administers is DWSRF. US EPA provides DWSRF funds to states, including California, in the form of annual capitalization grants. States, in turn, provide low-interest loans and other assistance to PWSs for infrastructure improvements. Total funding provided to PWSs in executed loans and grants to date is over \$1.3 billion.

American Recovery and Reinvestment Act (ARRA). On February 17, 2009, President Obama signed ARRA, which allocated \$2 billion nationally for safe drinking water infrastructure improvements. California's share of these funds was \$159 million, and was administered by the California Department of Public Health through the DWSRF program prior to the transfer of the drinking water program to SWRCB. ARRA funds were a one-time opportunity for the state and did not require matching funds from the state. Funding agreements were issued, totaling \$149 million, to 51 projects statewide and among 47 community drinking water systems.

Proposition 50. The Water Security, Clean Drinking Water, Coastal, and Beach Protection Act of 2002 (Proposition 50) was voter-approved in 2002. Proposition 50 allocated \$485 million to drinking water quality issues.

Proposition 84. The Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Act of 2006 (Proposition 84) was voter-approved in 2006. Proposition 84 allocated \$300 million to address drinking water and other water quality issues.

Proposition 1. The Water Quality, Supply and Infrastructure Improvement Act of 2014 (Proposition 1) was voter-approved in 2014 and authorized \$7.12 billion in general obligation bonds. Proposition 1 authorized \$520 million for projects that improve water quality or help provide clean, safe, and reliable drinking water.

Proposition 68. The Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access for All Act of 2017 (Proposition 68) was voter-approved in 2018. Proposition 68 allocated a total of \$4.1 billion – \$4 billion of which was new bond authority and the remaining \$100 million of which was redirected from unsold bonds previously approved as part of Propositions 1, 40, and 84. Proposition 68 dedicated \$250 million specifically to safe drinking water.

A summary of small DAC drinking water projects funded by funding source between July 2010 and January 2019 is as follows:

- DWSRF: \$440,232,198 (63 percent)
- Proposition 1: \$213,231,560 (31 percent)
- Proposition 84: \$ 41,693,201 (6 percent)
- Proposition 50: \$ 814,877 (<1 percent)

A summary of small DAC projects funded by type of assistance between July 2010 and January 2019 is as follows:

| Type of Assistance | Number of Projects | Amount |
|--|--------------------|----------------------|
| Planning | 138 | \$ 62,081,772 |
| Construction | 99 | 603,502,578 |
| Technical Assistance | 13 | 29,184,796 |
| LEFA | 11 | 1,202,690 |
| TOTAL Funding for small DAC projects between July 2010 and January 2019 | | \$696,691,836 |

Interim/Emergency Drinking Water Funding. Below is a table reflecting interim/emergency drinking water funding between April 2010 and January 2019. These funding sources fund emergency needs, such as well rehabilitation or replacement, emergency interties, extension of service, treatment systems, including point of use treatment, and interim water supplies, such as bottled or hauled water.

Interim/Emergency Drinking Water Funding Summary: April 2010 through January 2019*

| Funding Source | Number of Projects | Funding Approved |
|---|---------------------------|-------------------------|
| Proposition 84, Chapter 2 Safe Drinking Water Projects, Section 75021 Emergency Funding (\$10 million)* | 129 | \$7,827,904 |
| Public Water System Drought Emergency Response (PWSDER) - SB 103 (Committee on Budget and Fiscal Review), Chapter 2, Statutes of 2014 (\$15 million)* | 85 | \$14,894,973 |
| Interim Emergency Drinking Water Program - Allocation from Cleanup and Abatement Account (CAA) per SB 103 (\$4 million) | 14 | \$3,438,300 |
| Interim Replacement Emergency Drinking Water Program - Allocation from CAA per SWRCB Resolution No. 2014-0028, June 17, 2014 (\$2.125 million) | 25 | \$2,042,789 |
| Interim Emergency Drinking Water Program - Allocation from CAA per AB 91 (Committee on Budget), Chapter 1, Statutes of 2015 (\$4 million) | 30 | \$3,580,068 |
| Interim Emergency Drinking Water Program - Allocation from CAA per AB 91 (\$15 million)** | 21 | \$9,300,043 |
| Interim Emergency Drinking Water Program - Allocation from CAA per SB 826 (Leno), Chapter 23, Statutes of 2016 (\$15 million) | 13 | \$4,715,196 |
| Set-Aside for Contamination Related Projects - Allocation from CAA per SWRCB Resolution No. 2016-0039, July 19, 2016 (\$4 million) | 56 | \$3,813,890 |
| CAA for Urgent Drinking Water Needs - Continuous Authority per AB 339 (Mathis), Chapter 439, Statutes of 2017 | 22 | \$1,649,184 |
| Household Well Replacement Program - SB 108 (Committee on Budget and Fiscal Review), Chapter 54, Statutes of 2017 (\$8 million)** | 2 | \$5,000,000 |
| Drinking Water for Schools Grant Program - SB 828 (Committee on Budget and Fiscal Review), Chapter 29, Statutes of 2016 (\$9.5 million) (project totals here include water quality impairment only, not access) | 6 | \$643,787 |
| TOTAL PROJECTS | 401 | \$51,906,134 |
| TOTAL COMMUNITIES SERVED*** | | 265 |
| ESTIMATED TOTAL CONNECTIONS | | 139,209 |
| ESTIMATED TOTAL POPULATION | | 427,882 |

Source: SWRCB.

*The drinking water program was transitioned from the Department of Public Health to SWRCB on July 1, 2014. Prior to that date, approximately 84 projects (\$6,683,866) and 11 projects (\$2,556,182) were funded by the Proposition 84 and PWSDER allocations, respectively. The remaining 306 projects were funded after the transition.

**Of the \$15 million allocation in 2015, \$5 million was awarded to three non-profits to provide well replacements for households impacted by the drought. An additional \$5 million was awarded from the \$8 million allocation in 2017, and the remaining \$3 million of that 2017 allocation will likely be awarded for the same purpose. Households benefitting under these agreements are not included in the above estimates of connections and population served.

***Recipient Median Household Income (MHI) data was not historically tracked throughout this entire time period. However, based on available information, it can be concluded that the overwhelming majority of these funds went to disadvantaged communities.

The 2018-19 Budget. Last year, the Administration proposed, but the Legislature did not adopt, a SADW proposal, which would have done the following: (1) established the SADW Fund; (2) created a

SADW fee for all water customers statewide and three other fees for confined animal facilities, fertilizer, and dairy to address nitrates in groundwater; and, (3) given liability relief for agricultural operations from unlawful discharges of nitrate to groundwater and exempted them from nitrate-related enforcement actions, as specified.

Instead, the 2018-19 Budget Act provided \$23.5 million General Fund for allocation to safe drinking water actions, as follows:

- \$3.5 million for emergency water tanks for homes.
- \$10 million for emergency relief grants to household to fund well replacement, septic system replacement, permanent connections to public systems, well or septic abandonment, point-of-use and point-of-entry systems, and debt relief for households that have financed well replacement as a result of drought emergency. Of that amount, \$750,000 was to create a pilot program to provide grants for wells and septic replacements in households affected by wildfire and not covered by insurance.
- \$6.8 million for Safe Drinking Water for Schools grant program, which included up to \$1 million for technical assistance.
- \$200,000 for the implementation of AB 1577 (Gipson), Chapter 859, Statutes of 2018, to authorize SWRCB to order the Sativa Water District to accept full management and control by an administrator selected by SWRCB.
- \$3 million to conduct a needs assessment.

Last year, the Administration's trailer bill language was substantially similar to SB 623 (Monning), as amended August 21, 2017. That version of SB 623 was not heard in a policy committee and died in the Assembly Rules Committee.

LAO Comments. *Uncertain Extent to which Proposed Revenues Will Fully Address Problems.* The Administration has not completed an estimate of the total cost associated with bringing drinking water systems that are currently unable to meet water quality standards into compliance on an ongoing basis. SWRCB is currently conducting a study, pursuant to SB 862 (Committee on Budget and Fiscal Review), Chapter 449, Statutes of 2018, that is not expected to be completed until the fall of 2020. However, a private consulting firm estimated the total annual cost to address contaminated drinking water at roughly \$140 million (30 million for nitrate treatment and \$110 million for other contaminants). However, that estimate is highly uncertain given the lack of data, especially regarding the number of smaller water systems and domestic wells that fail to provide safe drinking water. It is possible that actual costs could be significantly higher or lower.

Most Charged Payers Would Not Be Beneficiaries of the Program. The main beneficiaries of the program would be people in disadvantaged communities and those served by smaller water systems. These water customers should get access to clean drinking water at lower cost to them than would otherwise be available to them without this program. The largest share of program costs, however, would be paid by water system ratepayers across the state (with certain exceptions for low-income persons and customers of systems with less than 200 connections). The majority of these ratepayers are served by systems that already provide SADW. Therefore, ratepayers of these systems are unlikely to benefit from the proposed program.

Most Charged Payers Would Not Be at Fault for the Contamination Being Mitigated. The vast majority of nitrate contamination is caused by agricultural activities such as fertilizer applications and animal operations such as dairies. The Administration's proposal to have agricultural entities pay charges to address the effects of nitrate contamination creates a link between operations that are the main source of the nitrate contamination and the entities that would pay charges to mitigate it. However, it is worth noting that some of the current nitrate contaminants in groundwater are not from current agricultural operations. Instead, some of these nitrates are legacy contamination that could be from as much as decades ago.

In addition, CDFA estimates the charges on dairies, fertilizer, and confined animal operations combined would total about \$19 million per year when fully implemented. (At the time the LAO analysis was prepared, the Administration had not completed a revenue estimate for the charge on confined animals.) Consequently, if the costs to mitigate nitrate-related contamination in drinking water exceeds the revenues generated by charges on agricultural entities, then nitrate-related contamination in drinking water could be addressed from revenues generated by the charge on water system customers rather than from agricultural entities.

Alternative Sources of Funding are Limited. Generally, alternative funding sources to pay for the Governor's SADW proposal are limited. The SADW program will require a steady ongoing funding stream to meet the state's commitment to provide long-term support for operations and maintenance for water systems. General Fund is an alternative funding source for the program. However, SADW would have to compete with other programs for funding from a limited amount of General Fund. To the extent that there are any reductions in General Fund support for the program, it could result in potentially serious threats to public health if the water systems benefiting from the program fall out of compliance with drinking water standards due to neglect. In contrast, the Governor's proposal would provide a dedicated revenue source for the program.

In addition, the LAO finds that bond funding would not be appropriate for this program because bonds provide a one-time fund source and should not be relied on as an ongoing fund source. Moreover, general obligation bonds are repaid from the General Fund with interest and, therefore, would cause this approach to be somewhat more expensive than direct appropriations from the General Fund. The LAO also notes that it has not identified any existing special funds that would be appropriate to support this program and would have sufficient available funds.

Safe Harbor Provisions Would Affect Enforcement Authority. The proposal's safe harbor provisions involve some policy trade-offs compared to the state's current enforcement approach. On the one hand, the proposal is structured to better ensure that significant funding is available for water quality mitigation throughout the state rather than to limited areas in the state. This is because the state's current enforcement approach generally relies on targeting individual or groups of polluters in a limited geographic area, and these enforcement actions can be administratively difficult to complete. For example, the state rarely issues a cleanup and abatement order for nitrate contamination (though it has reached settlements in two regions). On the other hand, under the proposal, the state would relinquish its authority to take certain enforcement actions –such as cleanup and abatement orders – against polluters if they are otherwise complying with their applicable permits and waivers. This would limit SWRCB's authority, and the Legislature will want to ensure that it is okay with this trade-off before approving the proposal.

Staff Comments. *Sharing a Common Goal.* The problem of being able to provide safe and affordable drinking water to all Californians has been grappled with for several years in the Legislature and by the Administration. The Governor's proposal, along with a similar proposal by the

Administration last year, SB 623 (Monning) from the 2017-18 legislative session, as well as other policy bills introduced this year, demonstrate the strong will and determination of the Legislature and Administration to establish a new fund with a steady source of funding to address the persistent issue of providing safe and affordable drinking water. It is the expectation of this subcommittee that this is the year to achieve that goal.

Source of Funding: Options. As noted above, the Governor’s proposal includes four charges, including three agricultural-related fees and a SADW “fee” on water consumers. In particular, the charge on water consumers is a tax pursuant to the Supermajority Vote to Pass New Taxes and Fees Act (better known as Proposition 26). Proposition 26 was approved by voters in November, 2010, and amended the state constitution to address state and local fees. Among the provisions of Proposition 26, the initiative required that state laws that result in *any* taxpayer paying a higher tax be approved by two-thirds of each house of the Legislature. Proposition 26 expanded the scope of what is considered a tax and includes specific exemptions for a charge from being considered a tax. The SADW fee on water consumers is a tax and requires a two-thirds vote by the Legislature. A tax has the flexibility to be diverted to other purposes – there are no guarantees that the SADW fee will always be used to fund purposes included in this proposal.

Alternatively, the General Fund may be considered a viable funding source to address this issue. A specified sum of General Fund may be transferred to a proposed SADW Fund as a dedicated, ongoing funding source. However, this too, has the same risk as a tax in that the moneys could be diverted to other purposes.

Another option for funding the proposed program could be a combination of charges and the General Fund. This may create a broader portfolio of funding sources to provide ongoing revenue.

The Road to the Goal. There are two main components to this proposal: (1) Establish the structure for the fund and implementation plan for use of moneys in that fund; and, (2) Determine the funding source. Creating the parameters for the plan, its main components, and the fund are best addressed through a policy bill and reviewed by policy committees. SB 200 (Monning) is the legislative bill for which these components should be reviewed and analyzed. For the second component, the budget process is appropriate for determining the funding source and how it fits within the state budget overall.

Staff Recommendation. Hold open.

Senator Bob Wieckowski, Chair
Senator Brian W. Jones
Senator Mike McGuire
Senator William W. Monning
Senator Henry I. Stern



Thursday, March 28, 2019
9:30 a.m. or upon adjournment of session
State Capitol – Room 112

Consultant: Joanne Roy

PART A

ISSUES FOR DISCUSSION

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

ISSUES FOR DISCUSSION

GREENHOUSE GAS REDUCTION FUND (GGRF)

OVERVIEW

Revenue and Fund Condition. According to the Legislative Analyst’s Office (LAO), the Governor’s budget:

- Assumes Cap-and-Trade revenue of \$2.6 billion in 2018-19 and \$2.1 billion in 2019-20.
- Proposes to spend a total of \$2.4 billion in 2019-20, including roughly \$1.1 billion in discretionary expenditures.
- Leaves less than \$100 million in the GGRF at the end of 2019-20.

On the other hand, LAO estimates revenue will be roughly \$800 million higher over the two-year period and, as a result, about \$450 million would remain unspent at the end of 2019-20.

There continues to be uncertainty about future revenue, making it appropriate to remain cautious when determining the overall amount of spending. However, under LAO’s revenue estimates, the Legislature could spend a somewhat higher amount in the budget year—a couple hundred million dollars, for example—and still maintain a healthy fund balance.

Background. *Cap-and-Trade Part of State’s Strategy for Reducing GHGs.* The Global Warming Solutions Act of 2006 (AB 32 (Núñez, Pavley), Chapter 488, Statutes of 2006) established the goal of limiting GHG emissions statewide to 1990 levels by 2020. Subsequently, SB 32, (Pavley), Chapter 249, Statutes of 2016, established an additional GHG target of reducing emissions by at least 40 percent below 1990 levels by 2030.

One policy the state uses to achieve these goals is cap-and-trade. The cap-and-trade regulation—administered by ARB—places a “cap” on aggregate GHG emissions from large emitters, such as large industrial facilities, electricity generators and importers, and transportation fuel suppliers. Capped sources of emissions are responsible for roughly 80 percent of the state’s GHGs. To implement the program, ARB issues a limited number of allowances, and each allowance is essentially a permit to emit one ton of carbon dioxide equivalent. Entities can also “trade” (buy and sell on the open market) the allowances in order to obtain enough to cover their total emissions.

Auction Revenue Has Been Volatile in Past, but Stable Since Program Extension. About half of the allowances are allocated for free to utilities and certain industries, and most of the remaining allowances are sold by the state at quarterly auctions. The allowances offered at quarterly auctions are sold for a minimum price—set at \$15.62 in 2019—which increases annually at five percent plus inflation. Revenue from the auctions is deposited in the GGRF.

Quarterly revenue has been relatively consistent, except in 2016 and early 2017 when auction revenue dropped substantially in a few auctions. This was because very few allowances offered by the state were purchased. Several factors likely contributed to this decrease in allowance purchases, including (1) an oversupply of allowances in the market because emissions were well below program caps and (2) legal uncertainty about the future of the program.

The Legislature subsequently passed AB 398 (E. Garcia), Chapter 135, Statutes of 2017, which effectively eliminated legal uncertainty about the future of the program by extending CARB's authority to continue cap-and-trade through 2030. Since then, quarterly auction revenue has consistently exceeded \$600 million—reaching about \$800 million in the most recent auctions.

Current Law Allocates Over 60 Percent of Annual Revenue to Certain Programs. Over the last several years, the Legislature has committed to ongoing or multiyear funding for a variety of programs, including:

- ***“Off-the-Top” Allocations to Backfill Certain Revenue Losses.*** AB 398 and subsequent legislation allocates GGRF to backfill state revenue losses from (1) expanding a manufacturing sales tax exemption and (2) suspending a fire prevention fee that was previously imposed on landowners in State Responsibility Areas (SRA fee). Under current law, both of these backfill allocations are subtracted—or taken off the top—from annual auction revenue before calculating the continuous appropriations discussed below. These allocations are roughly \$100 million annually.
- ***Continuous Appropriations.*** Several programs are automatically allocated 60 percent of the remaining annual revenue. State law continuously appropriates annual revenue (minus the backfills taken off the top) as follows: (1) 25 percent for the state's high-speed rail project, (2) 20 percent for affordable housing and sustainable communities grants (with at least half of this amount for affordable housing), (3) 10 percent for intercity rail capital projects, and (4) 5 percent for low carbon transit operations.

The remaining revenues—sometimes referred to as “discretionary”—are allocated through the annual budget process, and funds generally support activities intended to facilitate GHG reductions. Historically, some of these expenditures have been allocated on a one-time basis, while other programs have been allocated funding on a multiyear basis.

The Governor's Budget Assumes \$2.1 Billion of Revenue in 2019-20. The budget assumes cap-and-trade auction revenue of about \$2.6 billion in 2018-19 and \$2.1 billion in 2019-20. According to DOF, the 2018-19 amount continues the revenue assumption used when the budget was adopted last year. The 2019-20 amount is based on an assumption that all allowances offered by the state will sell at the minimum auction price.

The table below summarizes the Governor's proposed framework for GGRF revenue and expenditures.

Summary of GGRF Fund Condition Under Different Auction Revenue Estimates

| | Governor's Estimates | | LAO's Estimates | |
|-----------------------------|----------------------|---------|-----------------|---------|
| | 2018-19 | 2019-20 | 2018-19 | 2019-20 |
| Beginning Balance | \$620 | \$272 | \$620 | \$518 |
| Revenue | \$2,675 | \$2,200 | \$3,200 | \$2,500 |
| Auction revenue | 2,575 | 2,100 | 3,100 | 2,400 |
| Investment income | 100 | 100 | 100 | 100 |
| Expenditures and Transfers | \$3,023 | \$2,390 | \$3,302 | \$2,569 |
| "Off-the-top" backfills" | 71 | 130 | 71 | 130 |
| Continuous appropriations | 1,502 | 1,182 | 1,781 | 1,381 |
| Discretionary expenditures" | 1,450 | 1,078 | 1,450 | 1,078 |
| End Balance | \$272 | \$82 | \$518 | \$448 |

*Assumes Governor's 2019-20 spending proposals are adopted.
GGRF = Greenhouse Gas Reduction Fund.

* Source: LAO

\$2.4 Billion Expenditure Plan Spends Most of Available Funds. Based on the Governor's revenue estimates, the budget allocates a total of about \$2.4 billion GGRF in 2019-20 for various programs—including off-the-top backfills, continuous appropriations, and discretionary spending. This spending comes from anticipated 2019-20 revenue, plus some unspent funds that carryover from 2018-19. Under the Governor's proposal and revenue assumptions, about \$80 million would remain unallocated at end of 2019-20.

Budget Includes About \$500 Million in Multiyear Discretionary Spending. Of the \$1.1 billion in proposed discretionary spending in 2019-20, almost \$500 million consists of multiyear discretionary spending commitments made in past years—such as the Clean Vehicle Rebate Project (CVRP) (\$200 million), forest health (\$165 million), prescribed fire and fuel reduction (\$35 million), and administrative costs (\$60 million). Most of the remaining discretionary allocations would be on a one-time basis.

Budget Bill Language Provides DOF Authority to Reduce Certain Allocations. Similar to last year's budget, the Administration proposes budget bill language (BBL) that does the following:

- Restricts certain discretionary programs from committing more than 75 percent of their allocations before the fourth auction of 2019-20.
- Gives DOF authority to reduce these discretionary allocations after the fourth auction if auction revenues are not sufficient.

In addition, DOF must notify the Joint Legislative Budget Committee (JLBC) of these changes within 30 days. This BBL is meant to ensure the fund remains solvent if revenue is lower than estimated.

The allocations that DOF could reduce include:

- Air pollution reduction (AB 617) incentives
- Heavy-duty and freight equipment programs
- Transportation equity projects
- Transformative Climate Communities Program
- Waste diversion grants and loans
- Agricultural equipment upgrades

Other discretionary programs would continue to be funded at budgeted levels under this scenario.

LAO Recommendations. *Ensure Multiyear Discretionary Expenditures Do Not Exceed \$900 Million.* If cap-and-trade allowance prices remain near the minimum over the next few years, annual auction revenue would not support annual discretionary spending above \$900 million. As a result, LAO recommends the Legislature ensure its multiyear GGRF spending commitments do not exceed about \$900 million annually.

The Governor's budget includes about \$500 million in multiyear discretionary GGRF spending commitments—substantially less than \$900 million. However, although some of the discretionary programs are technically budgeted on a one-year basis, in some cases, these programs have received consecutive years of funding and the program activities are expected to continue into the future. For example, roughly \$300 million annually has been allocated to AB 617 activities in prior years and many of the activities are expected to continue. This adds a long-term cost pressure on the fund that is not reflected in the \$500 million multiyear allocations in the Governor's budget.

Modify BBL to Ensure Legislative Priorities Are Funded if Revenue Is Lower Than Expected. The LAO recommends the Legislature adopt BBL that ensures the GGRF remains solvent even if revenue comes in lower than projected and that ensures funding goes to its highest priority programs under such a scenario. The Governor's proposal is a reasonable starting point for such a strategy. However, the Legislature could modify the proposed BBL in a way that maintains budgeted funding levels for a different mix of programs that are more consistent with its priorities.

In order to determine how best to modify the proposed BBL, the LAO recommends that the Legislature direct DOF to report in budget hearings on what criteria it will use to determine when revenue is insufficient and how it plans to reduce allocations to various programs under that scenario.

Based on this information, the Legislature could consider providing more specific direction to DOF. For example, for programs that would not maintain their budgeted funding levels, the Legislature could direct DOF to make proportional reductions. Another option would be for the Legislature to use funding "buckets" that designate which programs receive allocations first, and which programs receive allocations only if sufficient revenue is collected.

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| Issue 1: 2019-20 Cap-and-Trade Expenditure Plan |
|--|

Governor's Proposal. The Governor's budget proposes a \$2.4 billion expenditure plan, including over \$1 billion in discretionary spending. The following table reflects the Cap-and-Trade spending plan approved in last year's budget act for 2018-19 compared to the Governor's proposed spending plan for 2019-20.

| Cap-and-Trade Expenditure Plan | | | | |
|---|------------------------------------|----------------|----------------|--|
| <i>(In Millions)</i> | | | | |
| Program | Department | 2018-19 | 2019-20 | |
| Continuous Appropriations | | \$1,502 | \$1,182 | |
| High-speed rail | High-Speed Rail Authority | 626 | 492 | |
| Affordable housing and sustainable communities | Strategic Growth Council | 501 | 394 | |
| Transit and intercity rail capital | Transportation Agency | 250 | 197 | |
| Transit operations | Caltrans | 125 | 98 | |
| Other Existing Spending Commitments | | \$109 | \$178 | |
| SRA fee backfill | CalFire/Conservation Corps | 31 | 87 | |
| State administrative costs | Various | 38 | 48 | |
| Manufacturing sales tax exemption backfill | N/A | 41 | 44 | |
| Discretionary Spending | | \$1,416 | \$1,030 | |
| Mobile Source Emissions | | | | |
| Clean Vehicle Rebate Project | Air Resources Board | 200 | 200 | |
| Heavy duty vehicle and off-road equipment programs | Air Resources Board | 180 | 132 | |
| Low-income light duty vehicles and school buses | Air Resources Board | 75 | 50 | |
| Low-carbon fuel production | Energy Commission | 13 | - | |
| AB 617 Local Air Pollution Reduction | | | | |
| Local air district programs to reduce air pollution | Air Resources Board | 245 | 200 | |
| Local air district implementation costs | Air Resources Board | 20 | 20 | |
| State implementation costs | Air Resources Board | 15 | 16 | |
| Technical assistance to community groups | Air Resources Board | 10 | 10 | |
| Agriculture | | | | |
| Agricultural diesel engine replacements | Air Resources Board | 112 | 25 | |
| Methane reductions from dairies | Food and Agriculture | 99 | 25 | |
| Healthy Soils | Food and Agriculture | 5 | 18 | |
| Incentives for food processors | Energy Commission | 64 | - | |
| Agricultural renewable energy | Energy Commission | 4 | - | |
| Forestry | | | | |
| Forest health and fire prevention (SB 901) | CalFire | 160 | 165 | |
| Prescribed fire and fuel reduction (SB 901) | CalFire | 30 | 35 | |
| Wildfire prevention package implementation costs | CalFire and Air Resources Board | - | 13 | |
| Local fire response | Office of Emergency Services | 25 | - | |
| Regional forest restoration projects | Natural Resources Agency | 20 | - | |
| Urban forestry | CalFire | 5 | - | |
| Other programs | | | | |
| Transformative Climate Communities | Strategic Growth Council | 40 | 40 | |
| Workforce training | Workforce Development Board | - | 27 | |
| Waste diversion | CalRecycle | 25 | 25 | |
| Climate and energy research | Strategic Growth Council | 18 | 10 | |
| Low-income weatherization | Community Services and Development | 10 | 10 | |
| Energy Corps | Conservation Corps | 6 | 6 | |
| Coastal adaptation | Various | 5 | 3 | |
| Urban greening | Natural Resources Agency | 20 | - | |
| Wetland restoration | Fish and Wildlife | 5 | - | |
| Woodstove replacements | Air Resources Board | 3 | - | |
| Technical assistance for disadvantaged communities | Strategic Growth Council | 2 | - | |
| Total | | \$3,027 | \$2,390 | |

*Source: LAO

\$2.4 Billion Spending Plan Largely Continues Funding for Existing Programs. The Governor’s budget proposes a \$2.4 billion 2019-20 cap-and-trade spending plan. The overall amount is about \$650 million less than 2018-19, largely because estimated revenue is \$475 million lower (discussed above). The large majority of funding would go to programs that the Legislature committed to funding. This includes:

- \$130 million for the off-the-top revenue backfills for the AB 398 manufacturing sales tax exemption and SRA fee suspension.
- \$1.2 billion for continuously appropriated programs.
- \$486 million for discretionary programs where the Legislature previously indicated a commitment to providing a certain amount of funding—either in statute or in the budget.

The remaining \$593 million would go to other discretionary programs—many of which received funding on a one-time basis in 2018-19. In a few instances, the budget includes funding to expand existing GGRF programs or provide funding for programs that did not previously receive GGRF. These include: (1) \$27 million for a new workforce development program, (2) \$18 million to expand the Healthy Soils Program, and (3) \$13 million to implement various wildfire prevention bills passed in 2018.

Background. *Use of Cap-and-Trade Auction Revenue.* State law specifies that the auction revenues must be used to facilitate the achievement of measurable GHG emissions reductions and outlines various categories of allowable expenditures. Statute further requires DOF, in consultation with ARB and any other relevant state agency, to develop a three-year investment plan for the auction proceeds, which are deposited in the GGRF. ARB is required to develop guidance for administering agencies on reporting and quantifying methodologies for programs and projects funded through the GGRF to ensure the investments further the regulatory purposes of AB 32.

Several bills have provided legislative direction for the expenditure of cap-and-trade auction proceeds to help California achieve its climate goals and provide benefits to disadvantaged communities.

Legal Consideration of Cap-and-Trade Auction Revenues. Policy committees in both the Senate and Assembly have written about the legal constraints of spending GGRF moneys for various purposes; those constraints include Proposition 13 (1978), Proposition 26 (2010), and the Third District Court of Appeal decision in *California Chamber of Commerce v. State Air Resources Bd.*, the latter of which is the current controlling determination.

The Third District Court of Appeal opinion held “that the auction sales do not equate to a tax” explaining that “the hallmarks of a tax are: 1) that it is compulsory; and 2) that the payor receives nothing of particular value for payment of the tax, that is, the payor receives nothing of specific value for the tax itself. Contrary to plaintiffs’ view, the purchase of allowances is a voluntary decision driven by business judgments as to whether it is more beneficial to the company to make the purchase than to reduce emissions ... these twin aspects of the auction system, voluntary participation and purchase of a specific thing of value, preclude a finding that the auction system has the hallmarks of a tax.”

The appellate court also found that “the purchase of emissions allowances, whether directly from the Board at auction or on the secondary market, is a business driven decision, not a governmentally compelled decision [and] unlike any other tax ... the purchase of an emissions allowance conveys a

valuable property interest—the privilege to pollute California’s air—that may be freely sold or traded on the secondary market.”

As a result, the appellate court found that “the Sinclair Paint test is not applicable [to the cap-and-trade program], because the auction system is unlike other governmental charges that may raise the “tax or fee” question resolved thereby. The system is the voluntary purchase of a valuable commodity and not a tax under any test.”

Legislative Counsel Opinions. In a written opinion on March 20, 2018, Legislative Counsel opined on the lawful appropriation of GGRF moneys in light of the recently approved AB 398 (E. Garcia, Chapter 135, Statutes of 2017). Legislative Counsel determined that AB 398 satisfied two parts of the three part “benefit or privilege exemption” test to determine whether a charge is a fee or a tax (a fee requires a lower vote threshold to pass and puts a special trust on the money, which then cannot be used for general fund purposes). In determining that AB 398 passed the first two parts of the test, Legislative Counsel wrote, “because the payment of the cost to purchase an emissions allowance confers a valuable property interest that consists of the privilege to pollute air, we conclude that the cap-and-trade charge is imposed for the granting of a privilege and therefore satisfies,” part one of the test and part two is satisfied because, “under the cap-and-trade program, the privilege of being a large emitter of GHGs ‘is not provided to those not charged.’”

As for whether the requirement that a charge not exceed the reasonable costs to the state of granting the privilege to the payer, Legislative Counsel wrote, “in determining whether a charge was imposed for revenue purposes, courts generally look to the authorized uses of those funds. In particular, the generation of general fund revenue signals that a charge was imposed for revenue purposes and is therefore a tax ... we note that a portion of the revenue from the auction of emission allowances [under AB 398] is required to be transferred from [GGRF] to the General Fund on an annual basis ... in addition, the transfers from the GGRF to the General Fund must be made in amounts identical to the amount of revenue loss to the state attributable to the tax exemptions provided or extended by AB 398, some of which do not bear a reasonable relationship to reducing GHG ... accordingly, it is our opinion that AB 398 imposed a tax pursuant to article XIII A, section 3.”

As for the nature of cap-and-trade auction revenues, Legislative counsel wrote, “In the context of AB 398, it is our view that the Legislature changed the character of the cap-and-trade charge from a fee to a tax by granting new authority for the cap-and-trade charge and changing the purposes for which the revenue from the charge may be appropriated to incorporate General Fund expenditures. Moreover, because the bill received a two-thirds vote in each house of the Legislature, it is a validly enacted tax.

As for when the conversion from special fund to general fund moneys occurs, Legislative Counsel wrote, “by granting new authority for the charge for the period of January 1, 2021, through December 31, 2030 ... [and] because this new authority does not commence until January 1, 2021 ... it is our opinion that *the operative date of the tax imposed by AB 398 is January 1, 2021*, when the regulations that make programmatic changes to the cap-and-trade program become operative.” (*Emphasis added.*)

With regard to revenues raised prior to January 1, 2021, Legislative Counsel determined, “that the *revenue generated by the cap-and-trade charge before January 1, 2021*, is special fund revenue that *may be expended only for purposes that reasonably relate to the reduction of GHG emissions*. On and after January 1, 2021, the revenue generated by the cap-and-trade charge constitutes General Fund revenue that may be appropriated for any lawful purpose.” (*Emphasis added.*)

LAO Assessment. *Revenue Likely Somewhat Higher Than Budget Assumes . . .* The LAO estimates auction revenue will be about \$3.1 billion in 2018-19 and \$2.4 billion in 2019-20—or about \$800 million higher over the two-year period. LAO’s estimates assume that almost all allowances sell at the minimum auction price—consistent with recent market trends. Although the Administration indicates that it makes a similar assumption in 2019-20, LAO’s estimates are about \$300 million higher in that year. The difference is primarily because LAO estimates that about 16 million more allowances will be offered during the budget year based on updated estimates of available allowances.

. . . *But Revenue Uncertainty Continues.* There are a wide variety of factors that contribute to revenue uncertainty. Revenue is primarily driven by demand for allowances and market prices. The overall demand for allowances and prices will depend on economic conditions, technological advancements, future regulatory actions, and market expectations about these various factors. All of these factors are highly uncertain and, as a result, revenue could be higher or lower than LAO’s projections. For example, revenue could be lower if companies do not purchase all of the allowances offered at auctions. There will be more allowances available than companies need in order to comply with the regulation in the next few years. As a result, if a sufficient number of businesses do not want to purchase and hold onto allowances for future years (also known as “banking”), then some of the allowances offered in the near term might not be purchased. On the other hand, if businesses anticipate that prices will rise substantially in the future, this could increase demand for allowances and increase near-term prices. This could increase revenue substantially.

Revenue Likely Could Support Somewhat Higher Spending, but Reasons to Be Cautious. The LAO estimates the Governor’s spending plan would leave about \$450 million in the fund at the end of 2019-20. Given the revenue uncertainty discussed above, LAO thinks the Legislature should be cautious when adopting a GGRF spending plan. However, based on LAO’s revenue projections, the Legislature could allocate some additional funds in 2019-20, while still leaving a healthy fund balance. For example, under LAO’s revenue assumptions, the Legislature could allocate an additional \$200 million while also leaving about \$250 million in the fund for future years. This fund balance would be about 25 percent of annual discretionary revenue. As a percentage of annual revenue, the fund balance is higher than many other state funds, which is prudent given the revenue uncertainty. The Legislature will also want to consider the amount of revenue that will be available in future years when adopting its spending plan, particularly multiyear funding proposals.

Future Discretionary Revenue Might Not Exceed \$900 Million Annually. If nearly all allowances continue to sell at the floor price, revenue over the next few years will be roughly \$2.4 billion annually. After allocating funds for the off-the-top backfills and continuous appropriations, about \$900 million annually would be left for discretionary programs. The Governor’s budget includes about \$500 million in multiyear discretionary spending.

Details of BBL Important, Particularly if Legislature Allocates More Money. If 2019-20 auction revenues are not sufficient to cover budget allocations, the Governor’s proposed BBL would give DOF authority to reduce allocations for certain programs, while maintaining budgeted funding levels for other programs. This effectively prioritizes funding for certain programs over other programs if revenue is lower than expected. In concept, the BBL is a reasonable way to ensure the fund remains solvent. Such a strategy is particularly important if the Legislature allocates substantially more money than the Governor is proposing. However, the Legislature will want to adopt language that ensures that funding for its highest priority programs are prioritized if revenue comes in lower than projected.

Some of the specific details of how DOF will implement the BBL are unclear at the time of this report. For example, the BBL does not specify (1) what criteria DOF will use to determine whether there is

insufficient revenue to cover the proposed allocations, or (2) how it would reduce funding for the remaining programs that are not guaranteed to maintain their budgeted funding level.

LAO Comments. *Legislative Direction on GGRF Spending.* Various statutes enacted over the last several years direct the use of cap-and-trade auction revenue. For example:

- Auction revenues must be used to further the purposes of AB 32 and facilitate GHG emission reductions.
- At least 35 percent must be spent on projects that benefits disadvantaged communities and/or low-income households. The California Environmental Protection Agency identifies disadvantaged communities based on various factors related to environmental quality and socio-economic characteristics.
- Roughly 60 percent of annual revenue is continuously appropriated to certain programs.
- AB 398 and subsequent legislation allocated funds to backfill revenue losses from expanding a manufacturing sales tax exemption and suspending the SRA fee.
- AB 398 also expressed the Legislature’s intent that GGRF be used for a variety of priorities, including reducing toxic and criteria air pollutants, low carbon transportation alternatives, sustainable agriculture, healthy forests, reducing short-lived climate pollutants, climate adaptation, and clean energy research.

Healthy Soils Program Expansion Consistent With Natural and Working Lands Plan. SB 1386 (Wolk), Chapter 545, Statutes of 2016, identified the protection and management of natural and working lands as an important strategy in meeting the state’s GHG reduction goals. Natural and working lands include forests, wetlands, parks, agricultural lands, and rangelands. SB 1386 also directed state agencies to consider carbon sequestration when establishing regulations and financial assistance to promote protection and management of natural and working lands. In addition, the 2017 Scoping Plan—in which ARB identifies the mix of policies that will be used to achieve the state’s GHG reduction goals—established a goal to reduce GHG emissions from natural and working lands by at least 15 million metric tons of carbon dioxide equivalent by 2030. Subsequently, ARB worked with other state agencies to release a draft Natural and Working Lands Climate Change Implementation Plan in January 2019. The plan includes a variety of conservation and management goals intended to increase the amount of carbon sequestered in plants and soil, such as increasing the use of agricultural management practices that increase soil carbon on at least 42,000 acres each year. These management practices include (1) applying compost, (2) cover cropping, (3) no-till farming, and (4) mulching. For context, there are about 25 million acres of agricultural land in California.

The budget proposes \$18 million on a one-time basis for the Healthy Soils Program. This is \$13 million more than what was provided in 2018-19. The Healthy Soils Program funds incentives and demonstration projects for agricultural management practices that have potential to increase carbon sequestration and productivity. So far, most of this funding has gone to encourage compost application and cover cropping. Based on the average costs of incentives provided in past years, the Administration estimates that about \$18 million would be needed to encourage these alternative management practices on about 42,000 acres.

Basic Information About Expected Projects and Outcomes Still Lacking. As shown in the table below, the Administration has provided limited quantitative information about what outcomes it expects to accomplish with the proposed funding amounts. The table below focuses on new discretionary spending proposals. The amount of information varies by program. Some departments have provided estimates of the number of projects that would be funded and estimated outcomes—such as GHG reductions—from those projects. The Administration has not provided quantitative information for other programs.

Selected New 2019-20 Spending Proposals— Number of Projects and Outcomes

| Program | Expected Projects and/or Outcomes |
|--|---|
| AB 617 incentives | Not available. |
| Heavy-duty vehicle and off-road equipment programs | Not available. |
| Low-income light-duty vehicles and school buses | Not available. |
| Transformative Climate Communities | Community-proposed projects that reduce an estimated 40,000 tons of CO ₂ e. |
| Workforce development | Add a total of 5,000 pre-apprenticeship slots in construction or other jobs in climate-impacted industries over a five-year period. |
| Agricultural diesel engine replacements | Not available. |
| Methane reductions from dairies | 5 to 7 dairy digester projects to reduce an estimated total of 100,000 to 140,000 tons of carbon dioxide equivalent per year; 8 to 11 alternative manure management projects that reduce an estimated total of 15,000 to 27,500 tons of CO ₂ e per year. |
| Waste diversion | Not available. |
| Healthy Soils | 18,750 to 22,500 acres of agricultural land managed to sequester carbon to reduce an estimated 38,000 to 47,000 tons of CO ₂ e per year. |
| Climate and energy research | Not available. |
| Low-income weatherization | Not available. |

CO₂e = carbon dioxide equivalent.

*Source: LAO

In some cases, departments provided an explanation for why they were unable to provide this information. For example, ARB indicated that the number of projects, and associated emission reductions, from its heavy-duty and freight programs depend on future ARB decisions about how it will allocate the funds between different subprograms (vouchers, demonstrations, and pilots). Also, ARB indicates that it does not have complete information about how past funding allocated to local air districts has been used, making it difficult to produce estimates for future spending. In other cases, departments did not provide an explanation for why it could not provide information on expected outcomes.

The lack of information about expected outcomes limits the Legislature's ability to evaluate the merits of each program, making it more difficult to ensure funds are allocated in a way that is consistent with its priorities and achieves its goals most effectively. By not having this information before programs are implemented, it also limits the Legislature's ability to hold departments accountable when evaluating the performance of these programs after they are implemented.

Program Adjustments Will Likely Be Needed Under Proposed Funding Amounts. Some departments will likely have to adjust the current structure of their programs to stay within their proposed budget allocations. For example, the budget proposes \$132 million for ARB's heavy-duty vehicle and freight programs, which is \$48 million less than what was provided in the current year. ARB's current heavy-duty incentive programs include vouchers for commercially available vehicles, as well as pilot

and demonstration programs for technologies that are still being developed and tested. Under the proposed lower levels of funding, ARB will likely have to reprioritize funding among incentives, pilots, and demonstrations.

Also, the budget includes \$200 million to ARB for the CVRP, which provides rebates for battery electric, plug-in hybrid, and hydrogen fuel cell vehicles. This amount is consistent with last year's budget agreement to provide \$200 million annually to CVRP. However, ARB projects that \$210 million to \$280 million would be needed to meet demand for CVRP vehicle rebates in 2019-20. As a result, ARB might have to adjust the structure of the program in order to remain within the proposed funding amount. For example, it might have to reduce the amount of rebates or change the individuals or vehicles that are eligible for rebates. For both heavy-duty incentives and CVRP, ARB plans to use a public process over the next several months to determine how to prioritize these incentive funds and make necessary programmatic changes.

LAO Recommendations. The LAO recommends the Legislature ensure multiyear discretionary spending commitments do not exceed \$900 million annually—the maximum amount that could be supported by future revenue if recent trends in allowance prices continue. The LAO also recommends the Legislature modify the proposed budget bill language to ensure the Legislature's highest priorities are funded if revenue falls below projections.

The LAO recommends the Legislature direct the Administration to report on the following information at budget hearings:

- Expected outcomes that will be achieved with the proposed funding;
- Any programmatic adjustments to existing programs that might be needed in order to stay within their proposed allocations;
- Additional information on the proposal to expand workforce apprenticeship programs, including key outcomes of the apprenticeship programs and how it will ensure participants are connected to career jobs; and,
- Additional information about the new worker transition pilot, including how the California Workforce Development Board (CWDB) plans to expand the program in the first several years and whether \$5 million is the correct funding level during this initial ramp-up.

Based on this information, the LAO recommends the Legislature allocate funds based on its highest priorities.

Direct Administration to Provide Additional Information on Spending Proposals. The LAO recommends the Legislature direct the Administration to report on the following information at spring budget hearings:

- ***Expected Outcomes.*** The LAO recommends the Legislature direct the Administration to report on key metrics and outcomes it expects to achieve with new proposed discretionary spending. This information could help the Legislature evaluate the merits of these proposals and, in the future, hold departments accountable by comparing the projected outcomes to the actual outcomes achieved. The LAO recognizes that it may be difficult for some departments to accurately predict some of the key outcomes at this point. However, in LAO's view, even basic information—such as the expected number of different projects funded—could provide

the Legislature with helpful information as it weighs its different GGRF spending priorities. If the Administration is unable to provide such information for certain programs, the Legislature could consider adjusting allocations to those programs downward accordingly.

- ***Necessary Funding Adjustments.*** The LAO recommends the Legislature direct the Administration to report on key adjustments to existing programs it is considering in 2019-20. For example, how will ARB prioritize funding between heavy-duty vehicle vouchers, pilots, and demonstrations? How will ARB adjust the CVRP program to ensure spending does not exceed the proposed budget? Based on this information, the Legislature could consider providing more specific direction on these program changes to ensure they are consistent with legislative priorities, or adjusting funding amounts provided to different programs.

Allocate Funds According to Legislative Priorities. When allocating funds among different programs, the LAO recommends the Legislature first consider its highest priorities. These priorities could include such things as GHG reductions, improved local air quality, forest health and fire prevention, and climate adaptation. Once the Legislature has identified its priorities, it can then attempt to allocate the funds to the programs that achieve those goals most effectively.

For example, to the extent the Legislature considers GHG emission reductions the highest priority use of the funds, the Legislature will want to allocate funding to programs that achieve the greatest GHG reductions. As the LAO has discussed in previous reports, determining which programs achieve the greatest amount of net GHG reductions is challenging for a variety of reasons. For example, many of the spending programs interact with other regulatory programs in ways that make it complicated to evaluate the net GHG effects of any one program. However, even with this uncertainty, the Legislature might want to consider focusing on spending strategies that are generally more likely to reduce emissions in a cost-effective way. This includes focusing on reductions from sources of emissions that are not subject to the cap-and-trade regulation and targeting other “market failures” that are not addressed by carbon pricing, such as expanding research and development activities.

In addition, since California represents only about one percent of global GHG emissions, some of the most significant impacts California programs will have on global GHGs could depend on the degree to which state programs influence the adoption of policies and programs in other parts of the country and world. As a result, the Legislature might want to evaluate each program, in part, based on its assessment of its potential effects on actions elsewhere. For example, state programs that effectively serve as policy demonstrations for other jurisdictions and programs that promote advancements in GHG-reducing technologies that can be used in other jurisdictions are likely to have a more substantial effect on GHG emissions.

Staff Recommendation. Hold open.

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| Issue 2: Cap-and-Trade Expenditure Plan: Workforce Development Training & Apprenticeships |
|--|

Governor’s Proposal. The Governor’ budget proposes 11 positions and \$27 million in 2019-20 and 2020-21, and \$25.5 million in 2021-22, 2022-23, and 2023-24 GGRF to develop, administer, and fund a suite of policy and program investments that increase access to jobs for disadvantaged populations and help workers, companies, and communities build partnerships, skills training, and, in some cases, restructure work related to reducing greenhouse gas emissions.

| Component | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 | Total |
|---|--------------|--------------|----------------|----------------|----------------|-----------------|
| High Road Construction Careers | \$10 Million | \$10 Million | \$10 Million | \$10 Million | \$10 Million | \$50 Million |
| High Road Training Partnerships | \$10 Million | \$10 Million | \$10 Million | \$10 Million | \$10 Million | \$50 Million |
| California Worker Transition | \$5 Million | \$5 Million | \$5 Million | \$5 Million | \$5 Million | \$25 Million |
| Workgroup, Administration and Technical Support | \$2 Million | \$2 Million | \$500,000 | \$500,000 | \$500,000 | \$5.5 Million |
| | \$27 Million | \$27 Million | \$25.5 Million | \$25.5 Million | \$25.5 Million | \$130.5 Million |

Background. *\$27 Million for New Workforce Training Programs.* The Cap-and-Trade spending plan provides \$27 million in 2019-20—and similar amounts annually for the following four years—to CWDB to expand two existing pre-apprenticeship projects and to start a new worker transition initiative. Consistent with statewide workforce training policy, these pre-apprenticeship slots would be prioritized for disadvantaged job seekers. Disadvantaged workers are individuals with barriers to employment, including low-skill, low-wage workers, the long-term unemployed, and members of single-parent households. Specifically, the plan would fund the following programs:

- **High Road Construction Careers (HRCC).** Provides \$10 million annually for five years to add a total of 3,000 pre-apprenticeship slots within the existing HRCC project. The HRCC project funds pre-apprenticeship slots that prepare disadvantaged workers for apprenticeship programs in construction and the building trades. Apprenticeships are paid on-the-job training programs that are intended to lead to careers in the building trades.
- **High Road Training Partnership (H RTP).** Provides \$10 million annually for five years to expand the training partnership by adding a total of 2,000 pre-apprenticeship slots. The H RTP is a pre-apprenticeship demonstration project for nonconstruction industries that have been affected by the state’s efforts to reduce GHGs. The Administration indicates that these industries include healthcare, manufacturing, public transit, water, and utilities. One example of an H RTP project is an apprenticeship that trains bus service technicians (who clean buses and do light maintenance) to become electric bus mechanics.
- **Worker Transition Fund Initiative Pilot.** The plan would also provide \$5 million annually for five years to pilot a new worker transition initiative and begin a “Workgroup on the Future of Work.” Through the Worker Transition Fund, the state would provide income support, retraining, and, in some cases, relocation assistance to workers in industries—such as oil, gas, and nuclear power—that have been affected by technology and the state’s efforts to reduce

GHGs. The pilot phase would commence in one or two regions after the completion of a labor market study and community assessment. Additionally, the Workgroup on the Future of Work would be tasked with assessing how GHG reduction policies impact the labor market and making recommendations to address how automation, artificial intelligence, and other technological changes affect the state's labor markets.

LAO Comments. *Apprenticeship Programs Focus on Access to Careers Rather Than Reductions in GHG Emissions.* The Governor's proposal to expand workforce training programs would expand the number of pre-apprenticeship slots intended to lead to new careers in construction. It would also expand the number of nonconstruction training programs that teach existing staff new skills that could be used to meet to the state's efforts to reduce GHGs. Due to this focus, and unlike most programs that are funded in the expenditure plan, the workforce proposals would not likely have the effect of reducing GHG emissions directly. That said, the proposal's focus on access to career jobs for disadvantaged workers is generally consistent with other legislative direction regarding workforce development and climate policy. For example, AB 398 requires CWDB to report to the Legislature on the need for increased education, job training, and workforce development resources to help transition to economic and labor-market changes related to statewide GHG goals. According to CWDB, this report is expected to be finalized soon and the budget proposal is consistent with the findings of the report.

Some additional information about the existing pre-apprenticeship programs could be helpful for the Legislature as it evaluates the merits of this proposal. For example, it is unclear what key outcomes the programs have achieved, such as the number of trainees enrolled, trained, and hired into careers. In addition, it is currently unclear (1) how much funding might be needed to ensure there is an adequately trained workforce in light of changes caused by the state's climate policies and (2) whether there is adequate capacity within communities to expand the apprenticeship programs in the budget year consistent with the amount being proposed. The apprenticeship programs are administered by local partnerships—typically community-based organizations—and it might be a challenge to build the capacity to substantially expand the number of those partnerships in the budget year.

Five-Year Funding for Worker Transition Pilot Could Be Premature. The CWDB is developing its plan for the worker transition initiative pilot. Based on the LAO's understanding of the pilot, funding would initially be used to identify potential sites and partner organizations, after which a labor market study would be prepared for each site. The pilot project would begin in selected sites after the completion of the study component. As such, it may be several years before the pilot begins. It is also unclear whether \$5 million is the right level at which to fund the pilot, since the sites have not yet been identified and the study has not been completed. Given that the pilot may not begin for one or more years, funding the pilot with \$5 million annually for five years could be premature.

Direct Administration to Provide Additional Information on Spending Proposals. The LAO recommends the Legislature direct the Administration to report on the following information at spring budget hearings:

- ***Expanding Apprenticeship Programs.*** The LAO recommends that the Legislature require the CWDB to report at budget hearings on the key outcomes of the HRCC and HRTP programs to date. Key outcomes include the number of trainees enrolled, trained, and hired into careers. The Legislature may also wish to ask the CWDB about the challenges it expects to face in regard to local capacity to expand these programs. Additionally, the Legislature should ask the CWDB how it plans to ensure that (1) apprenticeship and pre-apprenticeship participants represent disadvantaged communities, (2) participants are connected to career jobs in

construction and other fields following training, and (3) regular updates regarding the outcomes of these efforts are provided to the Legislature.

- ***Worker Transition Pilot.*** Given the preliminary nature of the worker transition fund initiative, the LAO recommends that the Legislature seek additional information about how the CWDB plans to move forward with the pilot and whether it will be able to expend the \$5 million annually, especially in the first several years. If the Legislature wishes to move forward with the pilot project, it may want to consider funding a lower amount for planning efforts for the pilot over the next one or two years so that it can maintain closer oversight. Once presented with the results of the labor market study and the community assessments, the Legislature could determine the right level of funding to begin the pilot. The LAO also encourages the Legislature to seek additional details about how the pilot fits within the CWDB's vision for the state's workforce goals as efforts to reduce GHGs continue, and the overall state needs. Finally, the LAO would suggest that the Legislature require the CWDB to provide an update annually on the planning, progress, and results of the pilot at budget hearings in future years.

Staff Recommendation. Reject without prejudice.

Senator Bob Wieckowski, Chair
Senator Brian W. Jones
Senator Mike McGuire
Senator William W. Monning
Senator Henry I. Stern



Thursday, March 28, 2019
9:30 a.m. or upon adjournment of session
State Capitol – Room 112

Consultant: James Hacker

PART B

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

VOTE-ONLY CALENDAR

3360 ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION

Issue 1: Electric Vehicle Charging Infrastructure Assessment (AB 2127)

Governor's Proposal. The budget requests two permanent positions and \$283,000 annually from the Alternative and Renewable Fuel and Vehicle Technology Fund (3117) to implement the requirements of Assembly Bill 2127 (Ting), Chapter 365, Statutes of 2018. AB 2127 requires the Energy Commission, working with the California Air Resources Board (ARB) and the California Public Utilities Commission, to prepare and biennially update a statewide assessment of the Electric Vehicle charging infrastructure needed to support the levels of EV adoption required for the state to meet its zero-emission vehicle and greenhouse gas goals.

Issue 2: The 100 Percent Clean Energy Act (SB 100)

Governor's Proposal. The budget requests five permanent positions and \$739,000 from the Cost of Implementation Account (COIA) to implement the provisions of the 100 Percent Clean Energy Act of 2018, SB 100 (De León), Chapter 312, Statutes of 2018. SB 100 sets aggressive targets for the increased use of renewable energy to serve California consumers, resulting in significant reductions in GHG emissions, and establishes a planning goal to ultimately eliminate GHG emissions from the electricity sector. This request includes resources in two distinct program areas within the Energy Commission: Renewable Energy and Energy Assessments.

SB 100 brings about additional workload in the Energy Commission's Renewable Portfolio Standard (RPS) administrative functions. The creation of new targets and provisions necessitates a new formal rulemaking for RPS enforcement procedures, and a separate public process to incorporate relevant changes to the RPS Eligibility Guidebook. SB 100 establishes the policy of the state that eligible renewable energy resources and zero-carbon resources supply 100 percent of all retail sales of electricity to California end-use customers and 100 percent of electricity procured to serve all state agencies by December 31, 2045. For the Energy Commission this policy will impact modeling and forecasting activities, integrated resource planning, and data collection and analysis efforts. SB 100 also requires the Energy Commission, PUC, and ARB, in consultation with all California balancing authorities, must issue a report to the Legislature by January 1, 2021, and at least every four years after that, on the impacts, barriers, and additional pathways to reaching the goals of the bill.

Issue 3: Transportation Electrification (SB 1000)

Governor's Proposal. The budget requests authority for one permanent position and \$150,000 from the Alternative and Renewable Fuel and Vehicle Technology Fund (ARFVTF, 3117) to implement the requirements of Senate Bill 1000 (Lara), Chapter 368, Statutes of 2018. SB 1000 requires the Energy Commission, in consultation with ARB, to assess whether charging station infrastructure is disproportionately distributed by population density, geographical area, or population income level, including low-, middle-, and high-income levels, and whether access to these charging stations is disproportionately available. This assessment includes distribution and access to direct current (DC)

fast charging stations. Because the state is not the only entity investing in infrastructure in the state, this assessment will require coordination with order public and private sector entities. If the assessment results in a finding that charging station infrastructure has been disproportionately deployed, the bill requires the Energy Commission to use funding provided through Advanced Renewable Fuel and Vehicle Technology Program (ARFVTP), as well as other mechanisms, to more proportionately deploy new charging station infrastructure, unless the Energy Commission finds the disproportionate deployment reasonable and furthering of state policies and objectives. If this occurs, the Energy Commission will need to conduct additional activities to target any disproportionate distributions.

Issue 4: Zero Emission Buildings and Sources of Heat Energy (AB 3232)

Governor's Proposal. The budget requests one permanent positions and \$220,000 from the Cost of Implementation Account (3237) to implement the provisions in Assembly Bill 3232 (Friedman), Chapter 373, Statutes 2018. Beginning November 1, 2021, AB 3232 requires the Energy Commission to include within the Integrated Energy Policy Report (IEPR) a report on the GHG emissions associated with the supply of energy to residential and commercial buildings by fuel type and by geographic area, as appropriate. The Energy Commission is also required to make this information available on its website. By January 1, 2021, AB 3232 requires the Energy Commission to assess the potential for the state to achieve its goal of reducing GHG emissions from the residential and commercial building stock by at least 40 percent below 1990 levels by January 1, 2030.

Issue 5: Energy End Use Surveys

Governor's Proposal. The budget requests \$529,000 in one-time contract funding from the Petroleum Violation Escrow Account (PVEA) to augment existing funding for the Commercial End-Use Survey. The requested funds will be used to survey areas and end-uses that other funds cannot cover, namely natural gas end-uses and publicly owned utility services areas.

8660 PUBLIC UTILITIES COMMISSION (PUC)

Issue 6: Building Electrification (AB 3232 and SB 1477)

Governor's Proposal. The Governor's budget requests \$1.2 million (\$3.2 million beginning in 2020-21) from Public Utilities Commission Utilities Reimbursement Account (PUCURA) to implement AB 3232 (Friedman), Chapter 373, Statutes of 2018, and SB 1477 (Stern), Chapter 378, Statutes of 2018. The request includes funding for 5.5 permanent positions; one limited-term Administrative Law Judge II position for two years; and \$2.0 million annually for four years (beginning in 2020-21) for consulting services to measure the effectiveness of building electrification technologies.

These bills require the PUC to create and implement for five years two building electrification programs, specifically 1) the Technology and Equipment for Clean Heating Initiative, and 2) the Building Initiative for Low-Emissions Development Program, and to support the Energy Commission's assessment of the potential to reduce greenhouse gas emissions from building stock by 40 percent. The requested positions will perform analysis to make the program effective, manage third-party contracts, provide necessary legal and judicial support, and collaborate with other state agencies.

Issue 7: Electric Microgrid Commercialization (SB 1339)

Governor's Proposal. The Governor's budget requests 10.5 three-year limited-term positions, and \$1.96 million from the PUCURA to implement SB 1339 (Stern, Chapter 566, Statutes of 2018). The bill requires the PUC to work with the Energy Commission, and California Independent System Operators (CAISO), to take necessary actions by December 1, 2020 to facilitate microgrid commercialization.

Issue 8: Electricity-Direct Access (SB 237)

Governor's Proposal. The Governor's budget requests one permanent position and one one-year limited-term position, and \$200,000 for one-time consulting services for a total of \$545,000 PUCURA to address the requirements of SB 237 (Hertzberg), Chapter 600, Statutes of 2018.

SB 237 expands retail choice in California's electricity market by raising the amount of electric load that can be served by Electric Service Providers in the Direct Access program and requires the PUC to produce recommendations for the Legislature on a pathway for further expansion of direct access. The bill requires PUC to do the following: (1) implement a 4,000-gigawatt hour increase to the Direct Access load by June 1, 2019, and (2) provide the Legislature with recommendations on a pathway for further opening Direct Access by June 1, 2020.

Issue 9: Energy Efficiency Custom Projects (SB 1131)

Governor's Proposal. The Governor's budget requests one permanent position and three-year limited-term funding for three positions, and \$789,000 from the PUCURA to revise and implement changes to the energy efficiency custom project program as directed by SB 1131 (Hertzberg), Chapter 562, Statutes of 2018.

SB 1131 requires the PUC to develop and maintain eligibility criteria and other metrics for custom energy efficiency projects by July 1, 2019, and identify what information should be included in the project archive, among other requirements.

Issue 10: Fluorinated Refrigerants (SB 1013)

Governor's Proposal. The Governor's budget requests \$1.2 million PUCURA implement SB 1013 (Lara), Chapter 375, Statutes of 2018. The request includes \$153,000 limited-term funding annually for two years for one position, and \$1.0 million annually for two years to contract for technical expertise on low-global-warming-potential refrigerants and their availability in the markets.

SB 1013 requires the PUC to develop a strategy for energy efficiency programs to incorporate low-global-warming-potential refrigerants in equipment. The staff persons would perform research, author a strategy paper, and manage a consultant performing a technical assessment. The consultant's technical assessment will review select refrigerants for efficiency, global-warming-potential, safety, workforce training requirements, and market availability.

Issue 11: Resources to Support New Transportation Electrification Initiatives (AB 2127 and SB 1000)

Governor's Proposal. The Governor's budget requests one permanent position and \$180,000 from the PUCURA to implement AB 2127 and SB 1000.

AB 2127 (Ting), Chapter 365, Statutes of 2018, directs the PUC to support the CEC in regularly assessing the availability of charging infrastructure across California. SB 1000 directs the PUC, within an existing proceeding, to develop policies to support electric grid integration technologies, review electric transit bus specific utility rate design proposals, and evaluate and oversee implementation of utility programs to increase access to electric vehicle charging infrastructure to support the state goal of five million zero-emissions vehicles (ZEV) on the road by 2030.

Issue 12: 100 Percent Clean Energy Act of 2018 (SB 100)

Governor's Proposal. The Governor's budget requests 2.5 permanent positions and \$1.5 million from the PUCURA to implement SB 100 (de León), Chapter 312, Statutes of 2018. In addition to the positions, the requested amount includes \$1.1 million annually through 2021 for consultants.

SB 100 requires the PUC to implement more aggressive timeframes and maintain ongoing program oversight for its Renewable Portfolio Standards (RPS) and Integrated Resource Programs (IRP) in regards to California's greenhouse gas reduction efforts.

Issue 13: Biomethane Procurement and Interconnection (SB 1440 and AB 3187)

Governor's Proposal. The Governor's budget requests limited-term funding for five positions for three years and \$966,000 from the PUCURA to implement AB 3187 (Grayson), Chapter 598, Statutes of 2018 and SB 1440 (Hueso), Chapter 739, Statutes of 2018.

AB 3187 directs the PUC to adopt policies and programs that promote the in-state production and distribution of biomethane for the energy and transportation needs of the state. SB 1440 directs the PUC to consider adopting specific biomethane procurement targets or goals for gas corporations. PUC staff will be responsible for conducting an analysis of potential biomethane production and interconnection to the natural gas transportation system and of state electric and transportation needs; providing advice to policy makers; evaluating program results; and meeting regular reporting requirements to implement both bills.

Issue 14: Automatic Door Opener Project

Governor's Proposal. The Governor's budget requests \$358,000 from various funds to transfer to the Architecture Revolving Fund at the Department of General Services to complete an automatic door opener project at the 505 Van Ness Avenue, San Francisco office.

This project will make all restroom doors in the building compliant with the Americans with Disabilities Act (ADA).

Issue 15: Federal Transportation Agency Grant Funding Appropriation

Governor's Proposal. The Governor's budget requests \$937,000 in increased Federal Transportation Agency expenditure authority to fully utilize State Safety Oversight Agency Formula Grant Fund Program funding.

These funds will be used for rail transit safety oversight, and allow for a \$561,000 reduction in the expenditure of Public Transportation Account funds from the State Transportation Fund.

Issue 16: Expand Accessibility for Person with Disabilities Using Transportation Network Company Platforms (SB 1376)

Governor's Proposal. The Governor's budget requests \$987,000 from the Public Utilities Commission Transportation Reimbursement Account to implement SB 1376 (Hill), Chapter 701, Statutes of 2018. The request includes funding for three positions for two years and 400,000 ongoing to fund intervenor compensation.

SB 1376 requires the PUC to establish a program in a new or existing proceeding to improve accessibility for persons with disabilities, including wheelchair users who need a wheelchair accessible vehicle (WAV), on the applications and platforms used to provide Transportation Network Company (TNC) service. The program sunsets in 2026.

8660 PUC: PUBLIC ADVOCATES OFFICE**Issue 17: Water Utility Mergers and Acquisitions**

Governor's Proposal. The budget requests one Public Utilities Regulatory Analyst (PURA) V position and \$178,000 Public Utilities Commission Public Advocates Office Account (3089) to support the Public Advocates Office's advocacy in Class A water utility requests to acquire other water systems/companies.

Water corporations must obtain PUC approval to merge with or buy another public utility or to sell useful utility property. The Public Advocates Office represents the interests of customers in Class A water utility acquisition and other PUC proceedings. In recent years, the state has enacted additional legislation to encourage or require acquisition/consolidation of water systems to improve access to safe and affordable water service. From 1998 through 2016, Class A water corporations sought approval to acquire 19 water systems. Thirteen of these requests were made by application (an average of 0.68 per year), while six were made via advice letter (0.32/yr.). However, since 2017, Class A water corporations sought approval of six acquisitions by application (3.0/yr.), while one was made via advice letter (0.63/yr.). The number of applications filed since 2017 is more than four times the rate of filings prior to 2017.

Staff Recommendation: Approve all Vote Only items as budgeted.

ISSUES FOR DISCUSSION

8660 PUBLIC UTILITIES COMMISSION (PUC)

OVERVIEW The California Public Utilities Commission (PUC) is responsible for the regulation of privately-owned telecommunications, electric, natural gas, and water companies, in addition to overseeing railroad/rail transit and moving and transportation companies. The PUC's primary objective is to ensure safe facilities and services for the public at equitable and reasonable rates. The PUC also promotes energy conservation through its various regulatory decisions.

Budget Overview: The Governor's budget proposes \$1.6 billion and 1,150 positions to support the PUC in the budget year, as shown in the figure below. This is an increase of roughly 70 positions and a decrease of roughly \$20 million from the enacted 2018-19 budget, mainly due to a decreased appropriation for the California LifeLine Program.

3-YEAR EXPENDITURES AND POSITIONS

| | Positions | | | Expenditures | | |
|---|----------------|----------------|----------------|--------------------|--------------------|--------------------|
| | 2017-18 | 2018-19 | 2019-20 | 2017-18* | 2018-19* | 2019-20* |
| 6680 Regulation of Utilities | 419.4 | 415.9 | 461.9 | \$598,432 | \$767,573 | \$773,000 |
| 6685 Universal Service Telecommunications Programs | 33.0 | 38.6 | 38.6 | 631,682 | 731,116 | 687,455 |
| 6690 Regulation of Transportation | 148.6 | 148.3 | 148.3 | 31,814 | 39,589 | 43,871 |
| 6695 Public Advocate's Office | 159.0 | 164.9 | 182.9 | 30,046 | 38,421 | 47,992 |
| 9900100 Administration | 289.4 | 311.4 | 319.4 | 56,008 | 63,771 | 70,783 |
| 9900200 Administration - Distributed | - | - | - | -56,008 | -63,771 | -70,783 |
| TOTALS, POSITIONS AND EXPENDITURES (All Programs) | 1,049.3 | 1,079.1 | 1,151.1 | \$1,291,974 | \$1,576,699 | \$1,552,318 |
| FUNDING | | | | 2017-18* | 2018-19* | 2019-20* |
| 0042 State Highway Account, State Transportation Fund | | | | \$5,188 | \$6,692 | \$7,548 |
| 0046 Public Transportation Account, State Transportation Fund | | | | 6,054 | 8,224 | 7,731 |
| 0412 Transportation Rate Fund | | | | 1,866 | - | - |
| 0461 Public Utilities Commission Transportation Reimbursement Account | | | | 15,400 | 20,830 | 23,713 |
| 0462 Public Utilities Commission Utilities Reimbursement Account | | | | 117,569 | 141,869 | 147,192 |
| 0464 California High-Cost Fund-A Administrative Committee Fund | | | | 40,155 | 49,256 | 49,291 |
| 0470 California High-Cost Fund-B Administrative Committee Fund | | | | 15,045 | 22,333 | 22,348 |
| 0471 Universal Lifeline Telephone Service Trust Administrative Committee Fund | | | | 372,090 | 386,060 | 362,177 |
| 0483 Deaf and Disabled Telecommunications Program Administrative Committee Fund | | | | 54,786 | 64,403 | 64,515 |
| 0493 California Teleconnect Fund Administrative Committee Fund | | | | 80,986 | 128,041 | 108,018 |
| 0890 Federal Trust Fund | | | | 7,047 | 9,646 | 10,786 |
| 0995 Reimbursements | | | | 20,907 | 60,844 | 60,844 |
| 3015 Gas Consumption Surcharge Fund | | | | 456,215 | 562,057 | 562,057 |
| 3089 Public Utilities Commission Public Advocate's Office Account | | | | 30,046 | 35,421 | 44,992 |
| 3141 California Advanced Services Fund | | | | 68,620 | 81,023 | 81,106 |
| TOTALS, EXPENDITURES, ALL FUNDS | | | | \$1,291,974 | \$1,576,699 | \$1,552,318 |

Issue 18: Strengthen Administrative Core

Governor's Proposal. The budget requests eight new permanent positions, limited-term funding for three positions, and \$1,448,000 from various funds to strengthen the administrative core, which supports the PUC Budget Office; Accounting Office; Non-IT Contracts and Procurement Office; Business Services Office; and Public Records Act (PRA) response team.

Background. The PUC's responsibilities have expanded over the years to include new technologies, industries, mandates, programs, and goals. This has resulted in increases in staff and administrative complexity. However, staffing in Administrative functions, such as Budgets, Accounting, Contracts and Procurements, and Business Services has not kept pace with these staffing increases. Additionally, a series of audits have identified shortcomings in various internal processes and policies, which have resulted in additional internal workload for Business Services and Public Records Act staff.

The 2018-19 budget included \$2,565,000 from various funds for 23 permanent full-time positions, training, and travel to strengthen the administrative core of the department, which supports Safety, Contract and Procurement Services, Human Resources (including hiring and training), and Business Services in the areas of Facilities, Records Management, Forms Management, Fleet Management, and Facilities.

Staff Comments. It is reasonable to believe that the PUC's administrative functions have been understaffed for several years, particularly given the increase in the scope and complexity of the Commission's workload. For example, the PUC is currently supported by 14 funds and comprised of 14 divisions with over 1,289 authorized positions and a total budget of \$1.6 billion. This budget is managed by five full-time budget staff – far fewer than at other comparable departments. Additionally, since 2012, the PUC has seen 200 percent growth (199 in 2012 to 594 in 2017) in the number of records requests submitted annually. The State Auditor, in its report 2016-104, noted deficiencies in the PRA process and made recommendations to bring the program's policies into compliance with state law and develop procedures to track and review requests.

However, the exact level of additional resources remains an open question. While the Commission has indicated that much of the current unmet workload is absorbed within staff overtime, quantifying this workload has proven difficult. Absent this workload data it is difficult to assess the appropriateness of this request.

Staff Recommendation. Hold open.

Issue 19: Extend Energy Division Positions in Support of Energy Policy Statutes

Governor's Proposal. The budget requests to extend funding for six expiring limited term positions for an additional three years and \$1,145,000 from Fund 0462 in 2019-20 and \$1,093,000 in 2020-21 and 2021-22, including software costs to continue implementing a number of recent statutes concerning multiple elements of California's forest safety and greenhouse gas reduction efforts.

Background. SB 859 (Committee on Budget and Fiscal Review), Chapter 368, Statutes of 2016, supports biomass procurement from high hazard zone areas and interagency actions to mitigate wildfires threat to life and property. SB 859 required implementation of a new, expedited renewable energy purchasing program directing California's electric utilities to purchase 125 megawatts (MW) of biomass energy that uses state agency-designated high hazard zone (HHZ) areas. Additionally, it required the establishment of a new process to track and distribute contract costs, as well as interagency actions to mitigate wildfires threatening life and property.

SB 1383 (Lara), Chapter 395, Statutes of 2016, and AB 2313, (Williams), Chapter 571, Statutes of 2016, support efforts to meet the state goal to reduce the emissions of the short-lived climate pollutant methane to 40 percent below 2013 levels by 2030; development of biomethane, renewable natural gas, a substitute for fossil fuel natural gas, to be used to generate electricity, pipeline quality natural gas, low carbon fuel, renewable hydrogen in the trucking, bus, and fleet vehicle sectors.

AB 33 (Quirk), Chapter 680, Statutes of 2016, and AB 2868 (Gatto), Chapter 681, Statutes of 2016, are related to the effective use and accelerated deployment of energy storage. AB 33 directed the PUC to evaluate and analyze the potential for all types of long duration bulk energy storage resources to help integrate renewable generation into the electrical grid. The PUC has conducted an initial analysis of some types of long duration bulk storage, particularly pumped hydro storage, as part of the Integrated Resource Planning (IRP) process. AB 2868 directed the PUC to review applications from the three largest electric utilities and approve and fund new programs and investments to accelerate deployment of distribution level energy storage systems. The first utility application cycle began in 2018 and will repeat in 2020.

Staff Comments. The PUC was originally resources for these statutes as follows:

- SB 859: One limited-term Utilities Engineer (UE); and one limited-term Public Utilities (PU) Counsel III.
- SB 1383 and AB 2313: One limited-term Public Utilities Regulatory Analyst V (PURA V), and 0.5 limited-term PU Counsel IV to continue implementing biomethane pilot programs, and advising decision-makers on incentives, interconnection standards, and policy considerations surrounding growth and development of the renewal gas industry.
- AB 33 and AB 2868: Two limited-term PURA Vs and 0.5 limited-term PU Counsel II.

The PUC has indicated that the nature of this work requires senior attorney level expertise which allows for independent work with minimal supervision. The PUC has further indicated that they will continue evaluating data to identify an ongoing need. For these positions past the three year period of funding requested.

This request also includes \$40,000 for Geographical Information System (GIS) modeling software related to the continued implementation of SB 859. This software was not provided with for the initial

implementation of SB 859, but the Commission has indicated that it will allow the requested resources to better meet the requirements of that statute.

While it is reasonable to believe that the requested positions are needed beyond 2018-19, the proper timeframe for which to extend these positions is an open question. AB 2313, for example, sunsets in 2021. Other statutes have no sunset date. As such, a three year extension period across the board seems arbitrary.

Staff Recommendation. Hold Open.

Issue 20: Increase Oversight of Natural Gas Policy and Reliability

Governor's Proposal. The budget requests one permanent Program and Project Supervisor (PPS) position and \$227,000 from the PUCURA for increased workload in the Gas Section.

Background. The Gas Section provides ratemaking advice to PUC decision makers (including both Commissioners and Administrative Law Judges) and implements policy on all matters involving natural gas. The Gas Section has a broad mandate within the Energy Division (ED). There are 19 sections in ED focusing primarily on electricity-related regulatory issues and only one section focusing on all regulatory issues pertaining to natural gas. Each of the 19 sections has a specific regulatory focus such as costs, rate design, reliability, or renewable procurement. In contrast, the Gas Section handles these same issues (cost, rate design, etc.) related to gas within one branch.

Staff Comments. Since 2011, the Gas Section has grown from five full time staff to 11 full time staff. The Gas Section is the largest of all 20 sections in ED. The average size of other ED sections is eight staff (including the supervisors).

The Commission has indicated that the requested position will provide a second manager to the section and allow the creation of two gas sections. The existing Gas Section would be divided into a new Gas Policy and Reliability Section to focus gas policy and reliability work, where the new PPS will develop staff to specialize in these highly complex areas and a Gas Costs and Rates team to enhance knowledge of ratemaking, cost allocation, rate design, and other accounting topics relevant to gas. Dividing the Gas Section would allow increased focus and coordination with PUC energy efficiency and demand response teams, to develop and implement policies to reduce gas usage (e.g., electrification of space and water heating in buildings, gas demand response, and gas energy efficiency).

Staff Recommendation. Approve as Budgeted.

Issue 21: Office of the Safety Advocate Statutory Authority

Governor’s Proposal. The budget includes Trailer Bill Language (TBL) to eliminate the January 1, 2020 sunset date for the Office of the Safety Advocate (OSA) established in Public Utilities (PU) Code Section 309.8(d), pursuant to SB 62 (Hill), Chapter 806, Statutes of 2016.

Background. In reaction to events like the 2010 San Bruno pipeline explosion and the 2015 Aliso Canyon gas leak, the Legislature created OSA to improve utility safety and hold utilities accountable for safe operations. SB 62 mandates that OSA, among other things: (1) advocate for improvements to public utility safety management systems, safety culture, and aging infrastructure; (2) recommend improvements to the PUC’s own safety management systems and safety culture; (3) advocate as a party in proceedings to assist the Commission in its efforts to hold public utilities accountable for their safe operation.

Since its inception, OSA has been involved in a minimum of two General Rate Cases (GRCs) per fiscal year—including the (1) PG&E 2019 Gas Transportation; (2) Storage GRC; and (3) Sempra's 2019 GRC. OSA has participated in numerous smaller proceedings as well. On or before January 10 of each year, CSA provides the Legislature with a detailed report of its prior year's accomplishments.

PU Code 309.8, which authorizes the existence of OSA, expires at the end of 2019.

Staff Comments. OSA has worked to effectively meet the requirements of SB 62, and has served a valuable purpose in the state’s regulation of the IOUs. Because of its central role in the state’s regulatory structure, the extension of this work is an appropriate subject for the policy process.

Staff Recommendation. Reject the proposal without prejudice for consideration in the appropriate policy committee.

Issue 22: Wildfire Prevention and Recovery (SB 901)

Governor's Proposal. The budget requests 34 positions and \$6,632,000 ongoing from the PUCURA to address workload associated with implementation of SB 901 (Dodd), Chapter 626, Statutes of 2018.

Background. In September 2018, a comprehensive wildfire prevention and recovery package was enacted to strengthen California's ability to prevent and recover from catastrophic wildfires. The bills make a number of changes to (1) remove barriers to facilitate increases in the rate of forest health and fire prevention activities, (2) improve fire safety standards across the state, and (3) set more rigorous requirements for utility wildfire mitigation plans and the maintenance and improvement of utility infrastructure.

The 2019-20 Governor's Budget proposes a total of \$234.5 million to implement the various requirements of the legislation and build the state's resilience to climate change-driven wildfire activity.

SB 901 enacts legislative changes to utility practices regarding the mitigation of wildfire risks and the recovery and financing of costs incurred due to catastrophic wildfires. Six investor-owned electric utilities (IOUs) are required to meet the mandates of SB 901. They include Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), San Diego Gas & Electric Company (SDG&E), PacifiCorp, Bear Valley Electric, and Liberty Utilities.

Staff Comments. Broadly speaking, SB 901 creates three new workload drivers for the PUC:

- **Analysis of wildfire costs:** Electric corporations must file applications for costs of the 2017 wildfires, and the PUC must determine whether the costs and expenses arising from a catastrophic wildfire are just and reasonable, as well as the maximum amount the electric corporation could pay without harming ratepayers and maintaining adequate and safe service. Electric IOUs seeking cost recovery for wildfires ignited in 2019 or later must pass PUC review of utility conduct. Lastly, if an electric corporation applies to the PUC for recovery of costs and expenses related to a catastrophic wildfire and the PUC finds some or all of the costs and expenses to be reasonable, then the electrical corporation may file an application requesting that the PUC issue a financing order to authorize these costs and expenses to be recovered through fixed recovery charges.
- **Wildfire Mitigation Plans (WMPs):** Electric corporations must submit WMPs annually and the PUC must approve them within three months. The PUC must review whether the cost of implementing the plan is just and reasonable in each electric corporation General Rate Case (GRC) application. Each electric corporation must establish a Memorandum Account to track costs incurred for fire risk mitigation that are not otherwise covered in the electric corporation revenue requirement. The PUC is to review the costs and disallow recovery of costs the PUC deems unreasonable. The bill requires the PUC and CAL FIRE to enter into an MOU to develop consistent approaches and share data related to fires. Lastly, SB 901 establishes new requirements for biomass contracts, changing the amount of biomass to be utilized from high hazard zones and expanding the types of fuel that may be used from those zones.
- **Enforcement and Compliance:** Electric corporations must submit reports three months after the end of their initial WMP compliance period as established by the PUC and annually thereafter. The PUC must complete its compliance review within 18 months after the submission of the

reports. The PUC must assess penalties on an electric corporation that fails to substantially comply with its plan. The bill also requires independent evaluation of each utilities WMP and overall safety culture, to be completed on a schedule determined by the PUC.

It is reasonable to believe that SB 901 will create numerous additional proceedings at the PUC which will in turn create increased workload on both a regular schedule (for the WMPs) and on an ongoing basis (for the enforcement and compliance workload). However, the appropriate resources necessary to address this workload is uncertain given the relative novelty of these proceedings to the PUC. It is also unclear how this work is likely to evolve in out years.

Staff Recommendation. Hold Open.

8660 PUC: PUBLIC ADVOCATES OFFICE

OVERVIEW Per Public Utilities Code Section 309.5, the PUC Public Advocate's Office (PAO) is a statutorily-defined and independent entity within the PUC that represents and advocates on behalf of public utility customers and subscribers in all significant proceedings within the PUC's jurisdiction, as well as in relevant proceedings before the California Energy Commission, Air Resources Board, California Independent System Operator, and the State Legislature. The PAO is required to represent and advocate in order obtaining the lowest possible rate for service consistent with reliable and safe service levels. This entity is funded entirely by the Public Utilities Commission Office of Ratepayer Advocates Account (PUCORA).

Issue 23: Greenhouse Gas Reduction Programs and Transmission Infrastructure Projects

Governor's Proposal. The budget requests an increase of \$566,000 Public Utilities Commission Public Advocates Office Account (PUCPAOA) and three positions to address increased workload in the areas of distribution infrastructure programs and transmission infrastructure projects.

Background. AB 327 (Perea), Chapter 611, Statutes of 2013, established Public Utility Code §769, which required the electric Investor-Owned Utilities (IOUs) to submit Distribution Resource Plans (DRP) to the PUC. On an ongoing basis, the DRPs are to identify optimal locations for the deployment of low or no GHG-emitting distributed energy resources (DERs) onto the IOUs' electric distribution systems.

Pursuant to PU Code §1001, transmission owners are required to file an application with the PUC requesting either a Certificate of Public Convenience (CPCN) or a Permit to Construct (PTC), depending on the size and scope of their proposed projects. Each application initiates a separate PUC proceeding. If approved, the costs of these permitting projects are borne by California ratepayers.

Staff Comments. The Public Advocate's Office participates in PUC proceedings to ensure that IOU-proposed expenditures are (1) necessary and (2) cost-effective for ratepayers. They do this by entering their analysis and recommendations into the record of formal PUC proceedings for use in PUC decision making. As such, PAO workload is driven by the number and complexity of PUC proceedings.

The PUC has adopted a new annual DRP implementation process which began in mid-2018 and incorporates the IOUs' existing annual distribution system planning process. Additionally, in early 2018, the PUC and stakeholders identified new issues that resulted in the broadening of the scope of the DRP proceedings. The PAO intends to participate in the development of protocols and procedures to address these new issues as part of the overall DRP process. It is unclear how these new processes will impact PAO workload in the long run.

In 2016-17, PAO participated in 30 transmission-related proceedings. The PAO has indicated that work will be ongoing on five to eight of these existing proceedings. In 2018-19, the three largest electric IOUs are expected to file approximately 14 new transmission applications with the PUC for new transmission and infrastructure developments or improvements. If a project is exempt from filing a formal application for PUC review, then the IOU can file an advice letter which the Public Advocates Office will analyze to determine if the project is needed and cost effective. The number of advice

letters filed by the IOUs has increased steadily. In 2016, the Public Advocates Office reviewed 13 transmission infrastructure advice letters and in 2017, 33 advice letters. In 2018, the Public Advocates Office reviewed 41 transmission infrastructure advice letters.

Staff Recommendation. Hold Open.

Issue 24: Wildfire Prevention and Recovery (SB 901)

Governor's Proposal. The budget requests \$2,529,000 Public Utilities Commission Public Advocates Office Account (PUCPAOA) and 14 positions to address additional utility safety-related, financial-related, and legal workload arising from the adoption of SB 901 (Dodd), Chapter 626, Statutes of 2018.

Background. In September 2018, a comprehensive wildfire prevention and recovery package was enacted to strengthen California's ability to prevent and recover from catastrophic wildfires. The bills make a number of changes to (1) remove barriers to facilitate increases in the rate of forest health and fire prevention activities, (2) improve fire safety standards across the state, and (3) set more rigorous requirements for utility wildfire mitigation plans and the maintenance and improvement of utility infrastructure. The 2019-20 Governor's Budget proposes a total of \$234.5 million to implement the various requirements of the legislation and build the state's resilience to climate change-driven wildfire activity.

SB 901 enacts legislative changes to utility practices regarding the mitigation of wildfire risks and the recovery and financing of costs incurred due to catastrophic wildfires. Six investor-owned electric utilities are required to meet the mandates of SB 901. They include Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), San Diego Gas & Electric Company (SDG&E), PacifiCorp, Bear Valley Electric, and Liberty Utilities. The PAO will participate in each of these proceedings.

Staff Comments. SB 901 enacts legislative changes to utility practices regarding the mitigation of wildfire risks and the recovery and financing of costs incurred due to catastrophic wildfires. Specifically, it requires that each electric utility submit annual wildfire mitigation plans in consultation with the Department of Forestry and Fire Protection (Cal FIRE). It requires that the PUC provide parties with 30 days to review and comment on each mitigation plan and a 30-day period for each utility to subsequently amend its plan. The PUC must review and approve of the plans within three months of the utilities filing their applications, unless the PUC issues a written determination and extends the deadline. SB 901 also allows electric utilities, upon a showing of reasonable costs, to finance costs and expenses via fixed recovery charges borne by utility customers. These changes would remain on customers' bills until the costs are paid-in-full by the financing entity. The financing orders by the PUC can be issued any time on or before December 31, 2035.

At minimum, SB 901 will result in 12 wildfire mitigation plan application and compliance report reviews. SB 901 requires each of the six electric IOUs to file applications with the PUC each year proposing a wildfire mitigation plan, followed by a review of each utility's compliance to its plan for a total of at least 12 applications per year. In addition, the six IOUs will be filing recurring utility advice letters (informal requests) as well as non-recurring applications requesting wildfire mitigation programs associated with special projects.

The PAO has indicated that SB 901 results in an increased workload in three primary areas - wildfire mitigation, the utilities' recovery of costs from their customers, and the need for financing those costs. This proposal would result in the creation of two new branches within the PAO - the Wildfire Safety Section and the Securitization and Financial Impacts Section. Ten of the requested positions will be organized into these two new sections within the existing Energy Safety and Infrastructure Branch. The four requested Public Utilities Counsel positions will support the work of and be funded by the Public Advocates Office but will reside in the PUC's Legal Division.

It is reasonable to believe that SB 901 will create additional proceedings at the PUC, which will lead to increased workload at the PAO. However, the appropriate resources necessary to address this workload is uncertain given the relative novelty of these proceedings to the PAO. It is also unclear how this work is likely to evolve in out years.

Staff Recommendation. Hold Open.

Senator Bob Wieckowski, Chair
Senator Brian W. Jones
Senator Mike McGuire
Senator William W. Monning
Senator Henry I. Stern



Thursday, March 28, 2019
9:30 a.m. or upon adjournment of session
State Capitol – Room 112

Consultant: Joanne Roy

PART C

ISSUES FOR DISCUSSION

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ISSUES FOR DISCUSSION

3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CALFIRE)

Issue 1: Wildfire Prevention and Recovery Legislative Package (SB 901, SB 1260, AB 2518, and AB 2911)

Governor's Proposal. The Governor's budget proposes \$10 million Greenhouse Gas Reduction Fund (GGRF) and 24 positions starting in 2019-20 to address workload associated with SB 901 (Dodd), Chapter 626, Statutes of 2018, SB 1260 (Jackson), Chapter 624, Statutes of 2018, AB 2518 (Aguiar-Curry), Chapter 637, Statutes of 2018, and AB 2911 (Friedman), Chapter 641, Statutes of 2018.

- **SB 901 (Dodd).** CalFire and the Board of Forestry and Fire Protection (BFFP) request \$4.8 million GGRF and 10 positions starting in 2019-20, which are above and beyond the annual budget appropriation required in SB 901 for forest health and fire prevention activities for prescribed fire and other fuel reduction activities. The additional funding and positions are intended to address forestry and landscape level fuels management, utility fire prevention and planning, and enable CalFire and the Board to implement and comply with these new laws.
- **SB 1260 (Jackson).** CalFire requests \$2.5 million GGRF and eight positions starting in 2019-20 to develop curriculum for burn boss certification training standards, course plans, and continuing education; address the potential increase in workload associated with the anticipated increases in burn permits and prescribed fire projects statewide from newly certified burn bosses; and provide the necessary steps to increase the pace and scale of prescribed fire statewide, which involves cooperative planning, training, burn agreement liability, and public education surround the use of prescribed fire, fire prevention, and public safety.
- **AB 2518 (Aguiar-Curry).** CalFire requests \$400,000 to produce the two reports required by AB 2518 to: (1) identify barriers to in-state production of mass timber and other innovative forest products as well as solutions that are consistent with the state's climate objectives on forested lands; and, (2) provide recommendations for the siting of additional wood product manufacturing facilities in the state.
- **AB 2911 (Friedman).** CalFire requests \$2.3 million GGRF and six positions starting in 2019-20 to implement the local government survey required by the legislation, coordinate with local governments, and conduct field reviews and develop recommendations for improving the fire and life safety of non-conforming residential subdivisions across the state.

The funding and positions requested in this proposal are in addition to the \$200 million GGRF proposed in the 2019-20 budget for forest health and fire prevention activities consistent with SB 901.

Background. *The 2018 Wildfire Legislative Package.* The Legislature approved several pieces of legislation in 2018 to address the increasingly severe wildfire seasons. The legislative package builds on the recent budget augmentations and enacts numerous policy changes such as establishing new programs and regulatory processes involving several agencies, including CalFire, California Conservation Corps, Department of Fish and Wildlife, State Water Resources Control Board, California Public Utilities Commission (CPUC), the Public Advocate’s Office in PUC, and the Air Resources Board, to improve forest health and support fire prevention activities. Among other changes, the legislative package includes the following major provisions related to CalFire:

- ***SB 901: Funding for Forestry and Fire Prevention Activities.*** SB 901 includes several provisions intended to reduce the risk of catastrophic wildfires with a focus on forest health, expanding the use of prescribed fires, and reducing fuels. This includes a requirement that the annual state budget include two appropriations—\$165 million for forest health and fire prevention grants and fuels reduction projects and \$35 million for prescribed burn activities—beginning in 2019-20 and continuing for a total of five years. In aggregate, these amounts would be roughly the same as the amounts provided for these purposes in 2017-18 and 2018-19.
- ***SB 901: Streamlining Permitting Requirements.*** SB 901 also includes several changes to streamline the regulatory and approval processes related to timber harvesting activities, to allow private landowners to remove trees and other vegetation from their property in order to reduce fuel available for forest wildfires. First, SB 901 creates a new exemption, known as the small timberland owner exemption, that allows owners of relatively small acreage forests—60 acres if near the coast or 100 acres elsewhere—to remove trees in order to reduce the continuity of fuels (such as in a densely forested area) if certain other criteria are met. Some examples of criteria to qualify for the exemption include limiting the harvest to certain size of trees harvested and prohibiting removal of the six largest trees in each acre harvested. Second, the legislation expands an existing exemption, known as the forest fire prevention exemption, which has allowed for tree removal or timber harvesting without an approved timber harvest plan in certain cases, where the removal of fuels will help reduce the risk of severe wildfires and when the construction of temporary roads are not needed to conduct the project. SB 901 expands the potential use of this exemption by allowing for the construction of temporary roads in certain cases. Third, SB 901 requires CalFire to develop a Wildfire Resilience Program to provide technical assistance to nonindustrial timberland owners to help them with the regulatory process when conducting fuel reduction projects. The legislation specifically requires the Wildfire Resilience Program to provide information on the state permits needed to conduct fuel reduction projects, best practices for wildfire resilience, and available grant programs.
- ***SB 901: Electric Utilities and Wildfire Mitigation Plans.*** SB 901 also contains provisions related to electric utilities, because utility infrastructure is a common source of wildfire ignition. First, the legislation establishes procedures for wildfire cost financing for investor owned utilities (IOUs) to apply for recovery of costs incurred as a result of catastrophic wildfires. Second, SB 901 adds additional required elements for wildfire mitigation plans prepared by IOUs and reviewed by the CPUC, in consultation with CalFire. Specifically, IOUs must describe their future plans related to deenergizing portions of the electrical distribution system, managing vegetation along utility corridors, inspecting infrastructure, and any other steps they will take to modernize infrastructure and improve safety.
- ***SB 1260: Prescribed Fires.*** Among other things, SB 1260 supports the use of prescribed fires

for forest health and wildfire prevention in two key ways. First, the legislation requires the Air Resources Board (ARB), in coordination with local air districts, to conduct enhanced air quality and smoke monitoring to provide air regulators with improved information when reviewing requests for conducting prescribed fires. Second, SB 1260 requires CalFire to develop a professional “burn boss” curriculum and certification program that would create a consistent standard for the education and skills needed for people to conduct prescribed fires. Under this program, CalFire staff members and private individuals or companies could become certified in order to increase the workforce capable of safely conducting prescribed fires.

- ***AB 2518: Wood Product Manufacturing Facilities.*** AB 2518 requires CalFire and BFFP to identify barriers to utilizing small trees and other woody biomass in the production of mass-timber and other innovative wood products after they are removed from forests in California. AB 2518 also requires the Forest Management Task Force, staffed by CalFire, to develop recommendations for where to site wood product manufacturing facilities.
- ***AB 2911: Building Standards and Surveys of High-Risk Communities.*** AB 2911 requires the Office of the State Fire Marshall (OSFM) within CalFire to: (1) recommend updated building standards to better protect structures from wildfire risks; (2) develop a list of low-cost retrofits that could be implemented at existing structures to reduce the risks; and, (3) provide this list to the public through education and outreach efforts. AB 2911 also requires BFFP, in consultation with OSFM, to survey local governments in certain high-risk fire areas to identify existing subdivisions having only one roadway to access the subdivision. For these communities identified, the board is required to make recommendations to reduce wildfire risks and track the extent to which recommendations are implemented.

Governor’s Budget Proposals Related to the Legislative Wildfire Package. In total, the Governor's budget proposes \$234.941 million and 292 positions to implement the wildfire prevention recovery legislative package.

The table located on the next page reflects a breakdown of the budget change proposals to implement the 2018 legislative wildfire package.

Governor's Budget Proposals for the 2018 Legislative Wildfire Package

| Dept. | Request | General Fund | Other Funds | Total | PYs |
|--------------|---|--------------|--|----------------------|------------|
| CALFire | Improving Forest Management and Decreasing Fire Risk (SB 901) - Funds would be used to: (1) implement the Wildfire Resilience Program, (2) review wildfire mitigation plans and share data with the Public Utilities Commission, and (3) undertake associated regulatory workload. | 0 | \$4,832,000 GGRF | \$4,832,000 | 10 |
| CALFire | Prescribed Fire Crews and Research and Monitoring (SB 901) - Funds will be used to complete prescribed fire and other fuel reduction projects consistent with the recommendations of the Forest Carbon Plan, including the operation of year-round prescribed fire crews and implementation of a research and monitoring program for climate change adaptation. | 0 | \$35,000,000 GGRF | \$35,000,000 | 157 |
| CALFire | Forest Health and Fire Prevention Projects and Programs (SB 901) - Funds will be used for healthy forest and fire prevention programs and projects that improve forest health and reduce greenhouse gas emissions caused by uncontrolled wildfires. | 0 | \$165,000,000 GGRF | \$165,000,000 | 19 |
| CALFire | Prescribed Fire Program, Burn Boss Certification, and Increasing Pace and Scale (SB 1260) - Funds would be used to: (1) develop a burn boss certification program, (2) expand and enhance the Prescribed Fire Program and increase the use of prescribed fire through cooperative planning, training, and public education, and (3) coordinate and conduct prescribed fire research. | 0 | \$2,517,000 GGRF | \$2,517,000 | 8 |
| CALFire | Barriers to and Solutions for Expanding the Use of Mass Timber and Other Wood Product (AB 2518) - Funds would be used to produce the two reports required by AB 2518 to (1) identify barriers to in-state production of mass timber and other innovative forest products as well as solutions that are consistent with the state's climate objectives on forested lands and (2) provide recommendations for the siting of additional wood product manufacturing facilities in the state. | 0 | \$400,000 GGRF | \$400,000 | 0 |
| CALFire | Increasing Fire and Life Safety (AB 2911) - Funds would be used to implement the local government survey required by the legislation, coordinate with local governments, and conduct field reviews and develop recommendations for improving the fire and life safety of non-conforming residential subdivisions across the state. | 0 | \$2,278,000 GGRF | \$2,278,000 | 6 |
| CCC | Forestry Corps (AB 2126) - Funds would be used to support four Forestry Corps crews that will undertake forest health and hazardous fuel reduction projects in areas of high fire risk, which will increase public safety for fire-threatened communities, improve forest health conditions, and achieve associated climate goals. This Program will also provide specialized training and assistance to corps members to create educational and career pathways to forestry and other related fields. | \$4,454,000 | 0 | \$4,454,000 | 2 |
| DFW | Timber Harvest Plan Exemption Review (SB 901) - This funding will support the Department of Fish and Wildlife's efforts to review timber harvest plan exemptions, and inspect, permit, and enforce projects that improve forest health and vegetation management activities to mitigate negative impacts on water quality, wildlife, and the environment. | \$1,483,000 | \$2,000,000 Timber Regulation and Forest Restoration Fund | \$3,483,000 | 15 |
| SWRCB | Review of Timber Harvest Plan Exemptions and Utility Corridor Vegetation Management Permitting (SB 901) - Funds would be used to support the State Water Resources Control Board's efforts to review timber harvest plan exemptions, and inspect, permit, and enforce projects that improve forest health and vegetation management activities to mitigate negative impacts on water quality, wildlife, and the environment. | \$2,547,000 | \$1,831,000 Waste Discharge Permit Fund | \$1,831,000 | 22 |
| PUC | Public Utilities Commission (SB 901) - Funds would be used to support the Public Utilities Commission to address workload associated with wildfire cost recovery proceedings, reviewing and approving enhanced wildfire mitigation plans, and oversight of investor-owned utility compliance with legislative requirements to reduce the risk of utility-caused wildfires. | 0 | \$6,632,000 Public Utilities Commission Reimbursement Account | \$6,632,000 | 34 |
| PUC - PAO | Public Advocate's Office (SB 901) - This funding will support the Public Advocate's Office to address additional utility safety-related, financial-related, and legal workload related to the implementation of SB 901, including increased safety and ratemaking workload and wildfire mitigation plan and compliance report reviews. | 0 | \$2,529,000 Public Utilities Commission Public Advocates Office Account | \$2,529,000 | 14 |
| ARB | Prescribed Fire Monitoring Program (SB 1260) - Funds would be used to enhance the Air Resources Board's air quality and smoke monitoring, forecasting, reporting and modeling activities and support local air district public education efforts to align with the anticipated increase in prescribed burns and other fuels reduction activities. | 0 | \$3,438,000 GGRF | \$3,438,000 | 5 |
| | | | TOTAL: | \$234,941,000 | 292 |

Legislative Analyst's Office (LAO) Comments. *Approve the Governor's Budget Proposals.* Overall, the requests are consistent with the package of legislation and appear to fund reasonable first steps to implementing the package. Accordingly, the LAO recommends that the Legislature approve the budget proposals to implement the 2018 wildfire legislative package.

Ensure Details of Implementation are Consistent with Legislative Intent. In addition, because some of the proposals implement new programs or are continuing relatively new programs, some questions about the specific implementation of the legislative package are not answered in the detailed budget documents provided. While this may be understandable, the Legislature will want to ensure it has answers to key questions about the implementation of the legislative package in 2019-20 to ensure specific implementation decisions being made by the Administration are in line with legislative intent.

In particular, the LAO recommends that the Legislature require the Administration to report, at spring budget hearings, on questions such as:

- *Implementation of Prescribed Burn Crews.* How is CalFire progressing at hiring and training the prescribed burn crews approved in the 2018-19 budget? Where will crews be located? How will projects be selected and prioritized? How is CalFire ensuring these crews remain dedicated to prescribed fire work year-round without being pulled into assist with wildfire suppression?
- *Wildfire Resilience Program.* How many landowners are expected to receive technical assistance each year under the new program? How will the effectiveness of this program be assessed, and what outcomes does CalFire expect to achieve with the staffing level requested?

Conduct Ongoing Oversight. Given the number of changes enacted in the legislative package, as well as the complex and long-term challenge of improving forest health and reducing wildfire risks, it likely will take many years to evaluate outcomes of the state's efforts. In addition, many of the requirements in the legislative package create new programs and regulatory requirements. Therefore, it is unclear what specific implementation challenges state departments, local governments, and land owners might face in their efforts to achieve the goals of the legislation. In light of this, we recommend that the Legislature conduct ongoing oversight through future budget and policy committee hearings to monitor the state's progress. Some key questions for future oversight include the following:

- *Measuring Outcomes.* How will the state measure overall outcomes in the near term and the long-term? Are there ways to track the effectiveness of specific programs and regulatory changes? How will the state monitor the change in fire risk or severity in areas that have received forest health and fire prevention treatments, compared to non-treated areas?
- *Allocation of Funds to Highest Priority Areas.* What criteria is CalFire using to allocate funding among various regions of the state? To what extent is the Department targeting dollars to the highest risk areas and/or those areas with the greatest potential public safety or environmental benefits? Is CalFire receiving a sufficient number of grant applications from the highest priority geographic areas? If not, what steps is CalFire taking to proactively work with high-risk areas to develop potential grant projects?
- *Barriers to Completing Forest Health and Fire Prevention Projects.* What implementation barriers or challenges are CalFire and grant recipients experiencing with completing forest health and fire prevention projects? Does sufficient workforce capacity exist to undertake forest health and fire prevention activities at the current funding levels? Do capacity concerns constrain the ability to expand programs in the future?

- *Prescribed Burns.* To what extent are additional resources for CARB resulting in more approvals for prescribed fires? How are CARB and local air districts balancing the inherent greenhouse gas (GHG) and air quality trade-offs associated with approving prescribed burns that would have near-term emissions? How has the burn boss certification program affected the ability of local and private entities to implement prescribed burns?
- *Collaboration Across State and Local Entities.* How is CalFire collaborating with other state and local entities to prioritize forest health and other wildfire reduction activities within key regions of the state? To what extent are regional planning efforts taking place, such as in key watersheds?
- *Balancing Funding for Prevention Activities and Fire Response.* How is the state balancing funding for forest health and fire prevention activities to reduce the risks associated with future wildfires with demands to increase funding for fire response resources necessary to respond when wildfires occur? How can the state determine where funding can be most effective? To what extent should funding priorities change in the future as wildfire risks change or if additional very severe and destructive wildfires occur?
- *Overall Funding and Staffing Levels.* Are funding and staffing levels sufficient to keep up with workload demands, such as for processing permit exemptions or burn boss certifications? To what extent is there ongoing or increased demand for forest health and fire prevention grants in high priority regions?

Staff Comments. Governor's Declaration of Emergency. On March 22, 2019, the Governor declared a statewide emergency on wildfires to expedite wildfire prevention projects prior to the next fire season intended to protect 200 communities prone to fire risk. Among its various components, the state emergency declaration includes waiving environmental review pursuant to the California Environmental Quality Act and authorizing the state to set up contracts without competitive bidding. The Governor stated, "Some of these projects could take two years to get done or we can get them done in the next two months. That's our choice." The Governor also announced a \$50 million public awareness campaign and changes intended to modernize the state's contracting and procurement processes for wildfire management.

The subcommittee may wish to ask CalFire how do the actions in the proclamation of a state of emergency interact with funding and efforts related to the 2018 legislative wildfire package as well as the Forest Health Program and the Fire Prevention Program.

Staff Recommendation. Hold open.

3340 CALIFORNIA CONSERVATION CORPS (CCC)**Issue 2: Wildfire Prevention and Recovery Legislative Package: Forestry Corps (AB 2126)**

Governor's Proposal. The Governor's budget proposes \$4.454 million General Fund in 2019-20 and \$4.352 million General Fund ongoing to fund two positions, three CCC crews, and one crew via local corps grant to implement the Forestry Corps Program consistent with AB 2126 (Eggman), Chapter 635, Statutes of 2018. This proposal includes \$450,000 fund shift from the Collins Dugan Reimbursement Account to General Fund to convert one existing resource crew to a Forestry Corps crew.

Funds would be used to support four Forestry Corps crews that will undertake forest health and hazardous fuel reduction projects in areas of high fire risk, which will increase public safety for fire-threatened communities, improve forest health conditions, and achieve associated climate goals. This program will also provide specialized training and assistance to corps members to create educational and career pathways to forestry and other related fields.

The Governor's budget proposes to fully fund the three CCC crews (one conversion crew and two new expansion crews) through the General Fund as opposed to the standard General Fund and project reimbursement funding model that supports other CCC grade crews. The Administration states that given the strategic location of the Forestry Corps crews and the fuels reduction and forest health activities they will undertake, the Forestry Corps Program will reduce wildfire risk for fire-threatened communities, which will lead to increased public safety.

Background. AB 2126 (Eggman): Forestry Corps Crews. AB 2126 is a component of the wildfire legislative package, which requires the CCC to establish a Forestry Corps program by July 1, 2019, and four Forestry Corps crews to accomplish the following objectives:

- Develop and implement forest health projects, which may include fuels reduction and hazardous fuels removal, seedling and tree planting, cone and seed collection, tree mortality and tree felling, tree nursery and arborist training, and wildlands forest firefighting training.
- Establish four Forestry Corps crews.
- Provide assistance to corpsmembers in obtaining forestry and forest technician degrees and certificates.
- Train corpsmembers to operate equipment in forestry and related fields.
- Create pathways from the CCC to degree programs and jobs.
- Partner with community colleges, trade associations, forest and timber industries, etc. to provide training and experience to corpsmembers.
- Partner with certified community conservation corps, where feasible, in implementing the Forestry Corps program.

Governor's Budget Proposals Related to the Legislative Wildfire Package. Please see Background in Issue #1.

Staff Recommendation. Hold open.

3900 AIR RESOURCES BOARD (ARB)

Overview

ARB has primary responsibility for protecting air quality in California. This responsibility includes establishing ambient air quality standards for specific pollutants, maintaining a statewide ambient air-monitoring network in conjunction with local air districts, administering air pollution research studies, evaluating standards adopted by the US Environmental Protection Agency, and developing and implementing plans to attain and maintain these standards. These plans include emission limitations for vehicular and other mobile sources and industrial sources established by the ARB and local air pollution control districts.

ARB also has the responsibility, in coordination with the Secretary for Environmental Protection, to develop measures to reduce greenhouse gas (GHG) emissions to 1990 levels by 2020 and at least 40 percent below 1990 levels by 2030, pursuant to AB 32 (Núñez), Chapter 488, Statutes of 2006, and SB 32 (Pavley), Chapter 249, Statutes of 2016. ARB also implements the Community Air Protection Program to reduce air pollution in the State's most burdened communities, pursuant to AB 617 (C. Garcia), Chapter 136, Statutes of 2017. ARB works with air pollution control districts, the business community, scientists, community representatives and other stakeholders to implement all of its programs.

The following table reflects expenditures and positions for past, current, and budget years.

ARB Three-Year Expenditures and Positions

| | Positions | | | Expenditures | | |
|--|----------------|----------------|----------------|--------------------|--------------------|--------------------|
| | 2017-18 | 2018-19 | 2019-20 | 2017-18* | 2018-19* | 2019-20* |
| 3500 Mobile Source | 681.9 | 711.9 | 729.9 | \$216,552 | \$613,042 | \$396,916 |
| 3505 Stationary Source | 250.5 | 271.3 | 272.3 | 39,493 | 41,569 | 41,670 |
| 3510 Climate Change | 213.0 | 205.4 | 210.4 | 490,534 | 768,985 | 460,748 |
| 3515 Subvention | - | - | - | 78,793 | 10,111 | 10,111 |
| 3525 Zero/Near Zero Emission Warehouse Program | - | - | - | - | 50,000 | - |
| 3530 Community Air Protection | 63.5 | 72.0 | 75.0 | 287,931 | 324,663 | 275,643 |
| 9900100 Administration | 264.0 | 254.8 | 254.8 | 42,757 | 57,778 | 57,953 |
| 9900200 Administration - Distributed | - | - | - | -42,757 | -57,778 | -57,953 |
| TOTALS, POSITIONS AND EXPENDITURES (All Programs) | 1,472.9 | 1,515.4 | 1,542.4 | \$1,113,303 | \$1,808,370 | \$1,185,088 |

*Source: Department of Finance

Issue 3: Wildfire Prevention and Recovery Legislation: Prescribed Fire Monitoring Program (SB 1260)

Governor's Proposal. The Governor's budget proposes \$3.4 million GGRF and five positions to address workload associated with implementation of SB 1260 (Jackson), Chapter 624, Statutes of 2018, including smoke monitoring, forecasting, reporting, and modeling capabilities to support a significant increase in prescribed burn projects.

The requested funds include \$595,000 in one-time equipment costs and \$2 million for three years in local assistance funding.

Background. *SB 1260 (Jackson).* SB 1260 was an omnibus fire prevention and forestry management bill to promote long-term forest health and wildfire resiliency. SB 1260 authorized federal, state, and local agencies to engage in collaborative forestry management, created new opportunities for public and private land managers to mitigate wildfire risks, and enhanced the Department of Forestry and Fire Protection's (CalFire's) role in identifying wildfire hazards as local governments plan for new housing and neighborhoods. Among the provisions in the bill, SB 1260 requires ARB and CalFire, in coordination with local air pollution control and air quality management districts, to develop and fund a program to enhance air quality and smoke monitoring, and to provide a public awareness campaign regarding prescribed burns.

SB 1260 was part of the comprehensive wildfire prevention and recovery package enacted last year. The 2019-20 Governor's budget proposes a total of \$234.5 million to implement the various requirements of the legislative package and build the state's resilience to climate change-driven wildfire activity.

Prescribed Burning. According to ARB, prescribed burning is the intentional use of fire to reduce wildfire hazards, clear downed trees, control plant diseases, improve rangeland and wildfire habitats, and restore natural ecosystems. Approximately 150,000 acres of wildlands are treated each year in the state using prescribed burning. As catastrophic wildfires continue to be a growing concern, the use of prescribed burning to reduce hazardous fuels is projected to increase.

Prescribed Burning: Air Quality Impacts. Prescribed burning produces smoke, which is a mixture of toxic particles and gases. If not carefully managed, smoke can be a nuisance to residents and businesses, and it can adversely impact community health. Smoke can contribute levels of pollution that exceed health protective air quality standards. However, to minimize smoke impacts and protect public health, burners and air regulators work together to match burning with appropriate atmospheric conditions.

Recent advances in remote sensing and measurement systems enable greater accuracy when analyzing forest fuel and deadwood composition, and forestry science has shown prescribed burns are an effective strategy for maintaining healthy, sustainable forest ecosystems. However, the increased application of prescribed burn techniques creates a statewide demand for new strategic monitoring, modeling, reporting, and forecasting beyond existing capabilities. It will also require a high level of coordination with CalFire, land management agencies, and local air districts to ensure that the increased use of prescribed burns does not jeopardize statewide air quality objectives.

This proposal is intended to enable ARB to implement the measures necessary to facilitate an increase in prescribed burns and provide enhanced, location-specific air quality information about prescribed burns to improve certainty in near-burn air quality levels, leading to more positive burn calls. Improved high resolution monitoring data and modeling/forecasting capabilities is intended to provide the safety information and operational intelligence needed by CalFire, the US Forest Service, Bureau of Land Management, local air districts, and other officials to conduct precisely controlled burns and communicate with the public while ensuring air quality goals are not compromised. Healthier, more natural and sustainable forests will also help optimize carbon sequestration over the long-term.

Governor's Budget Proposals Related to the Legislative Wildfire Package. Please see Background in Issue #1.

Staff Recommendation. Hold open.

Issue 4: California Clean Miles Standard and Incentive Program (SB 1014)

Governor's Proposal. The Governor's budget proposes one permanent position and \$91,000 from the Air Pollution Control Fund in fiscal year 2019-20 and \$181,000 in 2020-21 to develop and implement the requirements of SB 1014 (Skinner), Chapter 369, Statutes of 2018.

Background. SB 1014. SB 1014 (Skinner) establishes the Clean Miles Standard and Incentive Program and requires ride hailing companies (e.g. Uber and Lyft), formally known as transportation network companies (TNCs), to have drivers use clean cars, incentivize higher carpooling per vehicle, and incentive reduced trip distance by connecting to transit.

SB 1014 requires ARB to establish by January 1, 2020, a GHG emissions baseline for transportation network companies on a per passenger-mile basis. SB 1014 also requires ARB to establish annual targets for the reduction under that baseline of GHG emissions per passenger mile driven on behalf of transportation network companies, including annual targets for increasing vehicle or passenger miles traveled using zero emission vehicles by January 1, 2021.

This is a new type of regulation (i.e., regulating light duty fleets not automakers), a new type of regulated party (i.e. regulating app-based ride hailing companies), and may require a United States Environmental Protection Agency (US EPA) waiver. It will also require technology assessments of driverless automated vehicles (AVs), given AVs are expected to be predominantly used in ride hailing fleets after they emerge in fleets starting in 2020.

SB 1014 requires the following schedule:

- By January 1, 2020: ARB to complete first emissions baseline using 2018 as the base year.
- By January 1, 2021: ARB to complete regulation, collaborating with the California Public Utilities Commission (CPUC) for enforcement.
- By January 1, 2022: Ride hailing firms to submit first emission reduction plans, and every other year thereafter.
- By 2023: First year of annual requirements and enforcement by CPUC begins.

ARB would immediately move to request a US EPA for a waiver later in 2021, if one is deemed necessary, to establish authority for CPUC to enforce the regulation.

The Administration states that ARB does not currently regulate ride hailing fleets and, therefore cannot absorb the increased workload of developing and implementing the requirements of SB 1014 using existing resources. However, if requested resources are granted, ARB will be able to leverage related experiences from other types of vehicle programs such as Advanced Clean Cars program to establish the baseline emissions inventory and set annual emissions reduction targets.

Staff Recommendation. Approve as budgeted.

Issue 5: Increase Grants for Truck Loan Program

Governor's Proposal. The Governor's budget proposes \$19.36 million Air Quality Improvement Fund (AQIF) one-time for the Air Quality Improvement Program (AQIP) grant program. This adjustment would bring the total local assistance authority for the truck loan program to \$48 million in 2019-20.

The additional funds are intended to further contribute to the Truck Loan Program, which assists small business truck owners with replacing their trucks to reduce air toxics, criteria and climate pollutants, and comply with the statewide Truck and Bus Regulation.

Background. AQIP. AB 118 (Núñez), Chapter 750, Statutes of 2007, enacted the California Alternative and Renewable Fuel, Vehicle Technology, Clean Air, and Carbon Reduction Act of 2007. Among the various provisions, AB 118 established AQIP, which funds air quality improvement projects relating to fuel and vehicle technologies, administered by ARB. The program provides incentives to reduce criteria pollutant and toxic air contaminant emissions through the deployment of advanced technology and clean transportation in the light-duty and heavy-duty sectors. There are multiple programs under AQIP that focuses funding in various areas, including clean vehicle and equipment projects, research on biofuels production, air quality impacts of alternative fuels, and workforce training. Each year, the legislature appropriates funding to ARB for these incentives. Funding for AQIP varies, but averages around \$25 million annually.

The Administration states that at the time of its creation, AQIF revenues were below anticipated levels due to a downturn in the economy; consequently, the expenditure authority was reduced to align with revenues. The state's economy has improved, resulting in increased program revenues and greater demand for AQIP's consumer and business incentive programs.

The statewide Truck and Bus Regulation requires retirement of diesel trucks with engines that are 20 years or older beginning in 2020. Further, truck owners will face immediate consequences to their business operations if they do not retire older trucks on time.

Staff Recommendation. Approve as budgeted.

Issue 6: Truck and Bus Regulation Compliance Certification (SB 1)

Governor's Proposal. The Governor's budget proposes \$1.9 million from various state transportation-related funds (State Transportation Fund: (1) State Highway Account, (2) Road Maintenance and Rehabilitation Account, and (3) Trade Corridor Enhancement Account) and 15 positions for three years, and \$195,000 and one position ongoing thereafter to implement SB 1 (Beall), Chapter 5, Statutes of 2017.

These positions are intended to implement the requirements of SB 1, including:

- Establish a joint database with the Department of Motor Vehicles (DMV) to ensure only commercial vehicles compliant with ARB's diesel regulations are allowed to register.
- Provide increased outreach and technical assistance to truck owners/operators on registration-related compliance issues to address the anticipated increase in compliance assistance and enforcement resolution calls.
- Track the emissions impacts of the Truck and Bus Regulation's enhanced compliance provision.
- Consult with the Department of Transportation in its review of transportation plans and the development of local and regional planning grant guidelines.
- Consult with the California Transportation Commission on the development of program funding guidelines and assistance with developing scoring criteria for the Congested Corridors Program created by SB 1.

Background. SB 1 (Beall). SB 1 established The Road Repair and Accountability Act of 2017, which was intended to address the funding deficit for transportation infrastructure and the backlog of California transportation system maintenance and rehabilitation projects. Among its various provisions, SB 1 created the Road Maintenance and Rehabilitation Program to fund road maintenance and rehabilitation, safety projects, and active transportation projects, and created the Solutions for Congested Corridors Program to address the state's most congested travel corridors.

Several provisions of SB 1 acknowledge the impact of the transportation sector on California's air quality, and require ARB to establish programs to reduce emissions from motor vehicles and to work in concert with other state agencies as an expert consultant for air quality and GHG-related elements.

Truck and Bus Regulation. The Truck and Bus Regulation places clean air requirements on approximately one million trucks operating in the state, of which approximately 400,000 are registered in California and about 600,000 are registered in other states. The current estimated compliance rate is approximately 70 percent.

ARB estimates that, of approximately 300,000 non-compliant vehicles operating in California, approximately 82,000 are registered in the state and will be affected by SB 1. In addition, many vehicles currently in compliance may become non-compliant when additional requirements take effect between 2020 and 2023.

SB 1 provides a new enforcement mechanism by requiring that a vehicle be in compliance with the Truck and Bus Regulation prior to registering that vehicle with the DMV. Beginning January 1, 2020, DMV is required to verify that a medium-duty or heavy-duty vehicle is compliant with or exempt from ARB's Truck and Bus Regulation before allowing registration. This requires enhanced database capabilities to ensure accurate communication between ARB and DMV databases.

The 2018 Budget Act provided \$600,000 for the development of the database and an additional \$300,000 is proposed in 2019-20 through a technical budget change proposal as a continuing technology project.

Staff Recommendation. Hold open.

Senator Bob Wieckowski, Chair
Senator Brian W. Jones
Senator Mike McGuire
Senator William W. Monning
Senator Henry I. Stern



Thursday, April 4, 2019
9:30 a.m. or upon adjournment of session
State Capitol - Room 112

Consultant: Joanne Roy

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

VOTE-ONLY CALENDAR

3480 DEPARTMENT OF CONSERVATION (DOC)

Issue 1: Information Technology and Maintenance

Governor's Proposal. The Governor's budget proposes \$2 million from the Strong Motion Instrumentation and Seismic Hazards Mapping Fund on a two-year limited-term basis and \$500,000 from the same fund in 2020-21. These funds will be used to perform preventive and corrective maintenance to information technology infrastructure and operations.

Background. *The California Geological Survey (CGS) Provides Important Data Used in Decision Making by Various Entities.* CGS is 159 years old and is one of the oldest geological surveys in the nation. CGS is regarded as the primary source of geological information used in decision-making by government agencies, businesses, and the public.

CGS runs the Strong Motion Instrumentation Program (SMIP), which was established in 1971 and is one of the most extensive seismic monitoring systems in the world. SMIP gathers vital data for the engineering and scientific communities through a statewide network of seismic sensor instruments. These devices are placed in structures such as dams, bridges, hospitals, skyscrapers, fire stations, industrial facilities, and on open land. There are more than 8,500 sensors at over 1,300 monitoring stations statewide. These instruments measure the vertical and horizontal motion of the ground and the response of structures to that ground movement during an earthquake. SMIP data are used to aid emergency response personnel by pinpointing where the heaviest damage is likely to have occurred in an earthquake. Ultimately, the data collected by the sensors and delivered via the seismic network help improve building codes and assist local governments in their planning.

CGS is Currently Running SMIP on Obsolete and Unsupported Hardware and Software. The hardware and software that SMIP is running on is also out of compliance with required state information technology (IT) policies. While compliance with state IT policy is important, the larger risk is of an unrecoverable IT failure, which could result in significant consequences.

If an outage were to occur in the SMIP environment during or before an earthquake event, over 65 percent of the State's earthquake sensors would be disabled. This could render emergency response effectively blind in terms of allocating scarce response resources. If such an event occurs, there is no third-party support available. There would be limited local knowledge for troubleshooting and there would be no replacement equipment available.

In addition to the infrastructure and hardware, 95 percent of software in use by SMIP is running on platforms that are long out of mainstream support. Terabytes of historical earthquake data are stored on unsupported media (e.g., hard disk drives, floppies), in a non-temperature-controlled facility, and is not backed-up, which could result in a massive historical data loss on the State's earthquakes.

Staff Comments. If an IT failure occurred right now, it would render SMIP unable to provide critical emergency services before, during, and after an earthquake event. Providing DOC the requested resources is intended to fortify the existing IT operational environment and ensure that there is the

necessary operational support system in place to eliminate the risk of an unrecoverable hardware and/or software failure that could disable SMIP's services.

Staff Recommendation. Approve as budgeted.

Issue 2: Well Statewide Tracking and Reporting (WellSTAR)

Governor's Proposal. The Governor's budget proposes \$5.545 million in 2019-20, \$2.54 million in 2020-21, and \$1.327 ongoing from the Oil, Gas, and Geothermal Administrative Fund. Funding would be used to continue the development and implementation of Well Statewide Tracking and Reporting (WellSTAR). WellSTAR is a centralized database system to help run operations.

Background. *Various Enacted Legislation Imposes Reporting Requirements on Division of Oil, Gas, and Geothermal Resources (DOGGR).* Due to increasing concerns over public transparency and accountability of oil and gas operations in California, the Legislature enacted multiple pieces of legislation to require DOGGR to collect specified information in order to evaluate its impacts on the environment.

Data Collection on Oil and Gas Wells. SB 4 (Pavley), Chapter 313, Statutes of 2013, provides a statutory framework for the comprehensive regulation of oil and gas production in California in order to provide greater transparency and accountability to the public regarding well stimulation treatments, its impacts on the environment and the disposal of well stimulation wastes. Regulations adopted on July 1, 2015, require the collection of large amounts of complex oil and gas data related to well stimulation jobs to be evaluated, permitted validated, inspected, and monitored. This data includes, but not limited to, directional surveys, geophysical well logs, well construction details, well completion details, drill stem tests, fracture stimulations and micro-seismic data, core logs, mud logs, pressure transient test data, and production and injection data.

Data Collection on Water Produced During Oil and Natural Gas Drilling Operations. SB 1281 (Pavley), Chapter 561, Statutes of 2013, requires DOGGR to collect information on water produced during oil and natural gas drilling operations in order to evaluate how industry practices affect groundwater. The data must be collected on a quarterly basis and annually report an inventory of all unlined oil and gas field sumps to the State Water Resources Control Board and Regional Water Quality Control Boards. SB 1281 also requires detailed reporting of water use by type, amount, and source, as well as additional reporting on produced water, water treatment and recycling efforts, and disposition of all water used or produced. This reporting must be done at both the individual well level, and the overall field level.

Annual Report on the Underground Injection Control Program. SB 855 (Committee on Budget and Fiscal Review), Chapter 718, Statutes of 2010, requires DOGGR to provide an annual report to the Legislature on various features of the Class II Underground Injection Control Program.

Inadequate Record Keeping Imperiled Drinking Water Supplies. An audit conducted by the US EPA in 2011 revealed serious problems with the way DOGGR managed its Class II Underground Injection Control Program. Through this audit, DOGGR acknowledged that nearly 2,500 wells have been permitted to inject oil and gas waste into protected aquifers, a clear violation of the Safe Drinking

Water Act. DOGGR admitted that poor communication, inadequate record-keeping, inconsistent information, and general confusion among the agencies responsible for overseeing the injection well program led to permits being issued that allowed drinking water supplies to potentially be poisoned by dangerous byproducts of oil and gas production.

Legislature Approved Several Rounds of Funding for WellSTAR. The Legislature approved 10 million in 2015-16, \$10 million in 2016-17, \$21 million in 2017-18 and \$15.012 million in 2018-19 for the development of WellSTAR, an oil and gas data management system. DOGGR is collaborating with the Ground Water Protection Council (GWPC) to implement WellSTAR. WellSTAR will leverage the Risk Based Data Management System (RBDMS) from GWPC. RBDMS is a data information management system developed to track oil, gas, injection well, and source water protection that is currently used in 23 states. WellSTAR will be a modernized version of RBDMS to include newer technology as well as functionality unique to California resulting from enacted legislation. WellSTAR is designed to give DOGGR, other state agencies, industry, and the public an integrated information system that provides centralized information on oil and gas production operations. WellSTAR is also meant to address many of the systematic problems within DOGGR, including poor recordkeeping and the lack of modern data tools and systems.

A modern integrated information system is intended to bring DOGGR in line with the digital age. Such a system is meant to help increase transparency and strengthen the state's oversight of oil and gas production by improving data collection and analysis, and streamlining operations and processes. This system is also necessary for implementation on of the various requirements on DOGGR.

WellSTAR Project is On Schedule and On Budget. According to the December 2017 Independent Project Oversight Report (IPOR) prepared by California Department of Technology, the overall health of the WellSTAR project is "satisfactory," meaning no corrective action is necessary at this time. For example, the project is operating (1) on schedule, (2) within the approved budget, and (3) within the approved scope. The project is also meeting other requirements for a satisfactory rating in seven other areas tracked on IPOR's independent project oversight dashboard (such as having an approved staff management plan in place).

Staff Comments. DOGGR has submitted a BCP for the full project costs for the past two fiscal years. The Legislature has approved funding one year at a time to ensure additional opportunities to exercise oversight over this complex information technology project. Now that the most significant project costs have been funded, and the project continues to remain on-track and within budget, this BCP requests the balance of funding needed for WellSTAR development and implementation and continues to remain consistent with the original request.

Staff Recommendation. Approve as budgeted.

3560 STATE LANDS COMMISSION (SLC)**Issue 3: Critical Business Technology Needs**

Governor's Proposal. The Governor's budget proposes \$525,000 (\$231,000 General Fund, \$52,000 Marine Invasive Species Control Fund, \$210,000 Oil Spill Prevention and Administration Fund, and \$32,000 School Land Bank Fund) and one permanent position in 2019-20 and \$320,000 ongoing (\$141,000 General Fund, \$32,000 Marine Invasive Species Control Fund, \$127,000 Oil Spill Prevention and Administration Fund, and \$20,000 School Land Bank Fund) .

The requested resources will be used to address various information technology (IT) needs resulting from new mandates and policies. These include the California Department of Human Resources' (CalHR's) new reporting mandate, the statewide "Cloud First" IT initiatives, and Public Records Act requirements.

Staff Recommendation. Approve as budgeted.

Issue 4: Spatially Indexed Record Management System (SIRMS) – Project and Operations

Governor's Proposal. The Governor's budget proposes \$1.245 million General Fund one-time, \$777,000 ongoing, and three positions to fund the Spatially Indexed Records Management System (SIRMS) project.

Background. *The State Lands Commission (SLC).* The SLC, established in 1938, is tasked with managing California's sovereign lands and resources for the benefit, use, and enjoyment of the public. These lands total approximately 4.5 million acres and include tidelands, submerged lands and the beds of navigable rivers, streams, lakes, bays, estuaries, inlets, and straits.

SLC Has Over 200 Years' Worth of Historical Records. The SLC rely on historical records that document land ownership and define the state's historical boundaries to conduct its primary business functions, leasing, environmental protection, and ensuring land use is managed in the best interests of the state. The records include paper documents that predate statehood. This accumulation of over 200 years of records has resulted in an estimated 160 different record types containing over four million documents. These paper records are housed at the State Records Center and at all five SLC locations. SLC has partially automated some of its business process and functions. However, staff continues to access paper documents using a manual geo-referenced title plant, comparable to a Geographical Information System, but fully dependent on manual systems, tools, and processes. The mix of paper and digital records is constantly expanding as new transactions are brought before the Commission.

The Spatially Indexed Records Management System project (SIRMS). The SIRMS project, when complete, will provide geo-referenced, digital accessibility land ownership records. SIRMS will improve leasing and permitting workflow processes associated with them. SIRMS will assist staff in more efficiently issuing leases and permits, identifying jurisdictional ownership, improving workflows, and eventually, allowing the public to access the historical

Staff Comments. SLC currently has to access a mix of paper and digital records to perform its land management and leasing functions. In recognition of this inefficient and cumbersome process, the

Legislature previously approved the planning phase and first year implementation costs to create a system to organize, classify, and digitize land ownership records. This request is for the second year implementation costs. Providing SLC with the ability to have digital access to geo-referenced land ownership records will improve leasing and permitting workflow processes associated with them. This system will also improve efficiency in issuing leases and permits and identifying jurisdictional ownership.

Staff Recommendation. Approve as budgeted.

3720 CALIFORNIA COASTAL COMMISSION (CCC)

Issue 5: Legal Support

Governor's Proposal. The Governor's budget proposes \$130,000 General Fund ongoing and one position ongoing to address increased workload relating to recorded documents, litigation, and an increased number of Public Records Act requests.

Over the last five years, the Commission has experienced an increased workload in the area of litigation and Public Records Act requests. This increased workload has exacerbated the Commission's backlog of processing recorded documents. Failure to address the recorded documents backlog means that some permittees will continue to be delayed in project commencement. Complaints regarding delays in the recorded document process, in turn, increases workload for the Commission. Inadequate legal review of recorded documents can lead to future litigation or enforcement problems, which impose burdens on the public and create additional workload for the agency.

Staff Recommendation. Approve as budgeted.

3760 STATE COASTAL CONSERVANCY

Issue 6: Reserve for Grant Acceptance

Governor's Proposal. The Governor's budget proposes a one-time transfer of \$10 million from the General Fund into the State Coastal Conservancy Fund and ongoing reimbursement authority to provide a balance in the fund to pay upfront costs for various reimbursable grants that the Conservancy receives every year from state, local, and federal agencies, as well as private entities. The funds would be used exclusively to provide a source of upfront cash for reimbursable expenditures.

The appropriated funds would be used to pay upfront project expenditures that would be reimbursed by grants received from state, federal, and local sources. As reimbursements are received, they would be deposited back into the State Coastal Conservancy Fund to replace the expended funds. Funds would be tracked separately from other Conservancy funds held in the State Coastal Conservancy Fund.

Staff Recommendation. Approve as budgeted.

3790 DEPARTMENT OF PARKS AND RECREATION (PARKS)**Issue 7: Oceano Dunes Environmental Compliance**

Governor's Proposal. The Governor's budget proposes to make permanent \$815,000 in one-time spending authority from the Off-Highway Vehicle Trust Fund originally approved in the Budget Act of 2017. The ongoing funding will support four positions and equipment for the environmental conservation programs and regulatory compliance mandates at Oceano Dunes State Vehicular Recreation Area in San Luis Obispo County.

The park continues to be the subject of numerous regulatory actions and lawsuits focused on endangered species management (Western Snowy Plover and California Least Tern), air pollution, and coastal dunes dust control requirements.

Staff Recommendation. Approve as budgeted.

Issue 8: Local Assistance, Off-Highway Vehicle Trust Fund

Governor's Proposal. The Governor's budget proposes \$35 million in 2019-20 and 2020-21 from the Off-Highway Vehicle (OHV) Trust Fund for local assistance program compliance.

The OHV local assistance program supports the planning, acquisition, development, maintenance, administration, operation, enforcement, restoration, and conservation of trails, trailheads, areas and other facilities associated with the use of off-highway motor vehicles and programs involving off-highway motor vehicle safety or education.

The intent for local assistance grants is to make funds available to aid local agencies to acquire, develop, construct, maintain, administer, and conserve the state's trails and areas for the use of off-highway motor vehicles

Staff Recommendation. Approve as budgeted.

ISSUES FOR DISCUSSION

LEGISLATIVE ANALYST'S OFFICE (LAO) INFORMATIONAL PRESENTATION

Issue 9: Coastal Adaptation

Legislative Analyst's Office (LAO) Background. *California's Coast Faces Threat of Rising Seas and Tides.* Climate scientists have developed a consensus that one of the effects of a warming planet is that global sea levels will rise. The degree of sea-level rise (SLR), however, is still uncertain, and depends in part upon whether global greenhouse gas (GHG) emissions and temperatures continue to increase. Recent estimates project that compared to 2000, sea levels along the California coast south of Mendocino will rise between 1.5 inches and one foot by 2030, between five inches and two feet by 2050, and between 1.4 feet and 5.5 feet by 2100. These changes will impact both human and natural resources along the coast, as they increase the risk of flooding and inundation of buildings, infrastructure, wetlands, and groundwater basins. Climate change is also projected to contribute to more frequent and extreme storms, which will bring tides further ashore and exacerbate flood risk. A SLR report by the scientific organization Climate Central in 2014 estimated that a five-foot increase in water levels along California's coast due to SLR, storms, and tides would affect roughly 500,000 people, 645,000 acres, 210,000 homes, and \$105 billion of property value. Rising seas will also erode coastal cliffs, dunes, and beaches—affecting shorefront houses, businesses, infrastructure, and recreation. The state's *Safeguarding California Plan* cites that for every foot of SLR, 50 to 100 feet of beach width could be lost.

Multiple State Departments Charged With Helping Protect Coastal Resources. While responsibility to prepare for and respond to the impacts of SLR lies primarily with the affected local communities, a number of state departments are engaged in these activities as well. The primary state departments working on coastal issues and their major SLR-related roles are:

- **California Coastal Commission.** Regulates the use of land and water in the coastal zone, excluding the San Francisco Bay Area. (The coastal zone generally extends 1,000 yards inland from the mean high tide line.) Reviews and approves Local Coastal Programs (LCPs, discussed below). Maintains permitting authority over proposed projects in areas in the coastal zone with no approved LCP and for state-managed lands such as state parks.
- **BCDC.** Reviews and issues regulatory permits for projects that would fill or extract materials from the San Francisco Bay, and works to preserve public access along the Bay's shore. Leads the Bay Area's ongoing multiagency regional effort to address the impacts of SLR on shoreline communities and assets, including multiple adaptation planning efforts.
- **Ocean Protection Council.** Coordinates the activities of ocean-related state departments. Allocates grants for SLR and climate adaptation projects and research. Conducts and distributes data and information to help local jurisdictions and state departments plan for SLR, including developing the guidance document discussed below.
- **State Coastal Conservancy.** Allocates grants for and undertakes projects to preserve, protect, and restore the resources of the California coast and the San Francisco Bay Area. Provides grants for planning and projects through its Climate Ready Program explicitly to increase the resilience of coastal communities and ecosystems to climate change impacts such as SLR.

- ***State Lands Commission.*** Stewards sovereign state lands, including those located between the ordinary high water mark of tidal waters and the boundary between state and federal waters three miles offshore. Monitors sovereign state lands the Legislature has delegated to local municipalities to manage in trust for the people of California. (These “trust grants” stipulate how cities and counties can use these waterfront and submerged lands, such as for piers, ports, harbors, airports, or recreation.) Oversees assessments that grant trustees are required to conduct for how they plan to adapt to SLR, pursuant to AB 691 (Muratsuchi), Chapter 592, Statutes of 2013.

State Has Been Engaged in SLR Planning and Data Collection. The state has published a number of comprehensive and helpful reports in recent years concerning SLR projections and steps the state and local governments might take to respond. Among these is the *State of California Sea-Level Rise Guidance Document*, which was initially adopted in 2010 and most recently updated in 2018. This document—developed by the Ocean Protection Council in coordination with other partner agencies—provides (1) a synthesis of the best available science on SLR projections and rates for California, (2) a stepwise approach for state agencies and local governments to evaluate those projections and related hazard information in their decision-making, and (3) preferred coastal adaptation approaches. Other SLR-related plans and reports the state has released in recent years include several iterations of the *Safeguarding California Plan* (each of which consists of multiple companion reports), the *California State Hazard Mitigation Plan*, and *Paying It Forward: The Path Toward Climate-Safe Infrastructure in California*.

State Law Encourages Coastal Communities to Develop LCPs. Enacted in 1976, the California Coastal Act encourages the 76 cities and counties along the coast to develop plans—known as LCPs—to guide development in the coastal zone. The LCPs specify the appropriate location, type, and scale of new or changed uses of land and water, as well as measures to implement land use policies (such as zoning ordinances). The Coastal Commission reviews and approves (“certifies”) these plans to ensure they protect coastal resources in ways that are consistent with the goals and policies of the Coastal Act. Local governments have incentives to complete certified LCPs, as they can then handle development decisions themselves (although stakeholders can appeal such decisions to the Coastal Commission). In contrast, any project undertaken in the coastal zone in communities without certified LCPs must attain a permit from the Coastal Commission. As of June 2018, nearly 90 percent of the applicable geographic area was covered by a certified LCP. Most of these LCPs, however, were developed around 30 years ago—long before the need to account for the potential effects of climate change and SLR. As such, some coastal communities are beginning to work on updating their LCPs, including by conducting SLR vulnerability assessments, undertaking adaptation planning, and updating their land use policies.

State Has Provided Some Greenhouse Gas Reduction Fund (GGRF) for Coastal Planning and Adaptation. In both 2017-18 and 2018-19, the state provided GGRF to three state departments for coastal adaptation activities—Coastal Conservancy, Coastal Commission, and the San Francisco Bay Conservation and Development Commission (BCDC). As shown below, a total of \$6 million was provided in 2017-18 and \$5 million in 2018-19. In each year, the funds were provided on a one-time basis, and were not included in the Governor’s original proposals but rather were added by the Legislature through the course of budget negotiations. The funded programs and activities at each department have the primary goal of assisting coastal communities in assessing their SLR vulnerability, planning for rising tides, and implementing adaptation projects.

| Greenhouse Gas Reduction Funds for Coastal Adaptation Activities | | | |
|--|--------------|--------------|------------------|
| <i>(In Millions)</i> | | | |
| | 2017-18 | 2018-19 | 2019-20 Proposed |
| Coastal Conservancy—Climate Ready Program | \$4.0 | \$3.0 | — |
| Coastal Commission—completing and updating LCPs | 1.5 | 1.5 | \$1.5 |
| Bay Conservation and Development Commission—regional adaptation planning | 0.5 | 0.5 | 1.8 |
| Totals | \$6.0 | \$5.0 | \$3.3 |

LCP = Local Coastal Program.

Coastal Adaptation Activities Also Funded From Other State Sources. The recent GGRF appropriations supplemented other funding at these three departments for similar activities. For example, over the past five years the Coastal Commission has awarded \$6 million in grants for vulnerability assessments and LCP updates, funded through appropriations from the General Fund and bonds. Similarly, between 2013 and 2015 the Coastal Conservancy awarded \$7.3 million in grants through its Climate Ready Program using state bonds and special funds. Additionally, many of the other programs and activities at these departments are related to SLR adaption. For example, the Coastal Conservancy’s governing board adopted a comprehensive climate change policy and amended its project selection criteria to require that *all* Coastal Conservancy projects must be designed with climate change in mind—even those funded by other Coastal Conservancy grants and programs apart from its Climate Ready Program. The state has also provided funding for the Ocean Protection Council to conduct SLR preparation activities including research and data dissemination. For example, in 2018-19 the Legislature appropriated \$10 million from Proposition 68 for the Ocean Protection Council to dedicate to projects that assist coastal communities, including grants for local SLR adaptation projects.

Governor’s Proposals. Proposes Two Ongoing Appropriations From GGRF for Coastal Adaptation Planning. The Governor’s budget proposes ongoing funding for two of the departments that received GGRF appropriations in prior years—\$1.8 million for BCDC and \$1.5 million for the Coastal Commission. Additionally, the proposal would establish four new positions for BCDC. The proposed GGRF would be used as follows:

- **BCDC (\$1.8 Million).** This increase from previous GGRF funding levels of \$500,000 is proposed to grow BCDC’s capacity to support the region’s SLR planning efforts. The agency would use the funding for four new positions and 12 existing positions in part to help develop the Bay Area’s first Regional Shoreline Adaptation Plan. Additional activities would include increased outreach to disadvantaged communities, enhanced technical support to cities and

counties that are undertaking adaptation projects, and increased capacity to implement BCDC's regulatory role in reviewing and permitting projects and ensuring that they adequately incorporate SLR adaptation.

- **Coastal Commission (\$1.5 Million).** The Coastal Commission would use funds consistently with the previous GGRF appropriations of the same amount. Specifically, it would use \$750,000 to provide grants to local jurisdictions to help update their LCPs, including by conducting SLR vulnerability assessments and updating their land use policies. Based on prior years, this likely would fund about five grants per year. The other \$750,000 would fund Coastal Commission staff to provide technical assistance, document review, and support for those efforts.

Does Not Propose GGRF for Coastal Conservancy. In contrast to the current and prior years, the Governor's budget would not provide GGRF for the Coastal Conservancy in 2019-20. According to the Administration, this is because the Coastal Conservancy has other available funding—primarily from Propositions 1 (2014) and 84 (2006)—for purposes consistent with the Climate Ready Program. The Administration states that significant overlap exists between the Climate Ready Program's objectives and other bond-funded programs the Coastal Conservancy is undertaking, such that additional GGRF is not essential.

LAO Assessment. Governor's Proposals Meet Important Needs. While the magnitude and timing of SLR still are unknown, scientists are confident that some level of rise is certain. To moderate the severity of the impacts these changes will bring, California's coastal communities need to begin planning now for how they will respond over the coming decades. As such, the LAO finds the Governor's proposals to be worthwhile. The proposed funding would allow BCDC and the Coastal Commission to assist local governments in their adaptation efforts. While most of the SLR adaptation actions must be undertaken by local jurisdictions, the state can help by facilitating regional collaboration and coordination (as with the BCDC funding) and by providing funds to encourage communities to assess their vulnerability and plan their responses (as with the Coastal Commission funding). Additionally, these allocations are consistent with the uses and priorities for which the Legislature has directed funds in previous years.

State Has Vested Interest in Preparing Coastal Assets for SLR. The LAO does not have concerns with the Governor's choice of GGRF to fund the proposed activities because climate adaptation is one of the priorities for GGRF expenditures listed in statute. While the funds are supporting efforts that benefit individual communities, these activities also have statewide value. Although most of the development along the coast is owned by either private entities or local governments—not the state—the state has a strong rationale for helping ensure that local jurisdictions plan and take action to adapt to SLR in order to minimize costly and traumatic damage for state residents and their property. Additionally, serious public health and safety impacts could occur if proper steps are not taken to prepare for how SLR will affect certain coastal infrastructure. This includes threats to drinking water (from impacts to coastal groundwater aquifers and water treatment plants), sewage treatment, local transportation infrastructure, and essential facilities such as hospitals and schools. The state also owns and is directly responsible for maintaining certain coastal highways that face significant risk from SLR. Moreover, the economy and tax base—both local and statewide—would be negatively affected by significant damage to certain key coastal infrastructure and other assets, such as ports, airports, railway lines, beaches and parks used for recreation, as well as high-technology companies located along the San Francisco Bay. The state also is charged with overseeing natural resources on behalf of the public trust, and thus is responsible for protecting public access to the coast and the health of coastal wetlands, wildlife, and habitats. Because of this broad statewide interest, we believe GGRF,

general obligation bonds, and General Fund all would be reasonable funding sources for coastal adaptation activities.

Additional State Assistance to Local Communities Likely Will Be Needed in Future Years. Local governments along the coast face costly challenges and difficult decisions for how they will respond to the impacts of SLR. They will need to grapple with which existing properties, infrastructure, and natural resources to try to protect from the rising tides (and how they might do so), which to modify or move, and which may be unavoidably affected. As described earlier, state departments are making efforts to assist coastal communities in these efforts by providing research, data and guidance, as well as grants for planning and projects. Given the magnitude of the challenges SLR will bring in the coming decades, however, coastal communities likely will look to the state for more help in future years—including additional fiscal resources, policy guidance, and statutory changes.

LAO Recommendations. *Adopt Governor’s Proposals.* Because the proposed funding would assist local governments in their SLR adaptation efforts, the LAO recommends the Legislature adopt the Governor’s proposals to provide \$1.8 million to BCDC and \$1.5 million to the Coastal Commission in ongoing GGRF. The state has a vested interest in ensuring local jurisdictions are prepared to protect coastal resources from rising seas. Facilitating regional collaboration and providing funds for local adaptation planning are appropriate supporting roles for state departments to play.

Explore Additional Ways to Assist Local Communities in Adapting to Rising Sea Levels. While the Governor’s proposals represent helpful and justifiable activities for state departments to undertake, additional steps likely will be needed to help support local communities’ significant planning and response needs in the coming years as threats from SLR become more pressing. The LAO recommends the Legislature continue to work with state departments, local governments, and coastal residents to identify the most effective ways for the state to help adapt to the impacts of rising seas. These could—and likely will—include additional data collection and research, policy changes, and funding appropriations. For example, the state may want to provide more funding for and/or enact additional requirements around local adaptation planning—whether through the LCP process or some other approach. The recent state-produced reports mentioned earlier contain data and recommendations that can help guide state and local actions in the coming years. Additionally, the Legislature can continue to convene experts—as it has with several policy and select committee hearings in recent years—to help solicit input as to the progress of local adaptation planning and how the state can most effectively contribute to SLR preparation efforts. Some of the key questions for the Legislature to explore in the coming months and years could include:

- ***State vs. Local Role.*** Which activities are appropriate for the state to undertake, and which should be local responsibilities? Are there decisions that have traditionally been made at the local level in which the state should become involved to protect public safety and statewide interests?
- ***Adaptation Progress.*** What is the status and pace of local governments’ progress in preparing for SLR? Are there certain high-risk regions that are not making sufficient progress? Are there steps the state should take to help facilitate, expedite, or compel additional progress?
- ***Funding.*** What are the most effective uses of state funding to address SLR? What fund sources are available and appropriate for state-level SLR efforts? Are there additional tools that the state or local governments could use to generate additional funding for these efforts, and does the Legislature need to take steps to authorize such tools?
- ***Research and Data.*** Is there additional information the state should collect and provide to assist local governments in their SLR planning? How are scientific understandings and

projections of SLR evolving, and how should this change the guidance the state is providing to local governments?

- ***State Assets.*** What steps should the state take to protect assets for which the state has primary responsibility—such as highways and state-owned buildings—from the effects of SLR? Does the state have a long-term adaptation plan—including time lines, cost estimates, and identified funding—for these assets? Has a state entity been identified to help coordinate and oversee these actions?
- ***Current LCP Process.*** Why are certain jurisdictions opting not to update their LCPs, (or, in some cases, not to have an LCP certified in the first place)? Do particular barriers exist within the LCP process that the Legislature can help address? Are there ways the state should modify the LCP process to better regulate planning, development, and decision-making in the coastal zone?

3720 CALIFORNIA COASTAL COMMISSION**3820 SAN FRANCISCO BAY CONSERVATION AND DEVELOPMENT COMMISSION****Issue 10: Coastal Adaptation**

Governor’s Proposal. The Governor’s budget proposes \$3.3 million in ongoing Greenhouse Gas Reduction Fund (GGRF) to assist local governments in their sea-level rise adaptation efforts. Specifically, the proposal includes:

- \$1.8 million and four positions for the San Francisco Bay Conservation and Development Commission to support the region’s sea-level rise planning efforts. The agency would use the funding for four new positions and 12 existing positions in part to help develop the Bay Area’s first Regional Shoreline Adaptation Plan. Additional activities would include increased outreach to disadvantaged communities, enhanced technical support to cities and counties that are undertaking adaptation projects, and increased capacity to implement BCDC’s regulatory role in reviewing and permitting projects and ensuring that they adequately incorporate sea-level rise adaptation.
- \$1.5 million to the California Coastal Commission. \$750,000 would be used to provide grants to local jurisdictions to help update their Local Coastal Programs, including by conducting sea-level rise vulnerability assessments and updating their land use policies. Based on prior years, this likely would fund about five grants per year. The other \$750,000 would fund Coastal Commission staff to provide technical assistance, document review, and support for those efforts.

These two proposals may be found in the budget change proposal (BCP), “2019-20 Cap-and-Trade Expenditure Plan,” which proposes \$575 million GGRF in addition to the Cap-and-Trade funding already approved, for various programs implemented by a variety of agencies. This BCP was heard and held open in this subcommittee on March 28, 2019.

Background. *(Please see LAO Background in Issue #7.)*

LAO Recommendation. The LAO recommends the Legislature adopt this proposal because of the potential future impacts of sea level rise. The LAO also recommends that the Legislature continue to work with state and local entities to identify the most effective ways to support local communities’ planning and response needs, including ongoing assessments of progress, how these efforts should be funded, and what additional research and data is needed.

Staff Recommendation. **No action is required.** As noted above, this issue is a part of a larger BCP, “2019-20 Cap-and-Trade Expenditure Plan,” which was heard and held open in this subcommittee on March 28, 2019.

**3820 SAN FRANCISCO BAY CONSERVATION AND DEVELOPMENT COMMISSION
(BCDC)****Issue 11: Relocation to Bay Area Metro Center (Budget Change Proposal (BCP) and Spring Finance Letter (SFL))**

Governor's Proposal. The Governor's BCP proposes \$127,000 General Fund in 2019-20 for increased leasing costs, which increase annually thereafter, to move to the San Francisco Bay Area Metro Center Regional Headquarters building (Metro Center) to co-locate with its regional planning partners.

The Governor's SFL proposes an additional \$32,000 General Fund in 2019-20 for increased leasing costs, which increase annually thereafter, to move to the Metro Center. In addition, BCDC requests a reappropriation of \$3.02 million General Fund provided in the 2018 Budget Act to pay for agreed-to tenant improvements and moving costs, which are not anticipated until 2019-20.

Background. BCDC. BCDC is responsible for managing the protection and use of the San Francisco Bay, its shoreline, and nearly all development in and around the Bay (within 100' of high tide). By statute, BCDC is required to be located in the City of San Francisco. The current facilities in the Hiram Johnson State Office Building cannot accommodate Commission meetings (the Commission's 27 members cannot be seated on the dais) and are inadequate for hosting any other formal meetings due to its lack of internet and audio-visual capabilities. After the Metro Center opened in 2016, BCDC moved all of its public meetings from various facilities in San Francisco and Oakland to the Metro Center because the building has space that is specifically designed to hold large public meetings in hospitable spaces.

The Budget Act of 2018 provided \$3.02 million for one-time tenant improvements and moving costs for BCDC's move to the Metro Center. The estimate at the time was \$3.02 million one-time. Since then, it was discovered the rental cost data the state and Bay Area Headquarters Authority were working and negotiating from was outdated and did not reflect updated market numbers for the lease in the Bay Area. Therefore, rent in the new headquarters building is expected to be higher than originally estimated. BCDC's annual rent in the Metro Center building would start at \$1.125 million, which is approximately \$127,000 more than BCDC's 2019-20 rent at the Hiram Johnson State Office Building in San Francisco where the Department of Justice (DOJ) will backfill.

Metro Center. The Metro Center was built to house the Metropolitan Transportation Commission, the Bay Area Air Quality Management District, the Association of Bay Area Governments, the Bay Area Regional Collaborative, and the San Francisco Estuary Partnership, which are the regional and state agencies in the Bay Area that collaborate to resolve and implement local, regional, and state policies around the Bay. Issues that the agencies address collectively include sea-level rise threats on state-owned assets such as local and regional transportation networks.

According to the Administration, the proposed lease for BCDC's new space is low compared to San Francisco's market rates both north and south of Market Street and grows at an acceptable rate of inflation. The lease will include utilities, common area expenses, and two parking spaces.

Department of Justice. In 2006, DOJ submitted a request for additional space in the City of San Francisco and the Department of General Services began searching for a new space. At the same time, BCDC submitted a request to move to the Metro Center. DOJ is expected to move into the location from where BCDC plans to move out.

Staff Comment. This SFL is the *third* budget change request related to this move and asks for additional funding for leasing costs. The SFL's BCP states, "The discrepancy between the estimates at the Governor's Budget and this April 1 request is due to a misunderstanding of fiscal years within a spreadsheet that contained the data used to build the estimates." Should the Legislature anticipate additional budget change requests regarding BCDC's move to the Metro Center?

Staff Recommendation. Hold open.

3560 STATE LANDS COMMISSION (SLC)**Issue 12: School Lands Forestry Inventory**

Governor's Proposal. The Governor's budget proposes \$184,000 School Land Bank Fund and one permanent position in 2019-20, and \$149,000 annually thereafter to be used to manage and develop school lands into a permanent and productive resource base. The requested position would collaborate with other public agencies that manage forest resources and would be responsible for maintaining and managing SLC's inventory of forested land. SLC intends to conduct an inventory to assess the health, species, size, and density of its forested land to assist in its efforts to develop a comprehensive forest management plan.

Background. *Forested School Lands.* SLC manages approximately 458,843 acres of fee-owned school lands for the benefit of California State Teachers' Retirement System. Of these, approximately 55,000 acres are forested. Until the late 1990s, SLC had Foresters on staff who actively managed its forested school lands. Retirements and redirection of staff have led to the forested lands being largely neglected since then. Timber salvage and sanitation operations have occurred on an as-needed basis due to losses from natural causes such as fire, high winds, insect infestation, and disease. Existing staff are generally redirected to support these efforts.

This request is a result of the Commission's participation in the Forest Climate Action Team and the 2018 Forest Carbon Plan. SLC is requesting a Public Lands Management Specialist III to proactively manage its forested land.

Staff Recommendation. Approve as budgeted.

3720 CALIFORNIA COASTAL COMMISSION**Issue 13: Increased Lease Cost**

Governor's Proposal. This subcommittee did not receive a budget change proposal for the increased lease cost for the California Coastal Commission. The Coastal Commission instead, includes \$1.3 million in new ongoing General Fund for higher rent costs in the new office location within its base budget.

Background. *The Coastal Commission's Headquarters is in San Francisco.* In addition to its headquarters in San Francisco, the Coastal Commission maintains six regional district offices: North Coast, North Central Coast, Central Coast, South Central Coast, South Coast, and San Diego Coast to provide accessibility to, and participation by, the public.

The North Central Coast District Office is located at Headquarters and serves four counties (Sonoma, Marin, San Francisco, and San Mateo) from the north end of Sonoma County at the Gualala River to the San Mateo/Santa Cruz County border near Año Nuevo State Reserve in the south, approximately 258 miles of coastline. It encompasses three offshore National Marine Sanctuaries.

According to the Coastal Commission, San Francisco is a central location between Northern California and Southern California, making it easily accessible by other District offices, appointed members, public officials, local governments, and the public served by the Coastal Commission. They further assert that the current headquarters is close to the Coastal Commission's sister agencies, the San Francisco Bay Conservation and Development Commission who is also in San Francisco and the State Coastal Conservancy in Oakland. Staff works closely with these agencies. The Coastal Commission's human resources office provides personnel services for the San Francisco Bay Conservation and Development Commission.

Approved funds for the Coastal Commission to Address Increased Lease Cost at its San Francisco Headquarters and its North Coast District Office. The Budget Act of 2018 provided \$1.409 million ongoing in General Fund for the Coastal Commission to address the increased leasing costs at its San Francisco Headquarters and the North Central Coast District office.

LAO Comments. *Coastal Commission Increased Lease Costs.* The budget proposal includes \$1.3 million in new ongoing General Fund for higher rent costs in the new office location to which the Coastal Commission is moving in the budget year. This would be in addition to the \$1.4 million ongoing that the Legislature approved in 2018-19 for such costs. The Administration, however, did not submit a formal proposal or justification for why additional funds are needed and what alternatives were considered. Rather, the new funds were simply built into the department's base budget.

Staff Comments. The Administration did not submit a budget change proposal on this item nor included it in a consolidated BCP. Instead, this funding increase was built into the Coastal Commission base budget. The Administration asserts that provisional language adopted in the 2018 Budget Act authorized this change. While funding for the increased cost might be reasonable, it would have been prudent and more transparent to propose this increase as a budget change proposal.

Staff Recommendation. Hold open.

3640 WILDLIFE CONSERVATION BOARD (WCB)

Issue 14: Proposition 68

Governor’s Proposal. The Governor’s budget proposes \$127 million and five positions for restoration and conservation projects implemented by WCB, such as:

- Lower American River Program
- Regional Conservation Investment Strategies
- Natural Community Conservation Planning (NCCP) Implementation
- UC Natural Reserve System
- WCB Governing Statues
- Pacific Flyway Habitat Protection and Restoration
- Wildlife or Fish Passage
- Sierra Nevada and Cascade Mountains
- Lower American River Conservancy Program

The following table, which carries over to the next page, reflects proposed Proposition 68 funding to be implemented by WCB:

WCB: Proposed Proposition 68 Funding 2019-20

(Dollars in thousands)

| Public Resources Code Section | Program | P-68 Bond Allocation | FY 2018-19 Local Assistance Allocation | FY 2019-20 Local Assistance Allocation (Proposed) | Estimated Solicitation Timing |
|--|---|----------------------|--|---|--|
| | | \$275,000 | \$71,000 | \$133,875 | |
| Chapter 7: California River Recreation, Creek, and Waterway Improvements Program | | | | | |
| 80100 (a) The sum of one hundred sixty-two million dollars (\$162,000,000) shall be available, upon appropriation by the Legislature, for grants pursuant to the California River Parkways Act of 2004 (Chapter 3.8 (commencing with Section 5750) of Division 5) and the Urban Streams Restoration Program pursuant to Section 7048 of the Water Code. Eligible projects shall include, but are not limited to, projects that protect and enhance urban creeks. | | | | | |
| 80100 | Wildlife Conservation Board | \$10,000 | \$2,000 | \$7,250 | |
| 80100 (a)(3) | Of the amount made available pursuant to this subdivision, ten million dollars (\$10,000,000) shall be available to the Lower American River Conservancy Program pursuant to Chapter 10.5 (commencing with Section 5845) of Division 5. | \$10,000 | \$2,000 | \$7,250 | Solicitation out Spring or Summer 2019 |

(Table continued onto next page.)

| Chapter 8: State Conservancy, Wildlife Conservation Board, and Authority Funding | | | | | |
|---|---|-----------|----------|----------|--|
| 80110 The sum of seven hundred sixty-seven million dollars (\$767,000,000) shall be available, upon appropriation by the Legislature, as described in this chapter. | | | | | |
| 80110(c) One hundred thirty-seven million dollars (\$137,000,000) shall be available to the Wildlife Conservation Board. | | | | | |
| 80111 | Wildlife Conservation Board | \$137,000 | \$39,000 | \$64,975 | |
| 80111 (a) | Five million dollars (\$5,000,000) shall be available for the development of regional conservation investment strategies. | \$5,000 | \$2,000 | \$2,625 | Continuous solicitation out January 31, 2019 |
| 80111 (b) | At least fifty-two million dollars (\$52,000,000) shall be available for the acquisition, development, rehabilitation, restoration, protection, and expansion of habitat that furthers the implementation of natural community conservation plans adopted pursuant to the Natural Community Conservation Planning Act. | \$52,000 | \$26,000 | \$22,100 | TBD |
| 80111 (c) | Up to ten million dollars (\$10,000,000) may be granted to the University of California Natural Reserve System for matching grants for acquisition of land, construction and development of research facilities to improve the management of natural lands, for preservation of California's wildlife resources, and to further research related to climate change. The Wildlife Conservation Board shall establish a matching grant requirement for grants awarded pursuant to this subdivision. | \$10,000 | \$4,000 | \$5,250 | Working with UC staff to get priorities for this year. |
| 80111 (d) | The remainder of the amount available shall be available to the Wildlife Conservation Board to provide funding for the following projects: (1) Projects to protect and enhance national recreation areas serving heavily urbanized areas or, in coordination with the State Lands Commission, to acquire an interest in federal public lands that may be proposed for sale or disposal. (2) Projects according to the Wildlife Conservation Board's governing statutes for its specified purposes. | \$70,000 | \$7,000 | \$35,000 | TBD. Possible Programs for this money: 1) T & E restoration projects ; 2) ERAL Program ; 3) Rangeland/grazing/grassland; 4) Oaks; 5) Forest Conservation; 6) Riparian Program. |
| Chapter 10: Climate Preparedness, Habitat Resiliency, Resource Enhancement, and Innovation | | | | | |
| 80130 The sum of four hundred forty-three million dollars (\$443,000,000) shall be available, upon appropriation by the Legislature, as competitive grants for projects that plan, develop, and implement climate adaptation and resiliency projects. Eligible projects shall improve a community's ability to adapt to the unavoidable impacts of climate change, improve and protect coastal and rural economies, agricultural viability, wildlife corridors, or habitat, develop future recreational opportunities, or enhance drought tolerance, landscape resilience, and water retention. | | | | | |
| 80132 | Wildlife Conservation Board | \$128,000 | \$30,000 | \$61,650 | |
| 80132(a) | Eighteen million dollars (\$18,000,000) shall be available to the Wildlife Conservation Board for direct expenditures pursuant to the Wildlife Conservation Law of 1947. | \$18,000 | \$10,000 | \$6,650 | Some portion for Public Access. Solicitation out Spring 2019. |
| 80132(c)(1) | Thirty million dollars (\$30,000,000) shall be available for the acquisition, development, rehabilitation, restoration, protection, and expansion of wildlife corridors and open space to improve connectivity and reduce barriers between habitat areas and to protect and restore habitat associated with the Pacific Flyway. In awarding grants pursuant to this subdivision, priority may be given to projects that protect wildlife corridors. | \$20,000 | \$0 | \$10,000 | Solicitation in May 2019. |
| 80132(e)(1) | Sixty million dollars (\$60,000,000) shall be available to the Wildlife Conservation Board for construction, repair, modification, or removal of transportation or water resources infrastructure to improve wildlife or fish passage. | \$30,000 | \$10,000 | \$15,000 | Solicitation out late February or early March 2019. |
| 80132(f) | Sixty million dollars (\$60,000,000) shall be available to the Wildlife Conservation Board for the protection, restoration, and improvement of upper watershed lands in the Sierra Nevada and Cascade Mountains, including forest lands, meadows, wetlands, chaparral, and riparian habitat, in order to protect and improve water supply and water quality, improve forest health, reduce wildfire danger, mitigate the effects of wildfires on water quality and supply, increase flood protection, or to protect or restore riparian or aquatic resources. | \$60,000 | \$10,000 | \$30,000 | Solicitation in April 2019. |

Background. Proposition 68. Also known as the California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access For All Act, Proposition 68 was approved on June 5, 2018. This measure provides \$4.1 billion in general obligation bonds for a variety of critical needs in the areas of natural resources and environmental protection. Proposition 68 includes specific dollar amounts for a number of purposes. They are as follows:

| FUNDING ALLOCATIONS | | |
|---------------------|---|-------------------------|
| Chapter | Purpose | Amount (in millions) |
| 2 | Investments in environmental and social equity, enhancing disadvantaged communities | \$725 |
| 3 | Investments in protecting, enhancing, and accessing local and regional outdoor spaces | \$285 |
| 4 | Restoration, preservation, and protection of existing state park facilities and units | \$218 |
| 5 | Trails and greenway investments | \$30 |
| 6 | Rural recreation, tourism, and economic enrichment investment | \$25 |
| 7 | Grants pursuant to the California River Parkways Act of 2004 and the Urban Streams Restoration Program | \$162 |
| 8 | To the state conservancies, Wildlife Conservation Board, California Natural Resources Agency, and the Salton Sea Authority for specified purposes | \$767 |
| 9 | Ocean, bay, and coastal protection | \$175 |
| 10 | Climate preparedness, habitat resiliency, resource enhancement, and innovation | \$443 |
| 11 | Clean drinking water and drought preparedness | \$250 |
| 11.1 | Groundwater sustainability | \$80 |
| 11.5 | Flood protection and repair | \$550 |
| 11.6 | Regional sustainability for drought and groundwater, and water recycling | \$390 |
| TOTAL | | \$4,100 |

Proposition 68 Allocations Last Year. The Budget Act of 2018 authorized \$1.24 million for the first year of various Proposition 68 bond program implementation. Programs and projects funded by the bond-measure in 2018-19 were prioritized to support a number of existing programs, projects that are shovel-ready and new programs with a phased-in approach.

Staff Recommendation. No action is required. This issue is part of a larger BCP, “Proposition 68 Implementation,” which was heard and held open in this subcommittee on March 7, 2019.

3790 DEPARTMENT OF PARKS AND RECREATION (PARKS)

Issue 15: Proposition 68

Governor’s Proposal. The Governor’s budget proposes \$70 million Proposition 68 and fourteen new positions ongoing for improving and expanding state (\$16 million) and local parks (\$54 million). More specifically, this proposal includes:

- **Positions.** Of the 14 positions requested for 2019-20, 13 are continuing positions that were requested and approved for 2018-19. 11 positions are under the Office of Grants and Local Services (OGALS) to develop the grant programs and administer funding under Proposition 68. The other two positions are administrative positions, one in the Budget Sections and the other in Accounting Services. The one “new” position is an accounting position in the payables unit; funded solely from grant allocations.
- **Program Delivery.** Of Parks’ \$70.1 million Proposition 68 requests, \$3.76 million is related to program delivery. The majority of that is for OGALS program delivery and State Park System administration costs. There are small allocations for program delivery in the Nature Resources Division (NRD) and Deferred Maintenance Program (DMP).
- **Projects.** \$4 million for Enterprise Projects. Projects funded under this allocation will add revenue generating infrastructure enhancements within the identified Park Units. \$11.5 million for DMP projects. These DMP projects will come directly from Parks’ list of backlogged deferred maintenance.
- **Local Assistance.** \$13.9 million in local assistance for smaller entities per capita grants, a continuing program outlined in bond section 80061(b).

Department of Parks: Proposed Proposition 68 Funding 2019-20

**Dollars in thousands*

| Purpose Type | Program | 2019-20 Proposed | Description |
|------------------|--------------------------------|------------------|--|
| Program Delivery | Various Grant Programs | \$3,449 | OGALS Program Delivery |
| Program Delivery | Preservation of Existing Parks | \$132 | State Parks Admin Costs (Program Delivery) |
| Program Delivery | SPS Natural Resource Values | \$30 | NRD Program Delivery related to 18/19 Appropriations |
| Program Delivery | Deferred Maintenance | \$150 | DMP Program Delivery |
| | | \$3,761 | |
| Projects | Enterprise Projects | \$4,000 | Revenue generating projects |
| Projects | Deferred Maintenance | \$11,500 | DMP Projects (\$2.3m to each region for 4 years) |
| | | \$15,500 | |
| Grants | Per Capita - Smaller Entities | \$13,875 | Local Assistance |
| Grants | Revenue Enhancement | \$37,000 | Local Assistance |
| | | \$50,875 | |
| Total: | | \$70,136 | |

** Source: Department of Parks and Recreation.*

Background. Proposition 68. (Please see “Background” under Issue 14)

Staff Comments. The Governor’s proposal includes \$37 million Proposition 68 funds to provide grants to local agencies for revenue enhancement measures aimed at improving and enhancing local or regional park infrastructure. This is the first time Parks has undertaken this program. The subcommittee may wish to ask Parks regarding the Revenue Enhancement Activities at Parks, what is the structure of this new program?

Staff Recommendation. No action is required. This issue is part of a larger BCP, “Proposition 68 Implementation,” which was heard and held open in this subcommittee on March 7, 2019.

Issue 16: Administrative Support Staffing

Governor's Proposal. The Governor's budget proposes \$1.74 million General Fund one-time, and \$1.633 million General Fund ongoing beginning in 2020-21, and 12 positions to support the increasing fiscal demands, address control agency audits, reduce backlogs, and support new and ongoing departmental operations in the Accounting Services and Business Management Services Sections.

Background. *The New Accounting System, FISCAL.* The Financial Information System for California, better known as FISCAL, is California's statewide accounting, budget, cash management and procurement information technology (IT) system. The State Controller, the State Treasurer, and the Directors of the Departments of Finance and General Services signed a Memorandum of Understanding in 2007, to formalize the cooperative partnership to support the development of the FISCAL system. In July 2016, FISCAL was formally recognized as a new department that implements, maintains and operates the FISCAL system.

Migration to FISCAL is Creating Backlogs. According to Parks, the transition to FISCAL is creating backlogs and new workload. Many processes that were automated in the previous fiscal system have now become manual; one-step extracts now require numerous steps to achieve the same results in the new system; and processes that occurred on a monthly basis now require daily, weekly, and monthly action. Parks asserts that it does not have permanent staff to meet the demand for fiscal tracking, reporting, auditing, and procuring.

Parks further asserts that its implemented mitigating efforts to help with transition but these resolutions cannot continue without additional personnel. Current staff has worked over 10,000 hours of overtime since the transition, temporary help has been hired, and the Department has created numerous databases and systems to attempt to automate processes. In addition, Parks has redirected staff from other units and administrative managers contributed over 11,800 additional hours of transitional and live work.

Staff Comments. The new FISCAL system is meant to increase efficiency overtime. Why is this request asking for ongoing resources?

Staff Recommendation. Hold open.

Issue 17: California Indian Heritage Center Staffing

Governor’s Proposal. The Governor's budget proposes \$428,000 General Fund ongoing and three positions to patrol, maintain, and develop the California Indian Heritage Center property.

Background. *A Museum for California Tribes.* The concept for a museum for California Tribes originated in 1927 with a loan to the state from Benjamin Hathaway of nearly 40,000 objects. A temporary facility to store, exhibit, and educate the public about these collections came to fruition in 1940 with the construction of a 4,300 square foot building at Sutter's Fort State Historic Park, funded by the Native Daughters of the Golden West. In 1950, the state purchased the collection, hired its first professional staff, and developed new exhibits.

California Indian Heritage Center. Senate Bill 2063 (Brulte), Chapter 290, Statutes of 2002, appropriated \$5 million to establish the California Indian Cultural Center and Museum Task Force. The bill also directs this taskforce to advise and make recommendations to the department regarding development of a new museum, including its location, design, content, and governance structure.

The task force adopted the name “California Indian Heritage Center (CHIC).” The Department, CHIC, and community representatives selected the West Sacramento site at the confluence of the Sacramento and American Rivers after assessing several alternatives.

The Budget Act of 2018 Included Funding for the Construction of the CIHC. The 2018-19 budget includes \$100 million General Fund to construct the CIHC and \$100 million in matching State Park Contingent Fund authority for costs to be funded through gifts or donations. The CIHC, when complete, will include up to approximately 120,000 square feet of building space, equipment and furnishings, outdoor plazas and venues, along with interpretive/educational trail connections to the Sacramento River. Total estimated project cost is \$200 million.

During earlier attempts to acquire the property from the City of West Sacramento, Parks acknowledged that the property would require additional resources to manage, such as patrols and site maintenance. Parks had requested the City to cover the operating costs for the property, but the City rejected the request. With \$100 million approved in last year’s budget for the project and the desire to restart acquisition negotiations with the City, Parks agreed to cover the cost of operating the property, immediately upon transfer of title. Parks anticipates acquisition of the property by July 2019 and will need to begin patrols and maintaining the property at the beginning of 2019-20.

Staff Recommendation. Approve as budgeted.

Issue 18: California Museum

Governor's Proposal. The Governor's budget proposes \$1 million General Fund ongoing for local assistance funding to the California Museum to support the museum's mission to engage and educate the public on California history.

Background. *The California Museum was Created to Share the Contents of the State Archives with the Public.* Created in partnership with the Secretary of State's Office, the California Museum was created as a venue to provide exhibitions emphasizing stories that reflect all aspects of California's diverse population and culture.

The California Museum offers educational programs for students and teachers that focus on history, social science, visual arts, and English language arts Common Core standards.

The museum also offers lesson plans and classroom materials to educators. Signature Exhibits for the Museum include the California Hall of Fame; 31st Star, the lead up to California becoming a state; California Indians: The First People; California's Missions; California's Remarkable Women; and others.

Parks intends to use the requested fund to support the Museum's efforts to develop and operate additional content celebrating one hundred years of women's suffrage and gender justice. These exhibits are intended to expand on existing content that documents the significant roles and achievements of remarkable women in strengthening, shaping, and serving California and their roles as community leaders and activists, business leaders, inventors, entertainers, mothers, daughters, sisters, and partners.

Staff Recommendation. Hold open.

Issue 19: Replacement of Emergency Fleet

Governor's Proposal. The Governor's budget proposes a one-time increase in spending authority of \$1.8 million in 2019-20 and \$1.7 million in 2020-21 from the General Fund to replace aging motorized equipment.

The 2019-20 funding is intended to be used to procure two vessels and a fixed-wing aircraft, and the 2020-21 funding is intended to be used to procure two vessels and a type I firefighting apparatus.

Background. *Parks Has a Fleet of Public Safety Equipment.* Parks operates a fleet of marine vessels, aircraft, fire apparatus and other public safety equipment to protect the natural and cultural resources at more than 280 park units, which provide direct service millions of visitors, and the surrounding communities. These are specialized equipment and apparatus and are part of the State's Office of Emergency Services response plan.

Parks' Fleet of Equipment Is Antiquated. Parks currently deploys four specialized vessels to patrol the coastal waters of the Pacific. These vessels have a hull designed with a specialized deep "V" at the stern, allowing them to drive through surf without capsizing or sinking. They also have the unique ability to drive backwards without danger of submersion. In addition, these vessels contain two motors and associated outdrives allowing the boat to pivot 360 degrees, in place. The vessels are designed for swimmer and rescuer safety with a large swim step, and outdrives/propellers located mid-hull to avoid propeller-related injuries. These vessels are responsible for more than 1,000 swimmer rescues per year, 80 vessel assists per year, and patrol approximately 27 miles of high-use coastline.

Three of the currently deployed vessels are over 20 years old (32, 30, and 21 years, respectively), are worn out, inadequate, and have sustained significant damage over the years due to the environmental conditions of the ocean surf. The fourth vessel, which is 12 years old, was extensively refurbished in 2016 and does not need to be replaced.

Parks also maintains a 33-year-old aircraft, which patrols more than 800,000 acres of Anza Borrego Desert State Park, Ocotillo Wells State Vehicular Recreation Area, Salton Sea State Recreation Area, and Picacho State Recreation Area to assist with locating lost or injured hikers, ecological studies, and law enforcement related duties. In addition, Parks deploys large firefighting vehicles and equipment, which provides service to the public and protects some of the most valued historical structures in the state. This fire apparatus also serves to assist with controlled burns for maintenance and success of some of the world's most sensitive habitats.

Modernizing the specialized emergency mobile equipment is intended to assist in proper response to emergencies as well as assist in Parks' mission to protect and preserve California's natural and cultural resources. The vessels patrol marine protected areas, monitoring these sensitive underwater parks for natural damage, as well as human destruction.

Staff Recommendation. Approve as budgeted.

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| Issue 20: Various Capital Outlay Projects |
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Governor’s Proposal. The Governor's budget proposes \$19.062 million from various funds for a number of capital outlay projects. Specifically, this proposal includes the following:

| Project Title | Description |
|--|---|
| Calaveras Big Trees SP: Campsite Relocation (<i>continuing</i>) | \$1.8 million reimbursement authority for the construction phase of the Calaveras Big Trees State Park: Campsite Relocation project in Calaveras County. This continuing project includes relocation of approximately five existing campsites to a new location within the Calaveras Big Trees State Park. Estimated total project cost: \$2.003 million. |
| Colusa-Sacramento River SRA: Boat Launching Facility (<i>new</i>) | \$397,000 Harbors and Watercraft Revolving Fund one-time for the preliminary plans phase of the Colusa-Sacramento River State Recreation Area (SRA): Boat Launching Facility project in Colusa County. This project will redesign and improve the existing boating support facilities in anticipation of the completion of a new boat ramp. The project includes replacement, relocation, and improvements to the existing boating support facilities, camping facilities, and day-use area as well as installation of utility systems and construction of road and multi-use paths. Estimated total project cost: \$6.486 million. |
| El Capitan SB: Entrance Improvements (<i>continuing</i>) | \$2.6 million Proposition 84 bond funds and \$1 million in reimbursement authority for the construction phase of the El Capitan State Beach (SB): Entrance Improvements project in Santa Barbara County. This continuing project addresses safety and operational issues by including construction of an alternate safe route for pedestrians and bicyclists, increased space for today's larger vehicles on the park road and entrance area, replacement of a culvert with a bridge to allow the endangered steelhead trout a barrier free passage, and replacement of the aging and damaged entrance kiosk. Estimated total project cost: \$4.43 million. |
| Fort Ross SHP: Cultural Trail (<i>continuing</i>) | \$2.5 million Proposition 40 bond funds one-time for the construction phase of the Fort Ross State Historic Park (SHP): Cultural Trail project in Sonoma County. This continuing project includes construction of the Fort Ross Cultural Trail, adding a new trail segment to the California Coastal Trail. Estimated total project cost: \$3.358 million. |
| Fort Ross SHP: Visitor and Educational Improvements (<i>new</i>) | \$3.9 million General Fund one-time for the preliminary plans phase of the Fort Ross State Historic Park (SHP): Visitor and Educational Improvements project in Sonoma County. This proposal also includes provisional language to make program funds available for encumbrance for two years instead of one year. This project includes construction of new cabin accommodations, replacement of the water treatment system, accessibility upgrades for the existing kitchen and restroom, demolition of existing cabins for tent camping, stabilization of the historic Lambing Barn, and adaptive rehabilitation of ranch era historic structures for classrooms and interpretive areas. Estimated total project cost: \$29.485 million. |
| Hungry Valley SVRA: 4x4 Obstacle Course Improvements (<i>continuing</i>) | \$451,000 Off-Highway Vehicle Trust Fund for the Hungry Valley State Vehicular Recreation Area (SVRA): 4x4 Obstacle Course Improvement project in Los Angeles County. This continuing project includes upgrade and enhancement of an existing 4x4 obstacle course at Hungry Valley SVRA. Estimated total project cost: \$567,000. |
| Lake Del Valle SRA: Boat Ramp Replacement (<i>continuing</i>) | \$940,000 Harbors and Watercraft Revolving Fund for the construction phase of the Lake Del Valle State Recreation Area (SRA): Boat Ramp Replacement project in Alameda County. This continuing project will replace an existing boat ramp, which is over 40 years old, deteriorating, and a public safety risk due to its extremely slippery surface. Estimated total project cost: \$1.204 million. |

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| Lake Oroville SRA: Gold Flat Campground Upgrades <i>(continuing)</i> | \$1.3 million Proposition 84 bond funds for the construction phase of the Lake Oroville State Recreation Area (SRA): Gold Flat Campground Upgrades project in Butte County. This continuing project will upgrade aged and failing infrastructure, by including replacement of the outdated electrical and water distribution systems, installation of data conduit for future use, and overlay of campground roads and campsite spurs. The project will also construct accessible campsites and accessible paths of travel and accessibility upgrades to the existing combination building. Estimated total project cost: \$1.606 million. |
| Oceano Dunes SVRA: Le Sage Bridge Replacement <i>(continuing)</i> | \$97,000 Off Highway Vehicle Trust Fund for the working drawings phase of the Oceano Dunes State Vehicle Recreation Area (SVRA): Le Sage Bridge Replacement project located in San Luis Obispo County. This continuing project includes rehabilitation of the Le Sage Bridge to provide critical structural improvements and enhanced design features for combined vehicle and pedestrian use. Estimated total project cost: \$1.166 million. |
| Oceano Dunes SVRA: Pismo SB Sediment Track-Out Prevention <i>(continuing)</i> | \$95,000 Off Highway Vehicle Trust Fund for the working drawings phase of the Oceano Dunes State Vehicle Recreation Area (SVRA): Pismo State Beach (SB) Sediment Track Out Prevention project in San Luis Obispo County. This continuing project includes construction of several dirt track-out prevention measures at park exits to help ensure that dirt from vehicles does not track-out from Oceano Dunes SVRA and Pismo SB onto public roads. Estimated total project cost: \$1.059 million. |
| Ocotillo Wells SVRA: Auto Shop Addition <i>(continuing)</i> | \$1.3 million Off-Highway Vehicle Trust Fund for the construction phase of the Ocotillo Wells State Vehicle Recreation Area: Auto Shop Addition project located in San Diego County. This continuing project will expand the existing auto shop repair facilities by including construction of an additional and larger repair bay and storage space immediately adjacent to the existing building to accommodate items in the current fleet. Parks must provide safe working conditions for all staff. Currently, staff are forced to complete maintenance and repairs to vehicles outdoors, unsheltered in the extreme weather conditions found at this desert park. Estimated total project cost: \$1.525 million. |
| Ocotillo Wells SVRA: Holmes Camp Water System Upgrade <i>(continuing)</i> | \$1.2 million Off-Highway Vehicle Trust Fund for the construction phase of the Ocotillo Wells State Vehicular Recreation Area (SVRA): Holmes Camp Water System Upgrade project in San Diego County. This continuing project includes construction of a new water treatment and distribution system to meet current demand and health department standards, comply with the California Department of Health Services-Drinking Water Field Operations Branch (DHS-DWFOB) Check List of Security Measures for Water Utilities, and provide storage and protection from the desert environment. Estimated total project cost: \$1.402 million. |
| Old Sacramento SHP: Boiler Shop Renovation <i>(continuing)</i> | \$423,000 Proposition 84 bond funds for the working drawings phase of the Old Sacramento State Historical Park (SHP): Boiler Shop Renovation project located in Sacramento County. This continuing project includes critical improvements to the historic Boiler Shop in the Downtown Sacramento Railyards. The project will address hazardous material abatement, structural seismic stabilization, and improvements to the building exterior shell, interior core improvements, and related utilities to ensure Boiler Shop is clean and safe. Estimated total project cost: \$13.042 million. |
| Pfeiffer Big Sur SP: Low-Cost Alternative Coastal Lodging <i>(continuing)</i> | \$178,000 State Park Contingent Funds for the working drawings phase of the Pfeiffer Big Sur State Park (SP): Low-Cost Alternative Coastal Lodging project in Monterey County. This continuing project includes construction of up to 15 new, lower-cost alternative lodging cabins along the coast to enhance visitor experience and increase visitation by non-traditional users within Pfeiffer Big Sur SP. Funds for this project will come from the California Coastal Commission (Commission) as a donation of in-lieu mitigation fees totaling \$3.462 million over the next several years. Estimated total project cost: \$3.462 million. |

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| <p>R.H. Meyer Memorial SB: El Matador Parking Lot Grading and Expansion <i>(continuing)</i></p> | <p>\$181,000 Proposition 40 bond funds for the working drawings phase of the R.H. Meyer Memorial State Beach (SB): El Matador Parking Lot Grading and Expansion project in Los Angeles County. This continuing project includes increasing available parking to help reduce pedestrian and vehicle accidents, installing permanent vault toilets, repairing the beach trail, and reducing beach trail erosion through parking lot grading and the use of more durable yet permeable surfaces. Estimated total project cost: \$3.592 million.</p> |
| <p>San Luis Reservoir SRA: San Luis Creek Ramp Replacement and Parking Improvements <i>(continuing)</i></p> | <p>\$1.7 million Harbors and Watercraft Revolving Fund for the construction phase of the San Luis Reservoir State Recreation Area (SRA): San Luis Creek Ramp Replacement and Parking Improvements project in Merced County. This continuing project is intended to improve visitor throughput by widening the existing two-lane boat ramp by two lanes, adding a third boarding float, and reconfiguring the parking lot. The project is also intended to upgrade outdated fish cleaning and parking lot lighting systems. Estimated total project cost: \$2.003 million.</p> |

Background. California’s Park System. California State Parks represents the most diverse natural and cultural heritage holdings of any land management agency in California. The largest in the United States, California’s park system consist of over 260 park units, 280 miles of coastline, 625 miles of lake and river frontage, nearly 18,000 campsites, 3,000 miles of hiking, biking and equestrian trails, and 450 miles of off-highway vehicle trails on nearly 1.3 million acres. Historical units included missions, forts, the gold discovery site at Coloma, Hearst San Simeon, Jack London's home, Bidwell Mansion and many other sites.

These lands support a stunning array of the state's landscape provinces, environmentally sensitive habitat areas, threatened species, ancient Native American sites and historic facilities. With almost twenty-five percent of California's magnificent coastline under its care, California State Parks manages the state's finest coastal wetlands, estuaries, and dune systems.

Capital Outlay Process. The capital outlay process includes ten major phases, three of which are included in the various projects above as follows:

- Preliminary Plans.** Preliminary plans are the initial design phase in preparing the construction bidding documents (design-bid-build process is used for most state projects). These documents are developed from the information contained in a budget package. Typically the preliminary plans are developed in two distinct steps referred to as schematics (initial architectural and engineering plans, depicting the designer’s conceptual solution to project needs) and design development (final documents defined as a site plan, architectural floor plans, elevations and a cost estimate). The two-step process allows the department and architect/engineer to interact before the design is developed, helping to ensure a mutual understanding of the design objectives, limitations and budget.
- Working Drawings.** Working drawings are the final design phase in preparing the construction bidding documents. Section 3.00 of the Budget Act further defines working drawings as a complete set of plans and specifications showing and describing all phases of a project, architectural, structural, mechanical, electrical, civil engineering, and landscaping systems to the degree necessary for the purposes of accurate bidding by contractors and for the use of artisans in constructing the project. All necessary professional fees and administrative service costs are included in the preparation of these drawings. Documents also include a dated final cost estimate.

- **Construction.** Construction, when used in connection with a capital outlay project, include all related things such as fixtures, installed equipment, auxiliary facilities, contingencies, project construction, management, administration and associated costs. Construction may also include departmental staffing costs for agency-retained construction work.

Proposed Capital Outlay Projects are Mostly Continuing. All of the proposed capital outlay projects are continuing the next phases of previously approved projects, with the exception of two:

Colusa-Sacramento River SRA: Boat Launching Facility. The Governor proposes \$397,000 Harbors and Watercraft Revolving Fund for the preliminary plans phase of the Colusa-Sacramento River SRA: Boat Launching Facility project in Colusa County. The SRA is located north of the City of Colusa (City) and occupies approximately 359 acres along the west bank of the Sacramento River. Through an operating agreement, the City currently operates the park, which offers recreational activities, such as camping and picnic sites, and a launch ramp for small boats.

The existing facilities are over 40 years old, with most of the amenities constructed in the early 1960s. The facilities are outdated, small and unable to meet the projected visitor demand a new motorized boat ramp will bring to the area. The ramp was constructed on City property and completed in December 2018.

This project is intended to redesign and improve the existing boating support facilities, including replacement, relocation, and improvements to the existing boating support facilities, camping facilities, and day-use area, as well as installation of utility systems and construction of road and multi-use paths.

Estimated total project cost is \$6.486 million, which includes:

- Preliminary plans: \$397,000
- Working drawings: \$424,000
- Construction: \$5.665 million

Preliminary plans are intended to begin in July 2019. Completion the entire project is expected to be December 2022.

Fort Ross SHP: Visitor and Educational Improvements. The Governor proposes \$3.992 million General Fund for the preliminary plans phase of this proposed project in Sonoma County as well as provisional language to make these program funds available for encumbrance for two years, rather than one year.

This project is proposed to do the following: provide lower-cost cabin accommodations, demolish rotting cabins for tent camping, upgrade utilities, stabilize the historic Lambing Barn, and rehabilitate historic structures located behind the Call Ranch Residence. This project is intended to provide an area for interpretation and classrooms, a safe and secure location for the cultural collections with visitor viewing access.

The request for an extended encumbrance is because the project is located in a place of natural resource sensitivity, which results in longer than average time requirements for design, permitting, environmental compliance and construction.

Estimated total project cost is \$29.485 million, which includes:

- Preliminary plans: \$3.992 million
- Working drawings: \$1.817 million
- Construction: \$23.676 million

Preliminary plans are intended to begin in July 2019. Completion of the entire project is expected to be June 2025.

Anticipated revenue for cabin rentals is calculated assuming a rate of \$120/night, similar to other facilities in the area, for a total annual revenue of \$209,000. Anticipated revenue for meeting space rentals is calculated assuming a rate of \$275/day for a total annual revenue of \$234,000.

Staff Recommendation. Hold open.

Senator Bob Wieckowski, Chair
Senator Brian W. Jones
Senator Mike McGuire
Senator William W. Monning
Senator Henry I. Stern



Thursday, April 11, 2019
9:30 a.m. or upon adjournment of session
State Capitol – Room 112

Consultant: James Hacker

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

VOTE-ONLY CALENDAR

0521 SECRETARY FOR THE CALIFORNIA TRANSPORTATION AGENCY

Issue 1: Federal Traffic Safety Grant Authority Adjustment

Governor’s Proposal. The budget requests for the Secretary for Transportation Agency’s (CalSTA) Office of Traffic Safety (OTS) an increase to its federal budget authority to align its budget with the amount of funding it expects to receive from the National Highway Traffic Safety Administration (NHTSA) over the next five years. Specifically, the amounts requested in each fiscal year are:

- 2019-20: \$34.7 million
- 2020-21: \$23.8 million
- 2021-22: \$25.8 million
- 2022-23: \$27.8 million
- 2023-24: \$29.8 million

The Administration also proposes provisional language to allow for fund transfers in order to fully utilize these funds.

OTS expects to receive an increasing amount of NHTSA funding in each of the next five years and this budget request will align its budget authority with the anticipated amount of funding it expects to receive from the federal government. The requested provisional language will allow traffic safety grant funding to be transferred between two items depending on which traffic safety projects are awarded funding, thereby providing OTS with the flexibility to fully fund all state, local, and nonprofit grants each year.

2660 CALIFORNIA DEPARTMENT OF TRANSPORTATION

Issue 2: Technical Adjustments

Governor’s Proposal. The budget includes requests for various technical fund closures and infra-schedule transfer of resources and staff to continue implementation of previously authorized programs. This includes seven technical adjustments either between items or between funds, as detailed below:

| Title | Transfer Amount | Fund | Item | Enactment Year | Reason |
|-------------------------|-----------------|----------------------------|---------------|----------------|---|
| Maintenance / Warehouse | (\$648,000) | 0042 State Highway Account | 2660-001-0042 | N/A | Net zero transfer of expenditure authority from Administration to the Maintenance program |
| Maintenance – HCC / TMS | (\$5,058,000) | 0042 State Highway Account | 2660-001-0042 | N/A | Transfer from Traffic Operations to Maintenance to better align funding for Traffic Management System Maintenance |

| | | | | | |
|-----------------------------|---------------|-------------------------|--------------------------------|---------|---|
| OPS – Traffic Census Survey | (\$4,142,000) | 0042 | 2660-001-0042 | N/A | Intraitem transfer from Program Development to Traffic Operations to consolidate workload |
| DRISI SECC | (\$794,000) | 0042 | 2660-001-0042 2660-001-0890 | 2017-18 | Transfer from Traffic Operations to Program Development to accomplish coding of collision data |
| OPS-HSIP | (\$2,700,000) | 0890 Federal Trust Fund | 2660-001-0890 | 2015-16 | Transfer from Program Development to Traffic Operations to implement Highway Safety Improvement Program |
| Road User Charge | (\$674,000) | 0042 | 2660-001-0042 | 2017-18 | Transfer from Administration to Program Development for research & development workload |

Issue 3: Trailer Bill Language Requests

The budget includes trailer bill language closing the Transportation Deferred Investment Fund and the Local Transportation Loan Account and transferring their remaining assets and liabilities to the State Highway Account. These funds are legacy funding vehicles and no longer provide funding for transportation projects. The Local Transportation Loan Account currently has a \$4 million fund balance, and was last utilized in 2007. The Transportation Deferred Investment Fund currently has a \$25 million fund balance, and is functionally obsolete as it no longer funds transportation programs. Transferring these assets to the State Highway Account would provide additional funding for necessary transportation projects across the state.

2670 BOARD OF PILOT COMMISSIONERS FOR THE BAYS OF SAN FRANCISCO, SAN PABLO, AND SUISUN (BOPC)

Issue 4: Funding for Increased Support Costs

Governor’s Proposal. The budget requests a baseline increase of \$286,000 from the Board of Pilot Commissioners' Special Fund to cover increased support and training costs. The current appropriation of \$1,351,000 will just barely cover the personnel and operating costs anticipated for 2018-19 and leaves minimal reserve for unexpected or emergency expenses.

This requests includes a baseline increase for the following:

On-Going Contracts - \$115,000. The BOPC contracts with the California Highway Patrol for administrative support, and the State Controller's Office for services to audit the San Francisco Bay Pilots revenue/surcharge billings and expenditures. Effective July 2018, these contracts increased by \$100,000 and \$15,000, respectively.

Additional Commission Investigator - \$10,000. The BOPC contracted with a new Commission Investigator (three investigators total effective May 1, 2018.) These contractors are paid \$10,000 each and their primary function is to 1) investigate reports of misconduct or navigational incidents for which a license can be revoked or suspended, and 2) investigate on short notice reports of safety standard violations of pilot boarding equipment such as pilot ladders, pilot hoists, or the proper rigging of pilot hoists or pilot ladders.

Upgraded Positions - \$65,000. The BOPC has approved a 15 percent increase to the Executive Director's salary and the Executive Director has also commenced the process for increasing the compensation of the Assistant Director by five percent. The increases are justified based on both the increase in duties and the changing nature of the duties.

Increased Stipends - \$96,000. The BOPC is requesting to increase the training budget by \$96,000 to support a maximum increase of \$1,000 per month. The trainee stipends are currently \$6,000 per month per trainee and BOPC is forecasting a full training program at eight trainees (eight trainees x \$1,000 increase x 12 months = \$96,000). The cost-of-living in the San Francisco Bay Area is 62 percent higher than the average United States city. The BOPC competes with other ports for qualified mariners. When the cost-of-living is higher than other regions, it limits their ability to attract the best-qualified personnel. Most of the qualified mariners leave behind well-paying jobs to train to become a pilot, and moving to this region may be a hardship. The increase would keep the current stipend on pace with the regional CPI index through 2020.

2720 CALIFORNIA HIGHWAY PATROL (CHP)

Issue 5: Replacement of Information Technology Infrastructure

Governor's Proposal. The budget requests one-time funding of \$9.6 million in from the General Fund and a three-year extended encumbrance period for the replacement of outdated critical information technology (IT) infrastructure that has reached its supported end-of-life and is currently near full capacity. Replacement of outdated IT infrastructure will provide expanded storage capacity, increased security, faster and more efficient computing and processing, and faster and more reliable network connectivity. The components to be replaced are detailed below.

Costs are calculated using the state's contract pricing schedules.

| Description | FY 2019/20 Total |
|---|--------------------|
| Servers, SANs, network equipment hardware, software, and licenses | 6,369,000 |
| One-time (professional services configuration) | 150,000 |
| Maintenance | 3,036,000 |
| Total | \$9,555,000 |

Issue 6: Deferred Maintenance

Governor's Proposal. The budget requests \$5,000,000 in 2019-20 from the General Fund to complete a prioritized subset of the CHP's overall deferred maintenance project list. Due to the aging infrastructure throughout the state, many CHP facilities are in need of significant maintenance and

repairs. Currently, the CHP's deferred maintenance project list consists of over 450 projects estimated at a total of more than \$44,000,000. This request will allow the department to address the most pressing projects on this list.

Issue 7: CHP Designated Driver Program (SB 973)

Governor's Proposal. The budget requests increased funding for the Designated Driver Program (DDP), from \$350,000 to \$900,000 from the Motor Vehicle Account, to expand education and outreach efforts and to fund cost increases associated with the efforts of the DDP in and adjacent to individual events and venues.

The Alcoholic Beverage Control Act regulates the application, issuance, and suspension of alcoholic beverage licenses. Annual fees are charged for each type of license, in addition to an annual surcharge fee that is deposited in the Motor Vehicle Account to be used by the CHP for the DDP. SB 973 (Dodd), Chapter 689, Statutes of 2018, increases the annual surcharge fee imposed on alcoholic beverage licensee from \$5 (established in 1990) to \$10, which will provide additional funding for this program.

Issue 8: Equip Patrol Officers with Multi-Function Tablet Devices

Governor's Proposal. The budget requests \$15 million General Fund for the purchase of 3,075 multi-function rugged tablets to replace single-use handheld citation devices and aging laptops and 262 printers.

Multi-function tablets will allow officers to carry a single device for electronic citations, data collection requirements, and provide full access to departmental software applications. The new tablets will also be used to expand the Statewide Automated Citation System. The improved access to departmental programs and resources will increase officer efficiency by permitting more time for emergency response and other traffic safety related activities. The tablets will last approximately five years.

Issue 9: Modernize In-Vehicle Radio Communications System

Governor's Proposal. The budget requests \$62.5 million (\$44.5 million General Fund and \$18 million from the Special Deposit Fund Asset Forfeiture Accounts) to replace 3,600 Consolidated Patrol Vehicle Environment (CVPE) radio communication systems.

The land-mobile radios and mobile digital computer systems in CHPs fleet of authorized emergency vehicles provide the most critical link in CHP's ability to respond to emergencies. The new equipment will replace the fully integrated CPVE equipment that was procured in 2008 and has reached the end of the ten-year life expectancy.

The modular system will cost roughly \$18,000 and include a stand-alone computer that will be achieved through a refresh of the existing CHP-owned mobile digital computer, a multistack public safety land-mobile radio system to provide car-to-CHP dispatch, car-to-car, and car-to-allied agency dispatch communications, a full-duplex vehicle repeater system, and an independent emergency lighting control system consisting of a lighting control interface box and remote lighting control key pad. The CHP anticipates implementing the modular in-vehicle land-mobile radio system to coincide with vehicle replacement cycles beginning in 2019-20. The life expectancy for public safety land-

mobile radio communications equipment is ten years. In-vehicle mobile digital computer systems, associated controllers, and the Vehicle Repeater System have a life expectancy of approximately five years.

2740 CALIFORNIA DEPARTMENT OF MOTOR VEHICLES (DMV)

Issue 10: Deferred Maintenance

Governor's Proposal. The budget requests \$3 million General Fund for the highest priority deferred maintenance projects at the DMV. DMV has a total deferred maintenance backlog of \$17.7 million. This request would fund roof replacements at 16 field offices and HVAC replacements at two facilities.

3480 DEPARTMENT OF CONSERVATION

Issue 11: Surface Mining and Reclamation Account: Technical Amendment (Trailer Bill Language)

Governor's Proposal. The Governor's budget proposes trailer bill language to require the amount to be deposited into the Surface Mining and Reclamation Account to include any statewide general administrative costs assessed to the account for that fiscal year.

Background. *The Surface Mining and Reclamation Act of 1975 (SMARA).* SMARA provides a comprehensive surface mining and reclamation policy with the regulation of surface mining operations to assure that adverse environmental impacts are minimized and mined lands are reclaimed to a usable condition. SMARA also encourages the production, conservation, and protection of the state's mineral resources.

The Surface Mining and Reclamation Account. The Surface Mining and Reclamation Account in the General Fund was created as a depository for the moneys from mining activities on federal lands disbursed by the federal government each fiscal year in an amount equal to the appropriation for the Surface Mining and Reclamation Act of 1975 contained in the Budget Act for that fiscal year. These moneys are used for expenditures as designated and upon appropriation by the Legislature.

Proposed Amendment. The trailer bill would make the following change:

Public Resources Code Section 2795 (a) Notwithstanding any other law, moneys from mining activities on federal lands disbursed by the United States each fiscal year to this state pursuant to Section 35 of the Mineral Lands Leasing Act, as amended (30 U.S.C. Sec. 191) shall be deposited in the Surface Mining and Reclamation Account in the General Fund, which account is hereby created, in an amount equal to the appropriation for this chapter contained in the annual Budget Act for that fiscal year year, plus any statewide general administrative costs assessed to the account for that fiscal year, and may be expended, upon that appropriation by the Legislature, for the purposes of this chapter.

Staff Recommendation: Approve all Vote Only items as proposed. Adopt supplemental reporting language requiring the Department of Finance to notify the chair of the Joint Legislative Budget Committee prior to allocating deferred maintenance funding to the departments.

ISSUES FOR DISCUSSION

0521 SECRETARY FOR THE CALIFORNIA TRANSPORTATION AGENCY (CALSTA)

The California State Transportation Agency develops and coordinates the policies and programs of the state's transportation entities to achieve the state's mobility, safety and environmental sustainability objectives from its transportation system.

Governor's Budget. The budget includes \$398 million and 60 positions for the California State Transportation Agency in 2019-20. This is a reduction of roughly \$300 million from 2018-19, largely from reduction in Greenhouse Gas Reduction Fund resources for the Transit and Intercity Rail capital Program.

3-YEAR EXPENDITURES AND POSITIONS

| | Positions | | | Expenditures | | |
|---|-------------|-------------|-------------|------------------|------------------|------------------|
| | 2017-18 | 2018-19 | 2019-20 | 2017-18* | 2018-19* | 2019-20* |
| 0270 Administration of Transportation Agency | 22.6 | 26.8 | 26.8 | \$8,847 | \$30,034 | \$8,536 |
| 0275 California Traffic Safety Program | 29.1 | 32.0 | 32.0 | 94,324 | 119,154 | 131,766 |
| 0276 Transit and Intercity Rail Capital Program | 1.1 | 1.2 | 1.2 | 209,096 | 579,874 | 258,400 |
| TOTALS, POSITIONS AND EXPENDITURES (All Programs) | 52.8 | 60.0 | 60.0 | \$312,267 | \$729,062 | \$398,702 |
| FUNDING | | | | 2017-18* | 2018-19* | 2019-20* |
| 0001 General Fund | | | | \$3,500 | \$20,500 | \$- |
| 0044 Motor Vehicle Account, State Transportation Fund | | | | 2,671 | 3,204 | 3,206 |
| 0046 Public Transportation Account, State Transportation Fund | | | | 18,423 | 55,744 | 62,026 |
| 0890 Federal Trust Fund | | | | 93,007 | 118,817 | 131,428 |
| 0995 Reimbursements | | | | 3,993 | 2,667 | 2,668 |
| 3228 Greenhouse Gas Reduction Fund | | | | 190,673 | 528,130 | 199,374 |
| TOTALS, EXPENDITURES, ALL FUNDS | | | | \$312,267 | \$729,062 | \$398,702 |

Issue 12: North Coast Railroad Authority Assessment (SB 1029)

Governor's Budget. The budget requests \$3 million Public Transportation Account to fulfill the requirements of SB 1029 (McGuire), Chapter 934, Statutes of 2018.

Background. SB 1029 requires CalSTA to conduct an assessment of the North Coast Railroad Authority (Authority) to determine the most appropriate way to dissolve the authority and dispense with its assets and liabilities. CalSTA must consult with the Natural Resources Agency and present its findings to the Legislature before July 1, 2020.

Staff Comments. The Administration has indicated that this request includes funding for the following:

- \$1.5 million to contract with the Department of General Services to complete a property assessment study. The study will prioritize the assessment of the southern portion of the rail corridor.
- \$500,000 to contract with the Department of Finance's Office of State Audits and Evaluations to conduct debt, liabilities, contractual obligations, and litigation assessments, including a review of the possibility of transferring the southern portion of the North Coast Rail Corridor to the District.
- \$1 million to contract for the preliminary assessment of the viability of constructing a trail on the entire, or a portion of the property, rights-of-ways, or easements under the current jurisdiction of the Authority.

Staff Recommendation. Approve as Budgeted.

2600 CALIFORNIA TRANSPORTATION COMMISSION (CTC)

The California Transportation Commission is responsible for programming and allocating funds for the construction and improvement of highways, passenger rail systems, and transit systems throughout California. The Commission advises and assists the Transportation Agency and the Legislature in formulating and evaluating state policies and plans for California's transportation programs. The Commission also initiates and develops state and federal transportation policies that seek to secure financial stability for the state.

Budget Overview: The Governor's budget proposes \$8.8 million and 37 positions to support the CTC in the budget year, as shown in the figure below. This is an increase of 11 positions and roughly \$1.3 million from the enacted 2018-19 budget.

3-YEAR EXPENDITURES AND POSITIONS

| | Positions | | | Expenditures | | |
|---|-------------|-------------|-------------|-----------------|-----------------|-----------------|
| | 2017-18 | 2018-19 | 2019-20 | 2017-18* | 2018-19* | 2019-20* |
| 1800 Administration of California Transportation Commission | 21.1 | 26.0 | 37.0 | \$4,360 | \$5,720 | \$7,118 |
| 1805 Clean Air and Transportation Improvement | - | - | - | 600 | 800 | 1,700 |
| TOTALS, POSITIONS AND EXPENDITURES (All Programs) | 21.1 | 26.0 | 37.0 | \$4,960 | \$6,520 | \$8,818 |
| FUNDING | | | | 2017-18* | 2018-19* | 2019-20* |
| 0042 State Highway Account, State Transportation Fund | | | | \$2,019 | \$2,428 | \$3,271 |
| 0046 Public Transportation Account, State Transportation Fund | | | | 2,188 | 2,744 | 3,697 |
| 0703 Clean Air and Transportation Improvement Fund | | | | 600 | 800 | 1,700 |
| 0995 Reimbursements | | | | 97 | 426 | 150 |
| 6055 Corridor Mobility Improvement Account, Highway Safety, Traffic Reduction, Air Quality, and Port Security Fund of 2006 | | | | 3 | 6 | - |
| 6056 Trade Corridors Improvement Fund | | | | 16 | 39 | - |
| 6059 Public Transportation Modernization, Improvement and Service Enhancement Account, Highway Safety, Traffic Reduction, Air Quality, and Port Security Fd of 2006 | | | | 6 | 12 | - |
| 6060 State-Local Partnership Program Account, Highway Safety, Traffic Reduction, Air Quality, and Port Security Fund of 2006 | | | | 3 | 6 | - |
| 6062 Local Bridge Seismic Retrofit Account, Highway Safety, Traffic Reduction, Air Quality, and Port Security Fund of 2006 | | | | 3 | 6 | - |
| 6063 Highway-Railroad Crossing Safety Account, Highway Safety, Traffic Reduction, Air Quality and Port Security Fund of 2006 | | | | 10 | 22 | - |
| 6064 Highway Safety, Rehabilitation, and Preservation Account, Highway Safety, Traffic Reduction, Air Quality, and Port Security Fund of 2006 | | | | 9 | 19 | - |
| 6072 State Route 99 Account, Highway Safety, Traffic Reduction, Air Quality, and Port Security Fund of 2006 | | | | 6 | 12 | - |
| TOTALS, EXPENDITURES, ALL FUNDS | | | | \$4,960 | \$6,520 | \$8,818 |

Issue 13: Transportation System Oversight

Governor's Proposal. The budget requests an additional \$1,393,000 for three permanent positions and eight two-year limited-term positions. Additionally, the Commission requests the reallocation of funding sources within its current authority.

Background. The CTC is responsible for project programming, oversight, and accountability using guidelines developed through a transparent process with stakeholders including, but not limited to, state and regional partners. The Commission's statutorily oversight role provides for a continuum of purview that includes project approval, funding allocation and approvals, and performance reporting.

SB 1 (Beall), Chapter 5, Statutes of 2017, also known as the Road Repair and Accountability Act of 2017, implemented a mix of new fees and taxes. It is expected to generate approximately \$53.8 billion in revenue over the next 10 years. The revenue will be allocated evenly between state and local transportation projects and programs, and provides resources for several new or expanded programs. This includes the Solutions for Congested Corridors program, the Local Partnership Program, and the Trade Corridor Enhancement Account, as well as additional funding for the State Highway Operations and Protection Program (SHOPP), State Transportation Improvement Program (STIP), and for local streets and roads.

Staff Comments. SB 1 resulted in a significant increase in workload to the Commission. The requested resources will address increased workload in the Active Transportation Program and the Local Streets and Roads Program, provide advice to the Commission and develop policy related to environmental issues, assist with the State Transportation Improvement Program, and assist with other programs under the Commission's purview.

The CTC received six positions in 2017-18 to implement the initial requirements of SB 1. However, the CTC has indicated that these programs have required additional unforeseen workload that the Commission is currently completing through redirection of resources and increased levels of overtime by existing staff. The requested staff will allow the CTC to more effectively implement the requirements of SB 1.

The Department of Finance (Finance) is currently conducting a Mission Based Review with CTC. Finance and CTC will continue to work through the Mission Based Review to assess the impact of continued implementation and oversight of the Senate Bill 1 programs to ensure CTC has adequate resources. CTC is still implementing the Senate Bill 1 programs, and while there will likely be a lot of ongoing workload, the makeup of the eight limited term positions may change based on the result of this review.

This request also includes two technical changes. First, CTC requests converting \$122,000 Proposition 1B funding currently in its budget to the State Highway Account and Public Transportation Account to align the Commission's funding with the Commission's current workload. This request will remove all Proposition 1B funding from the Commission's budget. Second, the Commission requests reducing its reimbursement authority. Workload for the Bay Area Toll Authority (BATA), which was paid for by BATA through Reimbursements, has decreased. The Commission will retain a portion of its reimbursement authority to continue BATA work and to perform work on behalf of local transportation agencies seeking to establish toll facilities, per AB 194 (Frazier) Chapter 687, Statutes of 2015.

Staff Recommendation. Approve as Budgeted.

Issue 14: Active Transportation Program

Governor’s Proposal. The budget does not have a new proposal for the Active Transportation Program (ATP), but consistent with current law, total annual funding available for the program is \$220 million.

Background. The ATP—administered by the CTC, in coordination with the California Department of Transportation (Caltrans)—provides funding to infrastructure and non-infrastructure projects that facilitate travelers being physically active through biking and walking. Some of the primary goals of the program include increasing the number of walking and biking trips, increasing safety and mobility, and enhancing public health. In approving the 2018-19 budget package, the Legislature directed the Legislative Analyst’s Office (LAO) to review certain aspects of the program.

Initially, the ATP received about \$120 million annually in federal funds and State Highway Account funds that had previously been dedicated to the individual programs that were consolidated into a single competitive program. The passage of Chapter 5 of 2017 (SB 1, Beall)—a comprehensive transportation funding package—provides an additional \$100 million to the ATP for total program funding of about \$220 million annually, awarded biennially through a competitive process.

While the statute requires all of the funds to be awarded through a competitive process, it prescribes different processes for various components of the funding.

- 50 percent to the statewide component of the program with projects selected by the CTC in any region of the state.
- 40 percent is distributed (by formula based on population) to metropolitan planning organizations (MPOs) in urban areas with a population greater than 200,000 (currently there are 10) to competitively award.
- 10 percent for projects in small urban and rural regions with populations of less than 200,000.

Three cycles of funding have been completed resulting in \$1.6 billion being awarded to 776 projects (these projects have a total value of \$3 billion when combined with other funding sources, such as local funds) and a fourth cycle of project funding is underway.

The LAO’s review found the following.

Most Projects Are Infrastructure Improvements. Of the 776 total projects, 584 projects (75 percent) are infrastructure projects, such as constructing bicycle lanes and sidewalk improvements. 136 projects (18 percent) are non-infrastructure projects, such as educational initiatives to improve bike safety and funding the state’s active transportation resource center. 56 projects (seven percent) are to develop plans for improving active transportation within specific communities.

State, MPO and Rural Program Components Funding Similar Types of Projects. In general, the state, MPO and small urban and rural components of the program appear to be funding the same general types of projects.

Projects Are Small, but Appear to Be Getting Larger. In the first funding cycle, the average ATP grant award was \$1.3 million and the average total project cost for those projects was about \$4 million. The size of the average grant award has increased in each of the subsequent funding cycles to \$2.5 million with an average total project cost of \$4.5 million.

Unclear if Program Increases Bicycling and Walking. This was attributed to project reports being required to be submitted too soon after the project is completed (six months) and inconsistent counting methodologies for cyclist and pedestrian counts.

Other Goals and Potential Benefits Difficult to Evaluate. Most of the other program goals or potential project benefits are difficult to evaluate such as GHG reduction, public health benefits, and safety benefits, without accurate data on the change in walking and biking resulting from the project.

Most Projects Benefit Disadvantaged Communities. Of the 776 total projects funded, 686 projects (88 percent) had some benefit to a disadvantaged community, and it is estimated that for the fourth round of funding 98 percent will benefit a disadvantaged community.

CTC Application Scoring Process Requires Many Volunteers, Somewhat Duplicative. CTC relies on about 100 volunteers working in teams of two to evaluate and score proposed projects. Each two-person team evaluates about 15 applications and assigns a score to each project using the scoring criteria approved by the CTC. CTC staff also evaluate and score each project in order to ensure consistency in scoring across the various teams.

MPOs Limited to Pool of Projects that Apply for State Funding. The current project application and selection process limits the projects available for selection by MPOs to only those projects that applied for funding through the statewide component of the program, but did not receive funding. By limiting the pool of eligible projects in this way, it is possible that certain projects that are a high priority from a local or regional perspective are not eligible to be funded.

LAO makes the following recommendations.

Require Collection of Better Data on Program Benefits. Better data collection is needed to evaluate the benefits of the projects.

Consider Role of Statewide Component of the Program. The projects receiving funding from the statewide component of the program do not appear to differ significantly from the types and size of projects receiving funding through the other program components and are generally small in scale. The LAO recommends the Legislature consider whether the role of the statewide component of the program should focus on larger, more transformative projects, as was envisioned when the ATP was established.

Consider Providing More Flexibility to MPOs. If the Legislature changes the statewide component of the program, the process for selecting projects for the MPOs and small urban and rural regions would need to also change. However, even if the Legislature does not change the statewide component of the program, the LAO recommends that the Legislature consider providing additional flexibility to the MPOs to select projects they determine are the highest priority for their region. One approach could be to remove the existing requirement that MPOs choose projects only from the list of projects that previously applied to (and did not receive funding from) the statewide component. This could allow MPOs to potentially look at a broader pool of projects while still ensuring all projects have oversight from CTC. Another approach could be to grant the funds to the MPOs, allowing the MPOs to administer the funds and require reporting on how funds are spent. Under such an approach, the MPO-selected projects would no longer be subject to project-level oversight by the CTC.

Senate Office of Research Comments. The Senate Office of Research (SOR) was requested to

perform a review of the ATP, focusing on the split between the statewide competitive program and the regional shares. In their review, they identified many of the same issues the LAO identified. They state that some of these issues could be addressed through changes to the distribution of funding within the program, such as increasing the share of funds awarded by the MPOs through regional competition, while simultaneously limiting the statewide competition administered directly by the commission to projects in rural and small urban jurisdictions. In addition, a per-project cap on ATP funding could broaden access to limited program funding. They also suggest that the commission explore ways to expand technical assistance to project applicants and to reduce the cost and complexity of applications.

Staff Comments. ATP has grown to be a significant program that receives more than \$200 million a year in funding. This program has the potential to increase the number of safe non-motorized trips to help address issues such as GHG emissions and obesity in some of the state's most disadvantaged communities, and is therefore an important component of the state's overall transportation policy.

Six goals were defined for the ATP upon its creation by SB 99 (Committee on Budget and Fiscal Review), Chapter 359, Statutes of 2013. Specifically:

- Increasing the proportion of trips accomplished by biking and walking;
- Increasing safety and mobility for non-motorized users;
- Advancing active transportation efforts of regional agencies to achieve the greenhouse gas reduction goals as established pursuant to SB 375 (Steinberg), Chapter 728, Statutes of 2008;
- Enhancing Public Health, including the reduction of childhood obesity through the use of program funding, including the use of Safe Routes to Schools programs;
- Ensuring that disadvantaged communities fully share in the benefit of the Program; and
- Providing a broad spectrum of projects to benefit many types of active transportation users.

However, as identified by both the LAO and SOR, the program has so far lacked good data on project outcomes. Without good data, it is unclear if the state is getting the intended benefits of the ATP program, or if it is awarding funding to projects that can deliver those benefits. The committee may want to ask what opportunities exist to collect useful data from program participants.

Additionally, both the LAO and SOR identified potential overlap in the activities of the statewide and regional shares of the program. The committee may want to consider the extent to which this design supports the state goals of the program, or if any changes should be made. Better data on project outcomes may help inform this decision.

Staff Recommendation. Informational Item.

2660 CALIFORNIA DEPARTMENT OF TRANSPORTATION (CALTRANS)

The California Department of Transportation (Caltrans) designs and oversees the construction of state highways, operates and maintains the highway system, funds three intercity passenger rail routes, and provides funding for local transportation projects. Through its efforts, Caltrans supports a safe, sustainable, integrated, and efficient transportation system to enhance California's economy and livability.

Budget Overview: The budget proposes \$14.6 billion to support 20,600 positions at Caltrans. This is an increase of nearly \$2 billion, mostly due to an increase in funding for Capital Outlay projects. The budget includes \$2.1 billion in SB 1 funding for a variety of transportation programs at Caltrans.

3-YEAR EXPENDITURES AND POSITIONS

| | Positions | | | Expenditures | | |
|--|-----------------|-----------------|-----------------|--------------------|---------------------|---------------------|
| | 2017-18 | 2018-19 | 2019-20 | 2017-18* | 2018-19* | 2019-20* |
| 1830019 Aeronautics | 24.6 | 24.0 | 24.0 | \$6,440 | \$8,246 | \$8,643 |
| 1835010 Capital Outlay Support | 7,466.4 | 8,770.4 | 8,757.4 | 1,684,687 | 2,105,690 | 2,104,731 |
| 1835019 Capital Outlay Projects | - | - | - | 2,901,086 | 3,788,356 | 5,257,785 |
| 1835020 Local Assistance | 261.3 | 268.5 | 264.5 | 1,682,153 | 2,970,776 | 2,801,668 |
| 1835029 Program Development | 198.9 | 223.2 | 201.2 | 61,029 | 83,848 | 76,158 |
| 1835038 Legal | 257.0 | 276.6 | 276.6 | 157,444 | 145,175 | 145,144 |
| 1835047 Operations | 1,073.2 | 1,091.2 | 1,077.2 | 245,124 | 281,432 | 267,824 |
| 1835056 Maintenance | 6,854.9 | 6,521.5 | 6,906.5 | 2,263,683 | 2,222,769 | 2,074,965 |
| 1840019 State and Federal Mass Transit | 64.7 | 62.7 | 62.7 | 72,920 | 374,611 | 785,709 |
| 1840028 Intercity Rail Passenger Program | 43.2 | 43.7 | 43.7 | 249,897 | 382,124 | 798,654 |
| 1845013 Statewide Planning | 647.0 | 702.9 | 702.9 | 135,344 | 166,646 | 163,253 |
| 1845022 Regional Planning | 43.8 | 38.5 | 38.5 | 118,559 | 127,344 | 126,351 |
| 1850010 Equipment Service Program | 670.0 | 634.6 | 647.6 | 173,752 | 210,369 | 228,074 |
| 1850019 Distributed Equipment Service Program Costs | - | - | - | -173,752 | -210,369 | -228,074 |
| 1870 Office of Inspector General | 50.2 | 64.0 | 92.0 | 7,954 | 11,754 | 15,719 |
| 9900100 Administration | 1,564.7 | 1,536.5 | 1,518.5 | 349,297 | 433,309 | 409,600 |
| 9900200 Administration - Distributed | - | - | - | -349,297 | -433,309 | -409,600 |
| TOTALS, POSITIONS AND EXPENDITURES (All Programs) | 19,219.9 | 20,258.3 | 20,613.3 | \$9,586,320 | \$12,668,771 | \$14,626,604 |

Issue 15: Road Repair and Accountability Act Implementation

Governor’s Proposal. The budget requests \$2.0 billion in Road Repair and Maintenance Account (RMRA) funding for both local and capital transportation projects under the Road Repair and Accountability Act of 2017 (SB 1). The overall funding request includes position authority for 333 Maintenance and 13 new permanent Equipment Program positions. The Caltrans support request includes \$28.8 million ongoing resources and \$26.8 million limited term resources totaling \$55.6 million in 2019-20.

Background. SB 1 (Beall), Chapter 5, Statutes of 2017, also known as the Road Repair and Accountability Act of 2017, implemented a mix of new fees and taxes. It is expected to generate approximately \$53.8 billion in revenue over the next 10 years. The revenue will be allocated evenly between state and local transportation projects and programs, and provides resources for several new or expanded programs. This includes the Solutions for Congested Corridors program, the Local Partnership Program, and the Trade Corridor Enhancement Account, as well as additional funding for the State Highway Operations and Protection Program (SHOPP), State Transportation Improvement Program (STIP), and for local streets and roads.

Prior to the passage of SB 1 neither Caltrans’ SHOPP nor highway maintenance programs were fully funded and the unmet needs in both programs was large. SHOPP projects are more intensive rehabilitation projects, while maintenance projects are less intensive and more routine. According to Caltrans of the 50,000 lanes of pavement in the state, approximately 26,000 required some form of highway maintenance projects and 23,000 required SHOPP projects.

Staff Comments. The overall request of \$2 billion includes \$1.2 billion in state capital funding, \$528 million in support funding, and \$280 million in funding for local programs, as detailed below.

| | Item | Program | Activity | 2018-19 GB Expenditures (thousands) | 2019-20 GB Expenditures (thousands) |
|--------------------------|----------|-------------------------------|--|-------------------------------------|-------------------------------------|
| Capital | 802-3290 | SHOPP | Capital Projects | \$563,000 | \$900,000 |
| | 302-3290 | SHOPP | Bridges & Culverts | \$300,000 | \$300,000 |
| Capital Programs Total | | | | \$863,000 | \$1,200,000 |
| Support | 001-3290 | Maintenance | Bridges & Culverts | \$100,000 | \$100,000 |
| | 505-3290 | Capital Outlay Support | Positions & Associated Resources | \$39,000 | \$90,552 |
| | 505-3290 | Local Assistance | Local Partnership Project Support | \$231 | \$231 |
| | 505-3290 | Program Development | SHOPP Programming & California Transportation Commission Support | \$400 | \$421 |
| | 505-3290 | Maintenance | State Highway System Maintenance | \$475,500 | \$300,000 |
| | 505-3290 | Equipment | Maintenance Equipment | \$0 | \$17,658 |
| | 505-3290 | State Planning-PIDs | Capital Project Planning Initiation Documentation | \$18,000 | \$18,338 |
| | 505-3290 | Regional Planning | Statewide Regional Planning Grants | \$114 | \$114 |
| | 505-3290 | Administration | Support Resources-HR, Budgets, Accounting, Facilities, & Audits | \$690 | \$722 |
| Support Operations Total | | | | \$633,935 | \$528,036 |
| Local | 102-3290 | Local Planning | Planning Grants | \$24,886 | \$24,886 |
| | 601-3290 | Local Partnerships | Local Projects Matching Funds (off system) | \$199,769 | \$120,333 |
| | 801-3290 | Local Partnerships | Local Project Matching Funds (on-system) | \$0 | \$34,670 |
| | 108-3290 | Active Transportation Program | Bicycle & Pedestrian Facility Projects | \$99,999 | \$99,998 |
| | 308-3290 | Active Transportation Program | Capital Budget Placeholder | \$1 | \$1 |
| Local Programs Total | | | | \$324,655 | \$279,888 |
| Total | | | | \$1,821,590 | \$2,007,924 |

Currently Caltrans has position authority for 6,521.5 maintenance positions and authority for 634.6 equipment positions. The budget request includes the following for the maintenance and equipment programs.

- Permanent increase of 333 maintenance positions and \$28.9 million;
- One-time increase of \$9.0 million for specialized equipment rental to support the increased maintenance workload statewide and to respond to emergencies;
- Permanent increase of 13 equipment positions and \$1.4 million;
- One-time cost for tool sets for \$355,000, and \$3.5 million for ongoing replacement and repair costs, tool complement and personal protective equipment beginning in 2020-21;
- Two year limited-term resources for engineering work and \$344,000 each year to provide support services for implementing new equipment purchases;
- \$31.1 million over two years for the acquisition and manufacture of the required fleet equipment needed to build and maintain transportation infrastructure statewide.

The table below provides an example of some of the increased field maintenance activities funded through the RMRA. A higher Level of Service (LOS) is better and shows that the conditions are improving.

| Field Maintenance Production | | | | | | | | | | | | |
|------------------------------|--------------|---|-----------|-----------------|-----|-----------|--------------------------|-----|-----------|------------------------|-----|-----------|
| Unit of Measure | | 3 Year Pre-RMRA Funding Average (14-15-16-17) | | FY 17-18 Actual | | | FY 18-19 Projected Goals | | | FY 19-20 Planned Goals | | |
| | | Production | Positions | Production | LOS | Positions | Production | LOS | Positions | Production | LOS | Positions |
| Pavement | | | | | | | | | | | | |
| Potholes | Each | 90,357 | 57 | 86,356 | 87 | 50 | 123,706 | 88 | 135 | 222,772 | 89 | 135 |
| Cracks | Lane Miles | 6,350 | 61 | 14,495 | 42 | 70 | 17,718 | 57 | 125 | 19,917 | 74 | 125 |
| Spalls | Each | 8,175 | 10 | 7,262 | 44 | 10 | 11,612 | 60 | 23 | 17,776 | 90 | 23 |
| Electrical | | | | | | | | | | | | |
| Lighting | Each | 22,572 | 78 | 25,234 | 99 | 89 | 29,734 | 99 | 94 | 26,859 | 99 | 94 |
| Traffic Signals | Each | 38,836 | 69 | 39,439 | 71 | 71 | 42,939 | 84 | 79 | 44,089 | 90 | 79 |
| Safety | | | | | | | | | | | | |
| Striping | Linear Miles | 38,277 | 56 | 27,576 | 80 | 64 | 38,444 | 90 | 74 | 40,448 | 90 | 74 |
| Signs | Each | 76,395 | 130 | 73,754 | 62 | 135 | 78,154 | 73 | 140 | 79,424 | 95 | 140 |
| Guardrail | Feet | 780,474 | 145 | 673,642 | 58 | 156 | 1,093,642 | 84 | 178 | 859,909 | 85 | 178 |
| Structures | | | | | | | | | | | | |
| Bridge | Each | 33 | 45 | 38 | 35 | 49 | 112 | 48 | 113 | 112 | 90 | 113 |
| Roadside | | | | | | | | | | | | |
| Culverts | Each | 93,626 | 75 | 74,774 | N/A | 70 | 103,774 | N/A | 103 | 119,454 | N/A | 103 |

Overall this proposal raises no concerns, and the increase in maintenance and equipment resources will allow Caltrans to continue to improve pavement, bridges, and other high-priority maintenance areas. Caltrans expects that as the backlog of SHOPP projects identified in recent year is addressed the need for highway maintenance will increase and work shifts from intensive rehabilitation to routine maintenance of existing lane miles.

Staff Recommendation. Approve as Budgeted.

Issue 16: Project Initiation Documents (PID) Zero-Based Budget

Governor’s Proposal. The budget requests resources associated with the biennial Zero-Based Budget (ZBB) for the Project Initiation Document (PID) Program in 2019-20. This ZBB requests a total of 407 positions and 45 full time equivalents (FTE) for Architecture and Engineering (A & E) contracting and Cash Overtime (COT) expense; a total of \$85,744,000 (\$74,217,000 of which will be in personal service (PS) and \$11,527,000 in operating expense (OE)) to review, approve, and develop PIDs. The proposed level of PID funding is an increase of \$4.9 million from the 2018-19 level and reflects the department’s changing PID workload resulting from the continued implementation of SB 1.

Background. A PID must be developed and approved by Caltrans before a capital project can be programmed and constructed on the State Highway System. A PID provides engineering details that document the scope, cost, and schedule of a project.

The PID Program supports the 10-Year State Highway Operation and Protection Program (SHOPP) Plan. To meet the State's needs, Caltrans develops a biennial multi-year PID workload to identify the PIDs scheduled for development in the subsequent two fiscal years, in this case 2019-20 and 2020-21. Based on those plans, the PID Program submits a biennial Zero-Based Budget Change Proposal (BCP) to ensure sufficient resources are available to oversee and develop PIDs.

Staff Comments. The requested resources will develop PIDS for SHOPP, state-sponsored, and local-sponsored development. If approved, this request would fund the following positions:

- 297 positions for SHOPP and RMRA SHOPP PID development
- 20 RMRA FTEs for A&E PID development
- 5 RMRA FTEs for Cash Overtime for PID development
- 20 (new) SHA A&E FTEs for A&E PID development
- 15 SHA positions for State-sponsored PID development
- 21 SHA positions for local-sponsored reimbursement PID development
- 22 SHA and RMRA positions for technical engineering support
- 52 SHA and RMRA positions for program management

The PID Program plans to complete about 574 SHOPP PIDs and 120 Non-SHOPP PIDs in the 2019-20 and 2020-21 workload. About half of these are expected to be completed in 2019-20.

The budget request increases PID resources by about \$5 million from the amount of funding provided in 2018-19 and increases A&E contracting authority from 5 to 10 percent. The need to develop a greater number of PIDS is consistent with the increased funding for projects that Caltrans has received since the passage of SB 1.

Staff Recommendation. Hold Open.

Issue 17: Repayment of All Outstanding General Fund Transportation Loans

Governor's Budget. The Governor proposes trailer bill language to repay all outstanding General Fund transportation loans, no later than June 30, 2020. This includes:

- \$236 million (this amount was already going to be repaid in 2019-20, but under the Administration's proposal would *not* count as part of Proposition 2.)
- \$873 million in loaned weight fees would be repaid in 2019-20 instead of in 2020-21 as required by current statute.

Background. During the Great Recession transportation funds were loaned to the General Fund to help address the budgetary shortfalls. Specifically, prior to Proposition 42, the state borrowed \$1.2 billion from the Traffic Congestion Relief Fund. As of 2016-17, \$879 million remained to be repaid. The 2016-17 Budget Act repaid \$173 million and SB 1 set up a schedule for repayment of the remaining amount of \$706 million over three years. The state has made two repayments (per SB 1) in 2017-18 and 2018-19 for a total of \$470 million. These amounts were made pursuant to Proposition 2. (Proposition 2 establishes the rules that govern the state's general purpose constitutional reserve.)

Additionally, existing law requires revenue from weight fees charged on the registration of commercial vehicles such as trucks, to be used to pay for debt service on certain transportation-related bonds. Weight fee revenue in excess of the amount necessary to offset current year debt service is loaned to the General Fund. In any year in which required debt service exceeds eligible weight fee revenue, the General Fund repays this loan by covering the balance. Under current statute, full repayment of this loan is required by 2020-21.

Staff Comments. Under the Administration's proposal, the remaining \$236 million of the TCRF loan will be repaid in 2019-20 (per SB 1) and will NOT be included as Proposition 2 payments. In the Administration's initial projections, Proposition 2 requires a payment of \$1.767 billion for 2019-20. The Administration has proposed satisfying the Proposition 2 requirement from three sources: 1) State Retirement Health (\$260 million), 2) State Employee Pensions (\$390 million), and 3) Teacher's Pensions (\$1.117 billion). The Administration proposed to repay all other outstanding General Fund loans from special funds and transportation accounts (\$2.378 billion) outside of the Proposition 2 requirements. This amount includes the \$236 million TCRF repayment. If this request is not approved, the \$236 million would be part of the Proposition 2 requirement and one of the three retirement liabilities would have to make up the difference.

The Department of Finance estimates that there will be \$873 million in previously loaned weight fees that need to be repaid as of the end of 2018-19. This language would repay the entire amount in 2019-20, instead of waiting until 2020-21. Under current law absent the requested trailer bill, the Administration estimates the General Fund payment to be about \$388 million in 2019-20 and \$484 million (the remainder of the weight fee loan amount) in 2020-21 regardless of how much debt service is eligible for offset.

Due to the size and technical nature of this request, it should be considered within the larger context of the Administration's proposal to pay off all of the state's budgetary debt (\$2.4 billion total), build additional reserves, and pay off other liabilities.

Staff Recommendation. Hold Open.

Issue 18: Office of the Inspector General (OIG)

Governor's Proposal. The budget requests an overall increase of 10 positions and \$828,000 (\$447,000 in Personal Services and \$381,000 in Operating Expenses) in State Highway Account funds to accommodate the specified powers, increased workload, duties, and responsibilities established through the Road Repair and Accountability Act of 2017 Chapter 5, Statutes of 2017, (SB 1) and a related budget trailer bill, SB 103 (Committee on Budget and Fiscal Review), Chapter 95, Statutes of 2017. This request includes a transfer of seven PYs from existing programs to OIG for audit work currently done by OIG on behalf of other Caltrans programs.

Background. SB 1 established the Caltrans Independent Office of Audits and Investigations' OIG to ensure Caltrans and external entities that receive state and federal transportation funds are doing so efficiently and effectively and in compliance with applicable laws and regulations. Pursuant to SB 1, the OIG provides a full-scope, independent, and objective audit and investigation program. The OIG is required to report a summary of investigation and audit findings and recommendations at least annually to the Governor, the Legislature, and the California Transportation Commission. The office was initially established with forty-eight existing positions and ten new permanent staff and resources through the Budget Act of 2017.

SB 103 created additional duties not contemplated in the 2017 Budget Act. Under the direction of the Inspector General, the Deputy Inspector General for Diversity and Small Business Development (DIG) is responsible for developing and implementing a program to review, audit, and report on Caltrans' outreach efforts related to procurement opportunities for new and limited contracting small business enterprises, including, but not limited to, those owned by women, minorities, disabled veterans, LGBT individuals, and other disadvantaged groups.

In January 2018, management of the Department's Ethics Program moved from the Office of Innovation, Risk and Strategic Management to the OIG.

Staff Comments. The Administration has indicated that while the Office transferred its one Ethics position to the OIG, two positions that were being redirected by Administration to staff the Ethics program were not transferred. Additionally, at the time of the appointment of the DIG for Diversity and Small Business Development, no position or funding was provided to OIG. This request would remedy both of these issues.

This request will result in all Caltrans audit work being under the OIG. This will maintain the independence of the program by no longer depending on funding from other Caltrans programs. The transfer of positions and funds will also enhance the flexibility of OIG and allow resources to shift to prioritized projects without regard to funding source.

Staff Recommendation. Approve as Budgeted.

2740 CALIFORNIA DEPARTMENT OF MOTOR VEHICLES

The Department of Motor Vehicles (DMV) promotes driver safety by licensing drivers and protects consumers by issuing vehicle titles and regulating vehicle sales.

The Governor's budget includes \$1.2 billion mostly from the Motor Vehicle Account (MVA) for the Department of Motor Vehicles (DMV) in 2019-20, which is about the same level of funding as the current year level. DMV's budget includes 8,323 positions.

3-YEAR EXPENDITURES AND POSITIONS

| | Positions | | | Expenditures | | |
|---|----------------|----------------|----------------|--------------------|--------------------|--------------------|
| | 2017-18 | 2018-19 | 2019-20 | 2017-18* | 2018-19* | 2019-20* |
| 2130 Vehicle/Vessel Identification and Compliance | 3,842.8 | 3,888.9 | 3,892.0 | \$591,713 | \$629,095 | \$633,145 |
| 2135 Driver Licensing and Personal Identification | 2,149.9 | 2,183.0 | 2,183.0 | 326,722 | 378,015 | 378,124 |
| 2140 Driver Safety | 1,171.3 | 1,184.7 | 1,210.7 | 132,632 | 137,219 | 139,288 |
| 2145 Occupational Licensing and Investigative Services | 444.5 | 448.8 | 448.8 | 56,928 | 59,002 | 59,341 |
| 2150 New Motor Vehicle Board | 9.1 | 13.0 | 13.0 | 1,423 | 1,751 | 1,751 |
| 9900100 Administration | 568.8 | 574.3 | 575.0 | 99,847 | 115,996 | 116,197 |
| 9900200 Administration - Distributed | - | - | - | -99,847 | -115,996 | -116,197 |
| TOTALS, POSITIONS AND EXPENDITURES (All Programs) | 8,186.4 | 8,292.7 | 8,322.5 | \$1,109,418 | \$1,205,082 | \$1,211,649 |
| FUNDING | | | | 2017-18* | 2018-19* | 2019-20* |
| 0001 General Fund | | | | \$1,750 | \$3,413 | \$6,178 |
| 0042 State Highway Account, State Transportation Fund | | | | 6,565 | 7,314 | 7,954 |
| 0044 Motor Vehicle Account, State Transportation Fund | | | | 1,062,143 | 1,145,804 | 1,145,214 |
| 0054 New Motor Vehicle Board Account | | | | 1,423 | 1,751 | 1,751 |
| 0064 Motor Vehicle License Fee Account, Transportation Tax Fund | | | | 16,421 | 18,876 | 19,445 |
| 0516 Harbors and Watercraft Revolving Fund | | | | 5,317 | 2,764 | 5,226 |
| 0890 Federal Trust Fund | | | | 232 | 2,780 | 2,790 |
| 0995 Reimbursements | | | | 11,807 | 14,549 | 14,549 |
| 3290 Road Maintenance and Rehabilitation Account, State Transportation Fund | | | | 3,760 | 7,831 | 8,542 |
| TOTALS, EXPENDITURES, ALL FUNDS | | | | \$1,109,418 | \$1,205,082 | \$1,211,649 |

Issue 19: Motor Vehicle Account Fund Condition

Background. The Motor Vehicle Account (MVA), part of the State Transportation Fund, is the primary fund source for the Department of Motor Vehicles (DMV) and the Department of the California Highway Patrol (CHP). The MVA supports the administration and enforcement of laws regulating the operation and registration of vehicles used on public streets and highways, as well as mitigation of the environmental effects of vehicle emissions.

The MVA receives most of its revenues from vehicle registration fees. In 2019-20, the MVA is expected to receive a total of \$4 billion in revenues, with vehicle registration fees accounting for \$3.4 billion (85 percent). The MVA also receives revenues from driver license fees. These revenues tend to fluctuate based on the number of licenses renewed each year. For 2019-20, the state is expected to collect \$558 million from these fees. The remaining MVA revenues primarily come from late fees, identification card fees, and miscellaneous fees for special permits and certificates (such as fees related to the regulation of automobile dealers and driver training schools).

January Proposals. The Governor's budget estimates the MVA will receive a total of \$4 billion in revenues in 2019-20 and proposes a total of \$3.9 billion in expenditures. The budget proposes a total of \$3.6 billion in expenditures from the MVA for CHP, DMV, and Air Resources Board (ARB)—about 92 percent of total MVA support expenditures. A small share of MVA revenues (from miscellaneous fees) are not restricted by the State Constitution. Because they are available for broader purposes, since 2009-10 the state has transferred these revenues to the General Fund. In 2018-19, the Governor's budget assumes this transfer totals \$92 million.

The Department of Finance's five-year projection (2019-20 through 2024-25) estimates that the MVA will have small and declining operating surpluses through 2021-22, at which point the fund balance will turn negative. These projections reflect expenditures already approved by the Legislature and those proposed in the Governor's budget.

The January five-year fund condition is detailed below.

Motor Vehicle Account Five Year Fund Condition
As of January 10, 2019
(Dollars in Millions)

| Updated January 10, 2019 | Past Year 17-18 | Current Year 18-19 | BY 19-20 | BY+1 20-21 | BY+2 21-22 | BY+3 22-23 | BY+4 23-24 |
|---|------------------------------|---------------------------------|--------------------|----------------------|----------------------|----------------------|----------------------|
| BEGINNING RESERVES | \$462 | \$505 | \$301 | \$ 281 | \$ 140 | \$ (37) | \$ (147) |
| REVENUES & TRANSFERS | | | | | | | |
| Registration Fee | \$3,223 | \$3,325 | \$3,454 | \$3,587 | \$3,726 | \$3,858 | \$3,986 |
| Other Fees | \$551 | \$553 | \$558 | \$562 | \$531 | \$570 | \$574 |
| Total Fee Revenue | \$3,774 | \$3,878 | \$4,012 | \$4,149 | \$4,257 | \$4,428 | \$4,560 |
| TRANSFERS | | | | | | | |
| Transfers To/From Other Funds | \$ (90) | \$ (89) | \$ (92) | \$ (95) | \$ (98) | \$ (101) | \$ (104) |
| Total Resources | \$4,146 | \$4,294 | \$4,221 | \$4,335 | \$4,299 | \$4,291 | \$4,309 |
| SUPPORT EXPENDITURES | | | | | | | |
| Baseline CHP | \$2,164 | \$2,302 | \$2,322 | \$2,510 | \$2,645 | \$2,734 | \$2,778 |
| Anticipated CHP Dash Cam Costs* | | | | | \$14 | \$14 | \$14 |
| Baseline DMV | \$1,062 | \$1,129 | \$1,081 | \$1,103 | \$1,110 | \$1,107 | \$1,090 |
| July 2018 JLBC Request | | \$17 | | | | | |
| December 2018 Provisional Language Request | | \$40 | | | | | |
| Placeholder DMV Additional REAL ID Costs** | | | \$64 | \$64 | \$64 | \$64 | |
| Baseline ARB | \$140 | \$148 | \$147 | \$152 | \$156 | \$161 | \$166 |
| Other (Other Departments, Local Assistance, Assessments including Pro Rata) | \$256 | \$280 | \$260 | \$266 | \$270 | \$275 | \$280 |
| Supplemental Pension Plan Payments (SB 84) | | \$59 | \$62 | \$64 | \$66 | \$69 | \$72 |
| Subtotal, Support | \$3,622 | \$3,975 | \$3,936 | \$4,158 | \$4,325 | \$4,424 | \$4,399 |
| CAPITAL OUTLAY EXPENDITURES | | | | | | | |
| CHP | \$10 | \$12 | \$3 | \$13 | \$3 | \$6 | \$13 |
| DMV | \$9 | \$6 | \$1 | \$24 | \$0 | \$0 | \$0 |
| ARB | | | | | \$8 | \$8 | \$8 |
| Subtotal, Cap Outlay | \$19 | \$18 | \$4 | \$37 | \$11 | \$14 | \$21 |
| Expenditure Total | \$3,641 | \$3,993 | \$3,940 | \$4,195 | \$4,336 | \$4,438 | \$4,420 |
| Reserve | \$505 | \$301 | \$ 281 | \$ 140 | \$ (37) | \$ (147) | \$ (111) |
| Percent of expenditures | 13.9% | 7.5% | 7.1% | 3.3% | -0.8% | -3.3% | -2.5% |

*Legislature rejected out year funding in BY+2 and ongoing, but the Administration anticipates requesting these resources at a future date.

**The Legislature approved funding in 17-18 and 18-19; DMV anticipates requiring funding through 2022-23.

In recognition of the estimated operational shortfalls facing the MVA—particularly in the current year—and the likelihood that the account will become insolvent in the future, the Governor’s January budget included various proposals intended to benefit the MVA.

Specifically, the January budget proposes to:

Shift from “Pay As You Go” to Financing for CHP Area Office Replacements. The state has typically funded the replacement of CHP area offices from the MVA on a pay as you go basis. The Governor’s budget proposes to finance the replacement of three CHP area offices through the Public Buildings Construction Fund, rather than with pay as you go as they were initially approved by the Legislature. The financing of the projects would be repaid from the MVA over many years. This is discussed in more detail in the “California Highway Patrol” section of this agenda.

Shift Certain One Time MVA Expenditures to the General Fund. The Governor’s budget includes a one time total General Fund augmentation of \$77.1 million—\$74.1 million for CHP and \$3 million for DMV—to support a variety of proposals that would have otherwise been funded from the MVA. For example, the budget proposes \$44.5 million from the General Fund to replace radio communications systems in CHP vehicles, as well as \$8 million in General Fund support for deferred maintenance projects at CHP (\$5 million) and DMV (\$3 million).

Suspend Certain CHP and DMV Capital Outlay Projects. The Governor’s budget proposes to suspend various CHP and DMV office replacement projects and a fencing project at 20 DMV offices and to revert the funding to the MVA.

April Update. In an April 1 Finance letter, the Administration has updated their MVA Fund Condition forecast to reflect updated REAL ID costs and proposes three additional actions to reduce fiscal pressure on the MVA.

Suspend Transfer of Certain MVA Revenues to General Fund. Specifically, the Administration proposes to suspend the transfer of nonconstitutionally restricted revenues to the General Fund (savings of about \$90 million a year) for five years.

Suspend Supplemental Pension Plan Payments (SB 84). The 2017 Budget Act (SB 84) borrowed \$6 billion from the state’s cash balances to make a one-time supplemental payment to the California Public Employees’ Retirement System (CalPERS). All funds that make employer contributions to CalPERS—including the MVA—will repay a share of this loan. This action would result in savings of roughly \$60 million a year for five years.

Impose Credit Card Fees on Customers. Starting in 2019-20, the Administration proposes to pass on credit card transaction fees to DMV customers. The proposal is estimated to save \$114 million in the MVA over the next five years.

The impacts of these and prior proposals are shown in the MVA updated forecast below.

Motor Vehicle Account Five Year Fund Condition
As of April 1, 2019
(Dollars in Millions)

| Updated March 29, 2019 | Past Year 17-18 | Current Year 18-19 | BY 19-20 | BY+1 20-21 | BY+2 21-22 | BY+3 22-23 | BY+4 23-24 |
|---|-----------------------|--------------------------|----------------|----------------|----------------|----------------|----------------|
| BEGINNING RESERVES | \$462 | \$505 | \$354 | \$ 310 | \$ 191 | \$ 155 | \$ 205 |
| REVENUES & TRANSFERS | | | | | | | |
| Registration Fee | \$3,223 | \$3,325 | \$3,454 | \$3,587 | \$3,726 | \$3,858 | \$3,986 |
| Other Fees | \$551 | \$553 | \$558 | \$562 | \$531 | \$570 | \$574 |
| Total Fee Revenue | \$3,774 | \$3,878 | \$4,012 | \$4,149 | \$4,257 | \$4,428 | \$4,560 |
| TRANSFERS | | | | | | | |
| Transfers To/From Other Funds | \$ (90) | \$ (89) | \$ (1) | \$ (1) | \$ (1) | \$ (1) | \$ (1) |
| Total Resources | \$4,146 | \$4,294 | \$4,365 | \$4,458 | \$4,447 | \$4,582 | \$4,764 |
| SUPPORT EXPENDITURES | | | | | | | |
| Baseline CHP | \$2,164 | \$2,302 | \$2,322 | \$2,510 | \$2,645 | \$2,734 | \$2,778 |
| Anticipated CHP Dash Cam Costs* | | | | | \$14 | \$14 | \$14 |
| Baseline DMV | \$1,062 | \$1,129 | \$1,081 | \$1,103 | \$1,110 | \$1,107 | \$1,090 |
| July 2018 JLBC Request | | \$17 | | | | | |
| January 2018 Provisional Language Request | | \$40 | | | | | |
| March 2019 Provisional Language Request | | \$6 | | | | | |
| DMV Operational Improvements | | | \$241 | \$200 | \$86 | \$72 | \$45 |
| Baseline ARB | \$140 | \$148 | \$147 | \$152 | \$156 | \$161 | \$166 |
| Other (Other Departments, Local Assistance, Assessments including Pro Rata) | \$256 | \$280 | \$260 | \$266 | \$270 | \$275 | \$280 |
| Supplemental Pension Plan Payments (SB 84) | | | | | | | \$140 |
| Subtotal, Support | \$3,622 | \$3,922 | \$4,051 | \$4,230 | \$4,281 | \$4,363 | \$4,512 |
| CAPITAL OUTLAY EXPENDITURES | | | | | | | |
| CHP | \$10 | \$12 | \$3 | \$13 | \$3 | \$6 | \$13 |
| DMV | \$9 | \$6 | \$1 | \$24 | \$0 | \$0 | \$0 |
| ARB | | | | | \$8 | \$8 | \$8 |
| Subtotal, Cap Outlay | \$19 | \$18 | \$4 | \$37 | \$11 | \$14 | \$21 |
| Expenditure Total | \$3,641 | \$3,940 | \$4,055 | \$4,267 | \$4,292 | \$4,377 | \$4,533 |
| Reserve | \$505 | \$354 | \$ 310 | \$ 191 | \$ 155 | \$ 205 | \$ 231 |
| Percent of expenditures | 13.9% | 9.0% | 7.6% | 4.5% | 3.6% | 4.7% | 5.1% |

*Legislature rejected out year funding in BY+2 and ongoing, but the Administration anticipates requesting these resources at a future date.

LAO

Comments. The LAO's comments prior to the release of the April Finance Letter are based on an assumption that the MVA will be insolvent in 2021-22. Based on that, the LAO recommends the Legislature consider taking the following steps now to prevent the future insolvency.

- **Amend Supplemental Pension Plan Repayment Schedule.** The 2017 Budget Act borrowed \$6 billion from the state's cash balances to make a one-time supplemental payment to the California Public Employees' Retirement System (CalPERS). All funds that make employer contributions to CalPERS—including the MVA—will repay a share of this loan. Working with the Administration, the Legislature could amend the MVA's repayment schedule to focus more

repayments in the latter years and reduce the required repayments over the next few years to provide immediate relief.

- ***Eliminate General Fund Transfer.*** As mentioned earlier, the MVA receives roughly \$90 million in miscellaneous revenues that are not limited in their use by the California Constitution. Currently, these revenues are transferred to the General Fund, making them unavailable to support MVA expenditures. The Legislature could stop this transfer and keep these revenues in the MVA.
- ***Increase MVA Revenues.*** The Legislature could generate additional revenues by increasing vehicle registration or driver license fees—either on a limited-term or ongoing basis. The LAO estimates that roughly \$30 million in additional revenue could be generated annually from a \$1 increase in the base vehicle registration, and roughly \$6 million from a \$1 increase in the driver license fee.
- ***Implement DMV Efficiencies.*** Two evaluations of DMV’s operational processes are underway—one by DOF and one by the Government Operations Agency. The Legislature may want to consider directing the department and agency to submit a report at spring budget hearings on potential efficiencies. This would allow the Legislature to consider all of the potential efficiencies that have been identified thus far and their impact on MVA expenditures, as well as potential statutory changes that may need to be enacted to implement certain efficiencies.

Staff Comments. As the above discussion should make clear, the MVA is structurally insolvent. The fund is projected to run a small operating deficit in 2018-19 (expenditures of \$4 billion against revenues of \$3.9 billion), and is expected to run a small surplus in 2019-20 (expenditures of \$3.9 billion against revenues of \$4 billion). However, out year costs are expected to increase significantly over the next five years, rising from \$3.9 billion in 2019-20 to \$4.4 billion in 2023-24. While revenues are expected to rise, they are unlikely to keep up with increasing cost pressures. If unaddressed, this will require programs funded by the MVA to seek funding from other sources.

The following actions were proposed by the Administration in January and April to improve the MVA’s fund condition and the Subcommittee may want to approve these actions.

- ***Eliminate MVA Transfer to the General Fund.*** The Administration proposes to suspend the MVA transfer to the General Fund for five years. This approach would benefit the MVA by roughly \$90 million annually, but would create an ongoing cost-pressure on the General Fund.
- ***Amend Supplemental Pension Plan Repayment Schedule.*** The Administration proposes to suspend these payments for five years. This approach would benefit the MVA by roughly \$60 million annually, but would increase cost pressure in the future.
- ***Suspend of Certain DMV and CHP Capital Outlay Projects.*** Staff recommends the Subcommittee approve the suspension of certain DMV and CHP capital outlay projects as proposed by the Administration. This will provide immediate fiscal relief.

There are other options to improve the MVA’s Fund Condition that the Subcommittee may want to consider also taking.

- ***Fund REAL ID Costs with General Fund.*** This year's budget proposal includes using General Fund to pay for certain CHP costs that have historically been funded from the MVA. One way to ease the fiscal pressure on the MVA would be to pay for some of the costs of the continued implementation of REAL ID out of the General Fund.
- ***Consider Rejecting Proposals to Finance CHP Capital Outlay Projects.*** If the Subcommittee takes action to reduce fiscal pressure on the MVA it will want to consider how much fiscal relief it provides that it could use to fund other priorities. For example, one option would be to provide enough funding so that the cost of the replacement of three CHP area offices could be cash-funded, as they have been in the past. This approach, instead of the Administration's proposal to borrow funds to finance the cost of these projects, results in lower total costs because the state does not have to pay interest costs associated with borrowing funds.
- ***Consider a Maintaining a Smaller Reserve.*** The Administration proposes a reserve for the Motor Vehicle Account that ranges from \$310 million to \$155 million across the five-year forecast period. The Administration has said that a target reserve of \$100 million is ideal, but given that revenues registration fees are fairly stable and predictable, it is likely that a smaller reserve would be adequate for the next five years.
- ***Consider Longer-Term Cost-Savings Strategies.*** Other ways to reduce fiscal pressure on the MVA are to make changes that would reduce the overall cost of DMV's operations. For example, the CA driver's license (DL) is valid for five years. In 2018, 19 states had a DL that was valid for six years or more. Increasing the length of time that the DL is valid to eight years would result in annual cost-savings once fully implemented. Similarly, increasing the length of time that a vehicle registration was valid from one to two years would also reduce DMV's operating costs. The Subcommittee may wish to direct the DMV and DOF to provide a cost estimate of the savings from increasing the length of time of validity for the DL and vehicle registration.

Given the state of the MVA, its role as the primary funding source for both CHP and DMV, and the complexity of the issue, any MVA-funded budget request should be considered in the context of the complete MVA fund condition discussion.

Staff Recommendation. Hold Open.

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|---|
| Issue 20: Capital Outlay Proposals |
|---|

Governor’s Proposal. The budget requests reversions of \$25 million in MVA funding, and \$2.2 million in MVA funding, related to a variety of capital outlay proposals. Specifically, the budget requests the following:

| DMV Capital Outlay Proposals (in millions) | | | |
|---|----------------|----------------|----------------|
| | | | |
| Field Office Project | 2019-20 | 2020-21 | 2021-22 |
| Inglewood Field Office Replacement Reversion* | -\$15.1 | \$0.0 | \$0.0 |
| Perimeter Security Fences Reversion* | -\$9.9 | \$0.0 | \$0.0 |
| Reedley Field Office Replacement | \$1.2 | \$14.1 | \$0.0 |
| Walnut Creek Field Office Relocation (lease) | \$1.0 | \$0.5 | \$0.7 |
| Totals | -\$22.8 | \$14.6 | \$0.7 |

*The reversion of funds is due to this project being proposed for suspension.

Background. DMV operates 249 facilities that include customer service field offices, telephone service centers, commercial licensing facilities, headquarters, and driver safety and investigations offices. Over half of DMV facilities are field offices. According to DMV, most of its field offices are programmatically deficient and/or do not meet seismic criteria. Beginning in 2015-16, the Administration initiated a plan to replace a couple of DMV field offices each year.

Staff Comments. This proposal includes the following components.

- *Inglewood: Field Office Replacement-Reversion.* This project is proposed for suspension due to fiscal constraints on the Motor Vehicle Account resulting in a one-time reversion of \$15.1 million for the design-build phase.
- *Perimeter Security Fences-Reversion.* Perimeter security fence projects are proposed for suspension due to fiscal constraints on the Motor Vehicle Account resulting in a one-time reversion of \$9.9 million. 66 of 170 DMV field offices report regular problems with afterhours trespassing, and 20 of those offices report serious and ongoing health and safety concerns resulting from these activities. The 2017 and 2018 Budget Acts provided about \$10 million MVA for fencing at 20 offices.
- *Reedley Field Office Replacement.* \$1.2 million from the MVA to fund the working drawings phase of the DMV Reedley Field Office Replacement project. Acquisition was funded in 2017-18 for \$2.2 million. The preliminary plan phase was in 2018-19 for \$1.1 million and the construction phase is to be funded in 2020-21 for \$14.1 million. The total project cost is estimated at \$18.6 million. This project will replace a 53-year-old structurally and functionally deficient leased office with a new, safe, appropriately sized, and efficiently designed facility.
- *Walnut Creek Field Office Relocation.* \$1 million in 2019-20, \$506,000 in 2020-21, \$694,000 in 2021-22, and ongoing is proposed for a new leased Walnut Creek Field Office due to the loss of the lease at the current field office. This funding will allow DMV to continue serving the general public particularly in regards to the increase in customer volume getting REAL ID cards. Currently, the DMV and Department of General Services have negotiated a two-year

lease extension, and have been actively looking for a new lease space to be occupied by October 1, 2020.

Staff has no concerns with the specific proposals. However, there are significant concerns about the overall approach to addressing the MVA shortfall and suspending capital outlay projects or borrowing instead of funding with cash (as has been the past practice). Approving MVA funding for DMV's capital outlay projects will be considered as part of the overall approach to maintaining the solvency of the MVA.

Staff Recommendation. Hold Open.

2720 CALIFORNIA HIGHWAY PATROL

The California Highway Patrol (CHP) promotes the safe, convenient, and efficient transportation of people and goods across the state highway system and provides the highest level of safety and security to the facilities and employees of the State of California.

Budget Overview: The budget requests \$2.6 billion and 10,865 positions for 2019-20. This is an increase of \$120 million and five positions, mostly related to requests for funding related to communications and information technology and an organized retail crime task force.

3-YEAR EXPENDITURES AND POSITIONS

| | | Positions | | | Expenditures | | |
|--|---|-----------------|-----------------|-----------------|--------------------|--------------------|--------------------|
| | | 2017-18 | 2018-19 | 2019-20 | 2017-18* | 2018-19* | 2019-20* |
| 2050 | Traffic Management | 8,485.6 | 8,409.8 | 8,414.8 | \$2,104,081 | \$2,215,298 | \$2,332,872 |
| 2055 | Regulation and Inspection | 1,078.8 | 1,047.0 | 1,047.0 | 241,325 | 261,529 | 261,692 |
| 2060 | Vehicle Ownership Security | 234.0 | 222.4 | 222.4 | 52,825 | 57,507 | 57,540 |
| 9900100 | Administration | 1,083.6 | 1,181.0 | 1,181.0 | 170,922 | 222,552 | 222,591 |
| 9900200 | Administration - Distributed | - | - | - | -170,922 | -222,552 | -222,591 |
| TOTALS, POSITIONS AND EXPENDITURES (All Programs) | | 10,882.0 | 10,860.2 | 10,865.2 | \$2,398,231 | \$2,534,334 | \$2,652,104 |
| FUNDING | | | | | 2017-18* | 2018-19* | 2019-20* |
| 0001 | General Fund | | | | \$- | \$- | \$79,769 |
| 0042 | State Highway Account, State Transportation Fund | | | | 77,727 | 81,858 | 81,881 |
| 0044 | Motor Vehicle Account, State Transportation Fund | | | | 2,164,045 | 2,301,758 | 2,321,683 |
| 0293 | Motor Carriers Safety Improvement Fund | | | | 1,448 | 1,831 | 1,831 |
| 0840 | California Motorcyclist Safety Fund | | | | 2,700 | 3,191 | 3,191 |
| 0890 | Federal Trust Fund | | | | 15,132 | 21,401 | 21,451 |
| 0942 | Special Deposit Fund | | | | 12 | 2,336 | 20,336 |
| 0974 | California Peace Officer Memorial Foundation Fund | | | | - | 300 | 300 |
| 0995 | Reimbursements | | | | 134,167 | 118,659 | 118,662 |
| 3288 | Cannabis Control Fund | | | | 3,000 | - | - |
| 3314 | California Cannabis Tax Fund | | | | - | 3,000 | 3,000 |
| TOTALS, EXPENDITURES, ALL FUNDS | | | | | \$2,398,231 | \$2,534,334 | \$2,652,104 |

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|---|
| Issue 21: Capital Outlay Proposals |
|---|

Governor’s Proposal. The budget proposes \$166 million in reversion to the Motor Vehicle Account, and \$132.7 million in funding from the Public Building Construction Fund for a variety of Capital Outlay Projects. The budget also includes \$1.8 million from the Motor vehicle Account for the Keller Peak Tower Replacement Project, and \$320,000 in MVA funding for Phase 1 of the CHP Enhanced Radio System (CHPERS) project.

Background. The CHP operates 103 area offices across the state. In 2013-14, the Administration initiated a plan to replace a few of the most outdated and unsafe CHP field offices each year for the next several years. Accordingly, the Legislature has approved MVA funding in each of the past fiscal years for advanced planning and site selection, and for the replacement of offices. Nearly all of the office replacement projects over the last 10 years at CHP have been funded directly from the MVA. As discussed in the MVA Fund Condition write up earlier in this agenda, there will be fiscal pressure on the MVA in the near future.

As a result of various constraints on the MVA, it is anticipated that funds will be insufficient to provide for CHP office replacement projects over the next five years. The Administration proposes the use of the Public Buildings Construction Fund for the design-build phase to allow these existing projects to continue while reducing pressure on MVA. The proposal will relieve pressure on the MVA in the near-term, but assuming 25-year lease revenue bonds, it is estimated that over time the total cost of the amount of funding financed--\$132.7 million—will be \$211.9 million, which over the long term puts greater fiscal pressure in the MVA.

Staff Comments. The Governor's Budget proposes the following CHP area office capital outlay projects.

| Area Office Project (in millions) | 2019-20 | Design-Build Costs Shift to Public Buildings Construction Fund |
|---|-----------------|--|
| El Centro Area Office Replacement Reversion | -\$40.4 | \$41.9 |
| Hayward Area Office Replacement Reversion | -\$48.1 | \$48.7 |
| San Bernardino Area Office Replacement Reversion | -\$40.3 | \$42.0 |
| Quincy Area Office Replacement Reversion* | -\$36.9 | NA |
| Statewide Planning and Site Identification (Santa Ana Area Office)* | -\$0.5 | NA |
| Keller Peak Tower Replacement Project | 1.8 | NA |
| CHPERS Phase 1 | .32 | NA |
| Totals | -\$164.1 | \$132.7 |

*The reversion of funds is due to this project being proposed for suspension.

The Governor's budget proposes to shift three CHP area office replacement projects from a "pay-as-you-go" approach to financing using lease revenue bonds. This would result in the reversion to the MVA of \$166.2 million in previously authorized funds as shown in the figure above. The Quincy Area Office replacement project is proposed to be suspended, as well as the Santa Ana Area Office due to constraints on the MVA. The Governor's budget requests \$132.7 million in lease revenue bond authority from the Public Buildings Construction Fund to continue construction of El Centro, Hayward, and San Bernardino area offices.

Staff has no concerns with the specific proposals; however, there are significant concerns about the overall approach to addressing the MVA shortfall and suspending capital outlay projects or borrowing instead of funding with cash (as has been the past practice). Borrowing results in greater costs over time and there are alternative ways to address the MVA shortfall. Staff notes that last year the Legislature rejected the Administration's proposals to finance the cost of CHP capital outlay projects instead of cash-fund, as has been the past practice. Financing CHP's capital outlay projects will be considered as part of the overall approach to maintaining the solvency of the MVA.

Staff Recommendation. Hold Open.

Issue 22: Organized Retail Crime Task Force (AB 1065)

Governor's Proposal. The budget requests \$5.8 million General Fund in 2019-20 and 2020-21 to fund 16 positions and associated costs, to comply with the requirements of AB 1065 (Jones-Sawyer), Chapter 803, Statutes of 2018.

The Administration also proposes trailer bill language to extend the program's sunset date by six months to July 1, 2021.

Background. In November 2014, California voters passed Proposition 47, the Safe Neighborhoods and Schools Act, which requires shoplifting, defined as entering a commercial establishment with the intent to commit larceny where the property taken does not exceed \$950, to be punished as a misdemeanor. Proposition 47 requires that the act of shoplifting be charged as shoplifting and prohibits a person who is charged with shoplifting from being charged with burglary or theft of the same property.

AB 1065 creates, until January 1, 2021, the crime of organized retail theft which would be defined as acting in concert with one or more persons to steal merchandise from one or more merchant's premises or online marketplace with the intent to sell, exchange, or return the merchandise for value, acting in concert with two or more persons to receive, purchase, or possess merchandise owing or believing it to have been stolen, acting as the agent of another individual or group of individuals to steal merchandise from one or more merchant's premises or online marketplaces as part of a plan to commit theft, or recruiting, coordinating, organizing, supervising, directing, managing, or financing another to undertake acts of theft. The bill makes these crimes punishable as either misdemeanors or felonies.

AB 1065 also, until January 1, 2021, requires the California Highway Patrol to, in coordination with DOJ, convene a regional property crimes task force to assist local law enforcement in counties identified by the California Highway Patrol as having elevated levels of property crime, including, but not limited to, organized retail theft and vehicle burglary. The bill requires the task force to provide local law enforcement in the identified region with logistical support and other law enforcement resources, including, but not limited to, personnel and equipment, as determined to be appropriate by the Commissioner of the California Highway Patrol in consultation with task force members.

The CHP requests funding for the following 16 positions to convene and support a regional property crimes task force:

- Three sergeant positions to supervise operational units in regions targeted by the task force.
- Nine officer positions to perform specialized investigations and enforcement targeting organized retail crime. These investigators work together as a team and cooperatively with DOJ to abate organized crime.
- One Associate Governmental Program Analyst position to provide statewide program coordination and administrative support to the task force. This position will serve as the subject matter expert for AB 1065 requirements and all AB 1065 related activities.
- Three Office Technician positions to support the task force and AB 1065 related activities at the regional level. These positions will provide daily office and administrative functions.
- In addition, CHP requests \$2.1 million to contract with DOJ.

Staff Comments. CHP has made budget request in order to comply with AB 1065 which it interprets as requiring CHP to take the lead in establishing a regional task force and committing resources to this

effort. Policing retail theft is beyond the scope of CHP's primary objectives that are to minimize deaths, injuries, and property losses due to traffic accidents; to reduce traffic delays; to provide protection and assistance to the motoring public, state employees and property, including protection of the State Capitol and the surrounding grounds, state constitutional officers, and visiting dignitaries; and to curtail the potential for terrorist threats as part of broader state and federal homeland security efforts. It is unclear what level of resources CHP needs and what exactly these positions would do, since this is a new function. Staff recommends holding the request for resources open to allow time for more consideration.

Staff notes that extending the sunset date to July 2021 would conflict with a ballot initiative that is on the November 2020 ballot and would go into effect January 2021 if passed by voters.

Staff Recommendation. Hold Open.

Issue 23: Resources for Updated California Public Records Act (PRA) Requirements

Governor's Budget. The budget requests \$576,000 for 2019-20 and 2020-21 from the Motor Vehicle Account for five positions to comply with AB 748 (Ting), Chapter 960, Statutes of 2018 and SB 1421 (Skinner), Chapter 988, Statutes of 2018.

Background. AB 748 mandates under specified conditions, the release of "video or audio which captures a critical incident, as defined, within 45 calendar days after the agency knew or reasonably should have known about the incident." A "critical incident" includes the discharge of a firearm at a person by a peace officer or a use of force by a peace officer resulting in great bodily injury.

SB 1421 mandates the release of specific information contained in peace officer personnel records which, previously was deemed confidential and not subject to disclosure. As such, effective January 1, 2019, the Department will be required to release records relating to the report, investigation, or findings of any of the following: 1) the discharge of a firearm at a person by a peace officer; 2) use of force by a peace officer resulting in death or great bodily injury; 3) the commission of a sexual act while on duty or by force, threat, or under color of authority; and 4) a sustained finding of dishonesty relating to court proceedings or the misconduct of another peace officer.

Staff Comments. It is reasonable to believe that the additional research, analysis, and proper interpretation of what is now considered a public record and what documents, records, videos, etc., will be legislatively mandated for release, will increase CHP's workload. As such, its Public Records Unit (PRU) needs a dedicated staff of highly-qualified individuals who will ensure CHP meets the increased demands and fully complies with law and statute.

The workload is ongoing, but has indicated that it plans to reevaluate staffing levels in two years. The current staffing level for this function is about 3.5 positions.

However, as noted elsewhere in this agenda, the MVA is extremely constrained and any requests for MVA funding should be considered in the context of the overall fund condition.

Staff Recommendation. Hold Open.

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CALIFORNIA STATE SENATE

COMMITTEE ON BUDGET AND FISCAL REVIEW

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INFORMATIONAL HEARING: DEPARTMENT OF MOTOR VEHICLES – WAIT TIMES AND OPERATIONAL IMPROVEMENTS

Monday, April 22, 2019
State Capitol Room 112
9:00 a.m.

AGENDA

- I. Background on DMV Organization and Wait Time Issues
 - Anita Lee, Principal Fiscal & Policy Analyst, Legislative Analyst's Office

- II. Evaluation of DMV Organization and Operational Issues
 - Jennifer Whitaker and Marilyn Standing Horse, Office of State Audits and Evaluations, Department of Finance
 - Marybel Batjer, Secretary, Government Operations Agency

- III. DMV Response to Wait Times and Identified Organizational Issues
 - Kathleen Webb, Acting Director, Department of Motor Vehicles
 - Robbie Crockett, Deputy Director, Administrative Services Division, Department of Motor Vehicles
 - Amanda Martin, Principal Program Analyst, Department of Finance
 - Mark Monroe, Assistant Program Budget Manager, Department of Finance
 - Anita Lee, Principal Fiscal & Policy Analyst, Legislative Analyst's Office

- IV. Public Comment

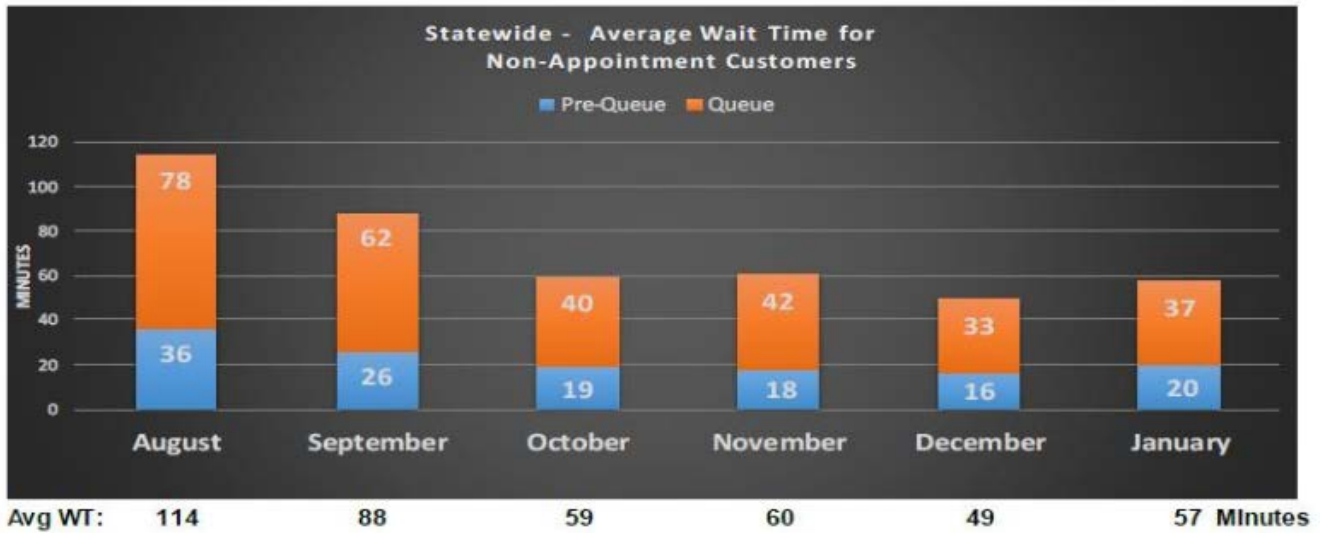
Department of Motor Vehicles: Wait Times and Operational Improvements

BACKGROUND

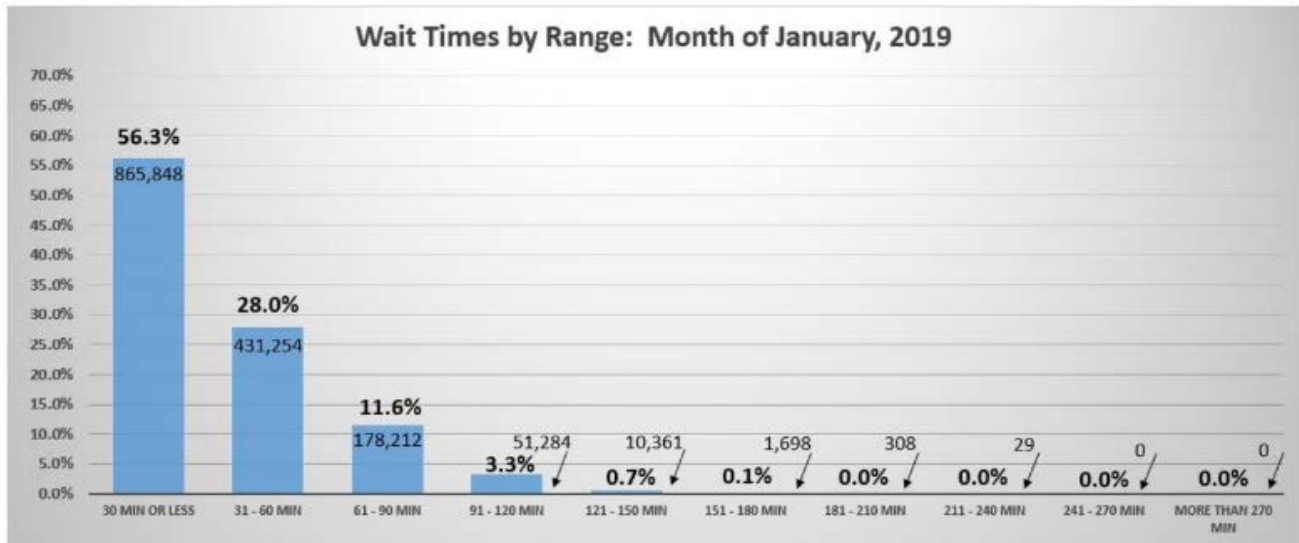
REAL ID Act. The federal government enacted the REAL ID Act in 2005, which requires state-issued driver licenses and identification (ID) cards to meet minimum identity verification and security standards in order for them to be accepted by the federal government for official purposes—such as accessing most federal facilities or boarding federally regulated commercial aircraft. In California, after October 1, 2020, only REAL ID compliant driver licenses or ID cards, and other federally acceptable forms of ID (such as a passport) can be used for these purposes. The federal Secretary of Homeland Security has deemed 39 states REAL ID compliant, while the remaining states—such as California—have received an extension for compliance. California has regularly received such extensions since it began implementation in early 2018. The most recent extension extends through May 24, 2019.

Impact of REAL ID Implementation on DMV. California began issuing REAL ID compliant driver licenses and ID cards in January 2018 and reports having issued about 3.4 million as of March 26, 2019. Individuals seeking compliant driver licenses and ID cards must visit a field office and provide certain specified documents that DMV staff verify and scan. This has increased workload at DMV field offices, as these transactions take longer to process than noncompliant transactions. Individuals sometimes do not bring in the required documentation and therefore must make repeated trips to the DMV in order to successfully complete the process. Additionally, more individuals—such as those who would otherwise have renewed their licenses by mail or those whose licenses expire after the October 2020 federal deadline—are visiting field offices to obtain compliant driver licenses or ID cards.

DMV Wait Times Increased Significantly Initially, Then Dropped. Despite receiving additional funding to support the increased workload (as discussed later), DMV field offices began reporting a significant increase in wait times mid-2018. At its peak, some individuals visiting certain offices could experience wait times of several hours. Since then and with the addition of resources and some process improvements, wait times have dropped. As shown in the figure below, average wait times for a non-appointment customer averaged 114 minutes in August 2018 and 57 minutes in January 2019. According to DMV, it has achieved these reduced wait times through various actions, including hiring temporary workers, extending field office hours, and expanding the number of self-service terminals available for individuals to conduct transactions outside of field offices or without the assistance of DMV staff.



However, the average wait time is not indicative of everyone’s experience. At the 20 DMV field offices with the greatest wait times, the average wait time in August 2018 for a non-appointment customer was 177 minutes. In January 2019 the average wait time was 95 minutes. To better reflect the range of wait times customers may experience in a field office, the figure below shows the wait times by range in January 2019. This data shows that in January 2,035 individuals waited over 2.5 hours. By contrast, in August 2018, nearly 150,000 individuals waited over 2.5 hours.



EVALUATIONS OF DMV OPERATIONS

The Department of Finance's Office of State Audits and Evaluations (OSAE) recently completed an audit of DMV's operations and another evaluation by the California Government Operations Agency's DMV Strike Team is underway.

Department of Finance OSAE Performance Audit. In September 2018, Governor Brown directed OSAE to conduct a performance audit of DMV's IT and customer service functions. The audit objectives were to 1) assess the efficiency and effectiveness of DMV's current operations and make recommendations to improve its practices and enhance the field office customer experience and 2) evaluate DMV's information technology (IT) system and its impact on the field office customer experience. Overall, the audit was very critical of DMV's management and operations and found that its operations were not always efficient and effective in delivering services and that DMV has operated with significant weaknesses in its underlying governance structure and organizational culture. The audit finds that "without strengthening the underlying foundation supporting its operations, DMV will continue facing challenges in efficiently and effectively delivering services to its customers." The audit identifies many opportunities for improvement. These findings are summarized below, and detailed in Appendix A of this report. DMV's corrective action plan to address the audit's findings and recommendations is due by the end of May 2019.

Findings related to operations and the field office customer experience include:

- *Significant deficiencies in planning and implementation of the REAL ID program negatively impacted the field office customer experience.* The field office customer experience was significantly impacted by the implementation of REAL ID, manifested mainly by long field office wait times in summer 2018. The approach for complying with REAL ID was inconsistent in the decade leading up to implementation, the REAL ID IT project was not recognized as a priority until 2017, and DMV missed opportunities to reevaluate policy impacting the frequency with which customers require its services.
- *Organizational and reporting structure is outdated and does not reflect current operational needs.* The outdated organizational and reporting structure is reflected in DMV's reliance on its decades-old field office grading for resource allocation, inconsistencies in regional office oversight of field offices, and ineffectiveness of the vertical and hierarchical communication structure.
- *Budgeting and staffing approach is not focused on maximizing field office capacity.* DMV has taken steps to increase its field office capacity; however, opportunities for increasing and analyzing capacity exist related to field office service windows, absenteeism, and requesting field office positions.
- *Appointment practices need improvement.* Significant weaknesses in DMV's appointment practices impact customers' ability to consistently reserve appointments in a timely manner. Specifically, the appointment system allows for variations in appointment availability among regions, the reservation of duplicate appointments, and inconsistent verification of appointment authenticity within field offices.
- *Monitoring of the field office customer experience needs improvement.* Although DMV takes a centralized approach to collect, analyze, and review direct customer feedback, other initiatives such as the Command Center created in 2018, and Lean Six Sigma Team created in 2016, were untimely implemented and could do more to support DMV's strategic goal to provide superior

customer service. Further, DMV's Internal Audit Unit is underutilized with respect to monitoring the field office customer experience.

- *Enhancements to field office customer service were inconsistently implemented and additional opportunities for improvement exist.* Despite DMV implementing several operational enhancements in its field offices, these enhancements were inconsistently implemented and additional opportunities for improvement exist.
- *Field office employee development resources are inadequate.* DMV's current training, employee transaction manuals, policies, and procedures are not comprehensive, intuitive, or regularly updated, and do not adequately emphasize customer service.

Findings related to information technology's impact on the field office customer experience include:

- *Insufficient network system infrastructure and lack of monitoring processes contributed to field office outages, impacting customers' ability to obtain DMV services.* Significant components affecting network connectivity are in need of upgrading and DMV's practices for monitoring and resolving IT related issues are ineffective. This impacts field offices' ability to consistently provide timely and reliable service to customers.
- *Project prioritization, management, testing, and documentation practices need improvement.* Weaknesses exist in DMV's project prioritization, defect resolution, testing, and documentation processes.
- *Legacy computer programming languages contributes to succession planning risks.* Although DMV has taken steps towards sustaining its institutional knowledge related to legacy programming languages, DMV faces succession planning risks because of the knowledge and skills needed to maintain the legacy language, further exacerbated by the IT workforce approaching retirement age.

Government Operations Agency's DMV Strike Team. In January 2019, Governor Newsom tasked the Government Operations Agency Secretary to lead a DMV Strike Team to affect change and reinvention at the DMV. The team is working on a series of efforts to streamline and enhance services to customers and begin the transition to a user-centered culture. Below is a description of some of the areas that the Strike Team has identified as opportunities for improvement and a summary of early efforts. A summary of the Strike Team's efforts to-date is found in Appendix B of this report.

- *Pilot "pop-up" DMV office.* Better prepare customers and prioritize those who must have a REAL ID. The action proposed by the Strike Team is piloting a "pop-up" DMV office in April 2019 where DMV can serve numerous employees at one site working with the employer to ensure their employees have the documentation that is needed.
- *Implement outreach campaign.* Increase public awareness through an outreach campaign that helps to ensure customers bring in the documentation they need, but also so that they do not unnecessarily visit the DMV for other transactions.
- *Facilitate documentation preparedness.* Allow customers to upload documents needed for REAL ID in advance of coming into a DMV office.
- *Streamline REAL ID processes using a contractor.* The effort to streamline REAL ID processes is underway and changes to the process should begin implementation in June and July 2019.
- *Staffing.* Assess the staffing approach being used to handle the increase in customers.
- *Training.* Actions are needed to improve staff training.

- *Enhance the customer experience.* The Strike Team suggests expanding credit card use to field offices. It also suggests making changes to the DMV website so that it is easier for people to find the information they need and to conduct transactions.
- *Improve customer interactions.* Explore ways to improve the DMV call center and add on-line capabilities such as live chat.
- *Improve mailroom processes.* Examine mailroom processes to speed turnaround time and reduce errors.
- *Expand the use of kiosks.* Physically increase the number of kiosks available statewide to 200 by the end of the year and to possibly add more services to the kiosks.
- *Fill key vacancies.* The Administration has launched a search for a new Director of DMV and will be working to fill other key vacancies.

FUNDING FOR REAL ID WORKLOAD

To support the increased workload related to REALID, the Legislature has appropriated additional resources to DMV the last few years. The figure below shows the amounts provided to DMV in the last three fiscal years and what is proposed for 2019-20. The funding provided in the past for REAL ID implementation and proposed for 2019-20 is discussed in more detail below.

| Fiscal Year | Funding (millions) | Positions |
|-------------------------|--------------------|--------------|
| 2016-17 | \$4.5 | 70 |
| 2017-18 | \$23.0 | 218 |
| 2018-19 Budget Act | \$46.6 | 550 |
| 2018-19 (August 2018) | \$16.6 | 230 |
| 2018-19 (January 2019)* | \$40.4 | 120 |
| 2018-19 (March 2019)* | \$6.0 | 300 |
| Subtotal 2018-19 | \$109.6 | 1,200 |
| 2019-20 Proposed | \$242.2 | 2,052 |
| Total | \$379.3 | N/A |

* Requested resources pending review from the JLBC

2016-17 and 2017-18 REAL ID Funding. DMV received \$4.5 million from the Motor Vehicle Account (MVA) to begin implementation of REAL ID in 2016-17. In 2017-18, \$23 million was provided from the MVA to support 218 positions.

2018 Budget Act Provided REAL ID Funding. In the 2018 Budget Act, \$46.6 million from the MVA was appropriated to support 550 positions. The 2018-19 budget included provisional language that authorized DOF to provide DMV with additional resources as needed no sooner than 30 days following notification to the Joint Legislative Budget Committee (JLBC).

August 2018 Supplemental Funding Request. An additional \$16.6 million and 230 positions were requested and provided pursuant to this authorization in August 2018 in order to help DMV reduce the significant wait times in the field offices.

January 2019 Supplemental Funding Request. In January 2019, DOF submitted a subsequent notification to the JLBC that it intends to provide DMV with an additional \$40.4 million to maintain existing wait times in the current year no earlier than April 30, 2019. This amount consists of (1) \$17.5 million for additional expenditures in the first six months of the current year and (2) \$22.9 million for additional expenditures in the remaining portion of the year. DMV plans to use this funding to support an additional 120 positions, as well as to maintain all the activities enacted to date (such as the extension of field office operational hours).

March 2019 Supplemental Funding Request. In late March 2019, DMV submitted another funding request for \$6 million that would fund the following.

- \$4.5 million for an additional 300 temporary positions to begin in May 2019.

- \$1 million for a training contract to provide one full day of training for all field office staff simultaneously, likely in June, to train staff in order to reduce transaction times, return visits, and as a result wait times.
- \$250,000 to initiate an outreach campaign for REAL ID.

April 2019 Finance Letter. The REAL ID funding provided in 2017-18 and 2018-19 was limited term and expires June 30, 2019. To continue the implementation of REAL ID, the Administration requests \$242.1 million in 2019-20, \$199.8 million in 2020-21, \$86.1 million in 2021-22, \$72.4 million in 2022-23, \$45.3 million in 2023-24, and \$34.4 million for 2024-25 and ongoing. The budget request is intended to address the REAL ID workload demands and respond to the OSAE audit and Strike Team review. The request falls into four primary categories of activities: 1) increased REAL ID workload, 2) customer service improvements, 3) operational improvements, and 4) IT improvements. The request is described in more detail below. The request also includes provisional language similar to last year allowing for budget augmentations if the funding provided in the Budget Act is insufficient.

| Request Category | Amount |
|-------------------------------|----------------------|
| REAL ID & Transaction Volume | \$196 million |
| Customer Service Improvements | \$17.7 million |
| Operational Improvements | \$29.5 million |
| IT Improvements | \$17 million |
| Total Request | \$242 million |

REAL ID and Transaction Workload

The budget year request includes a total of \$196 million for increased REAL ID and other transaction workload that includes the following:

- \$150 million for 1,900 temporary positions.
- \$12.4 million for four drivers' license processing centers in Los Angeles, Stanton, San Jose, and Fontana and for the cost of providing extended hours and weekends at field offices.
- \$9.8 million for expanded janitorial services.
- \$9.5 million for an outreach campaign.
- \$6 million for identity management application software for customers who use the online DL/ID card application.
- \$6.8 million for DL/ID card contract for duplicates.

Customer Service Improvements

The budget year request includes \$17.7 million for the following efforts to improve customer service:

- \$100,000 for DMV identifiable attire such as lanyards to address an OSAE finding.
- \$2 million for a website redesign.
- \$500,000 for a Chatbot user contract.
- \$14.2 million for customer relationship management systems that include live chat services.

Operational Improvements

The budget request includes \$29.5 million for various operational improvements described below:

- \$600,000 for a learning management system that will combine department-wide training management, records, and reporting.

- \$1.4 million for 12 departmental training officers.
- \$700,000 for two mobile command units to be used for emergencies or short-term office closures.
- \$2.8 million for 30 positions to staff to the mobile command units and to operate “pop ups” for outreach events
- \$6 million for 32 district manager positions that will be allocated to each of the eight regional offices throughout the state.
- \$900,000 for 32 vehicles for district managers (one-time and \$100,000 ongoing) to enable them to visit field offices in the region.
- \$964,000 for eight district analyst-level positions.
- \$1.6 million for software for online DL/ID replacement.
- \$8.3 million (growing to \$14.4 million in 2020-21 and ongoing) for 200 new self-service terminals.
- \$2.6 million to replace 88 of DMV’s fleet of 298 vehicles and \$1.6 million on-going for future replacements.
- \$1 million for a consultant to develop an effective governance structure.
- \$1 million for organizational change management services.
- \$150,000 for appointment system modifications.
- \$1 million (\$4 million in 2020-21) for field office assessment and redesign.

Information Technology Improvements

The budget request includes \$17 million for IT improvements as follows:

- \$3.1 million for an IT refresh to replace IT equipment that has reached its end of useful life on a five-year replacement schedule.
- \$4.7 million for network redundancy as recommended by OSAE.
- \$3 million for document authentication devices (one-time) that have reached their end of useful life.
- \$6.2 million for 6,500 new personal computers (one-time and \$900,000 ongoing).

Wait Times Likely to Get Worse in the Near Future. The DMV has processed about 3.4 million REAL ID driver’s licenses and ID cards. DMV estimates it will need to process roughly 16-20 million more cards over the next few years—an annual volume that is more than double the amount DMV processed in 2018. As a result, it is very likely that even with significant investments and changes at the DMV there will continue to be long wait times that will increase significantly over the next couple of years.

ISSUES FOR CONSIDERATION

The DMV is the primary point of contact between many Californians and the state government. Recent events have strained this relationship, and damaged the trust that exists between the state and the people who live here. Clearly, DMV must take action to address these issues.

While meeting the requirements of the REAL ID Act have put an acute strain on the Department, it is not solely to blame for the current situation. Rather, the stress of recent months has revealed a number of underlying issues within the DMV, including a lack of effective management at all levels and a culture that is resistant to change. The current crisis has created an opportunity to reimagine DMV and reevaluate all of its business functions and operations to modernize its services and efficiencies. The challenge is to address the immediate challenge of REAL ID while creating a more responsive, efficient, and functional DMV organization.

The Administration has proposed a multi-year approach to addressing some of these challenges. However, any efforts to improve DMV through additional resources alone will be hampered by not having strong leadership and management and the right governance structure in place. To ensure success, the Legislature will need to strike a balance between the immediate need to process REAL IDs and longer-term managerial and operational reform. This will entail identifying which resources are both necessary and useful now, within the current organization, and which will need further reform or organizational changes before they can be successfully implemented. As such, the 2019-20 budget request will be closely evaluated to ensure that it addresses the findings and recommendations of recent evaluations, that it does not propose funding activities that are likely to fail without a strong foundation in place to effectively roll out and deliver service improvements, and that whatever budget action is eventually taken lays the groundwork for the long term health and stability of the department.

APPENDIX A

Summary of the Department of Finance, Office of State Audits and Evaluations Findings and Recommendations

SUMMARY OF RECOMMENDATIONS

| Finding | Recommendation |
|---|--|
| 1.1: Significant Deficiencies in Planning and Implementation of REAL ID Program Negatively Impacted the Field Office Customer Experience | |
| 1.1.A: Assign and Maintain Resources for Implementation of Critical Policy Changes | <ul style="list-style-type: none"> • For the continued implementation of the REAL ID project up to and beyond the October 2020 deadline: <ul style="list-style-type: none"> ○ Assign a dedicated team responsible for monitoring program implementation. The leadership, roles, and responsibilities of the team should be clearly defined and communicated. The team should respond to weaknesses and issues in the program as they are identified and ensure compliance with federal and state requirements. ○ Report to internal and external stakeholders regarding the implementation, weaknesses, and successes of the REAL ID project as deemed necessary. • For future significant projects with the potential for widespread impact on DMV operations: <ul style="list-style-type: none"> ○ Develop and align plans for preparing and implementing projects with strategic goals and strategies. ○ Identify the responsible parties and accountability measures to develop and monitor key project milestones, including communication with internal and external stakeholders. |
| 1.1.B: Improve Collaboration and Prioritization Process for Significant IT Projects | <ul style="list-style-type: none"> • See Recommendation 2.2.A |
| 1.1.C: Evaluate Additional Policy Changes to Alleviate Demand on Field Offices | <ul style="list-style-type: none"> • Evaluate the potential for adjustments to policy and regulation to better align DMV policies and procedures with the demands of its customers, such as adjusting the frequency customers are required to seek DMV services. |
| 1.2: Organizational and Reporting Structure is Outdated and Does Not Reflect Current Operational Needs | |
| 1.2.A: Conduct a System-Wide Assessment of Field Office Grading and Evaluate the Need for Additional Regional Offices | <ul style="list-style-type: none"> • Perform a system-wide analysis of field office grading, readjust grades as appropriate, and evaluate the impact of any adjustments on field office resources and policies. The analysis should also consider the ratio and location of regional offices assigned to field offices. • Evaluate the equitable distribution of field offices within the regions. • Evaluate the feasibility of increasing the number of regional offices or creating intermediate offices between regional and field offices. Creating additional offices could consist of physical, virtual, or mobile offices that rotate between field offices. The location of offices should consider the distance to field offices. • Evaluate the cost of creating, maintaining, staffing, and supporting any additional offices. |

| Finding | Recommendation |
|---|--|
| 1.2.B: Refocus the Regional Office Roles, Responsibilities, and Support of Field Offices | <ul style="list-style-type: none"> • Reevaluate DMV service models to identify opportunities to implement consistent policies and procedures at all field offices. • Reduce the administrative burdens, including the number of required reports, placed on field offices by reallocating responsibilities to regional offices. • Evaluate the value, timing, and frequency of administrative tasks and required reports and make adjustments to limit any impact on customer service. • Determine, document, and communicate the roles, responsibilities, reporting structure, and policies and procedures for all regional, field, and any intermediate offices. |
| 1.2.C: Establish Effective Communication Channels Between Executive Management and Field Office Employees | <ul style="list-style-type: none"> • Consider moving the date of the Director’s meeting to Monday mornings with communication to field office managers no later than Tuesday mornings, to provide sufficient preparation time for weekly meetings. • Consider communicating Wednesday morning training meeting information to field office employees via alternative methods, such as email, intranet postings, or video messages. Ensure the information is accessible by all employees. |
| 1.3: Budgeting and Staffing Approach is Not Focused On Maximizing Field Office Capacity | |
| 1.3.A: Maximize the Number of Open Field Office Windows Serving Customers | <ul style="list-style-type: none"> • Design weekly field office employee schedules to ensure all field office windows are open and serving customers during business hours. Allow for flexibility in the schedule to account for unexpected employee absences and assign employees to cover windows during lunch and rest break periods. • Evaluate the possibility of extending business hours to increase field office capacity. In lieu of requiring employees work overtime to address extended business hours, consider offering additional alternative work week schedules or part time positions. Extending business hours may depend on field office demographics and customer needs. If business hours are extended, the weekly employee schedule should stagger the start and end time of shifts to ensure all windows are staffed during business hours. • Evaluate the staffing levels, size, and physical layout of field offices to accommodate more service windows to further increase field office capacity. |
| 1.3.B: Improve Absenteeism Tracking and Analysis to Maximize Resource Allocation | <ul style="list-style-type: none"> • Continue researching and refining the system for analyzing and calculating field office absenteeism. Absenteeism statistics should be reliable and consistently identified, regardless of the field office location. • Use absenteeism data to analyze trends in field office absenteeism and develop actionable solutions to respond to or reduce absenteeism to an acceptable level. For example, consider adjusting vacation approval policies or reducing overtime as a means to reducing the number of employees who are unexpectedly absent from work. |

| Finding | Recommendation |
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| 1.3.C: Refine Collection and Analysis of Data for Resource Allocation Process | <ul style="list-style-type: none"> • Utilize the following factors when allocating additional field office positions: <ul style="list-style-type: none"> ○ Transactional data to project the timing and quantity of customers likely to visit field offices, i.e., the customer's third driver license renewal or annual vehicle registration renewal. ○ Calculations of historical transaction volumes compared to historical wait time statistics. ○ Comparisons of projected transaction demands resulting from policy changes on current field office window capacity. ○ Considerations of how absenteeism trends impact the number of employees needed to handle demand. ○ Evaluations of the above data conducted for each regional and field office. |
| 1.4: Appointment Practices Need Improvement | |
| 1.4.A: Standardize Appointment Availability Across Regions and Customize if Needed | <ul style="list-style-type: none"> • Analyze the appointment system including the optimal ratio of appointment to non-appointment transactions processed at field offices. The analysis should ultimately provide actionable information so field offices can customize the number and type of appointments available to best serve the customer base of each field office, and the frequency that appointments are made available for reservation. • Use tools such as transaction statistics, wait times, and no-show percentages to adjust the appointment ratio as needed to respond to customer demand. |
| 1.4.B: Strengthen the Appointment System to Enhance Appointment Availability | <ul style="list-style-type: none"> • In addition to name and phone number, require unique identifiers when reserving appointments, such as driver license or vehicle identification numbers. • Require customers to positively identify when checking in at the field office that they were the one who reserved the appointment. |
| 1.5: Monitoring of the Field Office Customer Experience Needs Improvement | |
| 1.5.A: Continue Performing Centralized Analysis of Customer Feedback | <ul style="list-style-type: none"> • Continue analyzing customer feedback and recognizing and coaching employees on successes and opportunities related to the feedback received. • Consider expanding the analysis of feedback to identify statewide opportunities for efficiencies, employee training, and operational enhancements. |
| 1.5.B: Reevaluate Command Center Functions and Customer Priority Adjustments | <ul style="list-style-type: none"> • Replace the practice of subjective adjustments to field office customer priority with a long-term, equitable solution. Use the Lean Six Sigma Team to examine possible alternatives for this practice, such as designating field office windows as appointment only or non-appointment windows. Pilot alternatives to ensure they are effective and make adjustments based on pilot program results prior to implementing in all field offices. • Reevaluate the duplication of efforts involved in monitoring Qmatic at the Command Center, and regional and field offices. • Use the Command Center to gather and analyze data on state-wide wait times and appointment usage, and prepare reports for management's use based on this information. • Evaluate whether the Command Center can replace any of the reporting responsibilities of field offices, as discussed in Recommendation 1.2B. |

| Finding | Recommendation |
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| 1.5.C: Increase Usage of Lean Six Sigma Team to Proactively Address Customer Experience Issues | <ul style="list-style-type: none"> • Support and empower the Lean Six Sigma Team to proactively identify opportunities for reduction of waste and variation in DMV processes. The team should be cross functional, i.e. composed of employees from all levels of DMV to identify problems, find opportunities for improvement, and develop out-of-the box solutions. • Incorporate the team into planning significant projects. • Educate division management regarding the capabilities of the team so they are more likely to rely on their skills and abilities when planning projects. • Establish a mechanism for divisions to request services from the team. |
| 1.5.D: Conduct Internal Audits of the Field Office Customer Experience | <ul style="list-style-type: none"> • Update IAU's responsibilities and audit program to include audits of the customer experience. • Regularly conduct audits of the field office customer experience, including Lean Six Sigma Team process improvements, and provide actionable recommendations. • Develop a schedule to conduct field office audits to ensure timely, adequate coverage of offices. • Use customer service feedback data to prioritize offices to visit and subjects to audit. |
| 1.6: Enhancements to Field Office Customer Service were Inconsistently Implemented and Additional Opportunities for Improvement Exist | |
| 1.6.A: Employees Should Triage Waiting Customers and Be More Easily Identifiable | <ul style="list-style-type: none"> • Ensure all field offices consistently dedicate employees to triage customers in the pre-queue lines, including educating customers of DMV's accepted forms of payment. • Evaluate the feasibility of accepting credit cards as a form of payment in field offices. • Evaluate field office layouts and signage to ensure information is visible, understandable, and helpful in directing customers. Make sure signage clearly states line types and accepted forms of payment. • Signage should be visible to customers inside the building and those waiting in lines outside of the building. • Assist customers in quickly and consistently identifying field office employees by providing employees with a designated shirt, dress code, or other garment, such as a vest, identifying them as a DMV employee. |
| 1.6.B: Accurately Track and Advertise Customer Wait Times | <ul style="list-style-type: none"> • Ensure field offices consistently measure its pre-queue wait times to accurately report data to the regional office. • Assign customers a Qmatic ticket number as soon as possible upon arrival to a field office so wait times can be more accurately tracked and reported. • Advertise wait times by appointment, non-appointment, and transaction type on the DMV website. |
| 1.6.C: Use Tablets to Assist Customers While They Wait | <ul style="list-style-type: none"> • Ensure employees responsible for triaging lines use tablets to assist customers while they wait and assign Qmatic ticket numbers. • Train employees on how to use tablets effectively to assist customers. • If problems arise with tablets, troubleshoot and timely resolve the issue rather than abandoning use of the tablets. |

| Finding | Recommendation |
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| 1.6.D: Offer Text Message Notifications to Customers | <ul style="list-style-type: none"> • Offer all customers text message notifications upon assigning their Qmatic ticket number. |
| 1.6.E: Expand and Advertise Alternatives to Obtaining Service in Field Offices | <ul style="list-style-type: none"> • Increase the quantity and locations of SSTs and expand their transaction capabilities to provide more DMV services to customers. • Increase the transaction capabilities of call center representatives, including the ability to accept payments over the phone, to provide another alternative to customers who otherwise could visit a field office. • Reassess DMV's customer delivery practices to gain an understanding of customer expectations and needs to develop alternative service delivery options. • Research different service delivery options offered by other state department of motor vehicles and evaluate their applicability for California. • Assess the risks, costs, and resource needs of possible alternatives. • Conduct pilot programs as necessary to analyze the impact of these alternatives on the customer experience. • Educate customers on any new service options to be implemented. |
| 1.6.F: Implement a Consistent Transaction Error Resolution Process | <ul style="list-style-type: none"> • Develop policies and procedures, for field offices for transaction errors, i.e., holdouts, to ensure these transactions are accurately and timely identified, addressed, and resolved. • Consult with ISD whether certain transaction holdouts can be prevented, detected, or resolved by an IT process during the customer transactions. • Provide training to field office employees regarding the newly developed policies and procedures. • Ensure policies and procedures are consistently implemented. • Include in IAU's audit program steps to verify compliance with these policies and procedures. |
| 1.7: Field Office Employee Development Resources are Inadequate | |
| 1.7.A: Timely Provide Comprehensive Training to New Hires | <ul style="list-style-type: none"> • Timely send new field office employees to training i.e., before they are expected to assist customers. • Develop a comprehensive training plan for employees that aligns with DMV's strategic goals. The plan should have required core subjects, including customer service, with clear timeframes for completion. There should be separate tracks for driver license and vehicle registration so that field office managers can maintain an appropriate mix of specialized and cross-trained employees to suit their field office's needs. • Allow employees to attend refresher training as needed. |
| 1.7.B: Fully Implement The Four Promises Customer Service Training | <ul style="list-style-type: none"> • Ensure all DMV employees are adequately trained in and implement The Four Promises customer service model. |
| 1.7.C: Expand Training Opportunities Beyond Wednesday Morning Weekly Training | <ul style="list-style-type: none"> • Increase the amount of training time available outside of the Wednesday morning training meetings to ensure employees become familiar with significant new processes including changes to software or equipment. • Provide employees the opportunity to perform new processes in a test environment before assisting customers. |

| Finding | Recommendation |
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| 1.7.D: Update Employee Reference Materials So They Are Comprehensive, Intuitive, and Regularly Updated | <ul style="list-style-type: none"> • Timely update reference materials when changes are verbally communicated at weekly meetings. • Evaluate the organization of reference material on the DMV intranet so that employees can quickly locate policies, procedures, and manuals when needed. |
| 1.7.E: Reevaluate Training Branch Resources | <ul style="list-style-type: none"> • Reevaluate resources allocated to the Training Branch as staffing levels change to ensure that technical and customer service training can be consistently and timely provided to field office employees. |
| 2.1: Insufficient Network System Infrastructure and Lack of Monitoring Processes Contributed to Field Office Outages, Impacting Customers' Ability to Obtain DMV Services | |
| 2.1.A: Assess the Adequacy of Circuit Sizes Supporting Field Offices and Address Deficiencies | <ul style="list-style-type: none"> • Assess circuit size capacity at least annually to ensure it adequately supports field office operations. The assessment should consider, at a minimum, the expected number of field office transactions and significant policy and IT changes that may impact operations. • Identify alternatives for circuit redundancy by researching IT industry standards and best practices, and performing an analysis to determine the resources needed to address field office network infrastructure requirements. |
| 2.1.B: Proactively Monitor Network Performance to Identify and Prepare for Potential Outages | <ul style="list-style-type: none"> • Configure SolarWinds to produce warning history reports. Analyze these reports weekly to enable timely identification of potential network performance issues. • Develop a routine process to review and analyze circuit utilization reports. Compare the circuit usage to the established benchmark, contact field offices to determine the need for circuit size increases, and take appropriate actions based on this analysis. • Assign technical experts or a special taskforce to fully develop the Remedy system problem management function. Establish a monthly process to analyze incident history and identify areas of improvement to enhance customer experience in the field offices. |
| 2.1.C: Enhance the Incident Ticket Process to Consistently Prioritize and Timely Resolve Field Office IT Issues | <ul style="list-style-type: none"> • Develop objective scoring criteria with specific performance metrics to ensure priorities are consistently assigned to all incident tickets. • Provide training to relevant employees to confirm understanding of policies, procedures, and requirements related to incident tickets. The training should be mandatory upon the employee's appointment, and then annual or biennial refresher training should be offered. • Reinforce Incident Management Module Process Standard to ensure all incident tickets are resolved within the required 30 days. This should include clearly communicating the policy and expectations to all responsible parties, promptly resolving outstanding tickets identified on the weekly 30/60/90 Review report, and holding employees accountable for resolution of their assigned tickets. • Enhance the 30/60/90 Review policy to include detailed review procedures, such as the timeliness of management review of the report, the mechanism to distribute open tickets and track resolution, and the assigned responsible employees. • Use the tools in Remedy to analyze tickets and generate reports on outage frequency, causes, and resolutions. |

| Finding | Recommendation |
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| 2.2: Project Prioritization, Management, Testing, and Documentation Practices Need Improvement | |
| 2.2.A: Review the Project Prioritization Process and Follow Accepted Scoring and Ranking Templates | <ul style="list-style-type: none"> • Develop and implement a systematic scoring system to make objective and consistent IT project prioritization decisions. This scoring system should align score criticality with DMV's business objectives and strategic goals, and designate projects with legislative deadlines as a high priority. • Refine existing project scoring and ranking templates to align with the systematic scoring system, and require all relevant divisions to use the templates when submitting IT requests. • Ensure EGC makes prioritization recommendations following the systematic scoring system before referring to the Directorate for final decision-making. |
| 2.2.B: Resolve Critical, Serious, and Moderate Defects Prior to Project Launch | <ul style="list-style-type: none"> • Define defect severity levels with objective and specific performance measures for consistent defect categorization. • Improve communication with relevant divisions to ensure thorough understanding by all parties of project business requirements and to help ensure sound, timely decisions are made on defect management. The testing expectations should also be clearly documented in the BRD and communicated to the testing team. • Ensure all defects, especially critical, serious, and moderate defects, are resolved prior to project release. If all defects cannot be resolved prior to project release, ISD should proactively work with the business unit to resolve all outstanding defects within a reasonable timeframe to minimize the impact on the customer experience in field offices. |
| 2.2.C: Complete All Required Tests Before Launching IT Projects | <ul style="list-style-type: none"> • Designate responsible employees, such as project managers, to ensure all required steps in the SDLC are performed before the project is released. |
| 2.2.D: Sufficiently Document Approval and Completion of Key Project Components | <ul style="list-style-type: none"> • Develop and implement policies and procedures to ensure ISD abides by all project management requirements set forth by SDLC methodology and other applicable standards, including requiring all stakeholders and key management members document their approval of the BRD, and all gaps identified in the gap analysis are resolved. • Establish a practice to document all meetings involving IT project decision-making, including sufficient details regarding how and what decisions were made and the responsible parties. Distribute meeting minutes to all attendees to confirm understanding, decisions reached, and promote accountability. |
| 2.3: Legacy Computer Programming Language Contributes to Succession Planning Risks | |
| 2.3.A: Raise the Priority of Transition from Legacy Programming Languages | <ul style="list-style-type: none"> • Prioritize transitioning from Assembler to a newer, more commonly used computer programming language. Continue existing efforts toward sustaining institutional knowledge related to Assembler until the transition is complete. |
| 2.3.B: Raise the Priority of Succession and Workforce Planning | <ul style="list-style-type: none"> • Prioritize succession and workforce planning and follow the Succession Planning and Workforce Planning Models on CalHR's website. |
| 2.3.C: Finalize and Implement the SWP | <ul style="list-style-type: none"> • Finalize and implement DMV's 2018 SWP. Clearly identify actions needed, responsible parties, and estimated completion dates. • Evaluate implementation status at least annually and make adjustments when necessary. |

APPENDIX B

To: Ana Matosantos, Cabinet Secretary, Office of Gov. Gavin Newsom
From: Marybel Batjer, Secretary of Government Operations Agency
Subject: DMV Strike Team
Date: March 28, 2019

This memo is to update you on the status of the California Government Operations Agency's DMV strike team, which Governor Gavin Newsom established in January. The strike team's objective is to begin the work of significant change and reinvention for this important public-facing State agency. In order to create the DMV of the future, the strike team is already making progress towards delivering services to people in the way they want them – easy, effective, and accessible.

Californians deserve timely, reliable and professional service from the DMV. In less than 90 days since the strike team's inception, efforts have been initiated to enhance and modernize the departments operations, customer service and governance structure.

Still, more work remains to meet Governor Gavin Newsom's goal of comprehensively modernizing and reinventing the DMV. Below we have outlined the strike team's efforts to date. Many of these initiatives track closely with investments that will be made in the department via the state budget process.

I. Overview of efforts

One of the key issues facing the DMV is the increased workload brought on by stringent federal identification requirements to get a Real ID, which requires a visit to a DMV field office. In addition, the DMV has also been tasked with the responsibility of Motor Voter opt-out requirements, greatly increasing the workload for DMV staff.

In response to Governor Newsom's call to reimagine the DMV, the strike team has launched a series of efforts to streamline and enhance services to Real ID customers and begin DMV's transition to a user-centered culture for customers and the employees who serve them.

These changes are essential if DMV is to meet its most immediate challenge: successfully meeting increased demand for Real ID driver licenses before the October 1, 2020 federal deadline without a significant surge in wait times.

The strike team's first steps included extensive interviews with the DMV executive team, a review of the department's IT capacity and forming an enterprise view of various customer-facing actions already underway. The strike team, in tandem with DMV executives, has also interviewed companies that may be able to augment DMV efforts to improve Real ID transactions, allow for credit card payments in the field offices, add additional self-service terminals, and enhance customers' online experience.

II. Real ID

More stringent federal identification requirements make the process of issuing Real IDs more complex, take more time, and for the unprepared customer, can result in the need for multiple DMV office visits. The strike team is focusing on better preparing customers and putting the priority for outreach on those who must have a Real ID, namely, those who fly or need to access secure federal buildings.

Improvements made to simplify and speed Real ID issuance will help create the conditions for broader cultural change within the department that will transfer to many other processes within DMV well beyond Real ID.

DMV already has seen the portion of Real IDs climb as a percentage of driver licenses issued, accounting for 43.1 percent of overall driver license volume in January 2019, up from 13.6 percent from January 2018. Real ID volume is expected to more than double to more than 6 million a year as the deadline approaches.

More options: Reducing avoidable visits to the field office is key to managing wait times. As part of this strategy, the strike team is working with DMV to bring the field office to the customer, working with a major California company to pilot a "pop-up" DMV office in April. This way, with advance notice and coordination, employers could prepare employees to pull together required documents and bring them to work on a designated day, enabling employees to complete the entire application process at their work location. In addition, DMV is in talks to pilot an information center at Sacramento International Airport and expand to the other major airports in California.

Public Awareness: Of great concern to the strike team is that Californians who need to renew their license by October 1, 2020 are unaware that they will need to visit a field office to obtain a Real ID and the documentation they must present in order to comply with the federal requirements. The strike team is working on an outreach campaign to inform Californians about the need for Real ID and the proper documentation to bring to an appointment. It will also highlight other ways to complete DMV transactions without going to a field office.

Better Prepared: To improve customer preparedness for applying for Real ID, the strike team and DMV are establishing a demonstration project for the Real ID process. The project would allow DMV customers to upload and store required documents before coming to the field office or while waiting in line. The goal is to

ensure that the customer has a complete application and required documentation when visiting a field office and that the process can be completed quickly, avoiding return visits. The field office technician would only need to verify the customer's documents. This could significantly improve transaction times.

Process Improvement: Separately, at the request of the strike team, DMV issued a Request for Offer (RFO) in early February for non-IT consulting services with the goal of streamlining the Real ID process. Based on user research, the consultant will undertake a series of design sprints focused on improving DMV's communication around Real ID; improving training to prepare field office technicians for increased Real ID demand, and developing better field office customer flow strategies. As part of each sprint, the consultant will assess the current states, prioritize improvement ideas, then plan and prototype new approaches for improved results. The consultant, working with DMV staff, will integrate learnings from the sprints into a cohesive strategy for meeting greater demand for Real IDs without increasing customer wait times. The five-month contract started this week and will begin to deliver results in June and July.

Staffing: The strike team and DMV also will be assessing after-hours and weekend kiosk use by location as it considers next steps for evaluating where Saturday hours at field offices add the most customer value. The expected summer surge will be handled with increased temporary and permanent staff and expanded hours at many DMV field office locations.

Training: The DMV relies on its field office staff to be the department's face to the public, but needs to do more to train and equip them to meet the public's expectations. Current training, including methods and related materials are inadequate and outdated, a finding shared by the strike team and OSAE auditors. The strike team will be working with senior management at DMV to modernize and enhance training. The strike team is also exploring the idea of a "Training Stand Down" day, where all DMV field office staff will simultaneously receive enhanced training on Real ID and customer service.

III. Customer experience

Offering customers more options to conduct their non-Real ID business enhances the customer experience and reduces the need to visit a field office, freeing up field office time and staff for transactions that can only be done there. These include enhancing online and call-center options and increasing both the number and functionality of self-service terminals, or kiosks.

Credit Cards: The strike team assessed perceived barriers to credit card use, including security and privacy issues. The strike team and DMV then interviewed a series of vendors who could supply part or all of an end-to-end solution for installing credit card services in field offices. Solving this issue has been a high priority and the strike team expects to implement the Governor's charge of having credit cards in field offices this year. The strike team and DMV released an Invitation to Negotiate for bidders to respond to in order to have credit cards in the field offices before the end of the year.

Online: The strike team is working on short-term improvements to the DMV website to make sure people can easily find the information they need and conduct their transactions smoothly. Content can be optimized with the goal of handling more services online for customer convenience and to draw off volume from field offices, as well as to prepare customers who must go to field offices for a short and successful visit. The strike team is also going to look at a full scale overhaul of the DMV website

Call Centers: The strike team engaged the Franchise Tax Board to thoroughly review and evaluate the DMV's call center practices and make recommendations for process improvements. This review will help the DMV improve their operations and lower hold times. Additionally, the strike team is looking at adding more capabilities such as chatbots, live chat, as well as the ability to process more routine transactions by the phone technicians.

Remittance and Mailroom: The strike team is working with DMV to review and enhance these systems to speed turnaround times and reduce errors. An independent assessment will be pursued.

Kiosks: Self-Service Terminals, or kiosks, presently handle vehicle registration renewals, issuing registration cards and plate stickers. This offers customers a way to avoid the lines at field offices and, in many places and conduct after-hour renewals. The strike team wants to make sure the marketing for the kiosks is robust enough to let customers know where they are and what they offer. In December, the DMV added four related services: submitting an affidavit of non-use of a vehicle; removal of such an affidavit; submitting proof of insurance and payment of a registration suspension reinstatement fee.

Currently, kiosk distribution is limited -- just 70 in field offices and 82 in retail and other non-field office locations. Addressing this, the strike team is working with the DMV to add 100 new kiosks by this summer and another 100 by the end of the year in strategic locations.

At the same time, the strike team would like to add more services to the kiosks. For example, the ability of kiosks to issue a replacement driver's license would save thousands of field office visits a year, as one million Californians lose their licenses annually.

IV. Management

Key Vacancies: The Strike Team worked with the Governor's office to launch a search for a permanent director of the DMV this week. The search focuses on the need for a visionary and pragmatic director to serve all Californians.

The department will seek qualified applicants to fill important management vacancies in a number of key management positions including leadership and customer-centered process redesign. These roles are essential to the cultural transformation required to create a customer-centered organization.

The strike team very much appreciates the generous and collaborative spirit it has found at DMV and the ready cooperation of DMV employees with whom it is working.

As we move ahead, the strike team will continue to assess and analyze processes and operations to continue to create the DMV of the future.

Senator Bob Wieckowski, Chair
Senator Brian W. Jones
Senator Mike McGuire
Senator William W. Monning
Senator Henry I. Stern



Thursday, April 25, 2019
9:30 a.m. or upon adjournment of session
State Capitol – Room 112

Consultant: James Hacker

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VOTE-ONLY CALENDAR

3360 ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION

Issue 1: Greenhouse Gas Reduction Fund Reappropriation

Governor's Proposal. The Administration has proposed budget bill language to reappropriate the unencumbered balance of Greenhouse Gas Reduction Fund (GGRF) funding appropriated pursuant to AB 109 (Committee on Budget), Chapter 249, Statutes of 2017, to be available for encumbrance or expenditure until June 30, 2020 and available for liquidation until June 30, 2024. This will provide an additional year to award energy efficiency and renewable energy grant projects to California food processing facilities and support renewable energy projects in the agricultural sector.

AB 109 allocated \$60 million from GGRF to the Energy Commission to implement the Food Production Investment Program (FPIP) and \$6 million to implement the Renewable Energy for Agriculture Program (REAP). The purpose of the FPIP is to fund drop-in and emerging energy technologies at California food processing facilities, to reduce greenhouse gas emissions and energy use. The REAP funds the installation of renewable energy technologies to serve California agricultural operations. GGRF funding was made available for encumbrance or expenditure until June 30, 2019 and available for liquidation until June 30, 2023.

The Energy Commission has released two grant funding opportunities for the FPIP as of February 2019 and is expected to encumber approximately \$47 million by June 2019. Reappropriating the unencumbered funds will provide additional time to award these funds for grant projects. With more time, the Energy Commission will release additional funding opportunities to give interested applicants another chance to receive an award. The Energy Commission expects an increase in the number of proposals for future opportunities as more applicants learn about the program and previously unsuccessful applicants re-apply with improved proposals. The Energy Commission expects all REAP funds to be encumbered by December 2019.

8660 PUBLIC UTILITIES COMMISSION (PUC)

Issue 2: Extend Energy Division Resources in Support of Energy Policy Statute

Governor's Proposal. The budget requests funding for six expiring limited-term positions for an additional three years and \$1,145,000 (Fund 0462) including software costs to implement a number of recent statutes concerning multiple elements of California's forest safety and greenhouse gas reduction efforts. This proposal was first heard in Budget Subcommittee No. 2 on March 24, 2019.

Issue 3: Resources for Enforcement Activities

Governor's Proposal. The budget requests one permanent Administrative Law Judge (ALJ) II position and \$203,000 Public Utilities Commission Utilities Reimbursement Account (Fund 0462) to support the Commission's enforcement activities.

Over the past three years, there has been an increasing amount of pre-formal investigatory work that is expected to lead to Orders Instituting Investigation being opened by the Commission, for example, the 2015 Aliso Canyon storage facility gas leak, the 2017 Wildfires and the 2018 Wildfires. Based on the results of the investigations, PUC staff choose the appropriate enforcement action to be taken - this could be either an order instituting investigation or the issuance of a citation. If an OII is issued, or if a citation is appealed it becomes a formal proceeding at the Commission, and the Assigned Commissioner and ALJ will need to develop a record for the Commission to make its decisions. A permanent ALJ position is needed to preside and issue proposed decisions in these additional formal enforcement actions at the Commission. This increase in orders and citations has led to additional workload for ALJs beyond the Commission's current capacity.

Issue 4: California Clean Miles and Incentives Program (SB 1014)

Governor's Proposal. The budget requests one permanent position and \$180,000 from the PUC Transportation Reimbursement Account (PUCTRA) to implement Chapter 369, Statutes of 2018 (SB 1014), the California Clean Miles Standard and Incentive Program, as well as two permanent positions and \$379,000 from the PUC Utilities Reimbursement Account (PUCURA) to provide expanded ongoing support for the Commission's transportation electrification initiatives.

Issue 5: DGS Rent Increases

Governor's Proposal. The budget requests \$967,000 annually for the increased rental cost of the PUC's offices at (1) 505 Van Ness Avenue, San Francisco; (2) 455 Golden Gate Avenue, Suite 7525, San Francisco; and (3) 320 West 4th Street, Los Angeles. All of these buildings are owned by the State of California and managed by the Department of General Services' (DGS) Facilities Management Division (FMD).

The increases in rental cost are based on DGS Price Book rates approved by the Department of Finance. However, additional analysis revealed an error in calculation for two sites based on erroneous rate information. Correcting for this issue removes the need for rate increases at 455 Golden Gate and 320 West 4th Street. A reduced request of \$595,000 for the increased rate applicable to 505 Van Ness is appropriate.

8660 PUC: PUBLIC ADVOCATES OFFICE (PAO)

Issue 6: Greenhouse Gas Reduction Programs and Transmission Infrastructure Projects

Governor's Proposal. The budget requests an increase of \$566,000 Public Utilities Commission Public Advocates Office Account (PUCPAOA) and three positions to address increased workload in the areas of distribution infrastructure programs and transmission infrastructure projects.

The PUC has adopted a new annual Distribution Resource Plan (DRP) implementation process which began in mid-2018 and incorporates the Investor-Owned Utilities (IOUs) existing annual distribution system planning process. Additionally, in early 2018, the PUC and stakeholders identified new issues that resulted in the broadening of the scope of the DRP proceedings. The PAO intends to participate in the development of protocols and procedures to address these new issues as part of the overall DRP process.

In 2016-17, PAO participated in 30 transmission-related proceedings. The PAO has indicated that work will be ongoing on five to eight of these existing proceedings. In 2018-19, the three largest electric IOUs are expected to file approximately 14 new transmission applications with the PUC for new transmission and infrastructure developments or improvements.

Staff Recommendation: Approve Items 1 – 4 and 6 as budgeted. Reject Item 5 and approve \$595,000 ongoing for increased DGS rental costs at 505 Van Ness.

ISSUES FOR DISCUSSION

3360 ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION

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 includes \$403 million for support of the CEC, a decrease of approximately \$460 million, due primarily to declines in funding the Greenhouse Gas Reduction Fund and Electric Program Investment Charge fund.

3-YEAR EXPENDITURES AND POSITIONS

| | | Positions | | | Expenditures | | |
|--|--|--------------|--------------|--------------|------------------|------------------|------------------|
| | | 2017-18 | 2018-19 | 2019-20 | 2017-18* | 2018-19* | 2019-20* |
| 2380 | Regulatory and Planning | 131.0 | 209.5 | 211.5 | \$27,531 | \$38,916 | \$39,097 |
| 2385 | Energy Resources Conservation | 141.4 | 234.3 | 235.3 | 39,110 | 91,818 | 51,967 |
| 2390 | Development | 177.2 | 229.5 | 235.5 | 359,709 | 737,481 | 312,692 |
| 9900100 | Administration | 170.1 | - | - | 28,234 | - | - |
| 9900200 | Administration - Distributed | - | - | - | -28,234 | - | - |
| TOTALS, POSITIONS AND EXPENDITURES (All Programs) | | 619.7 | 673.3 | 682.3 | \$426,350 | \$868,215 | \$403,756 |
| FUNDING | | | | | 2017-18* | 2018-19* | 2019-20* |
| 0001 | General Fund | | | | \$18,000 | \$- | \$- |
| 0033 | State Energy Conservation Assistance Account | | | | 2,379 | 38,925 | 401 |
| 0044 | Motor Vehicle Account, State Transportation Fund | | | | 161 | 176 | 176 |
| 0381 | Public Interest Research, Development, and Demonstration Fund | | | | 706 | 1,106 | 773 |
| 0382 | Renewable Resource Trust Fund | | | | 25,042 | 2,765 | 2,768 |
| 0465 | Energy Resources Programs Account | | | | 56,668 | 75,416 | 75,502 |
| 0497 | Local Government Geothermal Resources Revolving Subaccount, Geothermal Resources Development Account | | | | 425 | 2,757 | 1,576 |
| 0853 | Petroleum Violation Escrow Account | | | | 4,018 | 1,807 | 529 |
| 0890 | Federal Trust Fund | | | | 2,564 | 13,464 | 13,457 |
| 0942 | Special Deposit Fund | | | | - | 58 | - |
| 0995 | Reimbursements | | | | 1 | 1,500 | 1,700 |
| 3062 | Energy Facility License and Compliance Fund | | | | 2,420 | 4,728 | 4,732 |
| 3109 | Natural Gas Subaccount, Public Interest Research, Development, and Demonstration Fund | | | | 24,921 | 44,763 | 24,000 |
| 3117 | Alternative and Renewable Fuel and Vehicle Technology Fund | | | | 115,942 | 301,075 | 108,708 |
| 3205 | Appliance Efficiency Enforcement Subaccount, Energy Resources Programs Account | | | | 1,402 | 1,553 | 1,554 |
| 3211 | Electric Program Investment Charge Fund | | | | 168,674 | 212,275 | 148,000 |
| 3228 | Greenhouse Gas Reduction Fund | | | | 192 | 146,342 | - |
| 3237 | Cost of Implementation Account, Air Pollution Control Fund | | | | 2,882 | 19,505 | 19,880 |
| 9330 | Clean and Renewable Energy Business Financing Revolving Loan Fund | | | | -47 | - | - |
| TOTALS, EXPENDITURES, ALL FUNDS | | | | | \$426,350 | \$868,215 | \$403,756 |

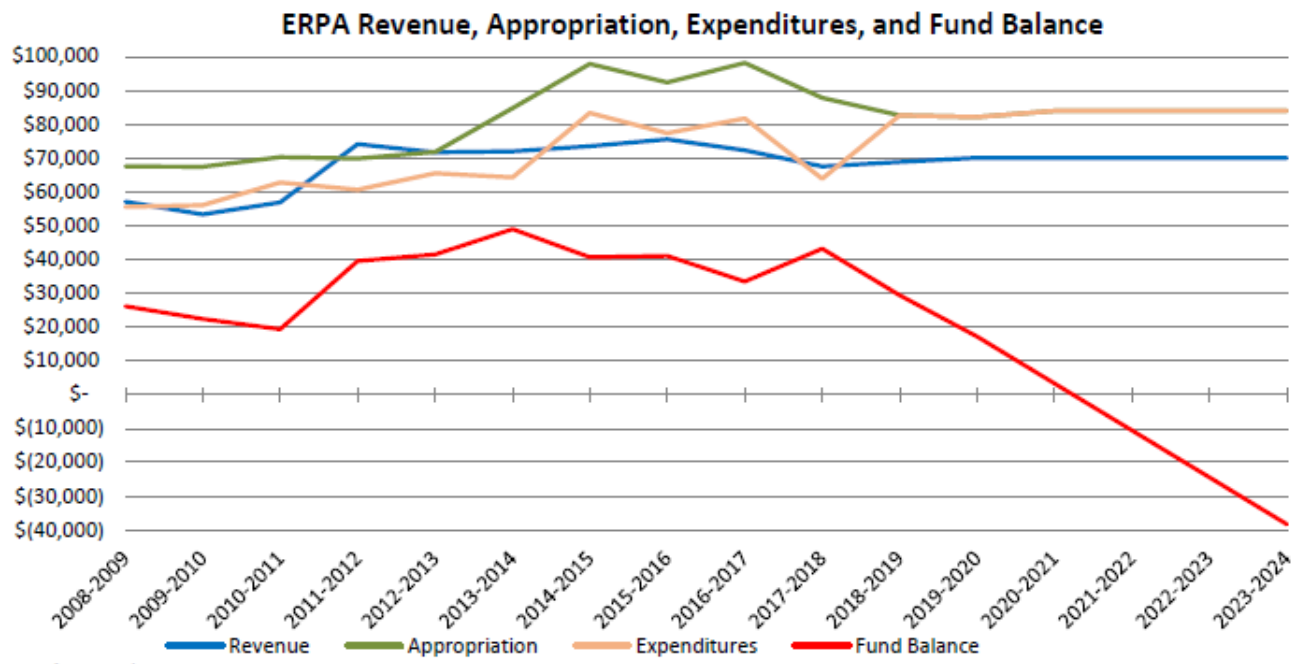
Issue 7: Energy Resources Program Account Deficit Reduction

Governor’s Proposal. The budget requests a series of actions to reduce the Energy Resources Programs Account (ERPA) structural deficit. The result of these actions is an \$8.468 million reduction to the ERPA structural deficit in 2019-20, a \$9.442 million reduction in 2020-21, and a \$10.468 million reduction in 2021-22.

Background. ERPA was established to provide funds for ongoing energy programs and energy projects, including the operations of the Energy Commission.

The ERPA fund is fed from a statutory surcharge on electricity consumption. The surcharge was increased to its statutory maximum - from \$0.00029 to \$0.0003 per kilowatt-hour (kWh) - by the Energy Commission effective January 1, 2019. The surcharge generated approximately \$67.5 million in 2017-18 and costs the average household \$2.01 annually.

ERPA is in a structural deficit that has overspent revenues by more than \$17.4 million since 2014-15. Revenues are projected to be overspent by up to \$12.1 million in 2019-20. At the current expenditure rate, the structural deficit will deplete reserves and result in an actual deficit by 2021-22. Faced with a similar structural deficit in 2010, the surcharge was increased to \$0.00029 per kWh. Surcharge revenue peaked in 2015-16 at \$75.5 million. Revenue has since declined to \$67.5 million in 2017-18. Meanwhile, the annual appropriation of ERPA funds climbed from \$70 million in 2011-12 to \$98 million in 2016-17 and then dropped to \$82.6 million in the current year. These issues are illustrated in the figure below.



- Assumptions:
- ERPA surcharge remains unchanged at \$0.0003 per kWh.
 - Out-years exclude future employee compensation/benefit adjustments.

The Legislature has taken a series of actions in recent years to address this structural imbalance. These include:

2017- 18 Actions:

- A reduction of \$662,000 by moving 3 positions and \$200,000 in contract authority from ERPA to the Appliance Efficiency Enforcement Subaccount (AEES)
- A reduction of \$4.9 million in contract authority for power plant siting activities
- A reduction of \$4.8 million by moving 35 positions from ERPA to the Alternative and Renewable Fuel and Vehicle Technology Fund (ARFVTF)
- A reduction of \$5 million in the Energy Commission's baseline budget

2018- 19 Actions:

- A reduction of \$5,469 million by moving 30 positions and contract funding from ERPA to the Cost of Implementation Account (COIA)
- A reduction of \$1.990 million by moving Department of General Services (DGS) ERPA funding to an alternative fund source
- A reduction of \$2.1 million by moving 14 positions from the Renewable Resource Trust Fund (RRTF) to COIA
- A reduction of \$1.876 million by converting Energy Facility License and Compliance Fund (EFLCF) technical support contract funding to personal services funding and moving 13.0 positions from ERPA to EFLCF.
- An increase in the electricity consumption surcharge from \$0.00029 per kWh to the statutory maximum of \$0.0003 per kWh to generate approximately \$1.25 million in additional revenue in 2018-19, and an additional \$2.5 million annually in the out-years.

These actions netted ERPA deficit reductions of \$15.445 million in 2017-18 and \$10.585 million in 2018-19 (increasing to \$11,835 million in 2019-20 due to the value of a full year of the surcharge increase). Increased expenses and decreased revenue countered these reductions. Specifically, due to back-to-back employee compensation and benefits adjustments of \$3.2 million and \$3.6 million in 2017-18 and 2018-19 respectively, and revenue drops of \$3.2 million and \$4.8 million in 2016-17 and 2017-18 respectively, the net deficit reduction is only \$12.5 million.

Staff Comments. The commission's plan entails the following specific actions:

- Shift 11 existing support positions from ERPA to the ARFVTF for a reduction of \$1.65 million.
- Shift 7 existing positions from ERPA to the AEES for a reduction of \$1.05 million. These positions support enforcement and compliance activities.
- Shift 7 existing ERPA staff supporting the Renewables program to the RRTF for a reduction of \$1.05 million.
- Proposition 39 Program - With the eventual sunset of this program, the Energy Commission will reduce position authority by 9 positions and contract authority by \$0,738 million for a total reduction of \$2.08 million in 2019-20, 6 positions and \$0,974 million in 2020-21, and 7 positions and \$0.3 million in contract authority for a total of \$1,026 million in 2021-22. This reduction is consistent with existing law and workload related to Proposition 39.
- Eliminate 15 ERPA-funded positions supporting thermal power plant siting and transmission planning for a reduction of \$2.25 million.
- New Solar Homes Partnership program (NSHP) - Shift 14 existing staff and \$0.18 million in contract funding from the RRTF and ERPA to PUCURA for a reduction of \$2.044 million.

These resources support the administration of the NSHP program. This need will go through 2021-22. Thereafter, 1 position will be needed for 2022-23 only.

- Solar Equipment Listing - Shift 7 existing staff responsible for administration of the Solar Equipment Listing from the RRTF to PUCURA/Reimbursements, shift \$0,070 million in ERPA contract dollars, and increase position authority by 1 position and \$0,170 million to address workload from recent PUC Rule 21 and other program mandates, for an RRTF and ERPA reduction of \$1.111 million and a PUCURA cost of \$1.281 million. Funding for the Solar Equipment Lists will be an interagency agreement between the Energy Commission and PUC, funded with PUCURA at the PUC and as reimbursements to CEC.

These actions will reduce ERPA expenditures by roughly \$8.5 million in 2019-20. This is an important step, but is not sufficient to fully salvage the fund. If these actions are taken, the Administration's forecasts predict the fund will still exhaust its reserves by 2022-23. While the Commission has raised the surcharge to its statutory cap, there are additional options for addressing the structural deficit. These include further reductions in program expenditures, extending the surcharge to "behind-the-meter" electricity consumption, and raising the administrative funding cap for the EPIC program to allow EPIC funding to cover administrative activities currently funded by ERPA.

LAO Comments. In the last two budgets, the Legislature took a variety of actions to partially address the ERPA structural deficit. The CEC proposes several additional actions to partially address the remaining ERPA deficit, including a variety of fund shifts, ramping down Proposition 39 administrative expenditures, and eliminating excess positions. In total, these changes reduce the deficit by \$8.5 million in 2019-20, \$9.4 million in 2020-21, and \$10.5 million in 2021. We do not have any concerns with the proposed changes and recommend the Legislature adopt the changes to partially address the deficit. However, even if the Legislature adopts the Administration's proposed changes, an estimated \$6 million to \$8 million annual deficit would remain, and the fund is projected to become insolvent in 2022-23. The Legislature might want to consider taking additional actions to partially or fully address the remaining deficit. Some options that the Legislature might want to explore—and that are identified in a recent CEC report—include: (1) raising additional revenue by extending the current electric surcharge to behind-the-meter electricity, (2) directing PUC to eliminate the 10 percent cap on reimbursements to CEC for administrative costs for the Electric Program Investment Charge Program, and (3) shifting funding for certain activities—such as water efficiency activities at the Department of Water Resources—to other fund sources. We recommend the Legislature direct the Administration to report on the feasibility and implications of these options in subcommittee hearings to help inform legislative options. If the Legislature does not adopt additional changes that fully address the ERPA deficit, we recommend it adopt Supplemental Report Language requiring the Administration to develop a plan to fully address the ERPA deficit next year, similar to language that was adopted the last two budgets.

Staff Recommendation: Hold Open.

8660 PUBLIC UTILITIES COMMISSION (PUC)

OVERVIEW The California Public Utilities Commission (PUC) is responsible for the regulation of privately-owned telecommunications, electric, natural gas, and water companies, in addition to overseeing railroad/rail transit and moving and transportation companies. The PUC's primary objective is to ensure safe facilities and services for the public at equitable and reasonable rates. The PUC also promotes energy conservation through its various regulatory decisions.

Budget Overview: The Governor's budget proposes \$1.55 billion and 1,150 positions to support the PUC in the budget year, as shown in the figure below. This is an increase of roughly 70 positions and a decrease of roughly \$25 million from the enacted 2018-19 budget, mainly due to a decreased appropriation for the California LifeLine Program.

3-YEAR EXPENDITURES AND POSITIONS

| | Positions | | | Expenditures | | |
|---|----------------|----------------|----------------|--------------------|--------------------|--------------------|
| | 2017-18 | 2018-19 | 2019-20 | 2017-18* | 2018-19* | 2019-20* |
| 6680 Regulation of Utilities | 419.4 | 415.9 | 461.9 | \$598,432 | \$767,573 | \$773,000 |
| 6685 Universal Service Telecommunications Programs | 33.0 | 38.6 | 38.6 | 631,682 | 731,116 | 687,455 |
| 6690 Regulation of Transportation | 148.6 | 148.3 | 148.3 | 31,814 | 39,589 | 43,871 |
| 6695 Public Advocate's Office | 159.0 | 164.9 | 182.9 | 30,046 | 38,421 | 47,992 |
| 9900100 Administration | 289.4 | 311.4 | 319.4 | 56,008 | 63,771 | 70,783 |
| 9900200 Administration - Distributed | - | - | - | -56,008 | -63,771 | -70,783 |
| TOTALS, POSITIONS AND EXPENDITURES (All Programs) | 1,049.3 | 1,079.1 | 1,151.1 | \$1,291,974 | \$1,576,699 | \$1,552,318 |
| FUNDING | | | | 2017-18* | 2018-19* | 2019-20* |
| 0042 State Highway Account, State Transportation Fund | | | | \$5,188 | \$6,692 | \$7,548 |
| 0046 Public Transportation Account, State Transportation Fund | | | | 6,054 | 8,224 | 7,731 |
| 0412 Transportation Rate Fund | | | | 1,866 | - | - |
| 0461 Public Utilities Commission Transportation Reimbursement Account | | | | 15,400 | 20,830 | 23,713 |
| 0462 Public Utilities Commission Utilities Reimbursement Account | | | | 117,569 | 141,869 | 147,192 |
| 0464 California High-Cost Fund-A Administrative Committee Fund | | | | 40,155 | 49,256 | 49,291 |
| 0470 California High-Cost Fund-B Administrative Committee Fund | | | | 15,045 | 22,333 | 22,348 |
| 0471 Universal Lifeline Telephone Service Trust Administrative Committee Fund | | | | 372,090 | 386,060 | 362,177 |
| 0483 Deaf and Disabled Telecommunications Program Administrative Committee Fund | | | | 54,786 | 64,403 | 64,515 |
| 0493 California Teleconnect Fund Administrative Committee Fund | | | | 80,986 | 128,041 | 108,018 |
| 0890 Federal Trust Fund | | | | 7,047 | 9,646 | 10,786 |
| 0995 Reimbursements | | | | 20,907 | 60,844 | 60,844 |
| 3015 Gas Consumption Surcharge Fund | | | | 456,215 | 562,057 | 562,057 |
| 3089 Public Utilities Commission Public Advocate's Office Account | | | | 30,046 | 35,421 | 44,992 |
| 3141 California Advanced Services Fund | | | | 68,620 | 81,023 | 81,106 |
| TOTALS, EXPENDITURES, ALL FUNDS | | | | \$1,291,974 | \$1,576,699 | \$1,552,318 |

Issue 8: PUC Response to Utility Bankruptcy

Governor's Proposal. The budget requests \$28,000,000 from the Public Utilities Commission Utilities Reimbursement Account (Fund 0462) for a legal services contract. This proposal requests that the funds be available for encumbrance until June 20, 2022 and available for liquidation through June 30, 2024.

Background. On January 29, 2019, PG&E announced that it was filing for Chapter 11 Bankruptcy in response to the financial challenges associated with the catastrophic wildfires that occurred in Northern California in 2017 and 2018. In connection with this filing PG&E obtained \$5.5 million of Debtor In Possession (DIP) financing for two years, with a one-year extension option. The terms of the financing imply PG&E plans to spend up to three years in bankruptcy court. While it is under the protection of the bankruptcy court, PG&E's assets form a "bankruptcy estate" over which the court has jurisdiction. As the state utility regulator, the PUC is an important party with standing and a significant role to play in the PG&E bankruptcy proceeding.

Bankruptcy cases are specialized proceedings in a unique court, which is a subdivision of the United States District Courts. In Chapter 11, the Debtor remains in possession of its assets and continues to run its business; however, it does so under the supervision of the court. Significant actions by the Debtor that are not in the normal course of business must be approved by the court. Bankruptcy does not displace PUC regulation of PG&E but it does require the PUC to work in the context of the bankruptcy proceeding for some of its regulatory programs. The PUC has standing to appear as a creditor and, since it is the regulator of PG&E, its participation is essential for proper consideration of questions on how PG&E should administer its estate. The PUC must appear, take positions and work with parties in bankruptcy court to protect the interests of California and ratepayers. In the past, PG&E has also attempted to use the bankruptcy court to sidestep the PUC's authority and jurisdiction. The PUC must also participate in the current bankruptcy proceeding to make sure its jurisdiction, and the jurisdiction of the state, is not displaced.

The prior PG&E bankruptcy, exit financing and bond securitization lasted over three years. It is noteworthy that 18 years later that original bankruptcy docket remains open.

Staff Comments. When PG&E filed for bankruptcy in January, 2019, the PUC was in the process of renewing its legal services contract with bankruptcy counsel. Counsel were at that time engaged on an "as needed" basis under a legal service contract which was set to expire in June 30, 2019. The PUC required assistance on the PG&E bankruptcy and worked with counsel to develop a case plan. As is usual in complex restructurings, the PUC also sought to obtain a financial advisor who could work with counsel to understand the financial condition of PG&E, evaluate the various exit plans as they are proposed, and help the PUC with its communications with the financial community. The PUC also expects this Financial Advisor to provide advice on the two remaining utilities who are not in bankruptcy, since the financial condition of all California utilities is an issue the PUC must face. The PUC is entering into a new legal services contract with its counsel that will include the PG&E bankruptcy and have a sufficient budget that will allow counsel and the financial advisor to effectively represent the PUC. The contract is for a three-year period, mirroring the DIP financing. The budget for this legal services contract is, after an initial 6-month ramp-up period, approximately \$500,000 per month for legal counsel, billed at hourly rates, and \$450,000 a month for the financial advisor.

Staff Recommendation. Hold open.

Issue 9: Electricity Market Fragmentation

Governor's Proposal. The budget requests three permanent positions and \$495,000 from the PUC Utilities Reimbursement Account (Fund 0462), to address emerging regulatory needs for an evolving electricity market experiencing market fragmentation.

Background. Electricity market fragmentation has occurred due to the rapid rise in customer choice and the associated shift in the number of load-serving entities that are providing retail electric procurement service to Californians. Over most of the past 15 years, there have been three main investor-owned utilities (IOUs) serving all residential electric load. In addition to the three IOUs, about a dozen energy service providers (aka ESPs or direct access, DA) provided electric service to a small quantity of non-residential customers. The ESP/DA load (a subset of all non-residential electric customers) was capped in terms of the amount of gigawatt hours that could be served. More recently, as a result of various legislative changes, the electricity market has evolved so there are nearly 40 load serving entities serving commercial and residential loads in California, including approximately 20 brand new service providers formed through local government structures, known as Community Choice Aggregators (or CCAs).

In June 2018, the PUC released a staff white paper entitled, "California Customer Choice: An Evaluation of Regulatory Framework Options for an Evolving Electricity Market." The California Customer Choice Project was launched to investigate changes in California's electricity market with respect to customer choice, including the regulatory framework, state programs, and market structures in effect today. It found that until recently, California's retail electric sector was largely stable, with the majority of load served by investor-owned utilities, a small percentage (around 13 percent) served by Direct Access and a small percentage served by Community Choice Aggregators. Over the past few years, there has been increasing fragmentation of retail supply, as new Community Choice Aggregators emerge rapidly and transition both residential and non-residential load from the utilities to the new CCA. The combined effect of changes in the proliferation of CCA and Direct Access providers challenges the foundational policies of RPS, Resource Adequacy and Long-term planning that were formulated based on the presumption of stability around the amount of load served by bundled electric service. Further challenging planning, the electricity supply options available to customers now include significant quantities of onsite behind-the-meter installations of rooftop solar, storage, energy efficiency, demand response, and microgrids.

Staff Comments. The Commission has indicated that the staff requested via this proposal will include a new PPS, 1 PURA IV and an AGPA who will work together in a new Electricity Market Design section. This section will include existing staff in the Market Structure and Design section, which will be split into two components. Eight staff will be focused on market design, including market fragmentation, with the remaining seven positions devoted to transmission issues.

The new staff will reassess current policies, develop staff recommendations for policy modifications, develop new policies to accommodate all the changes in the electricity market that could threaten reliability, affordability, and decarbonization efforts. Specifically the new staffing will address the items identified in the December 2018 final Choice Action Plan and Gap Analysis for the California Customer Choice Project. The project identified several categories of issues, including Consumer Protection, Duty to Serve, as well as Reliability and Resource Procurement.

Staff Recommendation. Approve as budgeted.

| |
|--|
| Issue 10: Administrative Services Staff Complement - IT Positions |
|--|

Governor's Proposal. The budget requests five positions and \$706,000 various special funds to provide Information Technology (IT) support for 91 permanent and 33.5 limited-term positions proposed by PUC and the Public Advocates Office (PAG) in the 2019-20 Governor's Budget and recently enacted bills.

Background. PUC's mandates related to a large array of energy and environmental issues has expanded in recent years. In 2013-14, PUC had 1,045 authorized positions, growing to more than 1,249 permanent positions and over 50 limited-term funded positions in the 2017-18 and 2018-19 budget cycles. These bills include:

| | | |
|-----------------------------|---------------------------------|---------------------------------|
| SB 100 (de Leon) | SB 1440/AB3187 (Hueso/ Grayson) | SB 1477/AB 3232 (Hill/Friedman) |
| SB 1000/AB 2127 (Lara/Ting) | SB 1013 (Lara) | SB 901 (Dodd) |
| SB 1131 (Hertzberg) | SB 1339 (Stern) | SB 1376 (Hill) |

Staff Comments. Each PUC bill analysis included a fiscal estimate of positions and resources needed to implement each bill, as well as a statement that while each bill individually may not necessitate an increase in administrative positions (except SB 901), enactment of the bills in aggregate require additional IT positions. The Information Technology Services Division (ITSD) Service Desk requires five positions to provide adequate support levels for increased staffing at the PUC's Sacramento and Los Angeles regional offices. Additionally, three positions conduct Project Approval Lifecycle (PAL) activities; business analysis; data, infrastructure, and security architecture; legislative impact analysis and management; strategic planning; and portfolio management activities related to legislatively-mandated requirement.

This request seems reasonable given the additional workload required by the cited bills, and the fact that earlier requests related to those bills did not include the required IT overhead resources. However, this request should be considered in the context of the larger request for PUC administrative resources this subcommittee heard on March 24th.

Staff Recommendation. Hold Open.

Issue 11: Balancing Accounts and Audit Positions

Governor’s Proposal. The budget requests seven permanent positions for the Utility Audit, Finance, and Compliance Branch (UAFCB) and \$830,000 from the Public Utilities Commission Utilities Reimbursement Account (PUCURA, Fund 0462) to address the PUC's statutory requirements for the conduct of audits.

Background. A 2013 audit (2013-109) concluded that the PUC lacks adequate processes to provide sufficient oversight of utility balancing accounts to protect ratepayers from unfair rate increases. A balancing account is a tracking mechanism used to allow a utility to recoup from ratepayers when actual costs exceed PUC-authorized initial estimates in the utility rating plan. Report 2013-109 noted the PUC relies on the Office of Ratepayer Advocates [ORA, now known as Public Advocates Office to review balancing accounts. However, the Public Advocates Office reviews balancing accounts that are included in certain formal proceedings before the PUC only, resulting in a review of only 23 percent of the large energy utilities' balancing accounts active during the time of the audit. The State Auditor noted this procedure left \$37.6 billion in balancing accounts that were not reviewed during the same period.

PU Code Section 314.5 requires the PUC to inspect and audit the books and records for regulatory and tax purposes at least once every three years in the case of every electrical, gas, heat, telegraph, telephone, and water corporation serving over 1,000 customers, and at least once every five years in the case of these same utility corporations serving 1,000 or fewer customers. The State Auditor noted that, although the PUC generally complies with the audit requirement through procedures it performs during the review of a utility's general rate case (GRC)—proceedings within the PUC in which utilities justify their proposed rates by presenting cost information—not all utilities file a GRC every three or five years to coincide with the audit requirement.

In December 2018, the State Auditor issued a report (2018-118) of the PUC Water Division regarding the granting of rate increases and noted again that for water utilities, the PUC failed to meet statutory requirements to audit the large Class A and small water utilities. The State Auditor indicated that for the Class A utilities, serving private water utility customers through approximately 1.5 million service connections, the PUC failed to audit and was relying on Cal Advocates and its reviews during the course of GRCs to comply with the law. As with the 2013 audit, the current audit also included the finding that the PUC failed to complete most of the audits of the small utilities in the five-year time frames established by law.

Staff Comments. The PUC’s Audit Branch received budget authority for seven limited term positions for 2015-16, which were made permanent in 2018-19. Although PUC has made gains in the last two years in increasing its production of audits, it is reasonable to believe that the PUC requires additional resources to meet the workload presented by the statutory requirements for the PUC to conduct regulatory audits of the utilities and balancing accounts.

Based on the recommendations in Report 2013-109, PU Code Section 792.5 was amended to require the PUC to develop a risk-based approach for reviewing all balancing accounts on a periodic basis. This request include trailer bill language to further amend section 792.5 to allow reviews or audits of balancing accounts.

Staff Recommendation. Hold Open.

Issue 12: Decentralization - Sacramento and Los Angeles Office Space

Governor's Proposal. The budget requests \$2.4 million in various special funds (Distributed Administration) for additional office space and relocation costs. Of this amount \$1.6 million is ongoing and \$860,000 will be one-time costs for office relocation costs.

Background. The PUC has been headquartered in San Francisco since 1878, when it was the Office of the Commissioner of Transportation. In recent years, the Commission has established a growing presence outside of San Francisco. The PUC recently adopted a two-part decentralization plan to increase PUC presence across the state.

Phase One of the PUC Decentralization Plan will include leasing additional space in Sacramento and Los Angeles. Phase Two includes acquiring new space in San Diego and expanding the Administrative Law Judge (ALJ) Division space in both Sacramento and Los Angeles to promote public participation in Commission events such as hearings, proceedings, and public participation meetings.

Staff Comments. The PUC has indicated that Phase One of the PUC Decentralization Plan will concentrate on filling new positions and current vacancies in Sacramento and Los Angeles by the close of 2019-20, as space allows. As of December 21, 2018, the PUC had 197 vacant positions. PUC is limited in its ability to fill vacant positions due to office space limitations. If the PUC fills all current vacant positions, the PUC will not have adequate space to house these positions or new pending positions. The PUC estimates a need to accommodate 200 positions will require additional space, and office relocation and equipment costs. Program areas of the PUC will continue to relocate positions throughout the state based on where the job duties are performed to best respond to public needs.

PUC has signed a lease for office space at 400 R Street in Sacramento. The approximate annual cost will be \$1.3 million. This lease will be effective March 1, 2019 with the first month rent due June 1, 2019. In addition, PUC is currently working with DGS to locate additional space to house approximately 15-20 staff in Los Angeles. The estimated annual cost will be \$240,000.

LAO Comments. The PUC requests \$2.4 million (various funds) in 2019-20, and \$1.6 million ongoing, for costs related to securing additional office space for staff in Sacramento and Los Angeles. This proposal reflects Phase One of the PUC's plan to expand operations outside of San Francisco. Most of the positions located in Sacramento will be related to administration and information technology and most of the positions in Los Angeles will work in the Energy Division. Under Phase Two of the PUC's decentralization plan, which will begin in 2020-21, the PUC plans to locate more program staff outside of San Francisco, including administrative law judges and legal division staff. The PUC has provided a general description of its plan, but not a detailed description of how it determined that this is the preferred approach or how it will determine which positions will be located in Sacramento or Los Angeles under Phase Two. We recommend the Legislature direct the PUC to report at budget hearings on the long-term decentralization plan, the alternative options it considered, how and why it selected this specific approach, and how it plans to determine which staff will be located in Sacramento and Los Angeles in Phase Two.

Staff Recommendation. Hold Open.

Senator Bob Wieckowski, Chair
Senator Brian W. Jones
Senator Mike McGuire
Senator William W. Monning
Senator Henry I. Stern



Thursday, May 2, 2019
9:30 a.m. or upon adjournment of session
State Capitol - Room 112

Consultant: Joanne Roy

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

LEGISLATIVE REQUESTS

LEGISLATIVE REQUESTS

The following requests have been submitted by member offices:

Natural Resources and Environmental Protection:

- 1) **California Science Center: Elevator.** \$2.5 million to install an elevator to assist handicapped visitors.
- 2) **California African American Museum.** \$500,000 ongoing for programming support.
- 3) **Alameda Creek Restoration.** \$31.365 million for wetlands restoration to address sea level rise in the Bay Area.
- 4) **Children's Natural History Museum.** \$700,000 for planning and environmental work for proposed museum in Fremont.
- 5) **La Habra Heights Fire Department: New Fire Engine.** \$595,000 to replace fire engine, including radios, tools, and equipment.
- 6) **La Habra Heights Fire Department: Housing for Firefighting Vehicle.** \$48,000 to replace building and address structural issues to house fire apparatus.
- 7) **A.J. Padelford Park Expansion Project.** \$5 million to acquire 10 parcels within the vicinity of the park and demolish structures located on those properties.
- 8) **San Gabriel River Master Plan Update.** \$3 million for an update to the master plan focusing on enhancing specified project areas.
- 9) **James Whitaker School Park.** \$1.4 million to develop a park on a parcel next to the James A. Whitaker Elementary School.
- 10) **Columbia Memorial Space Center.** \$75,000 for the purchase of a Maker Space 3-D printer (\$5,000) and an audio-visual system (\$70,000).
- 11) **Pico Rivera Parks and Recreation Improvements.** \$365,000 to replace playground (\$200,000); replace Veterans and Ladies Auxiliary Park Playground (\$70,000); and replace Smith Park Pool expansion joint and heater (\$95,000).
- 12) **Montebello City Park Improvements: City Park General Rehab and Improvements.** \$1.3 million for upgrades/replacement, repair of existing park lighting, rehabilitation of main service road/ADA path and walkway, and upgrade/replace irrigation.

- 13) **Montebello City Park Improvements: City Park Ballfield Renovation.** \$1 million for retrofitting lights, hydraulic irrigation system to a weather-sensing controller-based system, grading, addition of bleachers and new scoreboard.
- 14) **Ocean Institute: Capital Outlay Needs.** \$1.5 million to support capital outlay needs of the Ocean Institute's \$6 million Capital Improvement Plan for buildings, grounds, and ships. Located in the Dana Point Harbor.
- 15) **State Parks Bowtie Parcel.** \$500,000 to create a conceptual plan for the Bowtie Parcel, which is adjacent to the LA River, including a dedicated project manager position at State Parks to coordinate the planning process.
- 16) **Museum Grant Program.** \$10 million to the California Cultural and Historical Endowment for the Museum Grant Program to provide capital, programmatic, and access grants to museums.
- 17) **Natural History Museum of Los Angeles County.** \$10 million for the first phase of an expansion project, which will reorient the museum's entrance into Exposition Park.
- 18) **Relief for Households Still Recovering from Drought Emergency.** \$3.5 million in funding for placement and filling of new temporary water tanks for households that have lost their water supply because of a dry well. Move duties from Office of Emergency Services to the State Water Resources Control Board for providing funding for the placement and filling of new temporary water tanks for households that have lost their water supply because of a dry well.
- 19) **Safe and Clean Drinking Water for the Southern Central Valley.** \$25 million General Fund for water infrastructure, access, and consolidation projects in the Southern Central Valley, as follows:
 - \$6 million for City of Sanger to repair water tank and Well 16.
 - \$2 million to connect Tombstone to Sanger's centralized water system.
 - \$5 million for a new water and tertiary treatment plant for Tulare County.
 - \$2 million to repair water systems in Fresno & Tulare Counties, to improve access to water in cities like Orosi and Del Rey.
 - \$3 million for the Selma Storm Drain (storage and recharge) Project, Selma Rockwell Pond Groundwater Recharge Project, and the Selma Branch Canal Multi-Use Trail.
 - \$2 million to replace Water Well #21 in the City of Dinuba.
 - \$5 million to bring communities into compliance with safe drinking water standards and remove arsenic from water in communities like Alpaugh in Tulare County and Arvin in Kern County.
 - Ensure compliance with safe drinking water plans to address water consolidation and repair failing independent water systems connected to cities (follow-up to AB 2501 (Chu), Chapter 871, Statutes of 2018).
- 20) **Safe and Clean Drinking Water for the Southern Central Valley: Friant-Kern Canal.** \$400 million General Fund one-time to Department of Water Resources to restore lost conveyance capacity on the Friant-Kern Canal for irrigation, municipal supplies, and to support groundwater sustainability.
- 21) **California Fire Response.** \$84 million one-time and \$65 million ongoing for 31 CalFire engines and hire personnel to staff these engines. Ongoing staffing costs would be \$65 million.

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- 22) **Interlake Tunnel Fish Screens.** \$17 million one-time for a local assistance grant to pay for fish screens for water conveyance tunnel between Lake Nacimiento and Lake San Antonio. This project is intended to increase regional water storage by 60,000 acre-feet.
 - 23) **Cayucos Veterans Hall Renovation.** \$7 million General Fund to the County of San Luis Obispo for the renovation of the Cayucos Veterans Hall.
 - 24) **Italian-American Museum.** \$200,000 annually for five years (\$1 million total) to support expansion of the Italian-American Museum.
 - 25) **Clean Air Technology Upgrades in Four Schools in Los Angeles County.** \$500,000 for clean air technology upgrades for Los Angeles County for four schools to mitigate the effects of the Devil's Gate Reservoir Restoration Project.
 - 26) **Greenhouse Gas Reduction Fund (GGRF): UC Riverside Bourns College of Engineering, Center for Environmental Research and Technology (CE-CERT) relocation and update.** \$10 million GGRF one-time to help fund the relocation of the CE-CERT facility from its present off-campus location to an on-campus site adjacent to the new Air Resources Board (ARB) facility. ARB is currently constructing a new vehicle/engine testing and research facility on the UC Riverside campus.
 - 27) **GGRF: Multi-Year funding for Medium- and Heavy-Duty Vehicle Incentives, Demos, and Pilots.** Direct 10 percent or \$300 million annually of GGRF to fund emissions reductions from medium- and heavy-duty vehicle incentives through the Heavy Duty Vehicle Incentive Program (HVIP).
 - 28) **GGRF: Sanitation Districts of Los Angeles County.** \$200,000 GGRF one-time to research biosolids for reclamation of fire-ravaged land.
 - 29) **GGRF: Santa Susana Trails.** \$1 million GGRF one-time to purchase easements to expand trails by LA County Dept. of Parks and Recreation.
 - 30) **GGRF: Triangle Ranch.** \$14 million GGRF one-time to help fund completion of Triangle Ranch Phase 4. Natural lands carbon sequestration in Santa Monica Mountains area.
 - 31) **GGRF: Long-Term Resiliency Investment.** \$400 million for Natural and Working Lands coalition from GGRF and seek a continuous appropriation, of which 10 percent would be allocated to the Wildlife Conservation Board and state conservancies for a Natural Resources Climate Change Resiliency Program.
 - 32) **GGRF: Wildfire Resiliency Workforce Development.** \$10 million GGRF to fund workforce development component of SB 462 (Stern), which would help fund educational program at community colleges to teach students how to perform prescribed fire treatments, building hardening, defensible space management, and approved community defense techniques.
 - 33) **Reducing Fire Risk in the Wildland-Urban Interface (WUI): Extension Program.** A total of \$20 million GGRF or General Fund spread over five years to create new Fire Outreach and Extension Program that would entail 17 fire extension advisors located in selected counties.

- 34) **Reducing Fire Risk in WUI: Train Local Planners.** \$300,000 over a three-year period to reimburse counties for a new requirement to train local planners. Require every county that has more than 5 percent of its land in State Responsibility Area or locally designated very high hazard severity zones to require its land use planners to obtain certification about land use planning issues in the WUI.
- 35) **Reducing Fire Risk in WUI: Best Practices.** \$250,000 to the Office of Planning and Research (OPR) and require OPR to inventory and publish on its website best practices reflected in local planning ordinances, enforcement practices undertaken at the local level in WUI.
- 36) **Reducing Fire Risk in the WUI: California Fire Safe Council.** \$12 million block grant annually for three years to California Fire Safe Council for each of the 56 county fire safe councils that have SRA or local very high hazard fire zones. Funds would be allocated to county groups for implementing fire prevention and preparedness community action in collaboration with UC fire advisors, resource conservation districts, and others.
- 37) **Public Safety Preparedness: Remote Sensing.** \$5 million to develop and fund statewide capability for overhead fixed wing or satellite remote sensing that provides real-time fire perimeter and behavior information to all responders, emergency officials, and the public.
- 38) **Public Safety Preparedness: Maintenance of Evacuation Routes for Emergencies.** \$5 million ongoing to reimburse counties for maintenance of evacuation routes during emergencies. Counties should also develop standards for these routes as well as develop and maintain signage and other necessities.
- 39) **Public Safety Preparedness: Target and Track Vulnerable Populations.** An unspecified amount of funding for software to target and track vulnerable populations to expedite evacuations during emergencies and develop grant criteria for local communities to develop plans.
- 40) **Salton Sea Study.** \$5 million to fund a 12-month feasibility study to evaluate a proposed solution for water replenishment of the Salton Sea. The proposed solution would import water from the Pacific Ocean off the coast of Camp Pendleton and gravity flow that water via a pipeline (after being pumped over a significant hill on Camp Pendleton) to the Salton Sea.
- 41) **Bolsa Chica Mesa Sacred Site Protection Project.** \$5 million General Fund for acquisition of properties for a future cultural park. The area has spiritual importance to Gabrielino/Tongva and Juaneno/Acjachemen tribes.
- 42) **Discovery Science Center of Orange County.** \$15 million for a children's science museum in Santa Ana for the purchase of nearby property to create additional parking.
- 43) **Beverage Container Recycling Pilot Project in San Francisco.** \$3 million Beverage Container Recycling Fund to build new California Refund Value (CRV) recycling infrastructure necessary to provide citywide CRV convenience to consumers.
- 44) **Alcatraz Island Lighthouse Preservation Project.** \$500,000 to repair and preserve the lighthouse.
- 45) **Lesbian, Gay, Bisexual, Transgender, and Queer (LGBTQ) Historical Archives.** \$750,000 for historical archives across the state.

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- 46) **LGBTQ Public Spaces in San Francisco: Harvey Milk Plaza.** \$1 million for renovation of Harvey Milk Plaza to transition the plaza from primarily a transit station to a source of inspiration. Total capital costs is \$20 million.
- 47) **LGBTQ Public Spaces in San Francisco: Eagle Plaza.** \$100,000 for renovation of Eagle Plaza, the world's first LGBTQ-Leather public plaza for leather commemorative elements of the plaza, including: heart-shaped inlaid metallic "studs" celebrating members of the leather community, a large leather flag and flag pole, leather-flag-colored crosswalk striping and bollards to close the plaza to cars for community events, new vegetation, trees, tables, chairs, and lighting.
- 48) **India Basin Remediation Project in San Francisco.** \$2.2 million to transform a post-industrial brownfield into a 21st century legacy park.
- 49) **Comprehensive Blue Carbon Strategy & Research.** \$35 million for improving water quality for marine protected areas; watershed health & connectivity; vessel speed reduction incentive program; beneficial reuse program; study on low-trophic mariculture; kelp forest restoration; invasive species expert panel; California State University Council on Ocean Affairs, Science and Technology.
- 50) **GGRF: Natural Resources Programs.** \$400 million GGRF for Urban Forestry Program (Department of Forestry and Fire Protection), Urban Greening (California Natural Resources Agency), State Water Efficiency and Enhancement Program (California Department of Food and Agriculture), Wetlands & Watershed Restoration Program (Department of Fish and Wildlife), and Climate Adaptation & Resiliency Programs (Wildlife Conservation Board, Coastal Conservancy, Coastal Commission, San Francisco Bay Conservation and Development Commission).
- 51) **Tijuana River Border Pollution Control Project.** \$15 million Proposition 68 for the Tijuana River Border Pollution Control Project to address discharge of raw sewage and other waste through the Tijuana River Valley.
- 52) **Atmospheric River Research.** Funding for \$9.25 million annually for six years for research to improve observations, forecasts, and decisions support of atmospheric river precipitation events. Atmospheric Rivers: Research, Mitigation, and Climate Forecasting Program at the Department of Water Resources.
- 53) **Salinas Regional Soccer Complex.** \$5 million for Phase II of building soccer complex, including an addition of eight new grass fields and a parking lot.
- 54) **Allocation of General Funds to California Department of Food and Agriculture (CDFA) for Pest Prevention Efforts.** \$5 million General Fund to CDFA for: 1) Expand glassy-winged sharpshooter trapping season to year-round in certain areas; 2) Increase trapping and increase frequency of trap inspections; 3) Increase number of destination inspections of nursery shipments; and 4) Increase area-wide management program trapping in high-risk areas.
- 55) **Cloverdale Ranch and Gordon Ridge.** \$9.5 million to purchase and preserve two coastal properties, over 6,700 acres in San Mateo County. A state contribution of \$9.5 million would leverage more than \$30 million in private and local funding.

- 56) **GGRF: Short-Lived Climate Pollutants: Waste Diversion and Food Recovery.** \$100 million to reduce amount of organic material going to landfills. CalRecycle estimates cost of \$2-3 billion to construct 50 to 100 new and expanded organic waste recycling facilities to meet state goals of reducing organic material going to landfills.
- 57) **San Mateo County Multi-Benefit Stormwater Capture Program.** \$8 million for planning, environmental review, community engagement, alternatives analysis, and engineering design for several regional stormwater retention projects. Funding for project designs will help cities, County, and new Flood and Sea Level Rise Resiliency Agency compete for upcoming rounds of implementation funding under Propositions 1 and 68.
- 58) **New River.** \$10 million to install of new water treatment measures and construction of a pedestrian and bike parkway that would run along the river in the Calexico area.
- 59) **Budget Policy Change regarding GGRF Grant Applications and Scoring.** Proposed trailer bill language related to grant applications, scoring, and reporting for GGRF.
- 60) **Rebuild Camps.** \$35 million for capital outlay to rebuild camps destroyed in Woolsey and Tubbs Fires operated by the Wilshire Blvd. Temple, Shalom Institute/Camp JCA Shalom and Conference Center on Mulholland Highway, and Camp Newman in Santa Rosa.
- 61) **Los Angeles Museum of the Holocaust.** \$8.5 million to assist the museum's physical expansion in Pan Pacific Park, including the addition of a pavilion to accommodate more visitors, temporary exhibits, special events, and large student groups. Total cost of the physical expansion is estimated to be \$10 million, of which the museum plans to raise \$1.5 million from philanthropic sources and local government partners.
- 62) **Orick Mill Redwood Visitor Center Project.** \$10 million to build a visitor center in the abandoned Orick Mill site to serve as gateway into 133,000 acres of four Redwood National and State Parks.

Energy:

- 63) **SBCCPG Fiber Network.** \$1 million for a project to connect 17 agencies to a dedicated gigabit broadband network in the south bay.
- 64) **Clean Energy Commercialization Memorandums of Understanding (MOUs).** \$2 million for three international commercialization MOUs.
- 65) **Paradise Irrigation District.** \$7 million per year for three years to fund fixed infrastructure costs at Paradise Irrigation District while the district right-sizes its rate base.
- 66) **NCRA Dissolution.** \$17 million to continue the dissolution of the North Coast Rail Authority begun last year via SB 1029 (McGuire), Chapter 934, Statutes of 2018.
- 67) **Green Means Go.** \$400 million to support the Sacramento Area Council of Government's Green Means Go project to lower greenhouse gas emissions in the six-county Sacramento region by accelerating infill development, reducing vehicle trips, and electrifying remaining trips.

68) **Clean Vehicles in the San Gabriel Valley.** \$1 million to promote clean vehicles in the San Gabriel Valley, including electric vehicle charging stations in Morgan Park and the replacement of the City of Arcadia's transit fleet with greener vehicles.

Transportation:

- 69) **Sabercat Trail Project.** \$5 million to complete the Sabercat mixed-use trail in Fremont.
- 70) **SR-156/Castroville Safety Improvements.** \$10 million for a right-of-way purchase for additional safety investments along the SR-156 right-of-way.
- 71) **Burbank to Anaheim Metrolink Corridor.** \$80 million for capital improvements along the Burbank-Anaheim Metrolink Corridor.
- 72) **Soundwall Retrofit List.** Up to \$2 billion to accelerate delivery of projects on the Soundwall Retrofit list in Los Angeles County.
- 73) **Palo Alto Grade Separation Project.** \$1 million for environmental review of grade separation projects for three at-grade Caltrain crossings.
- 74) **I-580 Richmond-San Rafael Bridge.** \$10 million for a feasibility study for the replacement of the Richmond-San Rafael Bridge.
- 75) **Destination Crenshaw.** \$10 million for the Destination Crenshaw public art and greenway project in Los Angeles County.
- 76) **Santa Cruz Port District: S&R Vessel.** \$525,000 for a new search and rescue vessel to be used in northern Monterey Bay.
- 77) **La Cañada-Flintridge Soundwalls.** \$5 million for match funding for the construction of soundwalls along the 210 freeway in La Cañada-Flintridge.
- 78) **California Short Line Railroad Infrastructure Improvement Act of 2019.** \$7 million for investments in short line railroad infrastructure projects consistent with the 2018 California State Rail Plan.
- 79) **Pacifica Beach Boulevard Seawall and Promenade.** \$1.5 million in funding for a Beach Boulevard Seawall and Promenade Project located in City of Pacifica in San Mateo County. Fund feasibility study for conceptual design alternatives, surveys, assessments, and consultations in order to replace the Beach Boulevard Seawall and Promenade.
- 80) **San Diego Coronado Bridge Anti-Suicide Investments.** \$10 million for anti-suicide measures on the San Diego-Coronado Bridge.
- 81) **Foothill Boulevard Link Bikeway and Pedestrian Greenbelt.** \$390,000 for the design and construction of bicycle, pedestrian, and landscape improvements along Foothill Boulevard in Los Angeles County.

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- 82) **Traffic Congestion Relief to San Gabriel and Rosemead.** \$2 million for the cities of Rosemead and San Gabriel for traffic congestion relief related to SR 710 corridor gap.
- 83) **Oakland Unified School District (OUSD) Bus Service.** \$1 million to support bus service provided by the Alameda Contra Costa Transit District for OUSD.

Staff Recommendation. Hold open all legislative requests.

VOTE-ONLY CALENDAR

3125 CALIFORNIA TAHOE CONSERVANCY

Issue 1: Upper Truckee River and Marsh Restoration Project (SFL)

Governor's Proposal. An SFL requests the reversion of \$9.064 million, and a new appropriation for the same amount, and an additional \$1.534 million in reimbursement authority for increased construction costs for the Upper Truckee River and Marsh Restoration project to address seismic and aquatic invasive species issues.

The reimbursements will be coming from a recent grant from the California Department of Fish and Wildlife. The reversion and new appropriation will extend the availability of funds and allow the project to proceed without further delays.

Background. *The Upper Truckee Marsh (Marsh).* The Marsh is the largest remaining wetland area in the Lake Tahoe Basin. Historically, the Marsh occupied a much larger area along the south shore of Lake Tahoe, encompassing approximately 1,600 acres. Development in the late 1950's through the 1970's drastically altered the Marsh, most notably through the excavation and filling of wetlands to create the Tahoe Keys home pads, marina, and lagoons. This development disturbed approximately 600 acres in the center of the original Marsh, resulting in a large loss of wetland habitat. The Tahoe Keys also fragmented the Marsh habitat into what is now known as Pope Marsh on the west and the Upper Truckee Marsh on the east, and channelized a portion of the Upper Truckee River. The channelized river rarely overflows its banks or inundates the Marsh. As a result, the Marsh no longer serves as highly functional wetland habitat, and most of the river's sediment laden flows directly into the Lake.

Since January 1988, the Conservancy has expended approximately \$14 million to acquire several parcels totaling 525 acres in the Marsh. In 2001, the Conservancy completed the Lower West Side Wetland Restoration Project, an initial phase of wetland restoration involving 12 acres of wetland reconstruction through the removal of 85,000 cubic yards of fill. The Conservancy also relocated and improved a trail, which provides public access to Cove East Beach.

The Upper Truckee River and Marsh Restoration Project is intended to restore natural processes and functions of Conservancy-owned or controlled lands within the Upper Truckee River Marsh. The project consists of construction of the following: Develop access routes and staging areas, install dewatering and water control structures, construct pilot channels, construct sailing lagoon bulkhead, restore lily lagoon, restore dune and inter-dune area, construct flow resistance and grade control features, and restore site, re-vegetate and provide temporary irrigation.

Improvements are intended to enhance the area's ecological values and water filtering capacity, with a complimentary and appropriate level of recreation infrastructure. The total project cost estimate is \$10.37 million.

Staff Recommendation. Approve as requested.

3340 CALIFORNIA CONSERVATION CORPS (CCC)**Issue 2: Delta Service District Center (SFL)**

Governor's Proposal. An SFL requests reappropriation from the Public Buildings Construction Fund to extend the liquidation period of the construction phase of the Delta Service District Center project for a new residential facility located in San Joaquin County to June 30, 2020. This extension is intended to allow the CCC to utilize about \$300,000 of the remaining balance to purchase and install key design elements to finish the Delta Service District Center, as originally intended.

Background. The Delta Service District Center project constructed a new CCC residential facility in San Joaquin County. The Legislature previously appropriated \$30.343 million (\$255,000 General Fund and \$30.088 million Public Buildings Construction Fund) for the design and construction of this project.

Due to design changes as well as limited interim financing as a result of the Great Recession, the project was delayed. The construction contract was awarded in April 2016, and construction funds were transferred to the Department of General Services' (DGS) Architectural Revolving Fund (ARF). Construction proceeded to start in July 2016. The project was completed in July 2018.

Since occupying the new facility, a number of items are missing and/or in need of adjustments: perimeter security fence (\$103,000), booster water heater to sanitize dishes (\$8,500), landscape repair (\$20,000), power installation to keycard reader (\$15,000), wetland designation removal to install ground solar panels to meet net zero energy requirements (\$20,000), drainage at the loading dock (\$25,000), replacement of entrance walk-off mats (\$90,000), and adjustment of HVAC system/duct work due to heat gain (\$10,000). The resolution of these issues is estimated to cost around \$300,000, which includes contingency (\$8,500).

The funds in the ARF revert on June 30, 2019. Reappropriation to extend the construction phase liquidation period until June 30, 2020 is required to utilize \$300,000 of the remaining balance to complete the project as originally intended.

Staff Recommendation. Approve as requested.

Issue 3: Reappropriations – Various Projects (SFL)

Governor’s Proposal. An SFL requests reappropriation of \$1.6 million General Fund for the Preliminary Plans phase of the Auberry Residential Center project for a new residential facility located in Fresno County, and \$22.573 million General Fund for the construction phase of the Auburn Campus project to replace the kitchen, multipurpose room, and dorm at its existing residential center located in Placer County. Reappropriation is necessary to ensure funding is available to continue these projects.

Background. *Residential Center, Auberry: New Residential Center Project.* The Cultural Evaluation Report review by the State Historic Preservation Officer may delay Public Works Board from approving the preliminary plans funding before it expires June 30, 2019. Reappropriation of \$1.6 million General Fund is required to ensure funding for preliminary plans phase is available to continue this project without significant delay.

Auburn Campus: Kitchen, Multipurpose Room, and Dorm Replacement Project. The contract bid opening is estimated to take place mid-April 2019. Given that the contract award process can take up 90 calendar days, into mid-July 2019, Public Works Board will most likely not approve the funding for the construction phase before it expires June 30, 2019. Reappropriation of \$22.573 million General Fund is necessary to ensure funding for construction phase is available to continue this project without further delay.

Staff Recommendation. Approve as requested.

3480 DEPARTMENT OF CONSERVATION**Issue 4: Federal Grant for Federal Safety Standards Compliance and Reimbursement Authority Increase for Division of Oil, Gas, and Geothermal Resources (SFL)**

Governor's Proposal. An SFL requests two budget adjustments including: 1) Baseline appropriation increase of \$1.4 million from the Federal Trust Fund that is needed to spend annual grant funds from the United States Department of Transportation that support the Division's Underground Natural Gas Storage Program, 2) One-time increase of \$250,000 Reimbursement Authority that is needed to accept payments from Southern California Gas Co. The Division is seeking an increase in Reimbursement Authority to defray the cost of its response efforts in the Aliso Canyon incident.

Background. *Division of Oil, Gas, and Geothermal Resources (DOGGR).* DOGGR is a division within the Department of Conservation. DOGGR supervises the drilling, operation, maintenance, and plugging and abandonment of onshore and offshore oil, gas, and geothermal wells throughout California. DOGGR carries out its regulatory authority to encourage the wise development of oil, gas, and geothermal resources while preventing damage to life, health, property, and natural resources. DOGGR's statutory mandate includes oversight of underground gas storage facilities to ensure that the original reserves are not lost, that drilling of new wells is conducted properly, and that no damage occurs to the environment by reason of injection and withdrawal of gas.

Underground Gas Storage Program. DOGGR operates the Underground Gas Storage Program, which regulates the injection of natural gas into large underground reservoirs for storage before the gas is later withdrawn for sale to residential, commercial, and natural gas power plants. The Underground Gas Storage Program focuses on comprehensive risk management planning, testing, and monitoring to prevent and detect any unsafe conditions.

Aliso Canyon Gas Leak. On October 23, 2015, a significant, uncontrolled leak from a natural gas storage well was discovered in the Aliso Canyon natural gas storage facility located in the County of Los Angeles. Initial efforts to stop the leak failed. SoCal Gas, the owner of the facility, pledged to reimburse DOGGR for costs directly associated with its response to this natural gas leak at Aliso Canyon.

Federal Grant for Federal Safety Standards Compliance. In September 2017, the DOGGR applied to the Pipeline and Hazardous Materials Safety Administration within Department of Transportation for federal funds to support the Underground Natural Gas Storage Safety Programs. DOGGR was awarded \$3.2 million to assume responsibility for intrastate underground natural gas storage facilities.

Staff Comments. The baseline increase of \$1.4 million is needed to spend annual grant funds from the US Department of Transportation that support the Division's Underground Natural Gas Storage Program. The reimbursement authority is needed to accept payments from Southern California Gas Co. and to defray the cost of its response efforts in the Aliso Canyon incident.

Staff Recommendation. Approve as requested.

3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CALFIRE)

Issue 5: Technical Adjustments – Various Projects (SFL)

Governor's Proposal. An SFL requests a number of technical adjustments to the funding authority for various projects. Specifically, this proposal requests to revert the existing funding authority and approval of new appropriations in the same amount (resulting in a new-zero cost) for the following projects:

| Project Name | ID | Phase | Amount |
|---|---------|-------|-------------|
| Cayucos Fire Station: Replace Facility | 0000170 | W | \$269,585 |
| Parkfield Fire Station: Relocate Facility | 0000182 | A | \$36,010 |
| Perris Emergency Command Center: Remodel Facility | 0003210 | P, W | \$35,000 |
| Statewide: Communications Facilities, Phase V | 0000920 | W | \$2,139,000 |

This SFL also requests a reappropriation for the following bond funded projects:

| Project Name | ID | Phase | Amount |
|---|---------|-------|--------------|
| Academy: Construct Dormitory Building | 0000009 | C | \$9,016,000 |
| Badger Forest Fire Station: Replace Facility | 0000165 | C | \$2,968,000 |
| Badger Forest Fire Station: Replace Facility | 0000165 | C | \$4,242,000 |
| Butte Unit Fire Station/Unit Headquarters: Replace Facility | 0000169 | C | \$26,939,000 |
| Butte Unit Fire Station/Unit Headquarters: Replace Facility | 0000169 | C | \$3,845,000 |
| San Mateo-Santa Cruz UH: Relocate Auto Shop | 0000189 | C | \$9,259,620 |
| San Mateo-Santa Cruz UH: Relocate Auto Shop | 0000189 | C | \$963,000 |
| South Operations Area Headquarters: Relocate Facility | 0000193 | C | \$26,990,211 |
| South Operations Area Headquarters: Relocate Facility | 0000193 | C | \$4,057,000 |
| Vina Helitack Base: Replace Facility | 0000199 | C | \$11,336,000 |

Staff Recommendation. Approve as requested.

3720 CALIFORNIA COASTAL COMMISSION**Issue 6: Caltrans Reimbursement Increase (SFL)**

Governor's Proposal. An SFL requests a one-time increase of \$480,000 in reimbursement authority for increased reimbursements from the Department of Transportation (Caltrans) associated with an Interagency Agreement related to support of coastal transportation projects.

Caltrans will be increasing funding by \$480,000 to the Coastal Commission through an existing five-year Interagency Agreement between Caltrans and the Coastal Commission. Caltrans has a significant increase in the number of coastal projects and needs additional Coastal Commission staff time to work on these high priority transportation projects. This increased reimbursement funding will be used to provide environmental technical assistance, coordination, procedural requirement guidance, and expedited project review and analysis services for Caltrans' projects and activities that fall under the Commission's jurisdiction.

Background. The Coastal Commission and Caltrans have worked well under the terms of a five-year Interagency Agreement to address a wide variety of Coastal Act issues related to transportation projects, providing staff to facilitate the early and continuous coordination between the two entities related to Caltrans' project planning, design, and construction that falls within the Coastal Commission's jurisdiction. The current Interagency Agreement has been in place since December 2015 for a maximum amount of \$6.6 million that could be reimbursed by Caltrans for Coastal Commission work on coastal transportation projects. Because of the effectiveness of the process and a substantial amount of new transportation projects, additional staff resources at the Coastal Commission are needed to meet the increased Caltrans project workload.

SB 1 (Beall), Chapter 5, Statutes of 2017, provides significantly more funding for transportation projects throughout the state. The increase in transportation projects has led to more coastal permits being requested by Caltrans and therefore an increase in workload related to the current Interagency Agreement.

The current Interagency Agreement expires November 30, 2020. Caltrans and the Coastal Commission are currently working a new five-year Interagency Agreement with enhanced funding and the support for additional positions. The Coastal Commission anticipates submitting a new funding proposal when the new Interagency Agreement is finalized for 2020-21.

In the meantime, this SFL proposes to increase the Coastal Commission's reimbursement authority by \$480,000 in 2019-20 and the Coastal Commission intends to use limited-term staff to address the increased workload until the new Interagency Agreement is completed.

Staff Recommendation. Approve as requested.

Issue 7: Funding Extension for Operational Costs (SFL)

Governor's Proposal. An SFL requests continuation of \$784,000 Coastal Act Services Fund for two years (2019-20 and 2020-21) to provide funding for increased operating expenses and business services tasks.

The 2017-18 Enacted Budget provided funding (\$122,000) and authorization for one Associate Government Program Analyst (AGPA) position for the Commission's Business Services Unit and \$637,000 for operating expenses from the Coastal Act Services Fund (CASF) for two fiscal years.

This SFL would provide \$784,000 in funding from CASF for two more years for the same purpose.

Background. Coastal Commission Facilities. The Coastal Commission has offices throughout the coastal zone of the state. The Headquarters office is in San Francisco, which includes the North Central District Office. Other offices include a small office in Sacramento and District offices in Arcata, Santa Cruz, Ventura, Long Beach and San Diego. The Coastal Commission works with the Department of General Services (DGS) to lease office spaces for all facilities. Facility costs for the Commission offices had increased from 2010-11 to 2016-17 by roughly \$600,000.

DGS State Record Center. The Coastal Commission maintains historic public records regarding program history and implementation of its core mandates and statutory responsibilities. Many of these records are housed at the DGS State Record Center in Sacramento. There is a significant portion of the Commission's records that must be maintained and historically archived. Transferring files to the Record Center saves space at facilities and reduces on-site office space needs and DGS facility lease costs. The cost of the DGS Record Center Services has increased over time. In addition, in 2017-18 the State Records Center increased the prices for storage and adding fees for retrieval and re-shelving.

As a result, in 2017-18, the Coastal Commission's budget included \$637,000 authorized from the CASF for two years: \$600,000 for facility costs and \$37,000 for archival/document storage costs.

Associate Government Program Analyst (AGPA). In 2017-18, the Coastal Commission received additional funding authorization for two AGPA positions to implement the recommendations of the Coastal Commission's 2015-16 non-audit evaluation conducted by the Department of Finance, Office of State Audits and Evaluations. The 2017-18 Enacted Budget provided \$122,000 from the CASF for two years for one of the approved AGPA positions; the other AGPA position was funded at \$122,000 from the General Fund.

Actual costs for the AGPA are above the original cost of \$122,000 and are now \$147,000.

Staff Recommendation. Approve as requested.

3760 STATE COASTAL CONSERVANCY (SCC)**Issue 8: Appropriation from California Sea Otter Fund for Support and Local Assistance (SFL)**

Governor's Proposal. An SFL requests an increase of \$52,000 to the amount appropriated annually from the California Sea Otter Fund (Fund) over the next five years.

This increase is being requested because the amounts being collected in the Fund have exceeded the amounts appropriated to SCC annually. The request would bring the total amount appropriated to SCC from the Fund to \$183,000. Of this, \$18,000 would be for support and \$165,000 for local assistance.

Background. *Sea Otter Recovery Fund.* Sea otters once thrived near Baja California and around the Pacific Rim before being hunted to near extinction in the 1700s and 1800s. The California population has grown from a group of about 50 survivors off Big Sur in 1938 to over 3,000 animals today. However, the species remains threatened.

The California Sea Otter Fund was established in 2006 to allow taxpayers to donate to help the recovery of California sea otter populations. The voluntary income-tax check-off program provides essential funding to protect and restore healthy sea otter populations. Funds from the voluntary tax checkoff are expended on activities such as research, education, and management efforts that will help support the continued recovery of this iconic California species. From 2006-2018, Californians have donated \$3.618 million to help sea otters.

Staff Comments. The amount currently collected in the Fund have exceeded the amounts appropriated to SCC annually. This request is to align the amount appropriated to SCC with the revenues coming into the Fund.

Staff Recommendation. Approve as requested.

3790 DEPARTMENT OF PARKS AND RECREATION (PARKS)

Issue 9: Various Projects – Technical Adjustments (SFL)

Governor’s Proposal. An SFL requests the reversion of the unencumbered balances of existing capital outlay appropriations expiring June 30, 2019 and new appropriations for the continuing projects for these reverted appropriations. In addition, Parks requests reappropriation of existing capital outlay appropriations to allow for availability of funds as a contingency in case of project delays to allow for the completion of projects currently in process. The following pages identify the requested reversions and reappropriations. These requests will result in a net-zero cost.

The following table reflects the new appropriations for continuing capital outlay project:

| Project Title | Purpose | Amount | Fund | Description |
|---|------------------|-----------|---|---|
| Angel Island SP: Immigration Station Hospital Rehabilitation-Construction | Construction | 2,290,000 | General Fund | There were delays in finalizing design documents. The project is currently in construction and is anticipated to finish in fall 2019. This appropriation is requested so the project can proceed without delays or interruption. |
| Malakoff Diggins SHP: Solar Panel Generator-Construction | Construction | 552,000 | General Fund | There were delays in finalizing design documents. The project is currently in construction and is anticipated to finish in fall 2019. This appropriation is requested so the project can proceed without delays or interruption. |
| San Elijo SB: Replace Main Lifeguard Tower-Construction and Equipment | Construction | 4,762,000 | Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Bond Fund | There were administrative delays that affected execution of project contracts. The project is currently in construction and is anticipated to finish in fall 2019. This appropriation is requested so the project can proceed without delays or interruption. |
| | Equipment | 3,000 | | |
| Southern California Opportunity Purchase-Acquisition | Acquisition | 3,006,000 | Off-Highway Vehicle Trust Fund | Acquisitions are in progress and not anticipated to be completed in the current fiscal year. This appropriation is requested so acquisition activities can continue without delays or interruption. |
| Carnegie SVRA: Road Reconstruction-Construction | Construction | 6,617,000 | Off-Highway Vehicle Trust Fund | A new design team was brought on to assist with completing complicated design documents for this project. The project is currently in working drawings with construction expected to begin in spring 2019. This appropriation is requested so the project can proceed without delays or interruption. |
| Hollister Hills SVRA: Waterline Expansion- | Working Drawings | 62,000 | Off-Highway Vehicle Trust Fund | There were administrative delays that affected execution of project contracts. This project is currently in working drawings with construction |

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|--|------------------|-----------|---------------------------------------|--|
| Working drawings and construction | Construction | 1,305,000 | | anticipated to begin in fall 2019. This appropriation is requested so the project can proceed without delays or interruption. |
| Mendocino Headlands SP: Big River Watershed Restoration-Construction | Construction | 728,000 | State Parks and Recreation Fund | Construction is complete, but Parks must monitor the site due to mitigation requirements. This appropriation is requested so that project expenses can be paid. |
| Mendocino Headlands SP: Big River Watershed Restoration-Construction | Reimbursements | -728,000 | State Parks and Recreation Fund | Construction is complete, but Parks must monitor the site due to mitigation requirements. This appropriation is requested so that project expenses can be paid. |
| Border Field SP: Public Use Improvements-Working drawings | Working Drawings | 228,000 | State Parks and Recreation Fund | Parks had to complete more extensive studies and development/review of acceptable design alternatives. Design documents are now complete and awaiting approval from permitting agencies. This project is currently in preliminary plans with approval anticipated in spring 2019. This appropriation is requested so the project can proceed without delays or interruption. |
| Calaveras Big Trees SP: Caltrans Mitigation Campsite Relocation-Working drawings | Working Drawings | 100,000 | State Parks and Recreation Fund | Weather delays to initial biological and topographical surveys caused preliminary plans to go longer than originally expected. This project is currently in preliminary plans with approval anticipated in summer 2019. This appropriation is requested so the project can proceed without delays or interruption. |
| Calaveras Big Trees SP: Caltrans Mitigation Campsite Relocation-Working drawings | Reimbursements | -100,000 | State Parks and Recreation Fund | Weather delays to initial biological and topographical surveys caused preliminary plans to go longer than originally expected. This project is currently in preliminary plans with approval anticipated in summer 2019. This appropriation is requested so the project can proceed without delays or interruption. |
| McArthur-Burney Falls Memorial SP: Ramp and Boarding Float Replacement-Working drawings and construction | Working Drawings | 53,000 | Harbors and Watercraft Revolving Fund | Parks is awaiting feedback and approval from permitting agencies. This project is currently in preliminary plans with approval anticipated in spring 2019 and proceed to construction bid approval in fall 2019. This appropriation is requested so the project can proceed without delays or interruption. |
| | Construction | 618,000 | | |

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|---|-------------------|------------|---|--|
| Statewide: DBW Minor Program- Minor projects | Minor Projects | 674,000 | Harbors and Watercraft Revolving Fund | There were administrative delays that affected execution of project contracts and delays in obtaining necessary permits. The project is currently in design with construction anticipated to occur in the spring of 2020. This appropriation is requested so the project can proceed without delays or interruption. |
| California Indian Heritage Center: Phase I Development- Preliminary plans | Preliminary Plans | 1,133,000 | California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Fund | There were delays in acquiring property for this project. Acquisition is nearly complete with preliminary plans anticipated to be completed in summer 2021. This appropriation is requested so the project can proceed without delays or interruption. |
| Statewide: SP System Acquisition Program- Acquisition | Acquisition | 453,000 | California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Fund | Acquisitions are in progress (including Viera North Peak, SRL/Otis Reagan Westing properties, BLM/Red Rock Canyon, and other smaller transfers), but are not anticipated to be completed in the current fiscal year. This appropriation is requested so the project can proceed without delays or interruption. |
| McGrath SB: Campground Relocation and Wetlands Restoration- Working drawings | Working Drawings | 1,302,000 | California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Fund | This project is located in a resource-saturated area, requiring additional design reviews to ensure minimal impacts. This project is currently in preliminary plans with approval anticipated in fall 2019. This appropriation is requested so the project can proceed without delays or interruption. |
| Picacho SRA: Park Power System Upgrade- Study | Study | 200,000 | California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Fund | There were administrative delays. This project is currently in the study phase and is anticipated to be completed in fall 2019. This appropriation is requested so the project can proceed without delays or interruption. |
| Fort Ord Dunes SP: New Campground and Beach Access- Construction | Construction | 22,372,000 | Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Fund of 2006 | There were delays in finalizing design documents. This project is currently in working drawings phase with construction anticipated to begin in summer 2019. This appropriation is requested so the project can proceed without delays or interruption. |
| Old Town San Diego SHP: Building Demolition and Immediate Public Use Facilities- Construction | Construction | 7,342,000 | Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Fund of 2006 | This project is currently in construction and is anticipated to finish in winter 2020. This appropriation is requested so the project can proceed without delays or interruption. |
| Torrey Pines SNR: Utility Modernization- | Preliminary Plans | 199,000 | Safe Drinking Water, Water Quality and Supply, | This project is located in a resource saturated area resulting in a much more complex design process requiring more reviews and approvals. This project |

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|--|------------------|---------|---|---|
| Preliminary plans and working drawings | Working Drawings | 235,000 | Flood Control, River and Coastal Protection Fund of 2006 | is currently in preliminary plans with approval anticipated in fall 2019. This appropriation is requested so the project can proceed without delays or interruption. |
| Statewide: Minor Capital Outlay Program | Minor Projects | 379,000 | Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Fund of 2006 | There were administrative delays that affected the execution of project contracts. This project is currently in design with construction anticipated to begin in summer 2019. This appropriation is requested so the project can proceed without delays or interruption. |
| Gaviota SP: Main Water Supply Upgrades- Working drawings | Working Drawings | 142,000 | Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Fund of 2006 | A study on water source supply alternatives has been completed and the project is currently pending a coastal development permit for test well drilling. This project is currently in preliminary plans with approval anticipated in winter 2020. This appropriation is requested so the project can proceed without delays or interruption. |
| Malibu Creek SP: New Stokes Creek Bridge- Working drawings | Working Drawings | 233,000 | Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Fund of 2006 | Parks had to conduct a geotechnical investigation due to active bird nesting near the project site. The investigation and design documents are now complete and awaiting approval from permitting agencies. This project is currently in preliminary plans with approval anticipated in summer 2019. This appropriation is requested so the project can proceed without delays or interruption. |
| El Capitan SB: Entrance Improvements- Working drawings | Working Drawings | 378,000 | Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Fund of 2006 | Due to the presence of an endangered species of fish found in the area, permitting took longer than anticipated. This project is currently in working drawings with construction anticipated to begin in summer 2019. This appropriation is requested so the project can proceed without delays or interruption. |
| Statewide: VEP Minor Program- Minor projects | Minor Projects | 763,000 | Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Fund of 2006 | One of the minor projects was impacted by a wildfire. There were also administrative delays that affected the execution of project contracts. These projects are currently in design with construction anticipated in 2020. This appropriation is requested so the project can proceed without delays or interruption. |

The following table reflects the reappropriations with an encumbrance or expenditure period until June 30, 2020.

| Project Title | Purpose | Amount | Fund | Description |
|--|-------------------|---------|--------------------------------|---|
| Heber Dunes SVRA: Water System Upgrades- Working drawings and construction | Working Drawings | 96,000 | Off-Highway Vehicle Trust Fund | This project is currently in working drawings with proceed to construction bid and construction award anticipated in summer 2019. As a contingency in case of delays, this reappropriation is requested so the project can proceed. |
| | Construction | 990,000 | | |
| Oceano Dunes SVRA: Grand Avenue Lifeguard | Preliminary Plans | 87,000 | Off-Highway Vehicle Trust Fund | This project is currently in preliminary plans with approval anticipated in spring 2019. As a |

| | | | | |
|--|-------------------|-----------|---|---|
| Tower-Preliminary plans | | | | contingency in case of delays, this reappropriation is requested so the project can proceed. |
| Pismo SB: Entrance Kiosk Replacement-Preliminary plans | Preliminary Plans | 107,000 | Off-Highway Vehicle Trust Fund | This project is currently in preliminary plans with approval anticipated in spring 2019. As a contingency in case of delays, this reappropriation is requested so the project can proceed. |
| Calaveras Big Trees SP: Mitigation Campsite Relocation-Preliminary plans | Preliminary Plans | 138,000 | State Parks and Recreation Fund | This project is currently in preliminary plans with approval anticipated in summer 2019. As a contingency in case of delays, this reappropriation is requested so the project can proceed. |
| Calaveras Big Trees SP: Mitigation Campsite Relocation-Preliminary plans | Preliminary Plans | -138,000 | State Parks and Recreation Fund | This project is currently in preliminary plans with approval anticipated in summer 2019. As a contingency in case of delays, this reappropriation is requested so the project can proceed. |
| Lake Del Valle SRA: Boat Ramp Replacement-Preliminary plans | Preliminary Plans | 125,000 | Harbors and Watercraft Revolving Fund | This project is currently in preliminary plans with approval anticipated in spring 2019. As a contingency in case of delays, this reappropriation is requested so the project can proceed. |
| Mendocino Headlands SP: Big River Boat Launch-Preliminary plans | Preliminary Plans | 191,000 | Harbors and Watercraft Revolving Fund | This project is currently in preliminary plans with approval anticipated in summer 2019. As a contingency in case of delays, this reappropriation is requested so the project can proceed. |
| San Luis Reservoir SRA: San Luis Creek Ramp Replacement and Parking Improvements-Preliminary plans | Preliminary Plans | 130,000 | Harbors and Watercraft Revolving Fund | This project is currently in preliminary plans with approval anticipated in summer 2019. As a contingency in case of delays, this reappropriation is requested so the project can proceed. |
| Pfeiffer Big Sur SP: Low-Cost Alternative Coastal Lodging-Preliminary plans | Preliminary Plans | 190,000 | State Park Contingent Fund | This project is currently in preliminary plans with approval anticipated in fall 2019. As a contingency in case of delays, this reappropriation is requested so the project can proceed. |
| Los Angeles SHP: Soil Remediation-Working drawings and construction | Working Drawings | 37,000 | California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Fund | This project is currently in preliminary plans with approval anticipated in spring 2019. As a contingency in case of delays, this reappropriation is requested so the project can proceed. |
| | Construction | 3,328,000 | | |
| Old Sacramento SHP: Boiler Shop Renovation-Preliminary plans | Preliminary Plans | 726,000 | Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Fund of 2006 | This project is currently in preliminary plans with approval anticipated in fall 2019. As a contingency in case of delays, this reappropriation is requested so the project can proceed. |
| Topanga SP: Rehabilitate Trippet Ranch Parking Lot-Working drawings | Working Drawings | 219,000 | Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Fund of 2006 | This project is currently in working drawings with proceed to construction bid approval anticipated in summer 2019. As a contingency in case of delays, this reappropriation is requested so the project can proceed. |
| | Construction | 3,202,000 | | |
| Lake Oroville SRA: Bidwell Canyon Gold Flat Campground-Preliminary plans | Preliminary Plans | 176,000 | Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Fund of 2006 | This project is currently in preliminary plans with approval anticipated in spring 2019. As a contingency in case of delays, this reappropriation is requested so the project can proceed. |

Staff Recommendation. Approve as requested.

Issue 10: Project Schedule Updates (SFL)

Governor's Proposal. An SFL requests to withdraw three capital outlay projects included in the Governor's Budget. These projects, listed below, are delayed and would not require the originally requested funding in 2019-20.

- Ocotillo Wells State Vehicle Recreation Area: Auto Shop Addition
- San Luis Reservoir State Recreation Area: San Luis Creek Ramp Replacement and Parking Improvements
- Pfeiffer Big Sur State Park: Low-Cost Alternative Coastal Lodging

Staff Recommendation. Approve as requested.

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| Issue 11: Local Park Projects: Extensions of Liquidation and Reappropriations |
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Local Park Projects: Extensions of Liquidation. Requests have been made by various local entities for liquidation extensions of state funding they have received for individual park projects as follows:

| Fund Source | Project Name | Grantee Name | Current Grant Balance | Liquidation Date Needed | Expected Completion |
|--------------------------------|--|---|-----------------------|-------------------------|---------------------|
| General Fund | California Museum | California Museum of History | \$1,038,640 | June 30, 2020 | Summer 2019 |
| General Fund | Lodi Lake Park Erosion Control | City of Lodi | \$1,000,000 | June 30, 2022 | Early 2022 |
| 2006 Bond Act (Proposition 84) | Pacoima Wash Greenway – El Dorado Park | Mountains Recreation & Conservation Authority | \$1,030,980 | June 30, 2021 | Spring 2021 |
| Proposition 84 | Compton Creek – Washington Elementary Natural Park | Los Angeles Conservation Corps | \$989,301 | June 30, 2021 | Fall 2020 |
| Proposition 84 | Terasaki Budokan Recreation Center/Park | Little Tokyo Service Center | \$1,903,485 | June 30, 2020 | Early 2020 |
| Proposition 84 | Madison Avenue Park | Trust for Public Land | \$1,521,284 | June 30, 2020 | Early 2020 |
| Proposition 84 | South Victoria Avenue Park | Trust for Public Land | \$1,614,627 | June 30, 2020 | Fall 2019 |
| Proposition 84 | Albion Riverside Park | City of Los Angeles | \$2,843,375 | June 30, 2020 | Fall 2019 |
| Proposition 84 | Living Lab: Canyon Connection Park | Ocean Discovery Institute | \$827,626 | June 30, 2020 | Spring 2020 |
| Proposition 84 | Mud Town Farms | Watts Labor Community Action Committee | \$2,480,880 | June 30, 2020 | Fall 2019 |
| Proposition 84 | Taylor Mountain Regional Park and Open Space | County of Sonoma | \$150,000 | June 30, 2020 | Summer 2019 |
| Proposition 84 | Franklin/Ivar Park | Mountains Recreation & Conservation Authority | \$400,000 | June 30, 2020 | Spring 2020 |
| Proposition 84 | Hollister/Kellogg Park | City of Goleta | \$182,000 | June 30, 2020 | Fall 2019 |
| Proposition 84 | Richgrove Community Park | Richgrove Community Services District | \$567,842 | June 30, 2020 | Spring 2020 |
| Proposition 84 | Parlier City Park | City of Parlier | \$1,410,843 | June 30, 2020 | Summer 2019 |

Local Park Projects: Reappropriations. Requests have been made by various local entities for reappropriations. Projects that need an additional year for encumbrance/expenditure as follows:

| Fund Source | Project Name | Grantee Name | Current Grant Balance | Encumbrance Date Needed | Expected Completion |
|---|--------------------------------|---------------------|-----------------------|-------------------------|---------------------|
| 2002 Bond Act (Proposition 40), Per Capita | Three Creeks Trail | City of San Jose | \$1,773,027 | June 30, 2020 | Spring 2020 |
| Proposition 40, Roberti-Z/Berg Harris Block | Three Creeks Trail | City of San Jose | \$29,526 | June 30, 2020 | Spring 2020 |
| Proposition 40, Urban Park Act of 2001 | East Wilmington Greenbelt Park | City of Los Angeles | \$2,932,921 | June 30, 2020 | Fall 2019 |

Staff Recommendation. Approve as requested.

3855 SIERRA NEVADA CONSERVANCY (SNC)

Issue 12: Sierra Nevada Conservancy Fund Authority and Cash Flow Transfer (SFL)

Governor’s Proposal. An SFL requests the following:

- Authority of \$180,000 and reimbursement authority of \$8.3 million for the Sierra Nevada Conservancy Fund (Conservancy Fund), and two positions.
- A reduction in its current reimbursement line item under the Environmental License Plate Fund (ELPF) from \$1.457 million to \$1,000 and a reduction of two positions, which functionally reflects a shift of reimbursement authority and positions from the ELPF to the Conservancy Fund.
- Initiation of a one-time cash transfer of \$1.45 million from ELPF to the Conservancy Fund, which is intended to enable SNC to cover the initial costs for projects that will ultimately be reimbursed by the grant-making entities. This would not change SNC's baseline budget under ELPF.
- Budget bill language (BBL) stating, “The funds appropriated in this item may be used for support or local assistance.” This BBL is intended to enable the Conservancy Fund authority to be used for support or local assistance and give SNC the opportunity.

Background. When SNC was established in 2004. The Conservancy Fund was formally established in October 2018. SNC began receiving funding from different sources, including other state agencies and nonprofits, which were processed through SNC's ELPF reimbursement account. As shown in the table below, those reimbursement amounts started as relatively small amounts and increased quickly over the past three years largely due to additional grant funding from various entities.

Resource History
(Dollars in thousands)

| Reimbursements | 2014-15 | 2015-16 | 2016-17 | 2017-18 | Projected 2018-19 | Projected 2019-20 |
|----------------|---------|---------|---------|---------|-------------------|-------------------|
| Total Received | \$5 | \$1 | \$88 | \$314 | \$3,300 | \$8,300 |

These reimbursements currently flow through the SNC's Budget Act ELPF Item, which is SNC's main support item. Because of this, there have been instances in which the SNC was not able to easily accept funding from public and private sources due to the comingling of funds within the ELPF and timing considerations. Also, having the reimbursements flow through ELPF makes it challenging to track expenditures separately and creates additional administrative workload.

Using the Conservancy Fund for reimbursement contracts and grants from public and private sources is intended to ensure the expenditures tied to these agreements will be separate from those being charged directly to ELPF and allow the SNC to receive funding, such as grants, from other public and private sources while reducing administrative workload and avoiding delays.

The request for an additional \$1.45 million one-time cash transfer from ELPF to the Conservancy Fund is intended to alleviate any cash flow problems and assist the SNC to set up a separate reimbursement

account from its ELPF appropriation. This cash transfer would not affect SNC's baseline budget under ELPF.

Adding BBL is intended to enable the Conservancy Fund authority to be used for support or local assistance and give SNC the opportunity to accept reimbursable agreements and/or grants that include local assistance funding without any delay.

Staff Recommendation. Approve as requested.

3885 DELTA STEWARDSHIP COUNCIL (DSC)**Issue 13: Technical Proposal – Extension of Liquidation (SFL)**

Governor’s Proposal. An SFL requests an extension of liquidation to June 30, 2021, for \$1.1 million General Fund (approved as a part of the 2016 Budget Act) to review the Delta Plan and develop high-priority Delta Plan amendments, where necessary. These funds have been encumbered, but not expended due to the DSC's reprioritization of workload resulting from unanticipated covered action appellate proceedings.

Background. *The Delta Plan.* The Delta Reform Act of 2009 (Act) directed the DSC to draft a comprehensive, legally enforceable, long-term plan to guide state and local actions to further California’s coequal goals for the Delta. The plan, which was adopted in 2013, is required to be reviewed for potential updates at least every five years (Water Code Section 85300(c)).

In January 2016, a budget change proposal was submitted and approved in the amount of \$1.45 million for updates to the Delta Plan which included technical research for plan amendments; development or modification of regulatory policies and recommendation, development of necessary California Environmental Quality Act (CEQA) documentation and the development of Office of Administrative Law documentation to address changes to the Delta Plan.

These funds have been encumbered, but not expended due to the DSC's reprioritization of workload resulting from unanticipated covered action appellate proceedings. Given that the covered action process is one of self-certification by the project proponent, the DSC does not control when a project comes before the DSC, and therefore must accommodate a project, and any subsequent appeal, as necessary.

Staff Recommendation. Approve as requested.

3900 AIR RESOURCES BOARD (ARB)**Issue 14: Reappropriation (SFL)**

Governor's Proposal. An SFL requests that Item 3900-490 be added to reappropriate the unexpended balance in Item 3900-101-3228, Budget Act of 2017. This funding supports existing zero-emission off-road freight projects. Specifically the proposed language is as follows:

3900-490—Reappropriation, State Air Resources Board. The balances of the appropriations provided in the following citations are reappropriated for the purposes provided for in those appropriations and shall be available for encumbrance or expenditure until June 30, 2020:

3228—Greenhouse Gas Reduction Fund

(1) Provision 2(c) of Item 3900-101-3228, Budget Act of 2017 (Chs. 14 and 22, Stats. 2017), as added by Chapter 254, Statutes of 2017.

Staff Recommendation. Approve as requested.

Issue 15: Extension of Liquidation (SFL)

Governor's Proposal. An SFL requests that Item 3900-491 be added to extend the period to liquidate encumbrances in Item 3900-101-3228, Budget Act of 2014 and Item 3900-101-3228, Budget Act of 2016 to June 30, 2022. This funding supports existing advanced technology freight demonstration projects. Specifically the proposed language is as follows:

3900-491—Reappropriation, State Air Resources Board. Notwithstanding any other provision of law, the period to liquidate encumbrances of the following citations is extended to June 30, 2022.

3228—Greenhouse Gas Reduction Fund

(1) Item 3900-101-3228, Budget Act of 2014 (Chs. 25 and 663, Stats. 2014)

(2) Up to \$7,200,000 pursuant to Provision 3 of Item 3900-101-3228, Budget Act of 2016 (Ch. 23, Stats. 2016), as added by Chapter 370, Statutes of 2016, as reappropriated.

Staff Recommendation. Approve as requested.

3970 DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY (CALRECYCLE)**Issue 16: Reappropriation (SFL)**

Governor's Proposal. An SFL requests that Item 3970-491 be added to reappropriate up to \$4.2 million and include an extended encumbrance and liquidation period. This funding was originally approved in the 2017 Budget Act and reappropriated in the 2018 Budget Act to implement the requirements for the closure and post-closure maintenance of the inactive Bonzi Landfill. Specifically the proposed language is as follows:

3970-491—Reappropriation, Department of Resources Recycling and Recovery. The amount specified in the following citations are reappropriated for the purposes provided for in those appropriations and shall be available for encumbrance or expenditure until June 30, 2021, and available for liquidation of encumbrance or expenditure until June 30, 2024:

0387—Integrated Waste Management Account, Integrated Waste Management Fund
(1) Up to \$4,200,000 appropriated in Item 3970-001-0387, Budget Act of 2017 (Chs. 14 and 22, Stats. 2017), as reappropriated by Item 3970-491, Budget Act of 2018 (Chs. 29 and 30, Stats. 2018) for the Bonzi Landfill Closure (1) 3700—Waste Reduction and Management

Staff Recommendation. Approve as requested.

3980 OFFICE OF ENVIRONMENTAL HEALTH HAZARD ASSESSMENT (OEHHA)**Issue 17: Litigation Costs (Proposition 65) (SFL)**

Governor's Proposal. An SFL requests an increase of \$500,000 General Fund ongoing to pay for defense of civil lawsuits brought against OEHHA, primarily but not limited to its actions as lead agency for purposes of the Safe Drinking Water and Toxics Enforcement Act of 1986 (commonly referred as Proposition 65).

Background. OEHHA is designated as the lead state agency for implementation of Proposition 65. The Department of Justice (DOJ) defends OEHHA in civil lawsuits brought by third parties challenging its actions under Proposition 65. These actions include listing of chemicals known to the state to cause cancer or reproductive toxicity; developing, adopting and amending regulations; and providing compliance assistance for businesses including adopting regulatory "safe harbor" levels for chemicals on the Proposition 65 list.

DOJ has separate authority to enforce the requirements of Proposition 65 and has a budget for Proposition 65-related work. Historically, DOJ covered the costs of defending OEHHA with funds from this budget. However, in recent years the amount of time spent on OEHHA cases has far exceeded the 1,000 hours allocated for this purpose in the DOJ budget.

OEHHA recently completed a long and controversial regulatory process to update the regulations concerning businesses' responsibilities for providing warnings for chemicals listed under Proposition 65, which could generate some legal challenges. In addition, OEHHA was sued over a proposed regulation concerning warnings for coffee and related Public Records Act issues. Lastly, several high-profile chemical listings are anticipated in the next couple of years and will likely trigger additional litigation.

Staff Recommendation. Approve as requested.

ISSUES FOR DISCUSSION

- 0540 CALIFORNIA NATURAL RESOURCES AGENCY (CNRA)**
- 3125 CALIFORNIA TAHOE CONSERVANCY**
- 3340 CALIFORNIA TAHOE CONSERVANCY**
- 3480 DEPARTMENT OF CONSERVATION**
- 3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION**
- 3600 DEPARTMENT OF FISH AND WILDLIFE**
- 3640 WILDLIFE CONSERVATION BOARD**
- 3790 DEPARTMENT OF PARKS AND RECREATION**
- 3870 SANTA MONICA MOUNTAINS CONSERVANCY**
- 3825 SAN GABRIEL AND LOWER LOS ANGELES RIVERS AND MOUNTAIN CONSERVANCY**
- 3860 DEPARTMENT OF WATER RESOURCES**
- 3875 SACRAMENTO-SAN JOAQUIN DELTA CONSERVANCY**

Issue 18: Various Adjustments: Amendment to and Addition of Various Budget Bill Items and Reimbursements, Support, Local Assistance, and Capital Outlay (SFL)

The following table reflects requests included as part of the Spring Finance Letter (SFL) entitled, “Amendment to and Addition of Various Budget Bill Items and Reimbursements, Support, Local Assistance, and Capital Outlay, Various Departments within the Natural Resources Agency.”

| Department Name | Spring BCP Title | Amount <i>(Dollars in Thousands)</i> | Proposition /Fund | Reason |
|--------------------------|---|---|-------------------|--|
| Natural Resources Agency | Various Bond Reappropriations | \$ - | Prop 40/6029 | This reappropriation will enable the Natural Resources Agency to leverage unencumbered balances across various bond allocations. A number of programs have been delayed for various reasons including extended contracting processes. The reappropriations will provide additional time for these projects to be completed. |
| | | \$ - | Prop 50/6031 | |
| | | \$ - | Prop 84/6051 | |
| | | \$ - | Prop 84/6051 | |
| | | \$ - | Prop 84/6051 | |
| Natural Resources Agency | California River Recreation, Creek, and Waterway Improvements (Prop 68) | \$1,240 | Prop 68/6088 | <p>The applicable Prop 68 bond subsections allocate \$31 million to the Program, five percent of which may be used on program delivery. The Budget Act of 2018 includes \$28,750,000 in Prop 68 local assistance for the Program. Agency has determined that the full five percent for program delivery is not needed. Therefore, this proposal requests additional local assistance funding for grants. Funding will be spent as follows:</p> <ul style="list-style-type: none"> • \$120,000 Los Gatos Creek and Upper Guadalupe River • \$120,000 Russian River • \$200,000 Clear Lake • \$800,000 Los Angeles River in the City of Glendale <p>This request also reduces out years by \$493,000 to align authority with expenditures.</p> |

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| <p>Natural Resources Agency</p> <p>California Tahoe Conservancy</p> | <p>Technical Adjustment - Joint Lake Tahoe Science and Water Quality Program Manager Net-Zero Position Shift</p> | <p>\$(99)</p> <p>\$ -</p> | <p>Environmental License Plate Fund - 0140</p> <p>Reimbursements - 0995</p> <p>Lake Tahoe Science and Lake Improvement Account - 1018</p> | <p>The 2019-20 Governor's Budget proposed \$148,000 (\$99,000 in reimbursement authority and \$49,000 Lake Tahoe Science and Lake Improvement Account) for the California Tahoe Conservancy to support a dedicated position that would be shared between the Conservancy and the Natural Resources Agency to coordinate bi-state efforts to improve water quality in the Lake Tahoe Basin. This request will shift the authority for the position and associated funding from the Conservancy's Budget to the Natural Resources Agency's Budget to better reflect the state-level focus of the activities the position will undertake as well as the reporting relationship with the Secretary of the Natural Resources Agency. This position will continue to perform the same functions as outlined in the 2019-20 Joint Lake Tahoe Science and Water Quality Program Manager Position Budget Change Proposal, namely to support the efforts of the Tahoe Science Advisory Council and Bi-State Executive Committee and serve as the policy lead for water quality efforts in the Lake Tahoe Basin.</p> |
| <p>Natural Resources Agency</p> | <p>Technical Adjustment - Digital Migration</p> | <p>\$ -</p> <p>\$ -</p> <p>\$ 2,388</p> | <p>General Fund-0001</p> <p>Environmental License Plate Fund - 0140</p> <p>Reimbursements - 0995</p> | <p>The Governor's Budget includes funding across various departments within and including Resources Agency for digitization of paper files. In order to increase efficiency, this net-zero technical adjustment shifts some funding from the departments to Resources Agency to reduce the number of Interagency Agreements needed to contract with the vendor, and increases Resources Agency's reimbursement authority for those departments where funding is not being shifted.</p> |
| <p>California Tahoe Conservancy</p> | <p>Reversion and New Appropriation – Multi benefit Ecosystem and Watershed Protection and Restoration Projects (Proposition 1)</p> | <p>\$ 1,039</p> | <p>Prop 1/6083</p> | <p>This request will revert and newly appropriate \$1 million in remaining Proposition 1 funding for local assistance grants for multi-benefit ecosystem and watershed protection and restoration projects in the Lake Tahoe Basin, consistent with statute and the purpose for which the funds were originally appropriated in 2015.</p> |
| <p>California Tahoe Conservancy</p> | <p>Proposition 68 Strategic Plan Implementation Spring Adjustments</p> | <p>\$ 1,098</p> | <p>Prop 68/6088</p> | <p>This request will provide additional funding to accelerate implementation of the California Tahoe Conservancy's Proposition 68 (Prop 68) programs, provide enhanced technical assistance to support its pending Prop 68 grant cycle, and facilitate increased alignment between its Prop 68 programs and recently-adopted strategic plan. This request involves (1) shifting \$782,000 in technical assistance funding proposed for fiscal years 2020-21 through 2023-24 to 2019-20 to accelerate these activities and (2) increasing funding for planning and monitoring and program delivery to support overall program implementation. To address the growing threats to the Lake Tahoe Basin, the Conservancy requests increased funding for Climate, Sustainable Communities, and Fire and Fuels Programs starting in 2019-20. The programs place an emphasis on climate change science, mitigation, and adaptation in response to state mandates and the Conservancy's strategic plan. Additionally, the funding will build capacity to undertake Prop 68 activities, including planning and technical assistance activities related to greenhouse gas inventories, visitation scenarios, watershed hydrosimulations, and fire and fuels projects.</p> |

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| California Conservation Corps | Technical Adjustment - Active Transportation Program Provisional Language | \$ - | Collins-Dugan California Conservation Corps Reimbursement Account - 0318 | This request will extend the encumbrance and liquidation periods for \$4 million Collins-Dugan Reimbursement Account for active transportation projects by one year, from June 30, 2024 to June 30,2025, to align with the corresponding Department of Transportation item (Item 2660-108-3290), which has encumbrance and liquidation availability until June 30, 2025. |
| Department of Conservation | Division of Land Resource Protection: Propositions 40 and 84 Appropriations | \$ 180 | Prop 84/6051 | This request will provide \$180,000 to support agricultural land preservation. These funds were originally appropriated for this purpose in fiscal year 2016-17. This amount represents the unencumbered balance that is scheduled to revert as of June 30, 2019. |
| | | \$ 1,142 | Prop 40/6029 | This request will provide \$1,142,000 to support agricultural land preservation. These funds were originally appropriated for this purpose in fiscal year 2016-17. This amount represents the unencumbered balance that is scheduled to revert as of June 30, 2019. |
| Department of Forestry and Fire Protection | Technical Adjustment - SB 901 Prescribed Fire Crew Program Realignment | \$ - | Greenhouse Gas Reduction Fund - 3228 | This request will correct a technical coding error by shifting the \$35 million Greenhouse Gas Reduction Fund proposed for the Department of Forestry and Fire Protection to support the operation of prescribed fire crews pursuant to Chapter 626, Statutes of 2018 (SB 901) from the Fire Protection Program to the Resources Management Program. |
| Department of Forestry and Fire Protection | Technical Adjustment - Deferred Maintenance Provisional Language | \$ - | General Fund - 0001 | This request will add budget bill language to extend the encumbrance period for \$6 million proposed in the 2019-20 Governor's Budget for deferred maintenance projects until June 30, 2022, consistent with language included for other departments requesting one-time funding for deferred maintenance in 2019-20. |
| Department of Fish and Wildlife | Extension of Liquidation - Various Items, ENY 2016 | \$ - | General Fund - 0001 | The Department of Fish and Wildlife (Department) requests to extend the liquidation period of its fiscal year 2016-17 support items for Funds 0001, 0200, 0320, and 3103 to enable the Department to accurately allocate fiscal year 2016-17 expenditures to the appropriate funds |
| | | \$ - | Fish and Game Preservation Fund - 0200 | |
| | | \$ - | Oil Spill Prevention and Administration Fund - 0320 | |
| | | \$ - | Hatchery and Inland Fisheries Fund - 3103 | |

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| Department of Fish and Wildlife | Reversion and New Appropriation - Bay Delta and Coastal Fisheries Restoration Projects | \$ 9,211 | Prop 84/6051 | This reversion of \$9,211,000 is associated with the fiscal year 2016-17 appropriation of Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006 (Prop 84) funding. The Department received \$11,924,000 of which the balance will not revert until June 30, 2020. The appropriation will enable the Department to continue supporting the Ecosystem Restoration Program and Bay-Delta Natural Community Conservation Plan. |
| Wildlife Conservation Board | Reappropriation - General Fund Local Assistance Item, ENY 2018 | \$ 10,000 | General Fund - 0001 | This reappropriation is necessary because the amount of time is not sufficient to negotiate the purchase price, contracting for due diligence including appraisal review services required for a property of its size and complexity, or to obtain Wildlife Conservation Board (WCB) approval and enter all parties into the necessary grant agreements. Reappropriation will allow WCB to fully develop and execute the specified acquisition project. |
| Department of Parks and Recreation | Proposition 12 Statewide Bond Costs | \$ 52 | Prop 12/0005 | These funds will support continued statewide bond management activities for administration of Proposition 12. |
| Parks and Recreation | Reappropriation - Habitat Conservation Fund | \$ 815 | Habitat Conservation Fund - 0262 | This reappropriation will support continued projects for the benefit of deer, mountain lion, and other endangered species habitat. |
| Parks and Recreation | Reappropriation - Water Wastewater | \$ 2,478 | State Parks and Recreation Fund - 0392 | This reappropriation will continue supporting wastewater projects with continued construction administration and contracting costs. Disaster events throughout the state this past year have had a great impact on these project schedules; both direct for projects within the area and indirect due to resources being diverted to assist in these major events. |
| | | \$ 5,780 | State Parks and Recreation Fund - 0392 | This reappropriation will continue supporting water wastewater projects in various stages of design and construction. Disaster events throughout the state this past year have had a great impact on these project schedules; both direct for projects within the area and indirect due to resources being diverted to assist in these major events. |
| Parks and Recreation | Reappropriation - 2017 Hazardous Mine Remediation | \$11,967 | General Fund - 0001 | This reappropriation will support continued remediation activities at Malakoff Diggins State Historic Park and Mount Diablo State Park. |
| Santa Monica Mountains Conservancy | Santa Monica Mountains Conservancy Fund | \$ 200 | Santa Monica Mountains Conservancy Fund - 0941 | These funds will make ongoing the authority provided to the Conservancy from the Santa Monica Mountains Conservancy Fund on a limited term basis the past three fiscal years. |
| Rivers and Mountains Conservancy | Extension of Liquidation, Reversion, and Appropriation - Propositions 1, 50, and 84 | \$ 2,000 | Prop 1/6083 | These reversions, new appropriations, and extension of liquidation will true up remaining authority with updated point-in-time information while allowing the Conservancy to complete projects initiated under the original appropriation. |
| | | \$ 130 | Prop 50/6031 | |
| | | \$ 1,476 | Prop 84/6051 | |
| Department of Water Resources | Extension of Liquidation - Water Desalination Grant Program | \$ - | Prop 50/6031 | This extension will cover contracts associated with the Water Desalination Grant Program established to provide grant assistance to local agencies and other entities for water desalination projects. |
| | | \$ - | Prop 50/6031 | This extension will cover contracts associated with the Water Desalination Grant Program established to provide grant assistance to local agencies and other entities for water desalination projects. |

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| Department of Water Resources | Reappropriation - Desalination Grants | \$ - | Prop 1/6083 | This reappropriation will support the Water Desalination Grant Program established to provide grant assistance to local agencies and other entities for water desalination projects. |
| Department of Water Resources | Extension of Liquidation - Water Use Efficiency Program | \$ - | Prop 50/6031 | This extension will cover various existing Prop 50 grants. |
| Department of Water Resources | Reappropriation - Water Use Efficiency | \$ - | Prop 50/6031 | This reappropriation allows for the completion of the Water Use Efficiency Technical Assistance and Science Program and the support of existing contracts related to advanced metering, water efficient landscapes, and agricultural flow measurements. |
| Department of Water Resources | Reappropriation - Safe Drinking Water Pilot Program | \$ - | Prop 50/6031 | This reappropriation will support the Safe Drinking Water Pilot Program established to support water systems using new technology to remove contaminants from drinking water. |
| Department of Water Resources | Reversion - Safe Drinking Water Program Improvements | \$ (2,431) | Prop 50/6031 | This reversion is needed to provide sufficient authority for a new Prop 50 appropriation for the Safe Drinking Water Improvement Program. |
| Department of Water Resources | Reappropriation - Riverine Stewardship Technical Assistance | \$ - | Prop 50/6031 | This reappropriation will support the Riverine Stewardship Technical Assistance Program to provide technical and financial assistance in support of river and stream restoration, including habitat and wildlife improvements. |
| Department of Water Resources | Reversion - Riverine Stewardship Technical Assistance Program | \$ (174) | Prop 50/6031 | This reversion is needed to provide sufficient authority for a new Prop 50 appropriation for the Riverine Stewardship Technical Assistance Program. |
| Department of Water Resources | Reappropriation - Merced River Floodwater for Groundwater Recharge Study | \$ - | Prop 68/6088 | This reappropriation will support completion of the ongoing Merced River Basin Floodwater for Managed Aquifer Recharge (Flood-MAR) Reconnaissance Study. |
| Department of Water Resources | Reversion - Floodwater for Groundwater Recharge | \$ (232) | Prop 50/6031 | This reversion is needed to allow for future appropriations and better align authority with the anticipated schedule for expenditures to support implementation of the Floodwater for Managed Aquifer Recharge (Flood-MAR) projects that facilitate groundwater management and storage. |
| | | \$ (17) | Prop 50/6031 | This reversion is needed to allow for future appropriations and better align authority with the anticipated schedule for expenditures to support implementation of the Floodwater for Managed Aquifer Recharge (Flood-MAR) projects that facilitate groundwater management and storage. |
| | | \$ (730) | Prop 50/6031 | This reversion is needed to allow for future appropriations and better align authority with the anticipated schedule for expenditures to support implementation of the Floodwater for Managed Aquifer Recharge (Flood-MAR) projects that facilitate groundwater management and storage. |
| | | \$ (761) | Prop 50/6031 | This reversion is needed to allow for future appropriations and better align authority with the anticipated schedule for expenditures to support implementation of the Floodwater for Managed Aquifer Recharge |

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| | | | | (Flood-MAR) projects that facilitate groundwater management and storage. |
| Department of Water Resources | Reversion - Bond Clean-Up | \$ (12) | Prop 68/6088 | This reversion is needed to correct an over-allocation of the bond section. |
| Department of Water Resources | Extension of Liquidation - Integrated Regional Water Management | \$ - | Prop 84/6051 | This extension is needed to cover existing contracts for grants previously awarded under the Integrated Regional Water Management Program. |
| | | \$ - | Prop 84/6051 | This extension is needed to cover existing contracts for grants previously awarded under the Integrated Regional Water Management Program. |
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| | | \$ - | Prop 84/6051 | This extension is needed to cover existing contracts for grants previously awarded under the Integrated Regional Water Management Program. |
| Department of Water Resources | Reappropriation - Tribal Engagement | \$ - | Prop 84/6051 | This reappropriation will support continued efforts to engage with Tribal governments and Tribal communities, to build the institutional capacity needed for more effective participation of these historically underrepresented groups in integrated regional water management programs. |
| | | \$ - | Prop 84/6051 | This reappropriation will support continued efforts to engage with Tribal governments and Tribal communities, to build the institutional capacity needed for more effective participation of these historically underrepresented groups in integrated regional water management programs. |
| | | \$ - | Prop 84/6051 | This reappropriation will support continued efforts to engage with Tribal governments and Tribal communities, to build the institutional capacity needed for more effective participation of these historically underrepresented groups in integrated regional water management programs. |
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| | | \$ - | Prop 84/6051 | This reappropriation will support continued efforts to engage with Tribal governments and Tribal communities, to build the institutional capacity needed for more effective participation of these historically underrepresented groups in integrated regional water management programs. |
| Department of Water Resources | Reappropriation - Integrated Regional Water Management | \$ - | Prop 84/6051 | This reappropriation will support continued administration of the integrated regional water management grant program. |
| | | \$ - | Prop 84/6051 | This reappropriation will support continued administration of the integrated regional water management grant program. |
| | | \$ - | Prop 84/6051 | This reappropriation will support continued administration of the integrated regional water management grant program. |
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| | | \$ - | Prop 84/6051 | This reappropriation will support continued administration of the integrated regional water management grant program. |
| Department of Water Resources | Reversion - Flood Corridor and Flood Control Subventions Program | \$ - | Prop 84/6051 | This reversion is needed to provide sufficient funds for a new Prop 84 appropriation for the Flood Corridor and Flood Control Subventions Program. |
| | | \$ - | Prop 84/6051 | This reversion is needed to provide sufficient funds for a new Prop 84 appropriation for the Flood Corridor and Flood Control Subventions Program. |
| Department of Water Resources | Reappropriation - Flood Corridor Program | \$ - | Prop 84/6051 | This reappropriation is needed to support the Flood Corridor Program. |
| Department of Water Resources | Extension of Liquidation - Delta Levees Special Flood Control | \$ - | Prop 84/6051 | This extension is needed to cover contracts for the Delta Levees Special Flood Control Projects. |
| Department of Water Resources | Reappropriation - Delta Levees Special Flood Control | \$ - | Prop 84/6051 | This reappropriation is needed to continue work on the Delta Levees Special Flood Control Projects. |
| Department of | Reappropriation - | \$ - | Prop 84/6051 | This reappropriation is needed to continue work on habitat restoration |

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| Water Resources | Habitat Restoration | | | projects that were established to meet the Delta habitat mandates. |
| Department of Water Resources | Reappropriation - Dutch Slough Tidal Marsh Restoration | \$ - | Prop 84/6051 | This reappropriation is needed to support the Dutch Slough Tidal Marsh Restoration Project to meet the Delta habitat improvement mandate. |
| Department of Water Resources | Extension of Liquidation - System Reoperation Program | \$ - | Prop 84/6051 | This extension is needed to cover the System Reoperation Program contract for technical support to DWR staff to develop, refine, and conduct computer modeling studies to evaluate the feasibility of reoperation of reservoirs and the coordinated use of floodwater for managed aquifer recharge. |
| Department of Water Resources | Extension of Liquidation - Urban Streams Restoration Program | \$ - | Prop 13/6007 | This extension will reimburse grantees under the Prop 13 Urban Streams Restoration Program for work completed under their grant agreements. |
| | | \$ - | Prop 84/6051 | This extension is needed to cover contracts associated with the Urban Streams Restoration Program. |
| Department of Water Resources | Reversion - Urban Streams Restoration Program | \$ (1,000) | Prop 84/6051 | This reversion is needed to allow for future appropriations and better align authority with the anticipated schedule for expenditures to support the Urban Streams Restoration Program. |
| | | \$ (0.3) | Prop 84/6051 | This reversion is needed to allow for future appropriations and better align authority with the anticipated schedule for expenditures to support the Urban Streams Restoration Program. |
| | | \$ (128) | Prop 84/6051 | This reversion is needed to allow for future appropriations and better align authority with the anticipated schedule for expenditures to support the Urban Streams Restoration Program. |
| Department of Water Resources | Technical Adjustment - Prevent Over-Allocation of Funds | \$ (840) | Prop 84/6051 | This technical adjustment is needed to reduce authority to avoid over-allocation of bond funds. |
| | | \$ (14) | Prop 84/6051 | This technical adjustment is needed to reduce authority to avoid over-allocation of bond funds. |
| | | \$ (4) | Prop 84/6051 | This technical adjustment is needed to reduce authority to avoid over-allocation of bond funds. |
| | | \$ (22) | Prop 84/6051 | This technical adjustment is needed to reduce authority to avoid over-allocation of bond funds. |
| Department of Water Resources | Extension of Liquidation - Water-Energy Grant Program | \$ - | Greenhouse Gas Reduction Fund - 3228 | This extension will allow DWR to continue to pay grantees who previously received grant awards under the Water-Energy Grant Program. |
| Department of Water Resources | Reappropriation - Water-Energy Grant Program | \$ - | Greenhouse Gas Reduction Fund - 3228 | This reappropriation will allow DWR to continue to manage, administer, and close existing grants, including processing and payment of grantee invoices. |
| Department of Water Resources | Reappropriation - San Joaquin River Water Quality Improvement Program | \$ - | Prop 84/6051 | This reappropriation will support the San Joaquin River Water Quality Improvement Program established to implement projects that reduce or eliminate discharges of subsurface agricultural drainage water. |
| Department of Water Resources | Reappropriation - San Joaquin River Restoration Project | \$ - | Prop 1/6083 | This reappropriation will support the San Joaquin River Restoration Program to implement the settlement and bring back salmon to the San Joaquin River. |
| | | \$ - | Prop 1/6083 | This reappropriation will support the San Joaquin River Restoration Program to implement the settlement and bring back salmon to the San Joaquin River. |
| Department of Water Resources | Reappropriation - Disadvantaged Community Project Grants | \$ - | Prop 1/6083 | This reappropriation is needed to continue to provide funding that will directly benefit disadvantaged communities. |
| Department of | Reappropriation - | \$ - | Prop 1/6083 | This reappropriation is needed to implement flood risk reduction projects |

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| Water Resources | Coastal Water Flood Risk Reduction | | | that address current conditions and increased frequency and severity of extreme weather events. |
| Department of Water Resources | Reappropriation - Central Valley Tribal Program | \$ - | Prop 1/6083 | This reappropriation is needed to allow staff to finalize proposal reviews, execute recommended grant agreements, and manage projects to completion. |
| | | \$ - | Prop 1/6083 | This reappropriation is needed to address known flood risks, which may include projects that contribute to voluntary agreements being developed by the Natural Resources Agency, the Department of Fish and Wildlife, and various stakeholders to address larger Bay-Delta water quality and ecosystem objectives. |
| Department of Water Resources | Reappropriation - Delta Systemwide Flood Risk Reduction | \$ - | Prop 1/6083 | This reappropriation is needed for the Systemwide Flood Risk Reduction Program, which provides funding, direction, and oversight for repairing and improving flood management facilities at the system level. |
| | | \$ - | Prop 1/6083 | This reappropriation is needed for continued work on Systemwide Flood Risk Reduction. Funding has not yet been committed because ongoing contract negotiations have taken longer than anticipated. |
| Department of Water Resources | Reappropriation - Central Valley Systemwide Flood Risk Reduction | \$ - | Prop 1/6083 | This reappropriation is needed for continued work on Systemwide Flood Risk Reduction. |
| Department of Water Resources | Reappropriation - Delta Levees Subventions | \$ - | Prop 1/6083 | This reappropriation is needed to continue the work of the Delta Levees Maintenance Subventions Projects. |
| | | \$ - | Prop 1/6083 | This reappropriation is needed to continue the work of the Delta Levees Maintenance Subventions Planning and Monitoring. |
| | | \$ - | Prop 1/6083 | This reappropriation is needed to continue the work of the Delta Levees Maintenance Subventions Projects. |
| Department of Water Resources | Extension of Liquidation - Drought Emergency | \$ - | General Fund - 0001 | This extension will support the Drought Emergency Program established to respond to California's drought emergency in compliance with previous executive orders. |
| Department of Water Resources | Extension of Liquidation - Drought Emergency | \$ - | General Fund - 0001 | This extension will support the Drought Emergency Program established to respond to California's drought emergency in compliance with previous executive orders. |
| Department of Water Resources | Extension of Liquidation - Truckee River Operating Agreement | \$ - | General Fund - 0001 | This extension will support the Truckee River Operating Agreement Implementation Program. |
| Department of Water Resources | Extension of Liquidation - Risk Notification | \$ - | General Fund - 0001 | This extension is for the Sacramento River Flood Control System. Funding has not been expended due to ongoing contract negotiations. |
| Department of Water Resources | Extension of Liquidation - Floodplain Management Ordinances | \$ - | General Fund - 0001 | This extension is for the development of model floodplain management ordinances for the Division of Flood Management. |

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| Department of Water Resources | Extension of Liquidation - Sacramento River General Reevaluation Report | \$ - | General Fund - 0001 | This extension will support the Sacramento River General Reevaluation Report study to evaluate the integrity of the Sacramento River Flood Control System. |
| Department of Water Resources | Extension of Liquidation - Sacramento River General Reevaluation Report - Outreach | \$ - | General Fund - 0001 | This extension will support the Sacramento River General Reevaluation Report study to evaluate the integrity of the Sacramento River Flood Control System. |
| Department of Water Resources | Extension of Liquidation - Hydrology and Flood Operations Office Assessment and Reporting | \$ - | General Fund - 0001 | This extension is needed to support Flood Forecasting. The funding has not been liquidated because the truck is on back order from the manufacturer. |
| Department of Water Resources | Extension of Liquidation - National Hydrography Dataset Stewardship | \$ - | General Fund - 0001 | This extension will support the California National Hydrography Dataset program established to steward the United States Geological Survey's National Hydrography Dataset and Watershed Boundary Dataset for California. |
| Department of Water Resources | Extension of Liquidation - Yuba Feather Flood Protection Program | \$ - | Prop 13/6010 | This extension is needed to allow the project to run to completion and allow time for proper final invoicing and closeout processes. |
| | | \$ - | Prop 13/6010 | This extension will support the Yuba Feather Flood Protection Program. The projects are complete and the remaining fund center balance is for retention. |
| Department of Water Resources | Extension of Liquidation - Hamilton City Flood and Restoration Project | \$ - | Prop 13/6015 | This extension will support Phase 2B of the Hamilton City Flood Damage Reduction and Ecosystem Restoration Project. |
| Department of Water Resources | Reversion - Systemwide Flood Risk Reduction Program | \$ (10,000) | Prop 1/6083 | This reversion is needed to provide sufficient authority to cover a new appropriation for Systemwide projects. |
| Department of Water Resources | Technical Adjustment - Prevent Over-Allocation of Funds | \$ (1) | Prop 50/6031 | This technical adjustment is needed to reduce authority to avoid over-allocation of bond funds. |
| | | \$ - | Prop 50/6031 | This technical adjustment is needed to reduce outyear authority to avoid over-allocation of bond funds. |
| | | \$ - | Prop 84/6051 | This technical adjustment is needed to reduce outyear authority to avoid over-allocation of bond funds. |
| | | \$ - | Prop 84/6051 | This technical adjustment is needed to reduce outyear authority to avoid over-allocation of bond funds. |
| | | \$ - | Prop 84/6051 | This technical adjustment is needed to reduce outyear authority to avoid over-allocation of bond funds. |
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| | | \$ - | Prop 84/6051 | This technical adjustment is needed to reduce outyear authority to avoid over-allocation of bond funds. |

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| | | \$ - | Prop 84/6051 | This technical adjustment is needed to reduce outyear authority to avoid over-allocation of bond funds. |
| | | \$ - | Prop 1/6083 | This technical adjustment is needed to reduce outyear authority to avoid over-allocation of bond funds. |
| | | \$ - | Prop 1/6083 | This technical adjustment is needed to reduce out year authority to avoid over-allocation of bond funds. |
| | | \$ - | Prop 1/6083 | This technical adjustment is needed to reduce out year authority to avoid over-allocation of bond funds. |
| Department of Water Resources | Technical Adjustment - Control Section Adjustments | \$ (12) | Prop 68/6088 | This technical adjustment is needed to reduce authority to avoid over-allocation of bond funding in light of control section adjustments. |
| | | \$ - | Prop 68/6088 | This technical adjustment is needed to reduce authority to avoid over-allocation of bond funding in light of control section adjustments. |
| SSJDC | Reversion - Proposition 1 | \$ - | Prop 1/6083 | This request includes reversions of the unencumbered balance of the 2017-2018 appropriations to better align authority with anticipated expenditures based upon current information. |
| | | \$ - | | |
| SSJDC | Reappropriation - Office Expansion | \$ - | Environmental License Plate Fund - 0140 | This reappropriation is needed to support a contract for office space expansion. |

Staff Recommendation. Hold open.

3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CALFIRE)**Issue 19: Ishi Conservation Camp – Replace Kitchen (SFL)**

Governor’s Proposal. An SFL requests a supplemental appropriation in the amount of \$5.328 million General Fund one-time for the construction phase of this continuing project to replace the kitchen/dining facility at the existing, state-owned Ishi Conservation Camp (Camp), located in Tehama County. The kitchen/dining structure at the Camp was destroyed by fire on July 20, 2017.

The requested supplemental appropriation is for an augmented scope of work is needed to facilitate a scope change to provide for increased fire water storage and plumbing for this institutional kitchen/dining hall, account for additional cost escalation increases, and cover additional costs related to project execution.

Estimated total project cost is \$11.474 million.

Background. *Ishi Conservation Camp.* Ishi Conservation Camp (Camp) is a year-round 110-person camp located on 80 acres of state-owned land in eastern Tehama County. Constructed in 1959, the Camp operates 24 hours a day, 365 days a year. The Camp provides Fire Crews for protection of over 850,000 acres of CalFire State Responsible Areas (SRA).

The kitchen/dining structure at the Camp was destroyed by fire on July 20, 2017. The structure was deemed a complete loss by CalFire engineers and demolished on August 9, 2017.

The Camp has been using a mobile kitchen unit, with initial daily operating costs of \$16,000. Operating costs were later reduced to approximately \$2,000 per month as existing structures were modified, alleviating the need for rental tents and mobile scullery equipment. Currently, the Camp is unable to stage fire crews or support other incidents because the kitchen/dining facility has been destroyed.

It has been determined that the project is deficient over several categories and without the requested supplemental appropriation, will need to be canceled due to the inability to move the project forward.

An augmented scope of work is necessary due to the following:

1. New site electrical service/requirements, determined by load calculations for the new kitchen/equipment and requirements of the provider (PG&E).
2. Requirement of a larger, dedicated water tank (180,000 gallons) and fire pump. The project is designed under the 2016 California Building Code (CBC) and Part 9 of the California Fire Code (CFC), Section 903.2; this code analysis was conducted during the preliminary plan (PP) phase and requires the 180,000-gallon water tank and fire pump.
3. Additional site earthwork requirements due to a larger building footprint, access compliance, re-routed and relocated utilities, and storm drain revisions; additional earthwork to include, but not be limited to: grading, paving, concrete, irrigation, sanitary/storm sewer(s).
4. Additional oversight and fee costs.

The replacement kitchen/dining facility is intended to return the camp back to normal operations, reducing costs associated with the use of a mobile kitchen unit and allow CalFire to utilize the camp as a staging area during large incidents.

The project has completed the preliminary planning and working drawing phases. The supplemental appropriation is necessary to bid/award the project with the ability to replace the kitchen/dining facility in its entirety, to full-functionality in support of the camp.

The total original, estimated project cost was \$6.055 million, including preliminary plans (\$383,000), working drawings (\$383,000), and construction (\$5.289 million). The total revised, estimated project cost, including the requested supplemental appropriation to the C phase (\$5.328 million), is \$11.474 million.

LAO Comments. CalFire recently learned of a significant estimated construction cost increase of \$5.3 million, roughly doubling the estimated construction cost assumed in the January budget. The cost increase is the result of an expanded project scope to include a large water tank to be available in case of a fire in the conservation camp kitchen to be constructed.

However, because CalFire has just learned of this cost increase the department has not had sufficient time to consider cost reduction measures to mitigate the cost increase. For example, it is possible the size of the water tank needed could be reduced or other value engineering measures could be implemented to mitigate the cost increase.

LAO Recommendation. LAO recommends rejecting the spring finance letter increase for the Ishi Kitchen project and providing only the level of funding for this project identified in the January budget.

LAO also recommends adding provisional budget language to allow the Department of Finance, upon notification to the Joint Legislative Budget Committee, to increase the amount of funding for construction after the completion of efforts to mitigate the cost increase and an analysis of how the kitchen replacement project and associated water tank fit into larger plans to replace this facility.

Staff Comment. Last year, this subcommittee heard an SFL proposal requesting \$383,000 General Fund for the preliminary plans phase of this kitchen replacement project for the Ishi Conservation Camp and approved the request on April 26, 2018. The estimated total project cost at the time was \$6.146 million.

On March 14, 2019, this subcommittee heard the Governor's January budget proposal, "Ishi Conservation Camp: Replace Kitchen," a continuing project with a request for \$5.38 million General Fund for the construction phase to replace the kitchen/dining facility. That issue has been held open.

Staff Recommendation. Hold open.

Issue 20: San Mateo-Santa Cruz Unit Headquarters – Relocate Auto Shop (SFL)

Governor’s Proposal. An SFL requests a supplemental appropriation of \$7.343 million Public Buildings Construction Fund one-time for the construction phase of this continuing project to relocate an auto shop facility at CalFire’s San Mateo-Santa Cruz Unit Headquarters. This request is to address cost increases resulting from increased labor and material costs, as well as increased costs associate with the current condition in the construction service market in Santa Cruz County.

Background. This project will construct a five-bay automotive repair shop, appurtenances, and improvements off of Empire Grade Road in Ben Lomond, California; a shared site with a Department of Corrections and Rehabilitation Conservation Camp, and the CalFire San Mateo-Santa Cruz Unit Headquarters. The project replaces an obsolete, undersized, and deteriorated two-bay auto shop in Felton, California. In a separate project request, the Felton auto shop will be abated and demolished.

Lease Revenue Bond Funding in the amount of \$11.172 million (\$1.044 million preliminary plans, \$868,690 working drawings, and \$9.26 million for construction) was appropriated in the 2008- 2009 Budget. In 2008, the project was suspended, which significantly delayed the project. In 2015, a supplemental appropriation for \$962,750 was approved for construction, which increased the total project cost to \$12.135 million.

With the additional \$7.343 million included in this request for construction, total project costs are now estimated to be \$19.478 million.

The project was bid in February 2019, but the lowest bid was approximately 67 percent over the state's estimate of \$8.873 million; the lowest bid, out of four bids, being \$14.8 million. The state conducted further analysis as to why the bids were significantly higher than the state's estimate, and the issues included increased labor and material costs, as well as increased costs associated with the current conditions in the construction services market in Santa Cruz County.

LAO Comments. The budget request includes the increased cost to the contractor and an associated increase in “soft costs” for the project. While this explanation is reasonable, the LAO has overarching concerns about why the estimate was so far off from the bids. The LAO thinks asking oversight questions on the process for developing bids and the interaction between CalFire and DGS could hopefully lead to improvements to minimize this issue in the future.

Staff Recommendation. Hold open.

Issue 21: Wildfire Prevention and Recovery Legislative Package (SB 901) Spring Adjustments: Utility Wildfire Mitigation Program (SFL)

Governor’s Proposal. An SFL requests \$816,000 Greenhouse Gas Reduction Fund (GGRF) and two positions starting in 2019-20, to meet the statutory requirements set forth by SB 901 (Dodd), Chapter 626, Statutes of 2018, related to the review of Utility Wildfire Mitigation Plans (WMPs), as recently clarified through a January 2019 Administrative Law Judge ruling, and support efforts to reduce the risks associated with the utility-caused wildfires.

The funding and positions requested in this proposal is in addition to the \$200 million GGRF proposed in the 2019-20 Budget for forest health and fire prevention activities consistent with SB 901 and builds on the resources requested in the 2019-20 Governor's Budget.

Background. *The 2018 Wildfire Legislative Package.* The Legislature approved several pieces of legislation in 2018 to address the increasingly severe wildfire seasons. The legislative package builds on the recent budget augmentations and enacts numerous policy changes such as establishing new programs and regulatory processes to improve forest health and support fire prevention activities. While there were numerous bills related to wildfires (and disaster response more broadly), there were five bills in the package for which the Administration has associated budget proposals for 2019-20.

Electric Utilities and Wildfire Mitigation Plans. Among other things, SB 901 contains provisions related to electric utilities, because utility infrastructure is a common source of wildfire ignition. First, the legislation establishes procedures for wildfire cost financing for investor owned utilities (IOUs) to apply for recovery of costs incurred as a result of catastrophic wildfires. Second, SB 901 adds additional required elements for wildfire mitigation plans prepared by IOUs and reviewed by the California Public Utilities Commission (CPUC), in consultation with CalFire. Specifically, IOUs must describe their future plans related to de-energizing portions of the electrical distribution system, managing vegetation along utility corridors, inspecting infrastructure, and any other steps they will take to modernize infrastructure and improve safety.

Staff Comments. The funding and positions requested in this proposal is in addition to the \$200 million GGRF proposed in the 2019-20 Budget for forest health and fire prevention activities consistent with SB 901 and builds on the resources requested in the 2019-20 Governor's Budget.

However, staff recommends holding this item open as conversations on the overall GGRF expenditure plan is still underway.

Staff Recommendation. Hold open.

3560 STATE LANDS COMMISSION (SLC)

Issue 22: Environmental Justice Program (SFL)

Governor’s Proposal. An SFL requests \$345,000 (from various funds) ongoing and two positions ongoing to implement its recently adopted Environmental Justice Policy. These resources are intended to support and expand SLC’s effort to institutionalize environmental justice considerations into its program planning, development, and implementation decisions.

The ongoing funding for this proposal would come from the following:

- California Environmental License Plate Fund: \$171,000
- Marine Invasive Species Control Fund: \$28,000
- Oil Spill Prevention and Administration Fund: \$126,000
- School Land Bank Fund: \$20,000

SLC requests funding to hire two dedicated staff (an EJ Coordinator and a support staff position), as well as \$75,000 in contract funding to conduct community meetings (including meeting space, staff travel, and interpretation and translation vendor contracts).

| Workload Measure | CY | BY | BY+1 | BY+2 | BY+3 | BY+4 |
|--|----------------------------|---|---|---|---|---|
| Conduct meetings to discuss proposed projects or leases with affected communities; at least half will be "high-profile" and require additional services (transcription, video, etc.) | N/A | 4-8 meetings | 4-8 meetings | 4-8 meetings | 4-8 meetings | 4-8 meetings |
| Translate public notices, support materials, and educational documents into the threshold language(s) of target communities | N/A | 80-160 pages per year (~20 pages per meeting) | 80-160 pages per year (~20 pages per meeting) | 80-160 pages per year (~20 pages per meeting) | 80-160 pages per year (~20 pages per meeting) | 80-160 pages per year (~20 pages per meeting) |
| Conduct staff training and update annually to reflect changes to laws, policies, and best practices | 1 (using final LG funding) | 1 | 1 | 1 | 1 | 1 |

These funds are intended to be leveraged to establish an ongoing and productive dialogue with EJ communities and representatives statewide and to engage with those impacted by projects within SLC’s jurisdiction.

Background. Environmental Justice Issues. Environmental justice issues and concerns intersect with SLC’s work. Examples include surface leasing for industrial and commercial uses, regulatory oversight of marine oil terminals, access to public lands and resources, renewable energy siting and development, preventing aquatic invasive species introduction, climate change resiliency, sea-level rise preparedness and adaptation, the oversight of granted Public Trust lands including those underlying most major ports, and waterfront redevelopment. Through training about environmental justice and social equity, increased awareness, communication, and early and frequent engagement with marginalized and disadvantaged communities, SLC’s work is intended to be more inclusive, transparent, and equitable.

In February 2017, then Lieutenant Governor (LG) and Commission Chair Gavin Newsom directed Commission staff to develop and implement a comprehensive EJ Policy. The LG's Office provided financial assistance during FY 2016-17 to be used for policy development, including listening sessions and other community outreach activities. SLC adopted the completed EJ Policy at its December 3, 2018 public meeting.

In order to develop a comprehensive program that addresses this direction, SLC requests two dedicated staff, an EJ Coordinator and a support staff position, as well as \$75,000 in contract funding to conduct community meetings. This contract funding is intended to allow SLC to host outreach meetings in the affected communities, translate meeting and educational documents, provide interpretive services, and even broadcast and transcribe higher-profile meetings that will draw more attention. In addition, SLC plans to conduct comprehensive training for all staff and update these materials regularly, based on new laws, regulations, and best practices. Ultimately, these funds are intended to be leveraged to establish an ongoing and productive dialogue with EJ communities and representatives statewide and to engage with those impacted by projects within SLC jurisdiction.

Staff Recommendation. Approve as requested.

Issue 23: Oil and Gas Decommissioning Litigation Costs (SFL)

Governor's Proposal. An SFL requests \$4 million General Fund one-time to fund unanticipated litigation costs associated with the Venoco LLC and Rincon Island oil and gas decommissioning projects.

The request also includes adding the following provision to Item 3560-001-0001:

3. Of the amount appropriated in this item, \$4,000,000 shall be available for external counsel costs related to Venoco, LLC and Greka Oil and Gas litigation. If costs related to the Venoco, LLC and Greka Oil and Gas litigation are less than \$4,000,000, the savings shall revert back to the General Fund. If costs related to the Venoco, LLC and Greka Oil and Gas litigation are more than \$4,000,000, the Department of Finance may augment this item by an amount sufficient to fund the difference. Any augmentation shall be authorized no sooner than 30 days after notification in writing to the Chairperson of the Joint Legislative Budget Committee.

SLC was sued on October 16, 2018, by the Trustee associated with Venoco LLC bankruptcy case and is now facing unanticipated litigation costs. Because of the expected pace of litigation in the case of *Eugene Davis v. State Lands Commission* (Case No. 17-10828), SLC estimates costs of approximately \$3 million in FY 2019-20.

Additionally, SLC intends to commence new litigation to recover costs expended to decommission Rincon Island (to cost \$50 million, nominally) against the owners of the prior lessee. This litigation will require financial forensic expertise and counsel on finance and corporate structures to pierce the corporate veil. Costs to initiate and prepare expert witness for litigation are estimated at approximately \$1 million in FY 2019-20.

Background. Two Decommissioning Efforts. SLC is currently involved in two major decommissioning efforts, and both have recently evolved to include litigation and require outside resources for legal expertise. In both the Venoco LLC and the Rincon Island projects, SLC is incurring significant litigation costs, which fall outside of the costs associated with plug and abandonment work that were funded previously.

Venoco LLC. Venoco LLC was the lessee of state oil and gas leases PRC 3120, PRC 3242, and PRC 421. The leases produced oil and gas from Platform Holly in the Santa Barbara Channel that was treated for sales at an upland location on private lands, the Ellwood Onshore Facility (EOF). The EOF and Platform Holly were designed and built in the 1960's as one contiguous operation to produce and treat oil and gas laden with lethal concentrations of hydrogen sulfide. It was determined that the safe plugging of the platform's wells required the operation of the EOF. SLC and the liquidating trustee of the Venoco LLC bankruptcy estate have been in litigation since October 2018 over whether SLC's use of the EOF is a taking and whether Venoco LLC is owed compensation.

The case is important because it sets a precedent for how SLC will treat future oil and gas lessees who reject their decommissioning obligations. In this instance, SLC determined that compensating a lessee for using facilities connected and necessary to perform the obligations it ought to be doing is unacceptable.

The next phase of this case is to schedule mediation. Following the mediation, the expectation is that litigation will continue. SLC expects litigation costs of roughly \$3 million in 2019-20 based on current

invoicing and the expected pace of litigation in the case of *Eugene Davis v. State Lands Commission* (Case No. 17-10828).

Because of the specialty knowledge necessary to address the significant complexities associated with the litigation and because the complaint was filed in the US Bankruptcy Court for the District of Delaware, the Attorney General's Office cannot defend SLC. While SLC is seeking to get the case dismissed or moved back to California, until that time, litigation costs are estimated at approximately \$500,000 per month.

On March 28, 2019, the Department of Finance submitted to the Joint Legislative Budget Committee a letter regarding an unanticipated cost funding request from the State Lands Commission for \$3 million in the current year.

The SFL is intended to fund appellate work ask for the court to dismiss Venoco LLC's case in Delaware. It also funds the litigation and appellate work of expert outside counsel, with monthly costs of \$500,000 due to the rapid pace of litigation and need for speedy appeals to counter aggressive moves by Venoco's counsel and to prepare for mandatory mediation in Delaware. The ultimate desired outcome is dismissal of Venoco's matter. SLC reviews and manages the work and invoices produced by its outside counsel.

Rincon Island. Rincon Island Limited Partnership (RILP) was the lessee for state leases PRC 1466, PRC 410, and PRC 145. These leases consist of Rincon Island, located V2 mile off Mussel Shoals, Ventura County, and an onshore production area located approximately two miles down the coast. In August 2016 (one day before SLC was to consider terminating the leases), RILP declared bankruptcy. In December 2017, RILP acceded, and the leases were terminated.

RILP is insolvent, but its owners and former general partners (Greka Oil and Gas) share liability for \$50 million in costs that the state has and will spend to plug the 70 wells on the leases and decommission lease facilities. RILP's owner group is shielded by corporate structures designed to limit all liability and mask ownership.

SLC intends to pursue potentially responsible parties for contribution of funds or as a cost recovery action in an attempt to make the state whole for damages inflicted by RILP. Funding from this request is intended to hire financial forensic experts and experts on business/corporate structuring seek cost recoveries from responsible parties. SLC and the state lack the in-house expertise to effectively conduct the necessary research, analysis, and strategic planning to win a judgement against the RILP owner group and need to retain outside expertise. SLC intends to directly manage and review contracted work and invoicing to control costs and maintain accountability.

Because SLC has been sued by the successor to the Venoco estate, the Trustee Eugene Davis, SLC's only option is to litigate to protect itself. With respect to the Rincon litigation, the State of California has already earmarked over \$50 million from the General Fund and pursuing litigation against the general partner of the state's lessee for cost recovery is likely the only way that the state could be made whole.

Staff Recommendation. Approve as requested.

3600 DEPARTMENT OF FISH AND WILDLIFE (DFW)**Issue 24: Service Based Budget Review (SFL)**

Governor's Proposal. An SFL requests \$2 million Environmental License Plate Fund one-time to fund the completion of the service-based budget (SBB) review, service-based budget tracking system, and final legislative report due January 15, 2021.

This project, which was initiated in 2018-19, is intended to institute a system that will: (1) better describe DFW's program activities to the Legislature and the public; (2) identify gaps in funding needs for programs compared to the mission-based level of service; (3) inform future budget proposals; and (4) develop a service based budgeting tool that will allow for budget planning and reporting to control agencies, the Legislature and the public.

Background. *DFW's Service Based Budget Review.* SB 854 (Committee on Budget and Fiscal Review), Chapter 51, Statutes of 2018, required DFW to contract with an independent entity to conduct a comprehensive SBB review, and the Budget Act of 2018 provided \$2 million for this project. In addition to contract funds, this appropriation included funding for DFW staff to participate and help implement SBB. SB 854 requires the SBB review to include an analysis of existing fund sources, program costs and how these align to meet statutory mandates. DFW entered into a contract with Deloitte, Inc. in November 2018. Toward the end of the contract negotiations, it became apparent that the 2018 Budget Act funding would be sufficient to complete the first of two phases of the SBB review and that additional funding would be needed in 2019-20 to complete the project.

The project began in earnest in January 2019; the current contract term carries through August 2019. The current contract is for \$1.5 million with the remaining \$500,000 to be used for the substantial DFW staff workload required to build task-level, foundational data and to begin building the information technology SBB tool. The first phase of the project will: (1) establish a project work plan; (2) build out a complete catalog of DFW tasks; (3) develop a stakeholder engagement plan to keep all parties informed of progress, including the Administration, the Legislature and the public; (3) compare existing resources to the level needed to fully carry out statutory mandates; and (4) provide for development of an information technology tool for future budget planning.

Additional funding is required in 2019-20 for the second phase of the SBB project, which will institutionalize the SBB tool for ongoing budgeting needs, provide training to staff on using the tool, continue stakeholder engagement and produce the required reporting to the Legislature. Similar to the first phase of the project, DFW anticipates the need for contract funds as well as resources for DFW staffing to complete the project. Without additional resources, the intent of the Legislature in passing SB 854 will not be fully realized. This project is intended to inform future budget proposals and strategic planning efforts.

Staff Recommendation. Approve as requested.

Issue 25: Dedicated Fish and Game Preservation Fund Realignment (SFL)

Governor's Proposal. An SFL requests to realign the Fish and Game Preservation Fund dedicated (FGPF-D) accounts and add \$150,000 from the Fish and Game Preservation Fund (FGPF), Native Species Conservation and Enhancement Account resulting in a \$2.248 million overall increase, to better align the FGPF-D account's expenditure authority with revenues, ensure the accounts remain structurally balanced, and provide resources to the DFW's Lands Visitor Pass Program.

Background. *Fish and Game Preservation Fund.* The FGPF was created in 1909. All money collected under the provisions of this Fish and Game Code 13000 et seq. and of any other law relating to the protection and preservation of birds, mammals, fish, reptiles or amphibian are credited to the FGPF.

The FGPF, Native Species Conservation and Enhancement Account was created in 1977 to permit separate accountability for the receipt and expenditure of moneys derived through donations from persons or organizations for the support of nongame and native plant species conservation and enhancement programs.

The FGPF-D comprises 29 accounts dedicated to specific revenue sources such as tag sales, application fees, donations, and violation fines. While the FGPF-D accounts have received realignments in the past, this request is intended to be a more thorough approach that will ensure the FGPF-D accounts remain structurally balanced.

Various FGPF-D accounts require realignment due to a number of factors that have affected revenues and expenditures. These adjustments will not shift authority from the non-dedicated Fish and Game Preservation Fund to increase FGPF-D. This realignment is strictly realigning authority within the dedicated accounts or reducing FGPF-D accounts expenditure authority to better align revenues and expenditures to ensure the accounts remain structurally balanced and maintain the stability of the FGPF-D in the future. The realignment allows programs where revenue is outpacing authority to utilize the additional authority to help achieve DFW's mission; however, it will also reduce the authority in accounts where the authority exceeds the revenue.

Staff Recommendation. Approve as requested.

Issue 26: Nutria Eradication and Control Program Reimbursement Grant Funding (SFL)

Governor's Proposal. An SFL requests \$9.384 million in reimbursement authority over three years for grants from the Sacramento-San Joaquin Delta Conservancy. The Proposition 1 grants provide supplemental funding to DFW's Nutria Eradication and Control Program to expand field operations and eradicate the highly invasive, semi-aquatic rodent from the state.

Background. Given the geographic scope, reproductive and dispersal potential of the nutria population, and inherent longevity of eradication efforts, the Department has determined a formal, dedicated program with long-term, stable funding is necessary to successfully eradicate nutria from the state. The 2019-20 Governor's Budget includes \$1.95 million in budget year and \$1.62 million ongoing to create the Nutria Eradication and Control Program (Program), which this subcommittee approved in early March, 2019.

However, since the initial funding requests were submitted, the scope of the issue has grown, including the resources needed to address it. In response to the need for expanded field operations and additional project components, DFW applied for grant funds from the Sacramento-San Joaquin Delta Conservancy's Proposition 1 grant program. The grants would augment the current funding proposed in the 2019-20 Governor's Budget and facilitate the expansion of field operations necessary for successful eradication.

The increased reimbursement authority is intended to allow DFW to implement the full-scale Program through the anticipated funding in the Governor's Budget and the reimbursable grant funding. Eradication of nutria will be achieved by implementing the five-phase eradication strategy: 1) Survey/delineate the population; 2) Knock-down systematic trapping of nutria; 3) Mop-up removal of remnant nutria; 4) Verification of site eradication; 5) Surveillance to ensure/declare successful eradication from the state. The grant funds will provide the dedicated field staff necessary for meeting the following objectives:

- Completing nutria surveys of all grid cells containing suitable, aquatic habitats of reasonable connectivity
- Releasing Judas nutria (sterilized, GPS-collared) and monitoring their movements for association with previously undetected nutria
- Continuing trapping within all cells with existing infestations and implement trapping in cells where new detections occur
- Deploying nutria scent-detection dog teams to conduct surveys in mop-up phase cells

Receipt of the grant funds and corresponding increase in reimbursement authority will facilitate the high-intensity response necessary to eradicate nutria from the state most efficiently, both in terms of time and overall costs. The more effective, efficient, and comprehensive the response is in the early stages of the infestation, the more rapidly progress can be made toward project milestones that will ultimately allow for tapering of the program size and annual costs.

Staff Recommendation. Approve as requested.

3720 CALIFORNIA COASTAL COMMISSION

Issue 27: Environmental Justice/Tribal Consultation Program (SFL)

Governor’s Proposal. An SFL requests \$378,000 Environmental License Plate Fund ongoing and two permanent positions to implement the Coastal Commission's Environmental Justice (EJ)/Tribal Consultation Program.

| Workload Measure | CY | BY | BY+1 | BY+2 | BY+3 | BY+4 |
|--|-----|--|--|--|--|--|
| Conduct meetings; at least half will require additional services (transcription, video, etc). | N/A | 4-8 meetings | 4-8 meetings | 4-8 meetings | 4-8 meetings | 4-8 meetings |
| Translation services including interpretation for Commission meetings, workshops and written materials (staff reports, public notices, etc.) | N/A | 100 pages per year; 3 – 5 days interpretation services | 100 pages per year; 3 – 5 days interpretation services | 100 pages per year; 3 – 5 days interpretation services | 100 pages per year; 3 – 5 days interpretation services | 100 pages per year; 3 – 5 days interpretation services |
| Conduct staff trainings | | 1-2 | 1-2 | 1-2 | 1-2 | 1-2 |

These resources are intended to support and expand the Coastal Commission's efforts to institutionalize environmental justice considerations and tribal consultation practices in the Commission's planning and regulatory program. It is also intended to result in robust and inclusive public participation in the Commission's decision-making processes.

Background. *The Coastal Act.* The core program of the Coastal Commission includes both planning and regulatory functions required by the Coastal Act. The Coastal Act requires that new development in the coastal zone be permitted either by the Coastal Commission or a local government. All local governments in the coastal zone must prepare Local Coastal Programs (LCPs), which are commission-certified land use plans, zoning ordinances, and other implementing actions designed to implement the statewide policies of the Coastal Act. Once an LCP is certified, most permitting review and enforcement authority of the Coastal Commission are delegated to local governments.

Environmental Justice. AB 2616 (Burke), Chapter 578, Statutes of 2016, added a provision to the Coastal Act that authorizes the Coastal Commission to specifically consider environmental justice when making coastal development permit decisions. AB 2616 also requires one member of the Coastal Commission appointed by the Governor to work directly with communities that are disproportionately burdened by, and vulnerable to, high levels of pollution and EJ issues.

After passage of AB 2616, Coastal Commission staff began work on developing an EJ policy to provide guidance and clarity for commissioners, staff and the public on how the Coastal Commission would implement the AB 2616 provisions, including how environmental justice would be considered in coastal development permit decisions. Coastal Commission staff spent more than a year meeting with and listening to environmental justice stakeholders. The Coastal Commission adopted its EJ policy at the March 2019 meeting with the goal of integrating EJ and equity in its program and operations.

Tribal Consultation. The Coastal Commission developed a separate Tribal Consultation policy to strengthen the commission’s relationship with Native American tribes and encourage outreach and

collaboration with tribes in the regulatory and planning program. The Coastal Commission adopted a Tribal Consultation Policy in August 2018, with the goal of improving communication and engagement with California Native American Tribes.

Workload. To date, the Coastal Commission has used existing staff members throughout the agency to work with the general public, EJ groups, and other key stakeholder to develop the Tribal Consultation Policy and the EJ Policy. These staff members took this work on in addition to their regular assignments and other ongoing planning, regulatory and legal work were given a lower priority while the Tribal and EJ Policy development work was underway.

The Coastal Commission states that with the recent adoption of the EJ Policy and Tribal Consultation policies, it is not feasible to carry out the workload generated to fully implement these policies and institutional updated practices within existing staff levels and resources. The agency contends that policy implementation requires ongoing outreach and communication with environmental justice groups, tribes and others; as well as require staff time dedicated to developing and carrying out the implementation actions laid out in the EJ and Tribal Consultation policies, including training of staff, Commissioners, and local governments.

Consequently, this SFL requests two dedicated staff to further develop and implement the Coastal Commission's EJ/Tribal Consultation Program plus additional operating expenses for contract services to conduct community meeting and support translation services.

Staff Recommendation. Approve as requested.

Issue 28: External Counsel Costs (SFL)

Governor's Proposal. An SFL requests \$200,000 General fund one-time for external counsel costs related to litigation over the Coastal Commission's provision of a defense and indemnification to commissioners in an underlying litigation related to ex parte communications.

The request also includes budget bill language (BBL), as follows:

Add the following provision to Item 3720-001-0001:

1. Of the amount appropriated in this item, \$200,000 shall be available for external counsel costs related to litigation over the Commission's provision of a defense and indemnification to current and former commissioners in underlying litigation. If external counsel costs related to the litigation are less than \$200,000, the savings shall revert back to the General Fund. If external counsel costs related to the litigation are more than \$200,000, the Department of Finance may augment this item by an amount sufficient to fund the difference. Any augmentation shall be authorized no sooner than 30 days after notification in writing to the Chairperson of the Joint Legislative Budget Committee.

Background. In 2016, five legislative and gubernatorial appointed California Coastal Commissioners were found to have violated ex parte communication rules in the California Coastal Act primarily as a result of late disclosures of ex parte meetings.

The trial judge in the case imposed fines against the five legislative and gubernatorial appointed commissioners and awarded attorney fees and legal costs.

In October 2018, the Coastal Commission was sued over its provision of a defense and indemnification to the five commissioners in the underlying litigation associated with ex parte communication. The petitioner is primarily seeking to have a court determine that it was unlawful for the Coastal Commission to defend and indemnify the commissioners in the 2016 litigation, and it is seeking an order requiring the individual defendants to reimburse the state for the costs of their defense and indemnity. Petitioner is also seeking its attorneys' fees in this litigation.

The Coastal Commission has retained external counsel to provide a defense in this case, including but not limited to filing an answer to the October 2018 complaint, providing legal advice, serving and responding to discovery, and drafting briefs in defense of the Coastal Commission.

The Attorney General's Office authorized the Coastal Commission to engage outside counsel to defend it and the individual defendants in this case. The Coastal Commission has hired outside counsel and it is currently estimated that approximately \$200,000 will be needed in 2019-2020.

Staff Comment. On April 3, 2019, the Department of Finance submitted a notification to the Joint Legislative Budget Committee (JLBC) of unanticipated cost funding for the payment of attorney's fees of \$929,047 and interest costs of approximately \$74,324 in the judgment against five Coastal Commissioners, as well as the Coastal Commission's anticipated current year legal costs of \$200,000, totaling over \$1.203 million. At the time of this writing, the JLBC was still reviewing this notice.

Staff Recommendation. Approve as requested.

3760 STATE COASTAL CONSERVANCY (SCC)**Issue 29: Appropriation from Violation Remediation Account for Local Assistance (SFL)**

Governor's Proposal. An SFL requests an appropriation of \$2 million to SCC from the Violation Remediation Account to fund coastal resource enhancement and public access projects statewide. Funds would be appropriated for local assistance and capital outlay. Funds are requested to be available for encumbrance through June 30, 2022 and for expenditure through June 30, 2024.

Background. *Violations Remediation Account (VRA).* Penalties originating from settlements and judgments of Coastal Act violations resolved by the Coastal Commission are collected by the Commission and then transferred to SCC for deposit in the VRA. Funds from the VRA are held in the Coastal Conservancy Fund. VRA funds held in the Conservancy Fund must be appropriated in the Budget Act in order to be expended for the intended purposes. Upon appropriation by the Legislature in the annual Budget Act, funds from the VRA are used by the Conservancy to carry out provisions of the Coastal Act. The funds have been used for a variety of projects throughout coastal California including public access projects, access operations and maintenance, and coastal resource enhancement.

MOUs Specifying the Use of VRA Funds. In 1986, the Commission and SCC entered into a Memorandum of Understanding specifying the use of the VRA funds. In 2012, SCC and the Commission entered into an updated Memorandum of Understanding between the California Coastal Commission and SCC on the Use and Expenditure of Violation Remediation Account Funds for the same purposes.

The 2012 MOU modified the procedure for expenditure of VRA funds to clarify the priorities for expending funds. The first priority is to expend funds in locations in close proximity to the geographical location of the violation. When that is impractical, priority be to expend funds within the following priority: 1) the county of the violation location, 2) the region of the violation, 3) for agreed upon Commission and SCC special projects, and 4) for statewide programmatic purposes. In addition, the agreement allows for relatively small dollar amounts of settlements arising from a violation, to be applied to specific access and restoration projects and more general statewide programs designed to promote compliance with coastal development permits and to further principal goals of the Coastal Act, including Increasing public access to and along the coast, protecting sensitive habitats and preserving open space.

Staff Comments. There is currently a balance of over \$4 million available in the VRA. SCC closely coordinates with the California Coastal Commission to assure that the amounts proposed for appropriation for projects leave enough available in the account to pay support and administrative costs for both agencies. SCC is requesting an amount based on projects being considered for funding in consultation with the Commission. SCC has not received an appropriation from the VRA since fiscal year 2015-16.

Staff Recommendation. Approve as requested.

Issue 30: Proposition 68 Lower-Cost Coastal Accommodation Program (SFL)

Governor’s Proposal. An SFL requests \$5.35 million from Proposition 68 for implementation of SCC's Lower-Cost Coastal Accommodation (LCCA) Program for grants and support. Funds are requested to be available for encumbrance through June 30, 2022, and for expenditure through June 30, 2024.

Background. *Coastal Act Requires State to Protect and, Where Feasible, Provide Lower Cost Accommodations Along the Coast.* The Coastal Act includes a provision requiring the state to protect, and, “where feasible,” provide lower cost visitor facilities, which can include overnight lodging. To implement this provision of the Coastal Act, SCC, along with the Coastal Commission (CCC) and the Department of Parks and Recreation (Parks) have worked to provide lower cost coastal accommodations.

SCC’s Efforts to Promote Lower Cost Accommodations Along the Coast. Over the past several decades, SCC has funded numerous hostel and campground projects. More than \$7 million in SCC funds have helped establish new hostels in the cities of Santa Cruz, Monterey, and Santa Monica, which today provide 330 beds. Additionally, SCC helped expand hostel facilities in Point Reyes National Seashore in Marin County, and is helping to do the same at Jughandle Farm and Nature Center in Mendocino County. SCC is also providing assistance to add cottages in Crystal Cove State Park in Orange County. In San Luis Obispo County, a new campground at Port San Luis Harbor with car camping, and walk-in and bike-in campsites is now in development because of SCC funding to design and permit the project.

AB 250 Created the Lower Cost Coastal Accommodations Program to Address Barriers to Coastal Access. AB 250 (Gonzalez Fletcher), Chapter 838, Statutes of 2017, created the Lower Cost Coastal Accommodations Program within the Coastal Conservancy to improve the availability of lower cost accommodations along the coast. AB 250 calls on SCC to work with CCC and Parks to develop and implement the Explore the Coast Overnight program to facilitate the improvement of existing and the development of new lower-cost coastal accommodations.

To accomplish these goals, SCC is required to prepare an assessment of lower-cost coastal accommodations to guide the establishment of the new Explore the Coast Overnight program. This assessment was released on March 19, 2019.

AB 250 requires SCC to undertake a broad range of activities to facilitate improvement of existing, and the development of new, lower-cost visitor accommodations within 1-1/2 miles of the coast throughout the state. This request would provide a portion of the available Prop 68 funds to SCC for implementation of AB 250.

Proposition 68 Provides Funding for Lower Cost Accommodation Grants. Proposition 68 provides \$30 million to SCC “to provide for lower cost coastal accommodation grants and project development to public agencies and nonprofit organizations.”

Staff Recommendation. Hold open.

Issue 31: Proposition 68 West Coyote Hills Conservancy Program (SFL)

Governor's Proposal. An SFL requests an appropriation of \$4.04 million from the California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access For All Act of 2018 (Proposition 68) for local assistance and support pursuant to Chapter 10 of the Bond Act. The funds would be used to implement the Conservancy's West Coyote Hills Conservation Program. Funds are requested to be available for encumbrance through June 30, 2022 and for expenditure through June 30, 2024.

Background. *West Coyote Hills.* The West Coyote Hills area is located in the Coyote Creek watershed of Orange County and is currently owned by Pacific Coast Homes (PCH), a subsidiary of the Chevron Corporation. The area possesses unique natural and recreational resources that will continue to be threatened by ongoing development pressures without timely permanent protections. The property is adjacent to the 72-acre Robert E. Ward Nature Preserve.

Proposition 68 Provides Funds for a Conservation Program at West Coyote Hills. The primary purpose of the funding provided in Proposition 68 for West Coyote Hills is conservation of 510-acres of the property owned by PCH for purposes of providing public access and protecting and restoring natural habitats and connecting corridors. The acquisition of the Chevron property at West Coyote Hills would create new public open space and recreational opportunities in a park-poor community. Preservation of the West Coyote Hills as open space would also provide critical habitat for the endangered California Gnatcatcher, and several other state and federally listed rare, endangered, and sensitive species. Proposition 68 has \$4.8 million available for SCC for this purpose.

Staff Comments. The City of Fullerton has reached agreement with PCH for the acquisition of parts of the West Coyote Hills property that are currently planned for development. Approving these funds would enable conservation of 510 acres of the property owned by PCH for purposes of providing public access and protecting and restoring natural habitats and connecting corridors.

Staff Recommendation. Hold open.

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| Issue 32: State Operations Funding (SFL) |
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Governor’s Proposal. An SFL requests \$400,000 from the Environmental License Plate Fund (ELPF) and \$1.099 million from the Water Quality, Supply, and Infrastructure Improvement Fund of 2014 (Proposition 1) for SCC’s state operations budget.

Background. *SCC’s State Operations Budget.* SCC’s state operations budget has historically relied on the State Coastal Conservancy Fund, which is oversubscribed, shrinking, and unable to continue ongoing levels of support. In addition, SCC’s support budget relies on bond funds that are limited and should not be used to pay for general administrative costs or for work that is not bond funded. Additional funding from ELPF is intended to help address these concerns.

Proposition 1 Funding. The requested Proposition 1 funding is intended to provide for state operations costs directly associated with Proposition 1 funded programs with associated local assistance funding already included in the Governor’s Budget and active local assistance appropriations from prior fiscal years. This request is consistent with SCC’s existing Proposition 1 rollout plan.

Environmental License Plate Fund (ELPF). The ELPF was established to provide funding to various environmental programs. The amount of funding available is dependent upon the number of certain specialty license plates sold and maintained in the state. The fund supports activities in more than 20 state departments, boards, conservancies, and commissions. In the past, the Administration had identified a structural deficit in ELPF.

In 2016-17, LAO estimated that the fund had an underlying structural deficit of about \$9 million annually. The deficit was primarily caused by: (a) slower-than-expected growth in revenues from the sales of personalized license plates since the early 2000s (and even some declines in more recent years) and (b) increases in expenditures in the mid-2010’s due to rising employee compensation and administrative costs. However, last year, ELPF increased \$9.6 million in revenues, primarily due to the new black and yellow legacy plates. Last year, there are over 230,000 legacy plates on the road and if that stays constant or increases the fund will continue to see a higher level of revenue from annual renewals.

SCC has provided the following table which reflects the current year and budget year SCC’s support budget.

| Fund Source | | FY 18/19 | FY 19/20 |
|-------------|--------------------------|----------|----------|
| 0001 | General Fund | \$ 550 | \$ - |
| 0005 | Prop 12 | \$ 756 | \$ 756 |
| 0140 | ELPF | \$ 1,808 | \$ 2,248 |
| 0262 | HCF | \$ 200 | \$ 200 |
| 3228 | GGRF | \$ 150 | \$ - |
| 0565 | Coastal Conservancy Fund | \$ 755 | \$ 736 |
| 0593 | Coastal Access | \$ 150 | \$ 150 |
| 0890 | Federal Funds | \$ 588 | \$ 612 |
| 6029 | Prop 40 | \$ 807 | \$ 807 |
| 6031 | Prop 50 | \$ 560 | \$ 560 |

| | | | |
|---------------|-----------------|------------------|------------------|
| 6051 | Prop 84 | \$ 1,648 | \$ 1,630 |
| 6083 | Prop 1 | \$ 2,184 | \$ 1,557 |
| 6088 | Prop 68 | \$ 851 | \$ 973 |
| 8047 | Sea Otter Fund | \$ 13 | \$ 13 |
| 0995 | Incoming Grants | \$ 1,127 | \$ 1,129 |
| Totals | | \$ 12,147 | \$ 11,371 |

SCC states that most other state conservancies receive about half of their support budget from ELPF. While the overall budget of SCC has not gone up, the conservancy had some one-time appropriations from GGRF and General Fund and there has been a decrease in the federal funds reimbursements for support expenses. Also, SCC received an ongoing ELPF augmentation of \$1 million in the 2018-19 Budget.

The requested increase of \$400,000 ELPF is part of a long-term effort to provide the conservancy more stable funding and reduce its dependence on bond funds and the State Coastal Conservancy Fund.

Staff Recommendation. Approve as requested.

3790 DEPARTMENT OF PARKS AND RECREATION (PARKS)**Issue 33: Community Engagement Pilot Programs (SFL)**

Governor's Proposal. An SFL requests \$519,000 State Parks Protection Fund annually for two years beginning 2019-20 and four positions to continue efforts of the Community Outreach and California Relevancy and History Pilot Programs.

Parks requests two Staff Services Analysts and two State Park Interpreter I's. These positions are intended to continue to develop, plan, and implement improvements to public interpretation through collaborative partnerships and maintain the outreach program to reach diverse and underserved communities.

Background. *Accessibility to State Parks.* The Parks Forward Commission, the California State Parks and Recreation Commission (Parks Commission), and the department leadership recognize the need to increase access and participation in the State Park System.

The Community Outreach Pilot program currently engages underserved and underrepresented communities from two of the largest urban population centers in the state: Candlestick Point State Recreation Area (SRA) in the Bay Area District and Los Angeles State Historic Park (SHP) in the Angeles District.

The California Relevancy and History Pilot program is collaborating with the University of California at El Presidio de Santa Barbara State Historic Park and California Citrus State Historic Park on interpretation and education within the State Park System.

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

These pilot programs have established community liaisons who have developed ties with community-based organizations in "park-poor" high-density population areas to facilitate and coordinate greater interest and participation in Parks' programming and visitation. Additional funding is intended to continue these efforts. The funding would also be used to contemporize Parks' interpretation products, building upon pilot partnerships with the University of California to convey the history of California through the State Park system.

Staff Recommendation. Approve as requested.

Issue 34: Data Tickets Fund Shift (SFL)

Governor's Proposal. An SFL requests \$3 million State Parks and Recreation Fund ongoing and an ongoing decrease of \$1.925 million in support reimbursement authority starting in 2019-20 to support operating expenses associated with the parking citation processing and collection services contract from an appropriation rather than through reimbursements and a deduction of services costs from collected revenues.

This change in methodology is intended to result in a net zero impact to the fund through the resulting revenue increase from Parks receiving all parking citation revenues.

Background. *Parks Agreement with Data Ticket, Inc.* Parks entered into an agreement with Data Ticket, Inc., which provides all services required for processing of parking citations and the collection of parking citation penalties, as described in California Vehicle Code Section 40200 under the responsibilities of a Processing Agency.

The agreement consists of five components: (1) processing handwritten parking violations, (2) payment transaction services, (3) data management, (4) reports management, including interface with other state agencies and local jurisdictions, and (5) the introduction of handheld ticket writers and supporting management services.

Data Ticket, Inc. supports the management of all parking citation processing, such as: payment processing for cities, data tracking, analysis tools, inventory management, numerous reports, acting as a third agent on behalf of Parks, sending California surcharge payments directly to the county office, internet online services for cities and Parks, and support for statewide Parks field locations. The services accommodate current estimated transaction volumes, and are scalable to allow for changes in parking citations volume, locations, and inventory, as well as the proliferation of new technologies and devices.

This request is intended to facilitate a more streamlined process of collecting parking citation revenue while paying invoices to the contractor without negatively affecting current spending authority. The program will result in a one-to-one ratio in expenditures to revenue collected, thus this request is more of a technical change to processing.

Staff Recommendation. Approve as requested.

3810 SANTA MONICA MOUNTAINS CONSERVANCY**Issue 35: Increase of \$1.5 million in Reimbursement Authority to Accommodate a Grant from the Regional Forest and Fire Capacity Program (SFL)**

Governor’s Proposal. An SFL requests \$1.5 million in increased reimbursement authority for the Santa Monica Mountains Conservancy to receive and award grants in accordance with the Regional Forest and Fire Capacity Program.

The majority of funding will be used to develop the regional forest and fire capacity program plan for the Santa Monica Mountains Conservancy Zone. This will involve coordination with the various entities within the Conservancy Zone that implement fire prevention projects to develop an overarching fire prevention program. Existing plans and programs developed by regional entities will be analyzed and included in the final program. The various project types will be determined through this process as well as methodology for prioritization. While most of this one-time funding will go toward the analysis/development of the program effort, once project types and prioritization methodologies are proposed, pilot projects will be selected. These projects could include activities such as fuel load mapping, dead/dying tree removal, and new fire recognition technology. The final program will also include methodology to track outcomes.

Background. *Regional Forest and Fire Capacity Program (RFFCP).* The purpose of RFFCP is to increase regional capacity to prioritize, develop, and implement projects that improve forest health and fire resilience, facilitate greenhouse gas emissions reductions, and increase carbon sequestration in forests throughout the state. Block grants will be utilized by recipients to support regional implementation of landscape-level forest health projects consistent with the California Forest Carbon Plan and Executive Order B-52-18.

The Natural Resources Agency and the Department of Conservation awarded \$20 million in block grants for local and regional projects to improve forest health and increase fire resiliency, and funded by Cap-and-Trade revenues through California Climate Investments.

Six regional block grants (including one to this conservancy) were awarded on a noncompetitive basis to support project implementation in the North Coast, Central Coast, Sierra Nevada, Klamath-Cascade, and Southern California Regions. In addition, two grants were awarded to assist in implementing statewide efforts.

Regional block grant recipients (including this conservancy) will oversee distribution of funding and collaborative planning with local entities including municipal and Tribal governments, nonprofit and community organizations, land trusts, Resource Conservation Districts, residents, private and public forest landowners and managers, businesses, and others to accomplish the program’s objectives.

Staff Recommendation. Approve as requested.

3825 SAN GABRIEL AND LOWER LOS ANGELES RIVER AND MOUNTAINS CONSERVANCY**Issue 36: Position to Support Lower Los Angeles River Recreation and Park District Implementation (SFL)**

Governor’s Proposal. An SFL requests authority for one additional position for the next three years for the implementation of the Lower Los Angeles River Recreation and Park District as authorized by SB 1374 (Lara), Chapter 486, Statutes of 2016.

Background. *The Lower Los Angeles River Recreation and Park District.* SB 1374 authorized the creation of the Lower Los Angeles River Recreation and Park District by petition or resolution submitted to the Los Angeles County Local Agency Formation Commission (LAFCO) before January 1, 2021.

The San Gabriel and Lower Los Angeles River and Mountains Conservancy is providing support for the formation of this park district. Conservancy staff is providing background information and context of the unique needs of the Lower Los Angeles River and consultative support to filing a proposal with LAFCO, including meeting LAFCO's criteria for a funding plan. However, the Administration states that the tasks and responsibilities involved with the establishment of a new district would require an experienced employee dedicated to ensure the success and viability of such a district. Therefore, the Conservancy requests to establish a new full-time position, prior to the establishment of the formal recreation and park district.

Staff Comment. This request is for position authority only. The Budget Act of 2018 included \$19 million General Fund for RMC for the implementation of the Lower Los Angeles River Recreation and Park District. A portion of that funding will be used to support the requested position, which will oversee grants to local entities and assist in the creation of the Park District. RMC will abolish the position after three years once the district is established and the funding has been awarded. The ongoing cost of operating the newly created park district will be the responsibility of the local entities.

Staff Recommendation. Approve as requested.

3900 AIR RESOURCES BOARD (ARB)**Issue 37: Increased Litigation Costs (SFL)**

Governor's Proposal. An SFL requests an increase of \$1 million Air Pollution Control Fund (APCF) to reimburse the Attorney General's (AG's) Office for the defense of civil lawsuits brought against ARB and for the enforcement cases brought by ARB to address statutory and regulatory violations.

ARB expenditures to reimburse the AG's Office have increased significantly based on the recent and expected trajectory of monthly billings. Additional authority is required due to the increasing number of cases involving ARB, which are anticipated to continue due to the current and anticipated diesel enforcement cases now handled by the Natural Resources Section's Deputy Attorney General.

Background. *Air Pollution Control Fund (APCF).* The APCF is a depository for penalties and fees collected on vehicular and non- vehicular air pollution control sources. The penalty and fee money in the fund is available to ARB to carry out its duties and functions upon appropriation. Penalties deposited into the APCF are sufficient to cover this increase.

Pending Litigation with ARB as a Party. ARB is a party in many cases as a defendant, plaintiff, intervenor, or an amicus. These cases are in the following subject areas: greenhouse gas-related cases (16 cases pending), diesel and other pollutants-related cases (five cases pending), enforcement cases (three cases pending), and other miscellaneous cases (at least five cases pending).

\$1 Million Increase. According to ARB, there are two general reasons for the \$1 million increase: the type of selected enforcement cases and the anticipated increases in defense costs sparked by the expected federal rollback of the passenger vehicle standards this spring and summer are more appropriately handled by Natural Resources Deputy Attorney Generals (DAGs) rather than under Consumer Law DAGs.

Several lawsuits were filed already by ARB on federal car standards rollback, but the main charges will be connected with the upcoming federal trial court actions to address federal assertions of safety issues, preemption, and technological feasibility. Trial court actions are much more intensive (and thus expensive) due to discovery, witness preparation, and trial. In the last litigation with autos in 2005-07, ARB paid over \$6 million in one year when there were multiple trial cases. ARB envisions the trials for federal rulemaking to be about 60 percent of the requested increase and the shift to the Natural Resources lawyers to be about 40 percent of the requested increase. Over the last decade, the monies charged varied depending on whether cases were in trial or on the record. The AG Office billing rate is \$179 per hour. The \$1 million estimate is based on ARB's Chief Counsel's 20 years of experience in the AG's Office including the supervising the 2005-07 litigation, the number of experts already retained, the anticipated trial court cases, and the pending confidential enforcement matters.

Staff Recommendation. Approve as requested.

3960 DEPARTMENT OF TOXIC SUBSTANCES CONTROL (DTSC)**Issue 38: Argonaut Dam Phase II Stormwater Upgrade Project (SFL)**

Governor's Proposal. An SFL requests an increase of \$750,000 General Fund on a one-time basis to complete the design of a stormwater system upgrade project in the City of Jackson in Amador County. Once the design is complete, a request to fund the construction costs will be submitted.

Background. The Argonaut Mine is a registered California Landmark, operated from 1850 to 1942 as a hard rock gold mine. Argonaut Mining Company purchased the mine in 1893. The mine shaft drops nearly 5,500 feet underground and covers approximately 500 acres, making it one of the largest mines in the United States. The mine processed ore using a cyanide leaching method to separate the gold and disposed of the remaining ore tailings into the mine tailings site located within Jackson City limits.

The Argonaut Mine Tailings Site consists of three tailings dams (two earthen and one concrete) that contain contaminated tailings and spans 65 acres. Both earthen dams are located northwest at a higher elevation than the Eastwood Multiple Arch Dam, a concrete dam constructed in 1916. The Eastwood Dam contains an estimated 165,000 cubic yards of tailings and collects storm runoff from approximately 120 acres of property as well as runoff from the earthen dams. Stormwater flows through the City of Jackson's stormwater system to Jackson Creek and ultimately to Lake Amador.

In 2015, the US Environmental Protection Agency (US EPA) commissioned the US Army Corps of Engineers (Corps) to perform a dam safety evaluation that determined the dam to be structurally unstable. Another study modeled the water, mud, and debris flow if the dam failed, which estimated the economic impact of such an event to be \$100-\$120 million (in 2015 dollars).

At the request of the US EPA, DTSC completed the first phase of the dam retrofit with an augmentation of \$8 million included in the 2016-17 Budget Act. Work on the dam retrofit (Phase I) began in 2017 and was completed in December 2018. Due to the complexities involved in coordinating infrastructure construction off-site, the decision was made to incorporate the stormwater system upgrade to withstand a 200-year storm event into Phase II of the retrofit.

The Phase I Dam retrofit mitigates a dam failure, but poses a liability to the state from stormwater flood damage downstream due to under-designed city infrastructure. The Phase II Stormwater Upgrade project is intended to prevent downstream flooding in the City of Jackson by expanding the current capacity of the storm drains to meet current standards. Rain events greater than a 10-year storm will overwhelm the city's current system, causing flooding which could devastate State Highway 49/88 and the city. The upgrade is intended to provide safe conveyance of stormwater from the Argonaut Mine to the north fork of Jackson Creek, preventing flooding of two main state highways and the downtown commercial district. The SFL states that this upgrade is critical to prevent liability to the state for damages resulting from stormwater discharges exceeding the city's capacity.

Staff Recommendation. Approve as requested.

8570 CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE (CDFA)**Issue 39: Greenhouse Gas Reduction Fund (GGRF) Reappropriation (SFL)**

Governor's Proposal. An SFL requests that Item 8570-490 be added to extend the allocation and liquidation periods of funding for Climate Smart Agricultural programs in CDFAs 2016 Budget Act GGRF appropriation. The liquidation period for this funding expires on June 30, 2020. The need for a reappropriation is due to project delays and cancellations, and the reappropriated funding will be allocated to new project applications received in fiscal year 2019-20.

8570-490—Reappropriation, Department of Food and Agriculture. The balances of the appropriations provided in the following citations are reappropriated for the purposes provided for in those appropriations and shall be available for encumbrance or expenditure until June 30, 2020, and liquidation until June 30, 2022:

3228—Greenhouse Gas Reduction Fund

(1) Item 8570-101-3228, Budget Act of 2016 (Ch. 23, Stats. 2016) as added by Chapter 370 of the Statutes of 2016, and as reappropriated by Item 8570-490, Budget Act of 2018 (Chs. 29 and 30, Stats. of 2018).

Background. According to the Department of Finance, several project contracts were terminated or cancelled in 2018-19 as a result of numerous project and contractual issues.

For example, in August 2018 a \$3 million Dairy Digester Research and Development Program (DDRDP) project awarded in 2016-17 was terminated as a result of failure to comply with CDFAs grant term agreements and reporting requirements. The funds could not be reallocated to another DDRDP project, as normally performed by CDFAs, since the award recipient was engaged in a legal appeal and procedures regarding the termination notice with CDFAs.

In 2018, an Alternative Manure Management Program (AMMP) award recipient who received \$346,634 requested CDFAs to terminate the project citing limited resources to fully implement the project.

Approximately 14 Healthy Soils Program (HSP) projects were cancelled in 2018-19. Since HSP projects have a three-year implementation period, funds from terminated projects could not be reappropriated to new projects due to the encumbrance and liquidation deadlines. Because the new program needed time to develop programmatic requirements and quantification methodologies, the 2016-17 funds could not be released until the second year.

Several HSP projects also requested termination by the recipients citing higher than expected management practice costs of compost soil amendments. CDFAs has addressed the management practice costs for compost in HSP's \$15 million solicitation in December 2018.

In total, 17 projects were terminated by CDFAs without enough time to reallocate funding to another project; two DDRDP, one AMMP and 14 HSP projects. Reappropriation of the unencumbered GGRF balance is intended to allow CDFAs to continue to fund its Climate Smart Agriculture programs.

Staff Recommendation. Approve as requested.

Senator Bob Wieckowski, Chair
Senator Brian W. Jones
Senator Mike McGuire
Senator William W. Monning
Senator Henry I. Stern



Thursday, May 9, 2019
9:30 a.m. or upon adjournment of session
State Capitol – Room 112

Consultant: James Hacker

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VOTE-ONLY CALENDAR

2660 CALIFORNIA DEPARTMENT OF TRANSPORTATION

Issue 1: Project Initiation Documents (PID) Zero-Based Budget

Governor's Proposal. The budget requests resources associated with the biennial Zero-Based Budget (ZBB) for the Project Initiation Document (PID) Program in 2019-20. This ZBB requests a total of 407 positions and 45 full time equivalents (FTE) for Architecture and Engineering (A & E) contracting and Cash Overtime (COT) expense; a total of \$85,744,000 (\$74,217,000 of which will be in personal service (PS) and \$11,527,000 in operating expense (OE)) to review, approve, and develop PIDs. The proposed level of PID funding is an increase of \$4.9 million from the 2018-19 level and reflects the department's changing PID workload resulting from the continued implementation of SB 1.

While the level of resources requested is broadly reasonable, the proposed increase from five percent A&E to 10 percent A&E is a significant departure from historical policy. The department has not indicated that a lack of contract resources has impeded their ability to deliver PIDs as required. Additionally, as funding for transportation projects continues to increase, an increase in permanent state staff is appropriate.

Staff Recommendation: Approve 429.4 positions, 20 FTEs for A&E contracts, and \$85.5 million in funding for PIDs.

2720 CALIFORNIA HIGHWAY PATROL (CHP)

Issue 2: Organized Retail Crime Task Force (AB 1065)

Governor's Proposal. The budget requests \$5.8 million General Fund in 2019-20 and 2020-21 to fund 16 positions and associated costs, to comply with the requirements of AB 1065 (Jones-Sawyer), Chapter 803, Statutes of 2018.

The Administration also proposes trailer bill language to extend the program's sunset date by six months to July 1, 2021.

The Administration's proposal would create three regional task forces at CHP, each consisting of four officers, to support local law enforcement in their efforts to combat organized retail crime. While this meets the stated intent of the original bill, it represents a significant increase in CHP's usual involvement in local law enforcement issues. A more limited statewide coordinating structure is more appropriate to CHP's traditional role.

Additionally, staff notes that extending the sunset date to July 2021 would conflict with a ballot initiative that is on the November 2020 ballot and would go into effect January 2021, if passed by voters.

Staff Recommendation: Approve four positions and \$705,000 in 2019-20 (\$353,000 in 2020-21) for the organized retail crime task force. Hold open the requested trailer bill language.

2740 DEPARTMENT OF MOTOR VEHICLES (DMV)**Issue 3: High Occupancy Vehicle Lanes (SB 957)**

Governor's Proposal. The budget requests 8.3 positions and \$3.0 million in FY 2019-20, 10.0 positions and \$3.5 million in FY 2020-21, 9.9 positions and \$3.5 million in FY 2021-22, 12.8 positions and \$4.5 million in FY 2022-23 and 4.5 positions and \$461,440 in 2023-24 to implement Chapter 367, Statutes of 2018 (SB 957, Lara). This bill would allow the issuance of more than one clean air vehicle decal to specified zero and low-emissions vehicles, if the applicant makes 80 percent or less of the statewide median household income. DMV currently charges \$22 to cover the costs of administering the program. Through regulations, Administrative Service Fees (ASF) will be identified to cover the cost of the HOV program.

Staff recommendation: Approve as Budgeted.

ISSUES FOR DISCUSSION

2660 CALIFORNIA DEPARTMENT OF TRANSPORTATION

Issue 4: Project Delivery Workload

Governor’s Proposal. The budget requests a net increase of \$8.8 million and 48 Full Time Equivalents (FTEs) for the Capital Outlay Support Program from the 2019-20 Governor's Proposed Budget. This results in a total request of \$1.9 billion in 2019-20 to support 10,354 positions, including 1,032 contracted positions.

Background. Capital Outlay is the funding mechanism for construction contracts and right of way acquisition on projects that preserve and improve the state highway system. The COS Program provides the funding and resources necessary to develop (design) and oversee the construction of projects. The COS Program also provides oversight and/or independent quality assurance of projects developed by local entities on the highway system.

Caltrans funds the management, preservation, and safety improvements of the state highway system through the State Highway Operations and Protection Program (SHOPP), which receives State and Federal funding generated by taxes and fees placed on vehicles and fuels. With the enactment of SB 1 (Beall), Chapter 5, Statutes of 2017, additional funding has been made available for transportation investments across the state, including maintenance and repair of highways, local roads, bridges, and transit systems, and to also address the state's most congested corridors and to improve the movement of freight. The Fund Estimate provides a multi-year forecast of transportation revenues under current law. The approved 2018 SHOPP identified \$6.4 billion in additional programming capacity over the four-year funding cycle due to SB 1. Caltrans programmed \$17.96 billion in projects over four years, covering 2018-19 through 2021-22, as shown below.

Dollars in Millions

| | FY 2016-17 | FY 2017-18 | FY 2018-19 | FY 2019-20 | FY 2020-21 | FY 2021-22 |
|------------|------------|------------|------------|------------|------------|------------|
| 2016 SHOPP | \$2,300 | \$2,400 | \$2,400 | \$2,400 | | |
| 2018 SHOPP | | | \$4,340 | \$4,440 | \$4,540 | \$4,640 |
| | | Increase | \$1,940 | \$2,040 | | |

Staff Comments. The request is summarized below.

| | Personal Services Staff | Cash Overtime Position Equivalent | Architectural and Engineering Contracts (Position Equivalent) | Total Request |
|---|--------------------------------|--|--|----------------------|
| 2018-19 COS Program Authorized Budget | 8,770.4 | 516.4 | 1,031.8 | 10,318.6 |
| <i>Mid-Year Jan. 10 Adjustments</i> | -13.0 | 0 | 0 | -13 |
| 2019-20 January 10, Governor's Proposed Budget | 8,757.4 | 516.4 | 1,031.8 | 10,305.6 |
| <i>2019-20 COS Program Proposed Budget Changes</i> | +123.2 | -75.0 | 0 | +48.2 |
| 2019-20 COS Proposed Budget (May Revision) | 8,881.6 | 441.4 | 1,031.8 | 10,353.8 |

The resources requested here are broadly reasonable and in-line with expected transportation funding while remaining consistent with past policies on the use of contracted positions. However, as the LAO notes below, there is significant uncertainty regarding the out year workload for the COS function. This request should be considered in the context of this uncertainty.

LAO Comments. The LAO has provided the following comments:

BCP Proposes \$8.8 Million Increase. The 2019-20 request increases the program by \$8.8 million and 48 FTEs (123 state staff positions) to accommodate continued implementation of SB 1 funding. The position increase difference from FTEs relates to adjusting overtime FTEs from the current-year to restore the traditional 85 percent state staff, 5 percent overtime, 10 percent consultant split. These changes for 2019-20 are generally reasonable.

BCP Assumes Significant Future COS Increases. The BCP also includes a projection of future COS workload that shows future staffing needs of the program increasing by roughly 2,000 FTEs by 2023-24. We have submitted questions to Caltrans on the projected future increase, but initial conversations with DOF indicate that the relatively modest COS increase for 2019-20 is a temporary plateau and that the administration will likely come forward with significant new staffing requests in the next year or two. Given the workload projections included in the BCP it seems likely that a future staffing request could be around 1,000 to 2,000 new FTEs. Our office's understanding was that the 2018-19 COS augmentation of \$203 million and 872 FTEs was the bulk of the staffing ramp-up necessary to implement the SB 1 funds, so these out-year projections are somewhat surprising. We have asked Caltrans for additional details on the projections and why workload would increase so significantly in the coming years if most of the SB 1 funding sources are already available. In addition, over time certain factors could diminish the purchasing power of the new SB 1 revenues, for example if construction costs increase faster than revenue growth, which would moderate workload growth or even result in a decline.

LAO Recommends Supplemental Report from CTC. In the past, we have raised concerns over data quality and the accuracy of Caltrans' project budget estimates. In light of the out-year projections for additional program increases, we think this year presents an opportunity for the Legislature to collect more information on COS workload and the accuracy of COS projections so that the Legislature has the information it will need to evaluate potential future increase requests. Specifically, now that the CTC is tasked with performing project-level oversight on Caltrans projects we recommend that the Legislature adopt supplemental report language directing the CTC to do a "look back" analysis on a sample of projects to compare the estimated COS costs by phase with allocated funds and actual expenditures. In addition we recommend this analysis require CTC to compare the project-level data to COS budget requests for the sample projects and report to the Legislature on the extent to which project estimates and annual budget estimates for the sample of projects align and whether actual spending is higher or lower than the various estimates. Such a report would provide information on the extent to which data quality and accountability are being improved. In addition, collecting this data at this time would establish a baseline for project estimate accuracy that could allow the CTC, Caltrans, and the Legislature to know whether project estimates are becoming more accurate over time as the full impact of various accountability improvements enacted in recent years are seen.

Staff Recommendation: Hold Open.

Issue 5: Office of the Inspector General (OIG) Trailer Bill Language

Governor's Budget. The Administration has proposed trailer bill language to provide confidentiality protections to individuals who communicate with the Department's Independent Office of Audits and Investigations.

Background. SB 1 established the Caltrans Independent Office of Audits and Investigations' OIG to ensure Caltrans and external entities that receive state and federal transportation funds are doing so efficiently and effectively and in compliance with applicable laws and regulations. Pursuant to SB 1, the OIG provides a full-scope, independent, and objective audit and investigation program. The OIG is required to report a summary of investigation and audit findings and recommendations at least annually to the Governor, the Legislature, and the California Transportation Commission. The office was initially established with forty-eight existing positions and ten new permanent staff and resources through the Budget Act of 2017.

Staff Comments. The proposed language gives Caltrans' Inspector General (IG), as the director of the Audits and Investigations Office, access and authority to examine all records, files, documents, accounts, reports, correspondence, or other property of the department and external entities that receive state and federal transportation funds from the department. In addition, any information obtained by the IG may be kept confidential and disclosure would not be required under the California Public Records Act. The language also provides that not complying with providing information to the IG is a misdemeanor.

The Administration has indicated that this language is intended to provide individuals (or entities) that communicate concerns or issues with the OIG the confidence that their communication will be kept confidential and it will be protected. This will allow for free flow of information and inspire confidence in someone wanting to convey confidential information. The statutes as currently written do not provide that level of protection. The requested language does not change the scope or ability of the Inspector General or their staff to perform their duties by having access to information. The language will provide clarification of what the Inspector General or their staff can have access to, thus avoiding potential disagreement. However, it does provide for the information to be kept confidential if the Inspector General believes nondisclosure would protect a person from potential retaliation or fear of retaliation for participating in an audit or investigation.

The proposed trailer bill language regarding what is disclosed in under the California Public Records Act goes beyond the authority that the California State Auditor has and it is unclear why the Inspector General would need this authority. The Subcommittee may wish to ask if there are specific examples of why this language and authority is needed.

Staff Comments. Hold Open.

Issue 6: Bay Area Stormwater Permit Violation

Background. In December 2016, the San Francisco Bay Regional Water Quality Control Board issued a Notice of Violation (“NOV”) to Caltrans. The NOV required “prompt submittal by Caltrans of an acceptable trash reduction workplan” to the Regional Board. To date, no such acceptable plan has been submitted. The Regional Board has repeatedly rejected Caltrans Trash Load Reduction Workplans for failing to include appropriate plans or schedules for timely implementation of actions.

As part of the 2018-19 budget, the Legislature passed Supplemental Reporting Language requiring the following:

- No later than January 10, 2019, the Department of Transportation, in consultation with the Department of Finance, shall submit to the fiscal committees of both houses and the Legislative Analyst’s Office a report that provides the following information regarding the department’s stormwater permits:
- The number of stormwater permit violations the department has committed in the past three years, and the dates and locations where those violations occurred
- The number of permit violations that the department is currently working to address, and when and where those violations occurred
- The details of a workplan acceptable to the regional water quality control board to address currently open permit violations in the San Francisco Bay Area, or the timeline for developing those plans.

Recent Updates. On February 13, 2019, the California Regional Water Quality Control Board, San Francisco Bay Region, adopted an enforcement order that requires Caltrans to treat specific additional acreage annually in the Bay Area to prevent trash from entering stormwater, install additional trash control structures throughout its 25,000 acres of right of way in the region, and take other actions to reduce trash flows to the Bay or face fines or other legal action.

The Department has indicated that this action by the regional board, as well as new wetland regulations, has impacted the preparation of the supplemental report. The draft report is currently being updated to take account of both of these updates.

The Committee may want ask the following questions:

- What is the timeline for the delivery of the requested report?
- What has Caltrans already done to ensure compliance and meet the SF Bay region CDO’s mandated trash reduction deadlines (2020, 2022, 2024, 2026, etc.)?
- What is the Department’s next steps with regards to the recent enforcement order?
- What is the potential budgetary impact of complying with the enforcement order? How much of this impact will be felt in the 2019-20 budget?

Staff Recommendation. Informational Item.

2665 CALIFORNIA HIGH-SPEED RAIL AUTHORITY

The California High-Speed Rail Authority's mission is to plan, design, build, and operate a high-speed train system for California. Planning is currently underway for the entire high-speed train system, which consists of Phase 1 (San Francisco to Los Angeles/Anaheim) and Phase 2 (extensions to Sacramento and San Diego). The Authority has entered into design-build contracts and continues to acquire real property and right-of-way accesses for the first section of the high-speed train system, extending 119 miles from Madera to just north of Bakersfield.

Budget Overview: The budget provides \$650 million for the High-Speed Rail project in 2017-18. This is a decrease of roughly \$400 million from 2018-19, mostly due to decreases in expenditures for blended system projects as those projects advance.

3-YEAR EXPENDITURES AND POSITIONS

| | Positions | | | Expenditures | | |
|--|--------------|--------------|-----------------|------------------|------------------|-----------------|
| | 2017-18 | 2018-19 | 2019-20 | 2017-18* | 2018-19* | 2019-20* |
| 1970 High-Speed Rail Authority--Administration | 203.8 | 229.0 | 239.0 | \$37,391 | \$42,969 | \$47,433 |
| 1975 Program Management and Oversight Contracts | - | - | - | - | 1 | 1 |
| 1980 Public Information and Communications Contracts | - | - | - | 12 | 500 | 500 |
| 1985 Fiscal and Other External Contracts | - | - | - | - | 3,750 | 3,750 |
| 1990 Blended System Projects | - | - | - | - | 676,665 | - |
| TOTALS, POSITIONS AND EXPENDITURES (All Programs) | 203.8 | 229.0 | 239.0 | \$37,403 | \$723,885 | \$51,684 |
| FUNDING | | | | 2017-18* | 2018-19* | 2019-20* |
| 3228 Greenhouse Gas Reduction Fund | | | \$- | \$103 | \$103 | |
| 6043 High - Speed Passenger Train Bond Fund | | | 37,153 | 723,032 | 50,831 | |
| 9331 High-Speed Rail Property Fund | | | 250 | 750 | 750 | |
| TOTALS, EXPENDITURES, ALL FUNDS | | | \$37,403 | \$723,885 | \$51,684 | |

SUMMARY OF PROJECTS

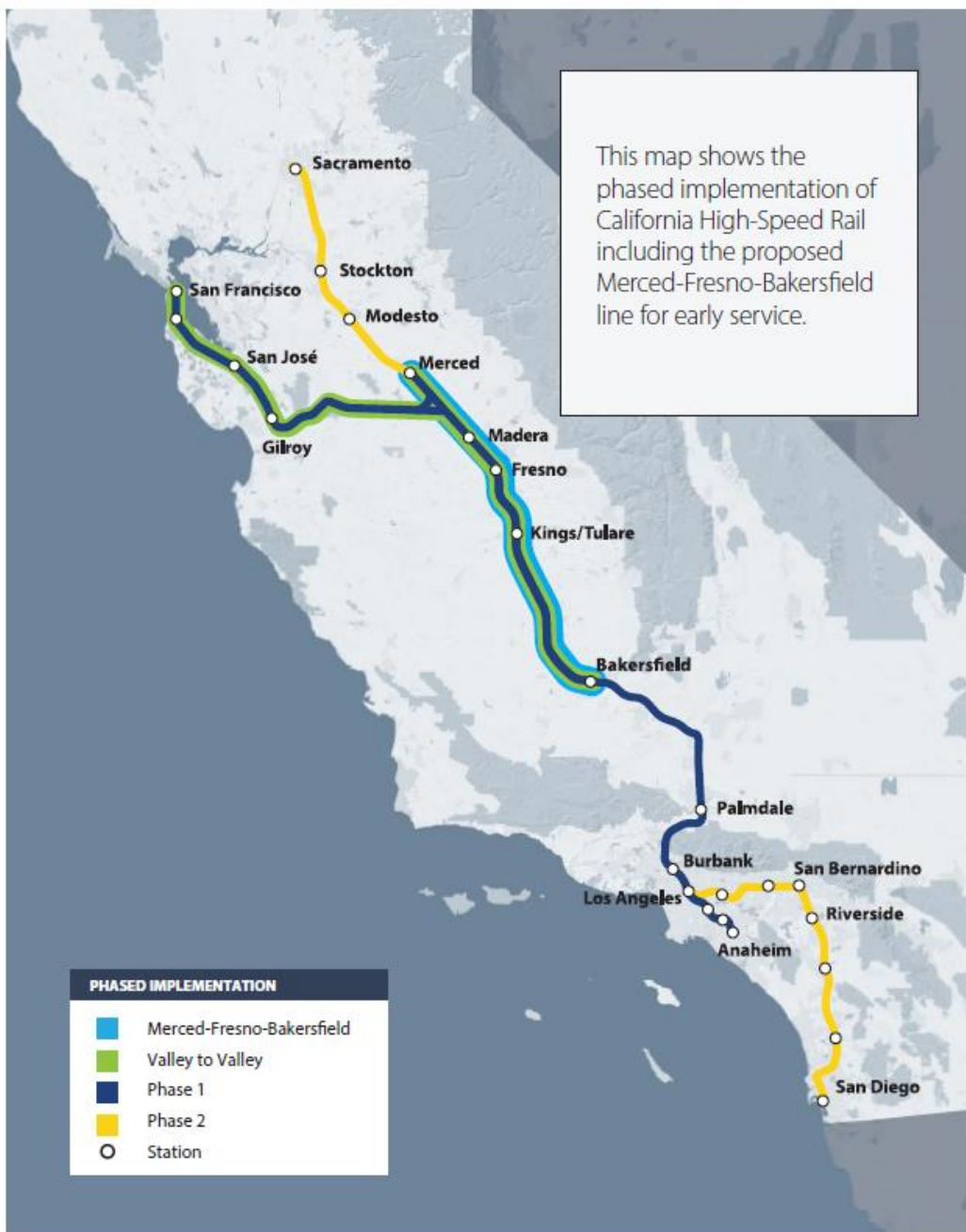
| | | State Building Program Expenditures | 2017-18* | 2018-19* | 2019-20* |
|---|--|-------------------------------------|------------------|------------------|------------------|
| 1995 | CAPITAL OUTLAY Projects | | | | |
| 0000131 | CA High Speed Train System Planning | | 140,216 | 75,919 | - |
| | Performance Criteria | | 140,216 | 75,919 | - |
| 0000132 | Initial Operating Segment, Section 1 | | 110,057 | 76,453 | 120,249 |
| | Acquisition | | 55,448 | 72,550 | 109,119 |
| | Design Build | | 54,609 | 3,903 | 11,130 |
| 0000727 | Phase 1 Blended System | | 46,438 | 733,591 | 494,000 |
| | Design Build | | 46,438 | 733,591 | 494,000 |
| TOTALS, EXPENDITURES, ALL PROJECTS | | | \$296,711 | \$885,963 | \$614,249 |
| FUNDING | | | 2017-18* | 2018-19* | 2019-20* |
| 0890 | Federal Trust Fund | | \$68,759 | \$828 | \$- |
| 3228 | Greenhouse Gas Reduction Fund | | 57,495 | 733,591 | 494,000 |
| 6043 | High - Speed Passenger Train Bond Fund | | 170,457 | 151,544 | 120,249 |
| TOTALS, EXPENDITURES, ALL FUNDS | | | \$296,711 | \$885,963 | \$614,249 |

Issue 7: Project Update Report

Governor’s Budget. The Project Update Report (PUR) released on May 1, 2019, proposes to spend \$20.4 billion to complete the following:

- A train line from Merced (Merced Station) to Fresno to Bakersfield (F Street Station) by 2028 that would provide early interim service,
- Bookend projects, and
- Environmental work for the project.

Background. The high-speed rail project is divided into two phases. Phase I would provide service for about 500 miles from San Francisco to Anaheim. Phase II would connect the system to Sacramento in the north and San Diego in the south as shown in the figure on the following page:



Bookend and Connectivity Projects. HSRA has partnered with local authorities to initiate a variety of bookend and “connectivity” projects on commuter rail lines in the Bay Area and Southern California that will facilitate high-speed rail, as well as provide benefits to existing rail and transit systems. These projects include the planned electrification of the Caltrain corridor to allow for high-speed rail to share Caltrain’s tracks, a major grade separation project near Los Angeles, and an upgrade to Los Angeles’ Union Station.

Project Funding. The high-speed rail project has funding from three main sources:

- ***Proposition 1A Bonds.*** Proposition 1A authorized the state to sell about \$10 billion in general obligation bonds to support the development of the high-speed rail system. This includes \$9 billion for the planning and construction of the high-speed rail system, with the remainder to support the connectivity projects discussed above. (Of this \$9 billion, HSRA has set aside \$1.1 billion as contributions to locally administered bookend projects and \$450 million for project administration.) At this time, the Legislature has appropriated \$5.5 billion in Proposition 1A bond funds, with about \$2.7 billion having been spent—\$2 billion on the high-speed rail project and about \$700 million on connectivity projects.
- ***Federal Funds.*** The federal government has awarded HSRA a total of \$3.5 billion, subject to certain matching requirements and project deadlines. First, the state received \$2.6 billion in American Recovery and Reinvestment Act (ARRA) funds in 2009. HSRA fully expended the ARRA funds and expects to complete the state match requirement in 2019-20. Second, the state received a \$929 million grant from the federal High-Speed Intercity Passenger Rail program in 2010 (FY10 Federal Grant), which expires at the end of 2022 and requires a state match of \$360 million. The state must meet certain conditions under the FY10 Federal Grant agreement, including: (1) completing its match to the ARRA grant before it can spend these funds; (2) using the funds to support infrastructure that provides intercity passenger rail service; and, (3) completing all environmental reviews for Phase I of the high-speed rail project by 2022. The grant agreement also includes a provision that allows the federal government to terminate the grant under certain conditions, such as failing to make reasonable progress on the project. On February 19, 2019, the federal government notified the state of its intention to terminate the FY10 grant under this provision.
- ***Cap-and-Trade Auction Revenue.*** In 2014, the state began providing cap-and-trade auction proceeds to HSRA for the project. (Cap-and-trade auction proceeds are revenue generated by the state from the sale of emissions allowances as part of the state’s efforts to reduce greenhouse gas emissions.) This includes \$650 million in one-time cap-and-trade revenues, as well as the continuous appropriation of 25 percent of cap-and-trade revenues, beginning in 2015-16. To date, the project has received about \$2.4 billion in cap-and-trade revenues and spent about \$600 million.

Project Status. The 2019 Project Update Report provides the following information on the project's current status.

Environmental Review. HSRA must comply with both the California Environmental Quality Act and the National Environmental Policy Act. Both laws require environmental reviews to assess the extent to which the high-speed rail project could cause significant environmental impacts. HSRA has completed the environmental reviews for the Merced-to-Fresno and Fresno-to-Bakersfield sections. The environmental reviews for the remainder of Phase I are currently underway, while the environmental reviews for Phase II have not yet started.

Right-of-Way Acquisition. Once the alignment of a section is finalized and the relevant environmental review of a project section is complete, HSRA can acquire the right-of-way in that section as needed for construction subject to funding availability. Because HSRA has finalized the alignment and completed the environmental reviews of the sections between Merced and Bakersfield, it is able to acquire right-of-way in those sections. As of March 2019, HSRA has identified 1,816 parcels of land necessary for construction in the Central Valley and has acquired 1,501 of them.

Project Construction. In 2015, HSRA initiated construction on the ICS. To date, HSRA has spent about \$3.8 billion on construction of the ICS. This includes the completion of major structures, such as the construction of the Fresno River Bridge and Tuolumne Street Bridge, and the realignment of a portion of State Route 99. As indicated above, HSRA currently estimates it will complete the ICS by 2022.

Jobs Created. Developing, planning, and building the project has stimulated job growth across the state. As of March 2019 HSRA estimates it has created nearly 3,000 jobs. Overall, the investment has supported between 37,600 and 42,600 job-years of employment and generated \$6.8 billion to \$7.6 billion in total economic activity.

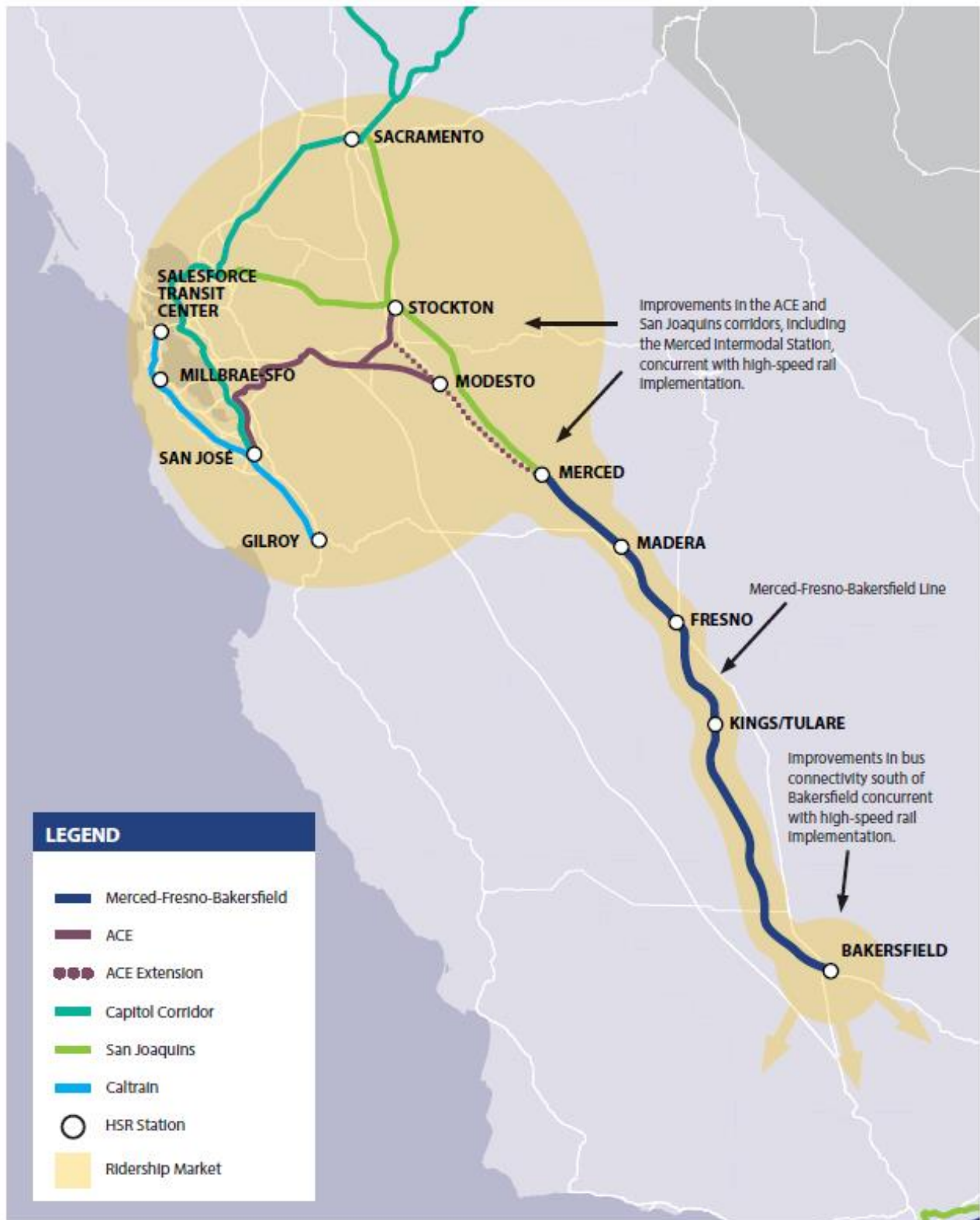
2019 Project Update Report. The 2019 PUR addresses issues raised in the 2018 Business Plan, specifically:

- Early Train Operator's (ETO) analysis of early, interim service options deemed worthy of consideration in the 2018 Business Plan in both the Central Valley and the Peninsula in Northern California.
- ETO's review of capital costs contained in the 2018 Business Plan.
- Refine and update scope and cost to complete the work in the Central Valley

Based on the ETO's analysis the following conclusions were made:

- The best option for early service in the Valley is the Merced- Fresno-Bakersfield segment integrated with the Altamont Corridor Express (ACE) and the San Joaquin intercity service, while HSRA continues to prepare the Valley-to-Valley service for construction as additional funding becomes available.
- HSRA should complete the environmental work statewide and maintain commitments to complete the bookend projects in the Silicon Valley and the Los Angeles Basin.

HSRA envisions an early interim service that looks like the following:



Project Costs. The estimated total cost of the components of the project as presented in the PUR is \$20.4 billion and is comprised of the following:

| Component | Cost (in billions) |
|------------------------------------|---------------------------|
| Merced to Bakersfield construction | \$16.3 |
| Trains | \$0.7 |
| Phase 1 environmental studies | \$0.8 |
| Bookend projects | \$1.3 |
| Other costs | \$1.3 |
| Total | \$20.4 |

Project Funding. The figure from the PUR on the following page summarizes the forecasted funding for the project through 2030, the amount spent through January 2019, and the remaining funds available. Whether or not the state can afford to construct the early interim service, bookends, and complete environmental work under current conditions depends on the following:

- Stable Cap-and-Trade revenues.
- Retaining all previously committed federal funds.
- Appropriation of the remaining Prop 1A bond funds by the Legislature.
- No significant future construction cost increases.
- Reengagement by the Federal Railroad Administration.

| Funding Source | Total Authorized Funding A | Total Appropriated / Received | Total Expended to Date B | Total Remaining C = A - B |
|---|----------------------------|-------------------------------|--------------------------|---------------------------|
| Federal Funds | | | | |
| ARRA Construction | \$2.06 | \$2.06 | \$2.06 | - |
| ARRA Planning | \$0.49 | \$0.49 | \$0.49 | - |
| FY10 | \$0.93 | \$0.93 | - | \$0.93 |
| State Funds | | | | |
| Proposition 1A Planning | \$0.68 | \$0.58 | \$0.43 | \$0.25 |
| Proposition 1A Central Valley Segment Construction | \$2.61 | \$2.61 | \$1.44 | \$1.17 |
| Future Proposition 1A for Silicon Valley to Central Valley Line Construction | \$4.17 | - | - | \$4.17 |
| Proposition 1A Bookends | \$1.10 | \$1.10 | - | \$1.10 |
| Cap-and-Trade Received through December 2018 | \$2.42 | \$2.42 | \$0.61 | \$1.81 |
| Subtotal | \$14.45 | \$10.18 | \$5.02 | \$9.43 |
| Future Cap-and-Trade* | \$6.00 – 9.00 | \$6.00 – 9.00 | - | \$6.00 - \$9.00 |
| Total | \$20.45 – 23.45 | \$16.18 – 19.18 | \$5.02 | \$15.43 – 18.43 |
| *Future Cap-and-Trade funding assumes a low of \$500 million to a high of \$750 million per year from 2019 to 2030 (12 years). The Authority's February 2019 Cap-and-Trade quarterly auction receipt was \$213 million, and is not yet included in the total. | | | | |

Federal Railroad Administration (FRA) Update. On March 4th, HSRA submitted two letters to the FRA challenging its intended action to de-obligate \$929 million in federal fiscal year 2010 funding for the project. To date, it has not received a response. While the FRA has disengaged on the environmental review process, HSRA continues to move forward with state approvals for California Environmental Quality Act (CEQA) purposes, and will continue to prepare work for FRA approval when and if it re-engages in this process.

Staff Comments. The PUR outlines the key risks to the project, which are the state's relationship with the FRA, funding, cost increases, schedule delays, and other construction and program risks. The Subcommittee may wish to have HSRA discuss these risks in more detail. In addition, staff raises the following issues for consideration:

Early Interim Service

- What other options for advancing the projects were analyzed before selecting the Merced-Bakersfield option? Why was this approach selected?
- Much of the value of an early interim service is contingent on a highly integrated rail service from Sacramento, Oakland, and San Jose into the Bay Area. Will connecting existing systems to the new high-speed rail line require additional transportation projects? Are these projects

currently underway? What is the cost and source of funding for these projects and timeline for completion?

- Is the proposal to operate an early interim service with a subsidy consistent with Proposition 1A? How large of a state subsidy would be needed to operate the Merced-Fresno-Bakersfield rail line?
- What are the transportation options to connect the system south beyond Bakersfield?

Federal Risks

- How will the project move forward without the FRA engaging on the environmental review process and other activities where the state needs its federal partner? By what date does the state need FRA to reengage to avoid significant project delays?
- Does the FRA have to approve an interim option approach? Does this approach put at risk any federal funds the state has already spent?
- What happens if HSRA cannot meet the federal funding ARRA commitments by December 2022?

Funding

- Is the flow of funds from the state's Cap-and-Trade program sufficient to avoid construction delays and the resulting cost increases?

Bookend Projects

- Does this proposal delay the bookends projects at all?
- Do bookend projects need federal environmental approvals?

HSRA Structure and Administration

- When will the Authority have a structure and staff that are adequate to deliver this project so that the state isn't so heavily reliant on consultants?
- How will the effort to bring more state staff on board impact the projects administrative budget? When will the Authority need to request an increase in the Proposition 1A Administrative funding cap?

Staff Recommendation: Informational Item, no action required.

Issue 8: IT Security

Governor's Budget. The Governor's budget requests five permanent positions and \$2.2 million in 2019-20 and \$1.53 million from the High-Speed Passenger Train Bond Fund (Proposition 1A) on an ongoing basis to improve the High-Speed Rail Authority's (HSRA) information technology (IT) security program.

Background. Currently, HSRA's IT security staff consists of an IT Security Specialist and a Network Administrator. The Information Security Officer (ISO) oversees these two positions, in addition to performing duties supporting the Authority's IT infrastructure. The current approach, structure, and staffing level is not adequate to support the Authority's existing enterprise IT solutions and protect the State's information assets. A recent review by the California Military Department, along with internal reviews, have identified high-risk securities and vulnerabilities. Further, the Authority continues to deploy new business solutions, which also must be secured and supported.

Staff Comments. The need for additional dedicated IT security resources has grown due to the following:

- Additional business systems have been deployed (e.g., cost management system, contract management system, risk management system);
- Increased complexity of Authority systems that are integrated and share critical data across domains, networks, and external service providers;
- The number of supported users (state and vendor staff) has increased as the overall construction program has grown;
- Evolving state and federal requirements and standards; and
- Evolving security threats, including cyber-attacks from foreign nations.

Over a multi-year period, the requested resources will mature the overall security program, including updating policies and procedures, implementing new security solutions, and mitigating security risks and incidents. To ensure the Authority's Information Security Officer (ISO) can better focus on creating and maintaining a proper IT security program, this request will add one supervisor (IT Supervisor II) to oversee day to day network and security operations, two IT Security Professionals (IT Specialist II), and two IT Security/Network Administrators (IT Specialist I). It will also add software tools that monitor, analyze, mitigate, and report on IT security risks, in addition to staff training and consulting services.

Staff Recommendation. Approve as Budgeted.

Issue 9: IT Transition

Governor’s Proposal. The budget requests five permanent positions and \$2.2 million from Proposition 1A to enhance Information Technology (IT) operational capabilities and acquire licensing and maintenance agreements required to support the cloud infrastructure.

Background. Currently, HSRA has 15 IT staff, but is dependent upon contracted staff to support its cloud infrastructure, perform application development and support, and augment desktop support resources. The contractor also maintains multiple software licenses and third-party agreements. This request will add additional resources to provide oversight of application development and support services provided by the contractor and augment existing staff where current resources are inadequate to effectively support day-to-day IT operations.

Staff Comments. The Administration has indicated that this request is intended to support continuity of operations and long-term sustainability of the high-speed rail program and to provide increased control of state assets. This proposal includes:

- Five permanent positions;
- \$1.3 million for cloud and infrastructure third-party agreements, software licenses, and maintenance costs; and,
- Ongoing training expense of \$5,000 per position per year.

This requested resources will support:

- Transition of licensing and third-party agreements associated with the cloud infrastructure to the Authority from its contractor; and,
- Increase of technical and oversight capabilities within the Authority to address IT operational risks (e.g., single points of failure, limited visibility/control, limited resources to mature the IT organization) in key areas, including:
 - Desktop and mobile support;
 - Infrastructure support;
 - Database administration; and,
 - Application development and support.

The State Auditor indicated that the Authority’s over-reliance on external contractors has created significant issues with project delivery. As such, the Authority’s decision to bring IT-related workload from external contractors into the organization is appropriate.

Staff Recommendation. Approve as Budgeted.

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| Issue 10: Contract Management & Financial Office Resources |
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Governor's Budget. The budget requests 35 permanent positions and \$4.5 million (Proposition 1A) to shift certain administrative and contract management responsibilities from its Rail Delivery Partner to state staffing resources.

Background. A recent report by the State Auditor identified areas where HSRA's reliance on contractors for contract management and other administrative functions has contributed to problems with control of costs and performance of contractors. The Accounting and Budget Branch play a key role in contract management, among their other state and federal mandated requirements, such as managing the allocation of funds to execute contracts and processing payments. The branches also assist with monitoring balances and available cash to provide timely information to management for decision-making.

Staff Comments. The requested positions and cost increases/decrease are summarized below:

| BRANCH / UNIT | POSITION REQUESTED | COST (\$M) | CONSULTANT REDUCTION | REDUCTION (\$M) |
|---|--------------------|--------------|----------------------|----------------------|
| RESPONSE TO AUDIT CHAPTER 2 | | | | |
| Contract Management | | | | |
| Contract Administrative Branch | 5.0 | 0.6 | <5.0> | <0.8> |
| Contract Management Branch | 12.0 | 1.6 | <12.0> | <1.8> |
| SUBTOTAL | 17.0 | 2.2 | <17.0> | <2.6> |
| Financial Office | | | | |
| Accounting Branch | 11.0 | 1.4 | <12.0> | <1.9> |
| Budget Branch | 3.0 | 0.4 | <3.0> | <0.5> |
| Grants Unit | 3.0 | 0.4 | <3.0> | <0.4> |
| Business Economics Branch (position authority only) | 1.0 | 0.0 | <0.0> | <0.0> |
| SUBTOTAL | 18.0 | 2.2 | <18.0> | <2.8> |
| TOTAL * | 35.0 | \$4.5 | <35.0> | <\$5.3> |
| Net Total Dollars <\$0.8M> | | | | |

** TOTAL is higher than sum of subtotals due to rounding*

HSRA has grown from 41.5 positions in 2010-11 to 226 positions in 2018-19. Without additional state positions, HSRA runs the risk of not being equipped with the appropriate resources to effectively manage contracts.

Filling vacancies has been an ongoing issue and the vacancy rate for the last couple of years has been about 20 percent and key management positions have often been vacant. The Subcommittee may wish to ask what the current level of vacancies is, especially for management positions, and how HSRA intends to fill and retain qualified staff for the proposed positions.

Staff Recommendation: Hold Open.

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

VOTE-ONLY CALENDAR

0540 CALIFORNIA NATURAL RESOURCES AGENCY (CNRA)

Issue 1: Various Bond Appropriations and Technical Adjustments (GB)

Governor's Proposal. The Governor's budget proposes various bond appropriations and technical reappropriations, reversions, reversions with associated new appropriations, and baseline appropriation adjustments to continue implementation of previously authorized programs.

The various technical adjustments are as follows:

| Department | Title | Amount (Dollars in thousands) | Fund | Original Enacted Year | Reason |
|---------------------------------|---|-------------------------------------|---|-----------------------------|---|
| CNRA | Federal Fund Item Reestablishment | \$ 1 | Federal Trust Fund | 2019-20 | CNRA's Federal Fund Item of appropriation was completely removed from the budget in 2018-19. As there is no mechanism to add a Federal Fund Item during a budget year, this technical adjustment creates a placeholder Item of \$1,000 to allow augmentation, upon receipt of future Federal Funds when they become available. |
| CNRA | Extension of Liquidation | N/A | Prop 1 | 2016-17 | CNRA requests the period to liquidate encumbrances of Item 0540-001-6083 from the Budget Act of 2016 be extended by four years, to June 30, 2025 to allow sufficient time for project completion. |
| CNRA | Reversion | (\$115) | Prop 68 | 2018-19 | Technical correction to revert over allocation from Section 80137(a). |
| OPC | Extended Encumbrance Period | N/A | Ocean Protection Trust Fund | 2019-20 | Technical request to add provisional language allowing funds to be encumbered for three years, to allow sufficient time for projects to be completed. |
| CAAM | Reimbursement Authority Increase | \$ 45 | Reimbursements | 2019-20 | The California African American Museum (CAAM) is requesting an increase of \$45,000 in ongoing reimbursement authority to allow for the receipt of anticipated funds going forward. |
| Special Resources Program | TRPA Retirement Program | \$ 300 | Environmental License Plate Fund (ELPF) | N/A | The Tahoe Regional Planning Agency requests ongoing funding to provide retirement benefits consistent with those required in the bi-state compact. A related proposal has been submitted to the State of Nevada requesting proportional funding as outlined in the compact. |
| Special Resources Program | Threshold Evaluation | \$ 150 | ELPF | N/A | The Tahoe Regional Planning Agency requests one-time funding to support environmental assessments the agency is required to complete once every four years. A related proposal has been submitted to the State of Nevada requesting funding consistent with the proportional split established in the bi-state compact. |
| Special Resources Program | Salary Merit Review | \$ 111 | ELPF | N/A | The Tahoe Regional Planning Agency requests ongoing funding to provide for merit salary increases for staff, who are not considered employees of the State of California or Nevada. A related proposal has been submitted to the State of Nevada requesting funding consistent with the proportional split established in the bi-state compact. |

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|------------------------------|--|---------|-------------------------------------|---------|---|
| California Tahoe Conservancy | Federal Trust Fund Authority Increase | \$ 83 | Federal Trust Fund | N/A | The California Tahoe Conservancy requests additional federal trust fund authority and one position to account for increased federal grant funding pursuant to current and future grants agreements with federal partners. |
| California Tahoe Conservancy | Forest Resilience and Wildfire Protection Reimbursement Authority | \$1,374 | Reimbursements | N/A | The California Tahoe Conservancy requests additional reimbursement authority and one position to account for increased grant funding pursuant to grant agreements with state and local partners for forest health projects. |
| California Tahoe Conservancy | Lake Tahoe License Plate Marketing Efforts | \$ 50 | ELPF | N/A | The California Tahoe Conservancy requests one-time funding of \$50,000 Environmental License Plate Fund to undertake marketing efforts for the Lake Tahoe license plate, the revenues of which are deposited into the Lake Tahoe Conservancy Account and used to support Conservancy projects. |
| CCC | AB 109 (Chapter 249, Statutes of 2017) Collins-Dugan Reimbursement Account Reappropriation | N/A | Collins-Dugan Reimbursement Account | 2017-18 | The California Conservation Corps requests to reappropriate \$5 million Collins-Dugan Reimbursement Account for forest health projects to extend encumbrance availability until June 30, 2020. |
| CalFire | 2016-17 Greenhouse Gas Reduction fund Extension of Liquidation | N/A | Greenhouse Gas Reduction Fund | 2016-17 | CalFire requests the period to liquidate encumbrances of Item 3540-001-3228 from the Budget Act of 2016 be extended by two years, to June 30, 2022, to allow sufficient time for project completion. |
| CalFire | Technical Services Unit Funding Conversion | \$2,262 | General Fund | N/A | CalFire requests resources to support personnel working on agency-retained capital outlay projects, for which these costs will be offset by future reductions in the individual project costs. A portion of these costs were shifted to the General Fund in 2017-18 and this request will transition the remaining staff to being funded fully through the General Fund. |
| CalFire | Reappropriation of Schedule 4.5 of Item 3540-001-0001, Budget Act of 2012, as reappropriated by Item 3540-492, Various Budget Acts | \$ - | General Fund | 2012-13 | CalFire requests to reappropriate the unencumbered balance of funds for Department of Justice legal services from the Budget Act of 2012 by three years to June 30, 2022, to ensure the funding continues to be available to the department for ongoing litigation. |
| DFW | Hatchery Trout Production | \$2,534 | Hatchery and Inland Fisheries Fund | N/A | DFW requests a one-time increase of \$2.5 million Hatchery and Inland Fisheries Fund in 2019-20 to replace aged and inefficient fish transport vehicles and tanks, purchase additional fish food inventory to increase trout production, and to support efforts to enhance public outreach and visitation. This request would also assist in the achievement of both Legislative mandates and the Department's Mission, while improving trout fishing opportunities and angler participation statewide. |
| DFW | Spill Preparedness | \$1,820 | Oil Spill Prevention and | N/A | DFW requests a one-time increase of \$1.8 million Oil Spill Prevention and Administration Fund in Fiscal |

| | | | | | |
|-------------------------------|---|---------|---------------------|---------|---|
| | and Response | | Administration Fund | | Year 2019-20 to perform structural maintenance, repairs and site work at its research and laboratory facilities and to procure response equipment, including the replacement of outdated/cost inefficient vehicles and vessels, necessary for effective statewide oil spill response, scientific analysis and resource assessment. |
| WCB | Reappropriation Prop 40, San Joaquin River Conservancy | Balance | Prop 40 | 2016-17 | Wildlife Conservation Board requests reappropriation of the unencumbered balance of the original appropriation due to unforeseen delays that prevented the successful development of viable projects to encumber all funds. |
| California Coastal Commission | Whale Tail License Plate Marketing | \$ 55 | ELPF | N/A | The California Coastal Commission requests \$55,000 ELPF in Fiscal Years 2019-20 and 2020-21 to enhance marketing in order to increase revenue of the Whale Tail License Plate. |
| Parks | Transparency Drill Update | \$ - | N/A | 2018-19 | Parks requests a technical adjustment to update the Budget Transparency drill by 1,575.7 positions in Fiscal Year 2018-19. The Department would like to mirror the completed Budget Transparency drills from other Natural Resource Agency departments. The other departments included temporary help rather than only permanent position and recalculated the Position Vacancy Percentage and Per Position Payroll Cost details. These adjustments to the Departments Budget Transparency drill will more accurately display the Department's vacant positions while still accomplishing the goals of CS 4.11 and the Budget Transparency drill. |
| SMMC | Proposition 12 Local Assistance Grant Program reappropriation | Balance | Prop 12 | 2014-15 | Santa Monica Mountains Conservancy requests reappropriation of these funds due to project delays, which result in a need for extended authority. |
| SMMC | Proposition 12 Local Assistance Grant Program reappropriation | Balance | Prop 12 | 2015-16 | Santa Monica Mountains Conservancy requests reappropriation of these funds due to project delays, which result in a need for extended authority. |
| SMMC | Environmental Education Program | \$ 100 | ELPF | 2018-19 | Santa Monica Mountains Conservancy requests the ongoing appropriation of these funds for the Naturalist Explorers program. This program introduces youth to natural and cultural resources, outdoor and camping skills, principles of interpretation, park careers in the field, community advocacy, public speaking, and career development. At the end of the Naturalist Explorer program, graduates are eligible to apply for jobs as outdoor leaders and park naturalists. |
| RMC | Reappropriation Prop 1 | \$3,261 | Prop 1 | 2015-16 | The Rivers and Mountains Conservancy requests reappropriation of these funds due to project delays and withdrawn grants, which result in a need for extended authority. The balance is requested to be available for encumbrance or expenditure through June 30, 2023. |
| RMC | Reappropriation Prop 50 | \$ 670 | Prop 50 | 2015-16 | The Rivers and Mountains Conservancy requests reappropriation of these funds due to project delays and withdrawn grants, which result in a need for extended authority. The balance is requested to be available for encumbrance or expenditure through June 30, 2023. |

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|---------------------------|---|---------|--------------------|--------------------|---|
| RMC | Reappropriation Prop 84 | \$2,374 | Prop 84 | 2011-12 2015-16 | The Rivers and Mountains Conservancy requests reappropriation of these funds due to project delays and withdrawn grants, which result in a need for extended authority. The balance is requested to be available for encumbrance or expenditure through June 30, 2023. |
| RMC | Reappropriation Prop 84 | \$2,144 | Prop 84 | 2011-12 2015-16 | The Rivers and Mountains Conservancy requests reappropriation of these funds due to project delays and withdrawn grants, which result in a need for extended authority. The balance is requested to be available for encumbrance or expenditure through June 30, 2023. |
| BHC | Reappropriation of Propositions 1 and 40 | Balance | Prop 1 and Prop 40 | 2016-17 | Baldwin Hills Conservancy requests reappropriation of the unencumbered balances of the 2016 Prop 1 and Prop 40 appropriations for encumbrance availability to June 30, 2022 and liquidation until June 30, 2024. The reappropriation would make available the bond funds for the ongoing local assistance grant programs. |
| SDRC | Reappropriation Prop 1 | Balance | Prop 1 | 2016-17 | San Diego River Conservancy requests reappropriation of these funds due to project delays, which result in a need for extended authority. |
| CVMC | Reappropriation of Proposition 1 Balance | Balance | Prop 1 | 2016-17 | The Coachella Valley Mountains Conservancy requests reappropriation of the unencumbered balance of the 2016 Proposition 1 appropriation for encumbrance availability to June 30, 2022 and liquidation until June 30, 2024. The reappropriation would make available the bond funds for the ongoing grant program. |
| Sierra Nevada Conservancy | Federal Trust Fund Authority Increase | \$2,334 | Federal Trust Fund | N/A | The Sierra Nevada Conservancy requests additional federal trust fund authority to account for increased federal grant funding pursuant to current and future grants agreements with federal partners. This includes \$2.3 million in 2019-20, 2020-21, and 2021-22 based on a Good Neighbor Authority agreement with the U.S. Forest Service and \$50,000 ongoing based on an anticipated increase in future federal grant funding. |
| DWR | Partial Restoration of Baseline for Safe Drinking Water and Bond Clean-Up | \$1,749 | Prop 50 | 2012-13 | Restoration of previously removed \$5 million baseline that was removed to cover bond allocations. DWR is also reverting funds to cover a new 2019-20 appropriation. |
| CVMC | Mountain Resource Program | \$ (4) | Prop 12 | N/A | The Coachella Valley Mountains Conservancy requests a net-zero shift from support funding to local assistance. |
| CVMC | Land, Air, and Water Conservation | \$ (16) | Prop 40 | N/A | The Coachella Valley Mountains Conservancy requests a net-zero shift from support funding to local assistance. |
| CVMC | Mountain Resource Program | \$ 4 | Prop 12 | N/A | The Coachella Valley Mountains Conservancy requests a net-zero shift from support funding to local assistance. |
| CVMC | Land, Air, and Water Conservation | \$ 16 | Prop 40 | N/A | The Coachella Valley Mountains Conservancy requests a net-zero shift from support funding to local assistance. |

The various bond appropriations are as follows:

| Department | Program | Bond Proposition | New Positions | Amount (Dollars in thousands) |
|-------------------|--|-------------------------|----------------------|--|
| DOC | California Farmland Conservancy Program | 12 | - | \$ 78 |
| DOC | California Farmland Conservancy Program | 12 | - | 313 |
| DOC | Watershed Coordinator Program | 50 | - | 216 |
| DOC | Watershed Coordinator Program | 50 | - | 1,542 |
| DOC | Planning Grants and Incentives | 84 | - | 9 |
| DOC | Planning Grants and Incentives | 84 | - | 20 |
| DOC | Planning Grants and Incentives | 84 | - | 95 |
| DOC | Planning Grants and Incentives | 84 | - | 407 |
| WCB | Proposition 1, Stream Flow Enhancement Program, Project Delivery, State Operations | 1 | 0.5 | 78 |
| SCC | Santa Ana River Parkway - unspecified | 84 | - | 2,000 |
| SCC | Santa Ana River Parkway - San Bernardino County | 84 | - | 2,000 |
| SCC | State Coastal Conservancy Programs | 84 | - | 2,000 |
| SCC | San Francisco Bay Area Conservancy - unspecified | 84 | - | 1,500 |
| SCC | San Francisco Bay Area Conservancy - ocean draining | 84 | - | 1,500 |
| SCC | Monterey Bay and Adjacent Watersheds | 84 | - | 2,000 |
| SCC | San Diego Bay and Adjacent Watersheds | 84 | - | 1,000 |
| SCC | Multibenefit Ecosystem and Watershed Protection and Restoration Projects - Competitive Grants | 1 | - | 12,214 |
| Parks | Cultural Resources Program | 84 | - | 4,000 |
| Parks | Interpretive Exhibits Program | 84 | - | 500 |
| SMMC | Proposition 40 Local Assistance Grant Program. Appropriation of the allocation balance. | 40 | - | 19 |
| SMMC | Proposition 50 Local Assistance Grant Program. Appropriation of the allocation balance. | 50 | - | 81 |
| RMC | San Gabriel/Lower Los Angeles Rivers watersheds protection-land, water, and wildlife conservation-Program delivery | 50 | - | 97 |
| RMC | San Gabriel/Lower Los Angeles Rivers watersheds - project | 50 | - | 237 |
| RMC | Ecosystem, Watershed Protection and Restoration | 1 | - | 222 |
| RMC | Ecosystem, Watershed Protection and Restoration | 1 | - | 2,100 |
| DWR | Riverine Stewardship Technical Assistance | 84 | - | 45 |
| DWR | Urban Streams Restoration | 50 | - | 64 |
| DWR | Urban Streams Restoration | 50 | - | 4,800 |

| | | | | |
|-------|---|----|---|--------|
| DWR | Urban Streams Restoration | 84 | - | 1,840 |
| DWR | Delta Levee Subventions | 1 | - | 10,000 |
| DWR | Delta Emergency Response Grant | 1 | - | 5,000 |
| DWR | Flood Corridor | 84 | - | 540 |
| DWR | Flood Corridor | 84 | - | 1,500 |
| DWR | Flood Control Subventions | 84 | - | 750 |
| SSJDC | Water Quality Supply and Infrastructure Improvement | | - | 235 |
| SSJDC | Water Quality Supply and Infrastructure Improvement | | - | 12,050 |

This proposal was discussed at the March 7, 2019 hearing.

Staff Recommendation. Approve as proposed.

Issue 2: Various Adjustments: Amendment to and Addition of Various Budget Bill Items and Reimbursements, Support, Local Assistance, and Capital Outlay (Spring Finance Letter (SFL))

The following table reflects requests included as part of the Spring Finance Letter (SFL) entitled, “Amendment to and Addition of Various Budget Bill Items and Reimbursements, Support, Local Assistance, and Capital Outlay, Various Departments within the Natural Resources Agency.”

| Department Name | Spring BCP Title | Amount (Dollars in Thousands) | Proposition /Fund | Reason |
|------------------------------|---|-------------------------------|--|---|
| Natural Resources Agency | Various Bond Reappropriations | \$ - | Prop 40/6029 | This reappropriation will enable the Natural Resources Agency to leverage unencumbered balances across various bond allocations. A number of programs have been delayed for various reasons including extended contracting processes. The reappropriations will provide additional time for these projects to be completed. |
| | | \$ - | Prop 50/6031 | |
| | | \$ - | Prop 84/6051 | |
| | | \$ - | Prop 84/6051 | |
| | | \$ - | Prop 84/6051 | |
| Natural Resources Agency | California River Recreation, Creek, and Waterway Improvements (Prop 68) | \$1,240 | Prop 68/6088 | <p>The applicable Prop 68 bond subsections allocate \$31 million to the Program, five percent of which may be used on program delivery. The Budget Act of 2018 includes \$28,750,000 in Prop 68 local assistance for the Program. Agency has determined that the full five percent for program delivery is not needed. Therefore, this proposal requests additional local assistance funding for grants. Funding will be spent as follows:</p> <ul style="list-style-type: none"> • \$120,000 Los Gatos Creek and Upper Guadalupe River • \$120,000 Russian River • \$200,000 Clear Lake • \$800,000 Los Angeles River in the City of Glendale <p>This request also reduces out years by \$493,000 to align authority with expenditures.</p> |
| Natural Resources Agency | Technical Adjustment - Joint Lake Tahoe Science and Water Quality Program Manager Net-Zero Position Shift | \$(99) | Environmental License Plate Fund - 0140 Reimbursements - 0995 | <p>The 2019-20 Governor's Budget proposed \$148,000 (\$99,000 in reimbursement authority and \$49,000 Lake Tahoe Science and Lake Improvement Account) for the California Tahoe Conservancy to support a dedicated position that would be shared between the Conservancy and the Natural Resources Agency to coordinate bi-state efforts to improve water quality in the Lake Tahoe Basin. This request will shift the authority for the position and associated funding from the Conservancy's Budget to the Natural Resources Agency's Budget to better reflect the state-level focus of the activities the position will undertake as well as the reporting relationship with the Secretary of the Natural Resources Agency. This position will continue to perform the same functions as outlined in the 2019-20 Joint Lake Tahoe Science and Water Quality Program Manager Position Budget Change Proposal, namely to support the efforts of the Tahoe Science Advisory Council and Bi-State Executive Committee and serve as the policy lead for water quality efforts in the Lake Tahoe Basin.</p> |
| California Tahoe Conservancy | | \$ - | Lake Tahoe Science and Lake Improvement Account - 1018 | |
| Natural Resources | Technical Adjustment - | \$ - | General Fund-0001 | The Governor's Budget includes funding across various departments within and including Resources Agency for digitization of paper files. In |

| | | | | |
|-------------------------------|---|----------|--|--|
| Agency | Digital Migration | \$ - | Environmental License Plate Fund - 0140 | order to increase efficiency, this net-zero technical adjustment shifts some funding from the departments to Resources Agency to reduce the number of Interagency Agreements needed to contract with the vendor, and increases Resources Agency's reimbursement authority for those departments where funding is not being shifted. |
| | | \$ 2,388 | Reimbursements - 0995 | |
| California Tahoe Conservancy | Reversion and New Appropriation – Multi benefit Ecosystem and Watershed Protection and Restoration Projects (Proposition 1) | \$ 1,039 | Prop 1/6083 | This request will revert and newly appropriate \$1 million in remaining Proposition 1 funding for local assistance grants for multi-benefit ecosystem and watershed protection and restoration projects in the Lake Tahoe Basin, consistent with statute and the purpose for which the funds were originally appropriated in 2015. |
| California Tahoe Conservancy | Proposition 68 Strategic Plan Implementation Spring Adjustments | \$ 1,098 | Prop 68/6088 | This request will provide additional funding to accelerate implementation of the California Tahoe Conservancy's Proposition 68 (Prop 68) programs, provide enhanced technical assistance to support its pending Prop 68 grant cycle, and facilitate increased alignment between its Prop 68 programs and recently-adopted strategic plan. This request involves (1) shifting \$782,000 in technical assistance funding proposed for fiscal years 2020-21 through 2023-24 to 2019-20 to accelerate these activities and (2) increasing funding for planning and monitoring and program delivery to support overall program implementation. To address the growing threats to the Lake Tahoe Basin, the Conservancy requests increased funding for Climate, Sustainable Communities, and Fire and Fuels Programs starting in 2019-20. The programs place an emphasis on climate change science, mitigation, and adaptation in response to state mandates and the Conservancy's strategic plan. Additionally, the funding will build capacity to undertake Prop 68 activities, including planning and technical assistance activities related to greenhouse gas inventories, visitation scenarios, watershed hydrosimulations, and fire and fuels projects. |
| California Conservation Corps | Technical Adjustment - Active Transportation Program Provisional Language | \$ - | Collins-Dugan California Conservation Corps Reimbursement Account - 0318 | This request will extend the encumbrance and liquidation periods for \$4 million Collins-Dugan Reimbursement Account for active transportation projects by one year, from June 30, 2024 to June 30, 2025, to align with the corresponding Department of Transportation item (Item 2660-108-3290), which has encumbrance and liquidation availability until June 30, 2025. |
| Department of Conservation | Division of Land Resource Protection: Propositions 40 and 84 Appropriations | \$ 180 | Prop 84/6051 | This request will provide \$180,000 to support agricultural land preservation. These funds were originally appropriated for this purpose in 2016-17. This amount represents the unencumbered balance that is scheduled to revert as of June 30, 2019. |
| | | \$ 1,142 | Prop 40/6029 | This request will provide \$1,142,000 to support agricultural land preservation. These funds were originally appropriated for this purpose in fiscal year 2016-17. This amount represents the unencumbered balance that is scheduled to revert as of June 30, 2019. |

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| Department of Forestry and Fire Protection | Technical Adjustment - SB 901 Prescribed Fire Crew Program Realignment | \$ - | Greenhouse Gas Reduction Fund - 3228 | This request will correct a technical coding error by shifting the \$35 million Greenhouse Gas Reduction Fund proposed for the Department of Forestry and Fire Protection to support the operation of prescribed fire crews pursuant to Chapter 626, Statutes of 2018 (SB 901) from the Fire Protection Program to the Resources Management Program. |
| Department of Forestry and Fire Protection | Technical Adjustment - Deferred Maintenance Provisional Language | \$ - | General Fund - 0001 | This request will add budget bill language to extend the encumbrance period for \$6 million proposed in the 2019-20 Governor's Budget for deferred maintenance projects until June 30, 2022, consistent with language included for other departments requesting one-time funding for deferred maintenance in 2019-20. |
| Department of Fish and Wildlife | Extension of Liquidation - Various Items, ENY 2016 | \$ - | General Fund - 0001 | The Department of Fish and Wildlife (Department) requests to extend the liquidation period of its fiscal year 2016-17 support items for Funds 0001, 0200, 0320, and 3103 to enable the Department to accurately allocate fiscal year 2016-17 expenditures to the appropriate funds |
| | | \$ - | Fish and Game Preservation Fund - 0200 | |
| | | \$ - | Oil Spill Prevention and Administration Fund - 0320 | |
| | | \$ - | Hatchery and Inland Fisheries Fund - 3103 | |
| Department of Fish and Wildlife | Reversion and New Appropriation - Bay Delta and Coastal Fisheries Restoration Projects | \$ 9,211 | Prop 84/6051 | This reversion of \$9,211,000 is associated with the fiscal year 2016-17 appropriation of Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006 (Prop 84) funding. The Department received \$11,924,000 of which the balance will not revert until June 30, 2020. The appropriation will enable the Department to continue supporting the Ecosystem Restoration Program and Bay-Delta Natural Community Conservation Plan. |
| Wildlife Conservation Board | Reappropriation - General Fund Local Assistance Item, ENY 2018 | \$ 10,000 | General Fund - 0001 | This reappropriation is necessary because the amount of time is not sufficient to negotiate the purchase price, contracting for due diligence including appraisal review services required for a property of its size and complexity, or to obtain Wildlife Conservation Board (WCB) approval and enter all parties into the necessary grant agreements. Reappropriation will allow WCB to fully develop and execute the specified acquisition project. |
| Department of Parks and Recreation | Proposition 12 Statewide Bond Costs | \$ 52 | Prop 12/0005 | These funds will support continued statewide bond management activities for administration of Proposition 12. |
| Parks and Recreation | Reappropriation - Habitat Conservation Fund | \$ 815 | Habitat Conservation Fund - 0262 | This reappropriation will support continued projects for the benefit of deer, mountain lion, and other endangered species habitat. |
| Parks and Recreation | Reappropriation - Water Wastewater | \$ 2,478 | State Parks and Recreation Fund - 0392 | This reappropriation will continue supporting wastewater projects with continued construction administration and contracting costs. Disaster events throughout the state this past year have had a great impact on these project schedules; both direct for projects within the area and indirect due to resources being diverted to assist in these major events. |

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| | | \$ 5,780 | State Parks and Recreation Fund - 0392 | This reappropriation will continue supporting water wastewater projects in various stages of design and construction. Disaster events throughout the state this past year have had a great impact on these project schedules; both direct for projects within the area and indirect due to resources being diverted to assist in these major events. |
| Parks and Recreation | Reappropriation - 2017 Hazardous Mine Remediation | \$11,967 | General Fund - 0001 | This reappropriation will support continued remediation activities at Malakoff Diggins State Historic Park and Mount Diablo State Park. |
| Santa Monica Mountains Conservancy | Santa Monica Mountains Conservancy Fund | \$ 200 | Santa Monica Mountains Conservancy Fund - 0941 | These funds will make ongoing the authority provided to the Conservancy from the Santa Monica Mountains Conservancy Fund on a limited term basis the past three fiscal years. |
| Rivers and Mountains Conservancy | Extension of Liquidation, Reversion, and Appropriation - Propositions 1, 50, and 84 | \$ 2,000 | Prop 1/6083 | These reversions, new appropriations, and extension of liquidation will true up remaining authority with updated point-in-time information while allowing the Conservancy to complete projects initiated under the original appropriation. |
| | | \$ 130 | Prop 50/6031 | |
| | | \$ 1,476 | Prop 84/6051 | |
| Department of Water Resources | Extension of Liquidation - Water Desalination Grant Program | \$ - | Prop 50/6031 | This extension will cover contracts associated with the Water Desalination Grant Program established to provide grant assistance to local agencies and other entities for water desalination projects. |
| | | \$ - | Prop 50/6031 | This extension will cover contracts associated with the Water Desalination Grant Program established to provide grant assistance to local agencies and other entities for water desalination projects. |
| Department of Water Resources | Reappropriation - Desalination Grants | \$ - | Prop 1/6083 | This reappropriation will support the Water Desalination Grant Program established to provide grant assistance to local agencies and other entities for water desalination projects. |
| Department of Water Resources | Extension of Liquidation - Water Use Efficiency Program | \$ - | Prop 50/6031 | This extension will cover various existing Prop 50 grants. |
| Department of Water Resources | Reappropriation - Water Use Efficiency | \$ - | Prop 50/6031 | This reappropriation allows for the completion of the Water Use Efficiency Technical Assistance and Science Program and the support of existing contracts related to advanced metering, water efficient landscapes, and agricultural flow measurements. |
| Department of Water Resources | Reappropriation - Safe Drinking Water Pilot Program | \$ - | Prop 50/6031 | This reappropriation will support the Safe Drinking Water Pilot Program established to support water systems using new technology to remove contaminants from drinking water. |
| Department of Water Resources | Reversion - Safe Drinking Water Program Improvements | \$ (2,431) | Prop 50/6031 | This reversion is needed to provide sufficient authority for a new Prop 50 appropriation for the Safe Drinking Water Improvement Program. |
| Department of Water Resources | Reappropriation - Riverine Stewardship Technical Assistance | \$ - | Prop 50/6031 | This reappropriation will support the Riverine Stewardship Technical Assistance Program to provide technical and financial assistance in support of river and stream restoration, including habitat and wildlife improvements. |
| Department of Water Resources | Reversion - Riverine Stewardship Technical Assistance Program | \$ (174) | Prop 50/6031 | This reversion is needed to provide sufficient authority for a new Prop 50 appropriation for the Riverine Stewardship Technical Assistance Program. |

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| Department of Water Resources | Reappropriation - Merced River Floodwater for Groundwater Recharge Study | \$ - | Prop 68/6088 | This reappropriation will support completion of the ongoing Merced River Basin Floodwater for Managed Aquifer Recharge (Flood-MAR) Reconnaissance Study. |
| Department of Water Resources | Reversion - Floodwater for Groundwater Recharge | \$ (232) | Prop 50/6031 | This reversion is needed to allow for future appropriations and better align authority with the anticipated schedule for expenditures to support implementation of the Floodwater for Managed Aquifer Recharge (Flood-MAR) projects that facilitate groundwater management and storage. |
| | | \$ (17) | Prop 50/6031 | This reversion is needed to allow for future appropriations and better align authority with the anticipated schedule for expenditures to support implementation of the Floodwater for Managed Aquifer Recharge (Flood-MAR) projects that facilitate groundwater management and storage. |
| | | \$ (730) | Prop 50/6031 | This reversion is needed to allow for future appropriations and better align authority with the anticipated schedule for expenditures to support implementation of the Floodwater for Managed Aquifer Recharge (Flood-MAR) projects that facilitate groundwater management and storage. |
| | | \$ (761) | Prop 50/6031 | This reversion is needed to allow for future appropriations and better align authority with the anticipated schedule for expenditures to support implementation of the Floodwater for Managed Aquifer Recharge (Flood-MAR) projects that facilitate groundwater management and storage. |
| Department of Water Resources | Reversion - Bond Clean-Up | \$ (12) | Prop 68/6088 | This reversion is needed to correct an over-allocation of the bond section. |
| Department of Water Resources | Extension of Liquidation - Integrated Regional Water Management | \$ - | Prop 84/6051 | This extension is needed to cover existing contracts for grants previously awarded under the Integrated Regional Water Management Program. |
| | | \$ - | Prop 84/6051 | This extension is needed to cover existing contracts for grants previously awarded under the Integrated Regional Water Management Program. |
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| | | \$ - | Prop 84/6051 | This extension is needed to cover existing contracts for grants previously awarded under the Integrated Regional Water Management Program. |
| Department of Water Resources | Reappropriation - Tribal Engagement | \$ - | Prop 84/6051 | This reappropriation will support continued efforts to engage with Tribal governments and Tribal communities, to build the institutional capacity needed for more effective participation of these historically underrepresented groups in integrated regional water management programs. |
| | | \$ - | Prop 84/6051 | This reappropriation will support continued efforts to engage with Tribal governments and Tribal communities, to build the institutional capacity needed for more effective participation of these historically underrepresented groups in integrated regional water management programs. |
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| | | \$ - | Prop 84/6051 | This reappropriation will support continued efforts to engage with Tribal governments and Tribal communities, to build the institutional capacity needed for more effective participation of these historically underrepresented groups in integrated regional water management programs. |
| Department of Water Resources | Reappropriation - Integrated Regional Water Management | \$ - | Prop 84/6051 | This reappropriation will support continued administration of the integrated regional water management grant program. |
| | | \$ - | Prop 84/6051 | This reappropriation will support continued administration of the integrated regional water management grant program. |
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| | | \$ - | Prop 84/6051 | This reappropriation will support continued administration of the integrated regional water management grant program. |
| Department of Water Resources | Reversion - Flood Corridor and Flood Control Subventions Program | \$ - | Prop 84/6051 | This reversion is needed to provide sufficient funds for a new Prop 84 appropriation for the Flood Corridor and Flood Control Subventions Program. |
| | | \$ - | Prop 84/6051 | This reversion is needed to provide sufficient funds for a new Prop 84 appropriation for the Flood Corridor and Flood Control Subventions Program. |
| Department of Water Resources | Reappropriation - Flood Corridor Program | \$ - | Prop 84/6051 | This reappropriation is needed to support the Flood Corridor Program. |
| Department of Water Resources | Extension of Liquidation - Delta Levees Special Flood Control | \$ - | Prop 84/6051 | This extension is needed to cover contracts for the Delta Levees Special Flood Control Projects. |
| Department of Water Resources | Reappropriation - Delta Levees Special Flood Control | \$ - | Prop 84/6051 | This reappropriation is needed to continue work on the Delta Levees Special Flood Control Projects. |
| Department of Water Resources | Reappropriation - Habitat Restoration | \$ - | Prop 84/6051 | This reappropriation is needed to continue work on habitat restoration projects that were established to meet the Delta habitat mandates. |
| Department of Water Resources | Reappropriation - Dutch Slough Tidal Marsh Restoration | \$ - | Prop 84/6051 | This reappropriation is needed to support the Dutch Slough Tidal Marsh Restoration Project to meet the Delta habitat improvement mandate. |
| Department of Water Resources | Extension of Liquidation - System Reoperation Program | \$ - | Prop 84/6051 | This extension is needed to cover the System Reoperation Program contract for technical support to DWR staff to develop, refine, and conduct computer modeling studies to evaluate the feasibility of reoperation of reservoirs and the coordinated use of floodwater for managed aquifer recharge. |
| Department of Water Resources | Extension of Liquidation - Urban Streams Restoration Program | \$ - | Prop 13/6007 | This extension will reimburse grantees under the Prop 13 Urban Streams Restoration Program for work completed under their grant agreements. |
| | | \$ - | Prop 84/6051 | This extension is needed to cover contracts associated with the Urban Streams Restoration Program. |
| Department of Water Resources | Reversion - Urban Streams Restoration Program | \$ (1,000) | Prop 84/6051 | This reversion is needed to allow for future appropriations and better align authority with the anticipated schedule for expenditures to support the Urban Streams Restoration Program. |
| | | \$ (0.3) | Prop 84/6051 | This reversion is needed to allow for future appropriations and better align authority with the anticipated schedule for expenditures to support the Urban Streams Restoration Program. |
| | | \$ (128) | Prop 84/6051 | This reversion is needed to allow for future appropriations and better align authority with the anticipated schedule for expenditures to support the Urban Streams Restoration Program. |
| Department of Water | Technical Adjustment - | \$ (840) | Prop 84/6051 | This technical adjustment is needed to reduce authority to avoid over-allocation of bond funds. |

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| Resources | Prevent Over-Allocation of Funds | \$ (14) | Prop 84/6051 | This technical adjustment is needed to reduce authority to avoid over-allocation of bond funds. |
| | | \$ (4) | Prop 84/6051 | This technical adjustment is needed to reduce authority to avoid over-allocation of bond funds. |
| | | \$ (22) | Prop 84/6051 | This technical adjustment is needed to reduce authority to avoid over-allocation of bond funds. |
| Department of Water Resources | Extension of Liquidation - Water-Energy Grant Program | \$ - | Greenhouse Gas Reduction Fund - 3228 | This extension will allow DWR to continue to pay grantees who previously received grant awards under the Water-Energy Grant Program. |
| Department of Water Resources | Reappropriation - Water-Energy Grant Program | \$ - | Greenhouse Gas Reduction Fund - 3228 | This reappropriation will allow DWR to continue to manage, administer, and close existing grants, including processing and payment of grantee invoices. |
| Department of Water Resources | Reappropriation - San Joaquin River Water Quality Improvement Program | \$ - | Prop 84/6051 | This reappropriation will support the San Joaquin River Water Quality Improvement Program established to implement projects that reduce or eliminate discharges of subsurface agricultural drainage water. |
| Department of Water Resources | Reappropriation - San Joaquin River Restoration Project | \$ - | Prop 1/6083 | This reappropriation will support the San Joaquin River Restoration Program to implement the settlement and bring back salmon to the San Joaquin River. |
| | | \$ - | Prop 1/6083 | This reappropriation will support the San Joaquin River Restoration Program to implement the settlement and bring back salmon to the San Joaquin River. |
| Department of Water Resources | Reappropriation - Disadvantaged Community Project Grants | \$ - | Prop 1/6083 | This reappropriation is needed to continue to provide funding that will directly benefit disadvantaged communities. |
| Department of Water Resources | Reappropriation - Coastal Water Flood Risk Reduction | \$ - | Prop 1/6083 | This reappropriation is needed to implement flood risk reduction projects that address current conditions and increased frequency and severity of extreme weather events. |
| Department of Water Resources | Reappropriation - Central Valley Tribal Program | \$ - | Prop 1/6083 | This reappropriation is needed to allow staff to finalize proposal reviews, execute recommended grant agreements, and manage projects to completion. |
| | | \$ - | Prop 1/6083 | This reappropriation is needed to address known flood risks, which may include projects that contribute to voluntary agreements being developed by the Natural Resources Agency, the Department of Fish and Wildlife, and various stakeholders to address larger Bay-Delta water quality and ecosystem objectives. |
| Department of Water Resources | Reappropriation - Delta Systemwide Flood Risk Reduction | \$ - | Prop 1/6083 | This reappropriation is needed for the Systemwide Flood Risk Reduction Program, which provides funding, direction, and oversight for repairing and improving flood management facilities at the system level. |
| | | \$ - | Prop 1/6083 | This reappropriation is needed for continued work on Systemwide Flood Risk Reduction. Funding has not yet been committed because ongoing contract negotiations have taken longer than anticipated. |
| Department of Water Resources | Reappropriation - Central Valley Systemwide Flood Risk Reduction | \$ - | Prop 1/6083 | This reappropriation is needed for continued work on Systemwide Flood Risk Reduction. |

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| Department of Water Resources | Reappropriation - Delta Levees Subventions | \$ - | Prop 1/6083 | This reappropriation is needed to continue the work of the Delta Levees Maintenance Subventions Projects. |
| | | \$ - | Prop 1/6083 | This reappropriation is needed to continue the work of the Delta Levees Maintenance Subventions Planning and Monitoring. |
| | | \$ - | Prop 1/6083 | This reappropriation is needed to continue the work of the Delta Levees Maintenance Subventions Projects. |
| Department of Water Resources | Extension of Liquidation - Drought Emergency | \$ - | General Fund - 0001 | This extension will support the Drought Emergency Program established to respond to California's drought emergency in compliance with previous executive orders. |
| Department of Water Resources | Extension of Liquidation - Drought Emergency | \$ - | General Fund - 0001 | This extension will support the Drought Emergency Program established to respond to California's drought emergency in compliance with previous executive orders. |
| Department of Water Resources | Extension of Liquidation - Truckee River Operating Agreement | \$ - | General Fund - 0001 | This extension will support the Truckee River Operating Agreement Implementation Program. |
| Department of Water Resources | Extension of Liquidation - Risk Notification | \$ - | General Fund - 0001 | This extension is for the Sacramento River Flood Control System. Funding has not been expended due to ongoing contract negotiations. |
| Department of Water Resources | Extension of Liquidation - Floodplain Management Ordinances | \$ - | General Fund - 0001 | This extension is for the development of model floodplain management ordinances for the Division of Flood Management. |
| Department of Water Resources | Extension of Liquidation - Sacramento River General Reevaluation Report | \$ - | General Fund - 0001 | This extension will support the Sacramento River General Reevaluation Report study to evaluate the integrity of the Sacramento River Flood Control System. |
| Department of Water Resources | Extension of Liquidation - Sacramento River General Reevaluation Report - Outreach | \$ - | General Fund - 0001 | This extension will support the Sacramento River General Reevaluation Report study to evaluate the integrity of the Sacramento River Flood Control System. |
| Department of Water Resources | Extension of Liquidation - Hydrology and Flood Operations Office Assessment and Reporting | \$ - | General Fund - 0001 | This extension is needed to support Flood Forecasting. The funding has not been liquidated because the truck is on back order from the manufacturer. |
| Department of Water Resources | Extension of Liquidation - National Hydrography Dataset Stewardship | \$ - | General Fund - 0001 | This extension will support the California National Hydrography Dataset program established to steward the United States Geological Survey's National Hydrography Dataset and Watershed Boundary Dataset for California. |
| Department of Water Resources | Extension of Liquidation - Yuba Feather Flood Protection Program | \$ - | Prop 13/6010 | This extension is needed to allow the project to run to completion and allow time for proper final invoicing and closeout processes. |
| | | \$ - | Prop 13/6010 | This extension will support the Yuba Feather Flood Protection Program. The projects are complete and the remaining fund center balance is for retention. |
| Department of | Extension of | \$ - | Prop 13/6015 | This extension will support Phase 2B of the Hamilton City Flood |

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| Water Resources | Liquidation - Hamilton City Flood and Restoration Project | | | Damage Reduction and Ecosystem Restoration Project. |
| Department of Water Resources | Reversion - Systemwide Flood Risk Reduction Program | \$ (10,000) | Prop 1/6083 | This reversion is needed to provide sufficient authority to cover a new appropriation for Systemwide projects. |
| Department of Water Resources | Technical Adjustment - Prevent Over-Allocation of Funds | \$ (1) | Prop 50/6031 | This technical adjustment is needed to reduce authority to avoid over-allocation of bond funds. |
| | | \$ - | Prop 50/6031 | This technical adjustment is needed to reduce outyear authority to avoid over-allocation of bond funds. |
| | | \$ - | Prop 84/6051 | This technical adjustment is needed to reduce outyear authority to avoid over-allocation of bond funds. |
| | | \$ - | Prop 84/6051 | This technical adjustment is needed to reduce outyear authority to avoid over-allocation of bond funds. |
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| | | \$ - | Prop 1/6083 | This technical adjustment is needed to reduce outyear authority to avoid over-allocation of bond funds. |
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| | | \$ - | Prop 1/6083 | This technical adjustment is needed to reduce out year authority to avoid over-allocation of bond funds. |
| Department of Water Resources | Technical Adjustment - Control Section Adjustments | \$ (12) | Prop 68/6088 | This technical adjustment is needed to reduce authority to avoid over-allocation of bond funding in light of control section adjustments. |
| | | \$ - | Prop 68/6088 | This technical adjustment is needed to reduce authority to avoid over-allocation of bond funding in light of control section adjustments. |
| SSJDC | Reversion - Proposition 1 | \$ - | Prop 1/6083 | This request includes reversions of the unencumbered balance of the 2017-2018 appropriations to better align authority with anticipated expenditures based upon current information. |
| | | \$ - | | |
| SSJDC | Reappropriation - Office Expansion | \$ - | Environmental License Plate Fund - 0140 | This reappropriation is needed to support a contract for office space expansion. |

This proposal was discussed at the May 2, 2019 hearing.

Staff Recommendation. Approve as proposed.

0555 CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY (CALEPA)**Issue 3: Various Technical Adjustments (GB)**

Governor’s Proposal. The Governor’s budget proposes for various technical adjustments, reappropriations, and baseline appropriation adjustments to continue implementation of previously authorized programs.

Within this BCP for “Various Technical Adjustments,” the Governor’s budget proposed \$4.158 million Greenhouse Gas Reduction Fund to support 22 existing positions and three new Human Resources positions to continue the implementation of AB 617 (C. Garcia), Chapter 136, Statutes of 2017. This subcommittee rejected without prejudice the AB 617 component of the overall proposal, “Various Technical Adjustments.”

This overall proposal was discussed at the March 21, 2019 hearing.

Staff Recommendation. Approve as proposed, except for the AB 617 component of the original budget change proposal.

3100 CALIFORNIA SCIENCE CENTER**Issue 4: Utilities Cost Adjustment (GB)**

Governor's Proposal. The Governor's budget proposes \$559,000 in 2019-20 and \$639,000 ongoing from a combination of the General Fund and the Exposition Park Improvement Fund to address utility rate increases for the Office of Exposition Park Management (OEPM), the California Science Center (Science Center), and California African American Museum (CAAM).

This request is jointly submitted by OEPM, the Science Center, and CAAM.

This proposal was discussed at the March 14, 2019 hearing.

Staff Recommendation. Approve as proposed.

3340 CALIFORNIA CONSERVATION CORPS (CCC)

Issue 5: Various Capital Outlay Projects (GB)

Governor's Proposal. The Governor's budget proposes \$9.3 million one-time in General Fund for the working drawing phases to replace several residential centers. Specifically, this proposal includes:

- \$808,000 for working drawings to renovate the existing Fortuna Residential Center in Humboldt County.
- \$3.745 million for working drawings to replace the existing Greenwood Residential Center in El Dorado County.
- \$1.194 million for working drawings to renovate the existing Los Piños facility located in Orange County.
- \$3.55 million for working drawings to replace the existing Ukiah Residential Center in Mendocino County.

This proposal was discussed at the March 14, 2019 hearing.

Staff Recommendation. Approve as proposed.

Issue 6: Wildfire Prevention and Recovery Legislative Package: Forestry Corps (AB 2126) (GB)

Governor's Proposal. The Governor's budget proposes \$4.454 million General Fund in 2019-20 and \$4.352 million General Fund ongoing to fund two positions, three CCC crews, and one crew via local corps grant to implement the Forestry Corps Program consistent with AB 2126 (Eggman), Chapter 635, Statutes of 2018. This proposal includes \$450,000 fund shift from the Collins Dugan Reimbursement Account to General Fund to convert one existing resource crew to a Forestry Corps crew.

Funds would be used to support four Forestry Corps crews that will undertake forest health and hazardous fuel reduction projects in areas of high fire risk, which will increase public safety for fire-threatened communities, improve forest health conditions, and achieve associated climate goals. This program will also provide specialized training and assistance to corps members to create educational and career pathways to forestry and other related fields.

The Governor's budget proposes to fully fund the three CCC crews (one conversion crew and two new expansion crews) through the General Fund as opposed to the standard General Fund and project reimbursement funding model that supports other CCC grade crews. The Administration states that given the strategic location of the Forestry Corps crews and the fuels reduction and forest health activities they will undertake, the Forestry Corps Program will reduce wildfire risk for fire-threatened communities, which will lead to increased public safety.

This proposal was discussed at the March 28, 2019 hearing.

Staff Recommendation. Approve as proposed.

3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CALFIRE)**Issue 7: Emergency Medical Services: Data and Information Systems (AB 1129) (GB)**

Governor's Proposal. The Governor's budget proposes \$3.2 million General Fund and 7.8 positions ongoing to comply with AB 1129 (Burke), Chapter 377, Statutes of 2015.

This proposal was discussed at the March 14, 2019 hearing.

Staff Recommendation. Approve as proposed.

Issue 8: Facilities Repairs and Maintenance (GB)

Governor's Proposal. The Governor's budget proposes \$9.5 million General Fund and 22.3 permanent positions in 2019-20, with additional staff in subsequent years, to build capacity in its Technical Services Unit to undertake projects and effectively repair and maintain over 2,000 structures across its 530 facilities statewide.

This proposal includes trailer bill language (TBL) to establish the CalFire Infrastructure Projects Revolving Fund to enhance its ability to undertake agency-retained infrastructure improvement projects.

This proposal was discussed at the March 14, 2019 hearing.

Staff Recommendation. Approve as proposed.

Issue 9: Fireworks Management and Disposal (GB)

Governor's Proposal. The Governor's budget proposes \$3.6 million General Fund ongoing to increase the state's overall fire prevention efforts and to reduce the influx of illegal fireworks within the state.

This proposal was discussed at the March 14, 2019 hearing.

Staff Recommendation. Approve as proposed.

Issue 10: Professional Standards Program Continuation (GB)

Governor's Proposal. The Governor's budget proposes \$4 million ongoing (\$2.5 million General Fund, \$178,000 Greenhouse Gas Reduction Fund, and \$1.3 million in reimbursement authority) and 14 positions to continue the Professional Standards Program.

This proposal was discussed at the March 14, 2019 hearing.

Staff Recommendation. Approve \$4 million ongoing (\$2.678 General Fund and \$1.3 million reimbursement authority) and 14 positions to continue the Professional Standards Program.

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| Issue 11: Various Capital Outlay Projects (GB) |
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Governor's Proposal. The Governor's budget proposes \$40.041 million General Fund for a number of capital outlay projects. Specifically, this proposal includes for the following:

| Project Title | Description |
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| (New) | \$2.65 million General Fund one-time for the preliminary plans phase to replace the Butte Conservation Camp, in Butte County. Butte Fire Center was constructed in the mid-1940s and no longer meets current operational requirements. |
| Davis Mobile Equipment Storage (New) | \$975,000 General Fund one-time for the preliminary plans, working drawings, and construction phases of this project to construct two metal storage buildings. These buildings will replace the existing warehouse at the Davis Mobile Equipment Facility in Yolo County and will house 12 fire engines. |
| Elsinore Fire Station: Relocate Facility (New) | \$1.8 million General Fund one-time for the acquisition phase to replace the Elsinore Fire Station in Riverside County. The Elsinore Fire Station built in 1946 has functional deficiencies and is not large enough to properly house both equipment and employees. The apparatus building is inadequate to accommodate the larger fire engines currently in use. |
| Growlersburg Conservation Camp: Replace Facility (New) | \$3.05 million General Fund one-time for the preliminary plans phase to replace the existing Growlersburg Conservation Camp in El Dorado County, which no longer meets programmatic needs. |
| Hemet-Ryan Air Attack Base: Replace Facility (New) | \$1.931 million General Fund one-time for the preliminary plans phase to replace the existing Hemet-Ryan Air Attack Base in Riverside County, which no longer meets programmatic needs. |
| Hollister Air Attack/Bear Valley Helitack Base: Relocate Facilities (New) | \$12.15 million General Fund one-time for the acquisition phase to relocate the existing Hollister Attack Base and Bear Valley Helitack Base in San Benito County, which no longer meets programmatic needs. |
| Humboldt-Del Norte Unit Headquarters - Relocate Facility (New) | \$1.86 million General Fund one-time for the acquisition phase to relocate the Humboldt-Del Norte Unit Headquarters and the Fortuna Fire Station in Humboldt County, which no longer meets programmatic needs. |
| Minor Projects-Boggs Mountain DSF Administration Building Replacement (New) | \$975,000 General Fund one-time to construct a new administration building at the existing state-owned Boggs Mountain Demonstration State Forest. |

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| Minor Projects- Rohnerville AAB Aviation Fuel System Replacement (New) | \$975,000 General Fund one-time for the Rohnerville Air Attack Base Fuel System Replacement project. This project would remove the current aviation fuel tank and replace it with an upgraded 25,000-gallon aviation fuel tank and it also would remove and replace the fuel distribution system with a system capable of fueling multiple aircraft at the same time. |
| Minor Projects- Weed Fire Station- Construct Administration Building (New) | \$851,000 General Fund one-time to construct a new administration building at the existing state-owned Weed Fire Station in Siskiyou County to improve Unit operations. |
| Perris Emergency Command Center: Remodel Facility (Continuing) | \$834,000 General Fund one-time for the construction phase to remodel the Perris Emergency Command Center in Riverside County, which has functional deficiencies. |
| Potrero Forest Fire Station: Replace Facility (Continuing) | \$981,000 General Fund one-time for the working drawings phase to replace the Potrero Forest Fire Station in San Diego County, which has functional deficiencies. |
| Prado Helitack Base: Replace Facility (Continuing) | \$1.3 million General Fund for the working drawings phase to replace the existing Prado Helitack Base in San Bernardino County, which no longer meet programmatic needs. |
| Shasta Trinity Unit Headquarters/ Northern Operations: Relocate Facility (Continuing) | \$4.329 million General Fund one-time for the preliminary plan phase to construct a new joint facility to co-locate the Shasta Trinity Unit Headquarters and several Northern Region Operations - Redding facilities. |

The Ishi Conservation Camp kitchen replacement project, which was part of this issue for “Various Capital Outlay Projects,” as heard on March 14, 2019, is in a separate issue below.

This proposal was discussed at the March 14, 2019 hearing.

Staff Recommendation. Approve as proposed.

Issue 12: Contract County Capital Outlay (GB)

Governor’s Proposal. The Governor's budget proposes \$3.3 million General Fund ongoing to restore proportional capital outlay funding to the six Contract Counties.

This proposal was discussed at the March 14, 2019 hearing.

Staff Recommendation. Approve as proposed.

Issue 13: Ishi Conservation Camp – Replace Kitchen (GB) and (SFL)

Governor’s Proposal. The Governor’s Budget proposes \$5.38 million General Fund one-time for the construction phase to replace the kitchen/dining facility that was destroyed by fire at the existing state-owned Ishi Conservation Camp in Tehama County.

An SFL requests a supplemental appropriation in the amount of \$5.328 million General Fund one-time for the construction phase of this continuing project to replace the kitchen/dining facility at the existing, state-owned Ishi Conservation Camp (Camp), located in Tehama County. The kitchen/dining structure at the Camp was destroyed by fire on July 20, 2017. The requested supplemental appropriation is for an augmented scope of work is needed to facilitate a scope change to provide for increased fire water storage and plumbing for this institutional kitchen/dining hall, account for additional cost escalation increases, and cover additional costs related to project execution.

Estimated total project cost is \$11.474 million.

This proposal was discussed at the May 2, 2019 hearing.

Staff Recommendation. Approve as the budgeted (GB) and add budget bill language to make the SFL portion of funding contingent on a report to JLBC that explains steps taken to mitigate costs.

Issue 14: San Mateo-Santa Cruz Unit Headquarters – Relocate Auto Shop (SFL)

Governor’s Proposal. An SFL requests a supplemental appropriation of \$7.343 million Public Buildings Construction Fund one-time for the construction phase of this continuing project to relocate an auto shop facility at CalFire’s San Mateo-Santa Cruz Unit Headquarters. This request is to address cost increases resulting from increased labor and material costs, as well as increased costs associate with the current condition in the construction service market in Santa Cruz County.

With the additional \$7.343 million included in this request for construction, total project costs are now estimated to be \$19.478 million.

This proposal was discussed at the May 2, 2019 hearing.

Staff Recommendation. Approve as proposed.

3600 DEPARTMENT OF FISH AND WILDLIFE (DFW)**Issue 15: Wildfire Prevention and Recovery Legislation: Timber Harvest Plan Exemption Review (SB 901) (GB)**

Governor's Proposal. The Governor's budget proposes 15 positions and \$3.483 million (\$1.483 million General Fund and \$2 million Timber Regulation and Forest Restoration Fund (TRFRF)) in 2019-20, \$3.042 million annually through 2023-24, and \$1.042 million annually thereafter to implement SB 901 (Dodd), Chapter 626, Statutes of 2018.

This proposal was discussed at the March 14, 2019 hearing.

Staff Recommendation. Approve as proposed.

3720 CALIFORNIA COASTAL COMMISSION**Issue 16: Increased Lease Cost (GB)**

Governor's Proposal. This subcommittee did not receive a budget change proposal for the increased lease cost for the California Coastal Commission. The Coastal Commission instead, includes \$1.3 million in new ongoing General Fund for higher rent costs in the new office location within its base budget.

This proposal was discussed at the April 4, 2019 hearing.

Staff Recommendation. Approve as proposed.

3760 STATE COASTAL CONSERVANCY (SCC)**Issue 17: Proposition 68 West Coyote Hills Conservancy Program (SFL)**

Governor's Proposal. An SFL requests an appropriation of \$4.04 million from the California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access For All Act of 2018 (Proposition 68) for local assistance and support pursuant to Chapter 10 of the Bond Act. The funds would be used to implement the Conservancy's West Coyote Hills Conservation Program. Funds are requested to be available for encumbrance through June 30, 2022 and for expenditure through June 30, 2024.

This proposal was discussed at the May 2, 2019 hearing.

Staff Recommendation. Approve as proposed.

3790 DEPARTMENT OF PARKS AND RECREATION (PARKS)**Issue 18: Administrative Support Staffing (GB)**

Governor's Proposal. The Governor's budget proposes \$1.74 million General Fund one-time, and \$1.633 million General Fund ongoing beginning in 2020-21, and 12 positions to support the increasing fiscal demands, address control agency audits, reduce backlogs, and support new and ongoing departmental operations in the Accounting Services and Business Management Services Sections.

This proposal was discussed at the April 4, 2019 hearing.

Staff Recommendation. Approve as proposed.

Issue 19: California Museum (GB)

Governor's Proposal. The Governor's budget proposes \$1 million General Fund ongoing for local assistance funding to the California Museum to support the museum's mission to engage and educate the public on California history.

This proposal was discussed at the April 4, 2019 hearing.

Staff Recommendation. Approve as proposed.

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| Issue 20: Various Capital Outlay Projects (GB) |
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Governor’s Proposal. The Governor's budget proposes \$19.062 million from various funds for a number of capital outlay projects. Specifically, this proposal includes the following:

| Project Title | Description |
|--|---|
| Calaveras Big Trees SP: Campsite Relocation (<i>continuing</i>) | \$1.8 million reimbursement authority for the construction phase of the Calaveras Big Trees State Park: Campsite Relocation project in Calaveras County. This continuing project includes relocation of approximately five existing campsites to a new location within the Calaveras Big Trees State Park. Estimated total project cost: \$2.003 million. |
| Colusa-Sacramento River SRA: Boat Launching Facility (<i>new</i>) | \$397,000 Harbors and Watercraft Revolving Fund one-time for the preliminary plans phase of the Colusa-Sacramento River State Recreation Area (SRA): Boat Launching Facility project in Colusa County. This project will redesign and improve the existing boating support facilities in anticipation of the completion of a new boat ramp. The project includes replacement, relocation, and improvements to the existing boating support facilities, camping facilities, and day-use area as well as installation of utility systems and construction of road and multi-use paths. Estimated total project cost: \$6.486 million. |
| El Capitan SB: Entrance Improvements (<i>continuing</i>) | \$2.6 million Proposition 84 bond funds and \$1 million in reimbursement authority for the construction phase of the El Capitan State Beach (SB): Entrance Improvements project in Santa Barbara County. This continuing project addresses safety and operational issues by including construction of an alternate safe route for pedestrians and bicyclists, increased space for today's larger vehicles on the park road and entrance area, replacement of a culvert with a bridge to allow the endangered steelhead trout a barrier free passage, and replacement of the aging and damaged entrance kiosk. Estimated total project cost: \$4.43 million. |
| Fort Ross SHP: Cultural Trail (<i>continuing</i>) | \$2.5 million Proposition 40 bond funds one-time for the construction phase of the Fort Ross State Historic Park (SHP): Cultural Trail project in Sonoma County. This continuing project includes construction of the Fort Ross Cultural Trail, adding a new trail segment to the California Coastal Trail. Estimated total project cost: \$3.358 million. |
| Fort Ross SHP: Visitor and Educational Improvements (<i>new</i>) | \$3.9 million General Fund one-time for the preliminary plans phase of the Fort Ross State Historic Park (SHP): Visitor and Educational Improvements project in Sonoma County. This proposal also includes provisional language to make program funds available for encumbrance for two years instead of one year. This project includes construction of new cabin accommodations, replacement of the water treatment system, accessibility upgrades for the existing kitchen and restroom, demolition of existing cabins for tent camping, stabilization of the historic Lambing Barn, and adaptive rehabilitation of ranch era historic structures for classrooms and interpretive areas. Estimated total project cost: \$29.485 million. |
| Hungry Valley SVRA: 4x4 Obstacle Course Improvements (<i>continuing</i>) | \$451,000 Off-Highway Vehicle Trust Fund for the Hungry Valley State Vehicular Recreation Area (SVRA): 4x4 Obstacle Course Improvement project in Los Angeles County. This continuing project includes upgrade and enhancement of an existing 4x4 obstacle course at Hungry Valley SVRA. Estimated total project cost: \$567,000. |
| Lake Del Valle SRA: Boat Ramp Replacement (<i>continuing</i>) | \$940,000 Harbors and Watercraft Revolving Fund for the construction phase of the Lake Del Valle State Recreation Area (SRA): Boat Ramp Replacement project in Alameda County. This continuing project will replace an existing boat ramp, which is over 40 years old, deteriorating, and a public safety risk due to its extremely slippery surface. Estimated total project cost: \$1.204 million. |

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| Lake Oroville SRA: Gold Flat Campground Upgrades <i>(continuing)</i> | \$1.3 million Proposition 84 bond funds for the construction phase of the Lake Oroville State Recreation Area (SRA): Gold Flat Campground Upgrades project in Butte County. This continuing project will upgrade aged and failing infrastructure, by including replacement of the outdated electrical and water distribution systems, installation of data conduit for future use, and overlay of campground roads and campsite spurs. The project will also construct accessible campsites and accessible paths of travel and accessibility upgrades to the existing combination building. Estimated total project cost: \$1.606 million. |
| Oceano Dunes SVRA: Le Sage Bridge Replacement <i>(continuing)</i> | \$97,000 Off Highway Vehicle Trust Fund for the working drawings phase of the Oceano Dunes State Vehicle Recreation Area (SVRA): Le Sage Bridge Replacement project located in San Luis Obispo County. This continuing project includes rehabilitation of the Le Sage Bridge to provide critical structural improvements and enhanced design features for combined vehicle and pedestrian use. Estimated total project cost: \$1.166 million. |
| Oceano Dunes SVRA: Pismo SB Sediment Track-Out Prevention <i>(continuing)</i> | \$95,000 Off Highway Vehicle Trust Fund for the working drawings phase of the Oceano Dunes State Vehicle Recreation Area (SVRA): Pismo State Beach (SB) Sediment Track Out Prevention project in San Luis Obispo County. This continuing project includes construction of several dirt track-out prevention measures at park exits to help ensure that dirt from vehicles does not track-out from Oceano Dunes SVRA and Pismo SB onto public roads. Estimated total project cost: \$1.059 million. |
| Ocotillo Wells SVRA: Auto Shop Addition <i>(continuing)</i> | \$1.3 million Off-Highway Vehicle Trust Fund for the construction phase of the Ocotillo Wells State Vehicle Recreation Area: Auto Shop Addition project located in San Diego County. This continuing project will expand the existing auto shop repair facilities by including construction of an additional and larger repair bay and storage space immediately adjacent to the existing building to accommodate items in the current fleet. Parks must provide safe working conditions for all staff. Currently, staff are forced to complete maintenance and repairs to vehicles outdoors, unsheltered in the extreme weather conditions found at this desert park. Estimated total project cost: \$1.525 million. |
| Ocotillo Wells SVRA: Holmes Camp Water System Upgrade <i>(continuing)</i> | \$1.2 million Off-Highway Vehicle Trust Fund for the construction phase of the Ocotillo Wells State Vehicular Recreation Area (SVRA): Holmes Camp Water System Upgrade project in San Diego County. This continuing project includes construction of a new water treatment and distribution system to meet current demand and health department standards, comply with the California Department of Health Services-Drinking Water Field Operations Branch (DHS-DWFOB) Check List of Security Measures for Water Utilities, and provide storage and protection from the desert environment. Estimated total project cost: \$1.402 million. |
| Old Sacramento SHP: Boiler Shop Renovation <i>(continuing)</i> | \$423,000 Proposition 84 bond funds for the working drawings phase of the Old Sacramento State Historical Park (SHP): Boiler Shop Renovation project located in Sacramento County. This continuing project includes critical improvements to the historic Boiler Shop in the Downtown Sacramento Railyards. The project will address hazardous material abatement, structural seismic stabilization, and improvements to the building exterior shell, interior core improvements, and related utilities to ensure Boiler Shop is clean and safe. Estimated total project cost: \$13.042 million. |
| Pfeiffer Big Sur SP: Low-Cost Alternative Coastal Lodging <i>(continuing)</i> | \$178,000 State Park Contingent Funds for the working drawings phase of the Pfeiffer Big Sur State Park (SP): Low-Cost Alternative Coastal Lodging project in Monterey County. This continuing project includes construction of up to 15 new, lower-cost alternative lodging cabins along the coast to enhance visitor experience and increase visitation by non-traditional users within Pfeiffer Big Sur SP. Funds for this project will come from the California Coastal Commission (Commission) as a donation of in-lieu mitigation fees totaling \$3.462 million over the next several years. Estimated total project cost: \$3.462 million. |
| R.H. Meyer Memorial SB: El Matador Parking Lot Grading and | \$181,000 Proposition 40 bond funds for the working drawings phase of the R.H. Meyer Memorial State Beach (SB): El Matador Parking Lot Grading and Expansion project in Los Angeles County. This continuing project includes increasing available parking to help reduce pedestrian and vehicle accidents, installing permanent vault toilets, repairing the beach trail, and reducing beach trail erosion through parking lot grading and the use of more durable yet |

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| Expansion (<i>continuing</i>) | permeable surfaces. Estimated total project cost: \$3.592 million. |
| San Luis Reservoir SRA: San Luis Creek Ramp Replacement and Parking Improvements (<i>continuing</i>) | \$1.7 million Harbors and Watercraft Revolving Fund for the construction phase of the San Luis Reservoir State Recreation Area (SRA): San Luis Creek Ramp Replacement and Parking Improvements project in Merced County. This continuing project is intended to improve visitor throughput by widening the existing two-lane boat ramp by two lanes, adding a third boarding float, and reconfiguring the parking lot. The project is also intended to upgrade outdated fish cleaning and parking lot lighting systems. Estimated total project cost: \$2.003 million. |

This proposal was discussed at the April 4, 2019 hearing.

Staff Recommendation. Approve as proposed.

3820 SAN FRANCISCO BAY CONSERVATION AND DEVELOPMENT COMMISSION (BCDC)**Issue 21: Relocation to Bay Area Metro Center ((GB) and (SFL))**

Governor's Proposal. The Governor's BCP proposes \$127,000 General Fund in 2019-20 for increased leasing costs, which increase annually thereafter, to move to the San Francisco Bay Area Metro Center Regional Headquarters building (Metro Center) to co-locate with its regional planning partners.

The Governor's SFL proposes an additional \$32,000 General Fund in 2019-20 for increased leasing costs, which increase annually thereafter, to move to the Metro Center. In addition, BCDC requests a reappropriation of \$3.02 million General Fund provided in the 2018 Budget Act to pay for agreed-to tenant improvements and moving costs, which are not anticipated until 2019-20.

This proposal was discussed at the April 4, 2019 hearing.

Staff Recommendation. Approve as proposed.

3900 AIR RESOURCES BOARD (ARB)**Issue 22: Truck and Bus Regulation Compliance Certification (SB 1) (GB)**

Governor's Proposal. The Governor's budget proposes \$1.9 million from various state transportation-related funds (State Transportation Fund: (1) State Highway Account, (2) Road Maintenance and Rehabilitation Account, and (3) Trade Corridor Enhancement Account) and 15 positions for three years, and \$195,000 and one position ongoing thereafter to implement SB 1 (Beall), Chapter 5, Statutes of 2017.

These positions are intended to implement the requirements of SB 1, including:

- Establish a joint database with the Department of Motor Vehicles (DMV) to ensure only commercial vehicles compliant with ARB's diesel regulations are allowed to register.
- Provide increased outreach and technical assistance to truck owners/operators on registration-related compliance issues to address the anticipated increase in compliance assistance and enforcement resolution calls.
- Track the emissions impacts of the Truck and Bus Regulation's enhanced compliance provision.
- Consult with the Department of Transportation in its review of transportation plans and the development of local and regional planning grant guidelines.
- Consult with the California Transportation Commission on the development of program funding guidelines and assistance with developing scoring criteria for the Congested Corridors Program created by SB 1.

This proposal was discussed at the March 28, 2019 hearing.

Staff Recommendation. Approve as proposed.

3930 DEPARTMENT OF PESTICIDE REGULATION (DPR)**Issue 23: Pesticides: Schoolsites (AB 2816) (GB)**

Governor's Proposal. The Governor's budget proposes one permanent Environmental Scientist position and \$136,000 DPR Fund annually for two years to implement AB 2816 (Muratsuchi), Chapter 720, Statutes of 2018, which requires DPR to submit a report to the Legislature, by January 1, 2021, to evaluate the implementation and the effect of the implementation of the Healthy Schools Act (HSA) and provide recommendations to improve the implementation and efficacy of the HSA.

This proposal was discussed at the March 21, 2019 hearing.

Staff Recommendation. Approve as proposed.

Issue 24: Information Security Team (GB)

Governor's Proposal. The Governor's budget proposes \$446,000 DPR Fund and three positions in 2019-20 and \$646,000 for ongoing costs annually thereafter. These resources will support additional information technology security and administrative needs.

This proposal was discussed at the March 21, 2019 hearing.

Staff Recommendation. Approve as proposed.

3940 STATE WATER RESOURCES CONTROL BOARD (SWRCB)**Issue 25: Wildfire Prevention and Recovery Legislation: Review of Timber Harvest Plan Exemptions and Utility Corridor Vegetation Management Permitting (SB 901) (GB)**

Governor's Proposal. The Governor's budget proposes 22 permanent positions and \$4.4 million (\$2.6 million General Fund and \$1.8 million Waste Discharge Permit Fund) in fiscal year 2019-20, \$4.1 million in 2020-21, \$3.5 million annually through 2023-24, and \$1.8 million annually thereafter to address workload associated with implementation of SB 901 (Dodd), Chapter 626, Statutes of 2018, including:

- Field inspections and enforcement due to the newly authorized road building activities without prior regulatory review or oversight under the newly revised Forest Fire Prevention Exemption.
- New workload associated with conducting inspections and enforcement of timberlands harvested under the Small Timberland Owner exemption.
- Creation or modification and enforcement of various timber, fire, and vegetation management plans.
- Increased engagement in revised Board of Forestry rulemaking proceedings that may now occur continually throughout the year.
- Development, implementation, and enforcement of a statewide utility corridor vegetation management permit.

This proposal was discussed at the March 21, 2019 hearing.

Staff Recommendation. Approve as proposed and add trailer bill language to require SWRCB, the Department of Fish and Wildlife, and CalFire to collaborate on fuel reduction project selection, and the design of project activities to ensure protection of water and wildlife habitat values while addressing fire behavior and public safety.

3960 DEPARTMENT OF TOXIC SUBSTANCES CONTROL (DTSC)**Issue 26: Increased Exide Residential Cleanup Costs (GB)**

Governor's Proposal. The Governor's budget proposes a loan of \$24.5 million from the General Fund to the Toxic Substances Control Account to complete cleanup activities at residences, schools, parks, day care centers, and childcare facilities near the Exide Technologies, Inc. lead-acid battery recycling facility in the City of Vernon.

This proposal was discussed at the March 21, 2019 hearing.

Staff Recommendation. Approve as proposed.

Issue 27: Acceleration of Additional Cleanup from Exide Technologies Facility (GB)

Governor's Proposal. The Governor's budget proposes a loan of \$50 million one-time General Fund to the TSCA to accelerate the cleanup of additional properties within 1.7 miles of the Exide Technologies facility in Vernon by June 30, 2021.

The proposal includes trailer bill language specifies purposes for which the loan may be used, which includes cleanup and investigation of properties contaminated with lead, job training activities related to the cleanup and investigation, and actions to pursue all available remedies against potential responsible parties.

This proposal is intended to support the acceleration of soil testing and clean up for approximately 700 additional properties with the highest lead contamination levels and greatest potential for exposure within a 1.7-mile radius of the Exide facility.

This proposal was discussed at the March 21, 2019 hearing.

Staff Recommendation. Approve as proposed.

8570 DEPARTMENT OF FOOD AND AGRICULTURE (CDFA)

Issue 28: Various Technical Adjustments (GB)

Governor's Proposal. The Governor's budget proposes for technical baseline appropriation adjustments to continue implementation of previously authorized programs and chaptered legislation proposals without an appropriation.

Among seven proposals in the "Various Technical Adjustments" BCP, the Governor's proposal includes two requests that fall within the realm of "technical":

- **Technical Adjustment to Convert Blanket Positions to Authorized Positions:** Request to convert six blanket positions to permanent authorized positions pursuant to Budget Letter (BL) 18-16. This is a request for position authority only with no increase in expenditure authority.
- **Federal Milk Marketing Order and Quota Implementation Program Establishment:** Request of a reduction of 34 positions to close the Dairy Marketing Branch (DMB) and the Milk Pooling Branch (MPB) in 2019-20 and ongoing due to the establishment of the Federal Milk Marketing Order (FFMO), which was effective November 2018. CDFa also requests \$799,000 in Department of Food and Agriculture Fund authority for 2019-20 and ongoing to support five positions that were reclassified to comply with the request from the dairy industry to create a stand-alone Quota Implementation Program (QIP).

The other five proposals in this BCP arguably should have warranted separate BCPs. They are included in this agenda as individual issues below.

This proposal was discussed at the March 21, 2019 hearing.

Staff Recommendation. Approve as proposed.

Issue 28a: Various Technical Adjustments: Mountain Pass Border Protection Station Operations Expansion (GB)

Governor's Proposal. The Governor's budget proposes \$724,000 General Fund and eight positions in 2019-20 and ongoing to operate additional lanes at the new Border Protection Station in Mountain Pass based on expanded design capacity.

This proposal was discussed at the March 21, 2019 hearing.

Staff Recommendation. Approve as proposed.

Issue 28b: Various Technical Adjustments: Office of Information Technology Services Infrastructure (GB)

Governor's Proposal. The Governor's budget proposes \$930,000 in distributed administration and one position in 2019-20 and \$142,000 and one position in 2020-21 and ongoing to (1) operate and monitor CDFR's network and security infrastructure; (2) migrate to the California Department of Technology's (CDT) Tenant Managed Services Data Center environment; and (3) replace critical equipment that has reached the end of its useful life.

This proposal was discussed at the March 21, 2019 hearing.

Staff Recommendation. Approve as proposed.

Issue 28c: Various Technical Adjustments: Development of Pesticide Alternatives (GB)

Governor's Proposal. The Governor's budget proposes \$671,000 Department of Food and Agriculture Fund (Ag Fund) authority in 2019-20 and ongoing for the Office of Pesticide Consultation and Analysis (OPCA) to support the scientific development of biological control efforts and testing of alternatives for pesticides being considered for deregistration in California.

This proposal was discussed at the March 21, 2019 hearing.

Staff Recommendation. Approve as proposed.

Issue 28d: Various Technical Adjustments: Industrial Hemp Positions (GB)

Governor's Proposal. The Governor's budget proposes six positions in 2019-20 and ongoing for the development, enforcement, and administration of the Industrial Hemp Program (IHP) in accordance with Food and Agricultural Code (FAC) Division 24, which pertains to industrial hemp.

This proposal was discussed at the March 21, 2019 hearing.

Staff Recommendation. Approve as proposed.

Issue 28e: Various Technical Adjustments: Organic Waste Management (GB)

Governor's Proposal. The Governor's budget proposes \$140,000 General Fund and one position in 2019-20 through 2025-26 to administer CDFA functions specified in AB 1981 (Limón), Chapter 633, Statutes of 2018.

Through January 1, 2026, AB 1981 continues the requirement for CalEPA to coordinate with several other state agencies, including CDFA, to develop and implement policies to aid in diverting organic waste from landfills by promoting the composting of specific organic waste and by prompting the appropriate use of that compost in California. The bill also specifies the purpose of promoting the appropriate use of that compost through the state to improve the state's soil organic matter.

This proposal was discussed at the March 21, 2019 hearing.

Staff Recommendation. Approve as proposed.

LEGISLATIVE REQUESTS

The following requests have been submitted by member offices:

Natural Resources and Environmental Protection:

- 1) **California African American Museum.** \$4 million General Fund one-time for deferred maintenance at the museum.
- 2) **Ocean Resources Enhancement and Hatchery Program (OREHP).** \$3.3 million annually for five years as follows:
 - An increase in spending authority in the OREHP account so that \$1.8 million can be added for research and enhancement (spending authority is \$1.1 million currently).
 - Hold the current allocation of Sport Fish Restoration Act funds to Hubbs-Sea World Research Institute for the OREHP program static at \$31,000.
 - \$7 million General Fund over a period of five years.
- 3) **GGRF: Undergrounding of Electrical Wires.** Trailer bill language to enact the intent of SB 584 (Moorlach). Beginning 2019-20 and ending 2023-24, \$400 million GGRF annually to CalFire to provide grants to local jurisdictions undertaking conversion projects in Tier 3 High Fire Threat Districts.
- 4) **Arroyo Verdugo Greenway Feasibility Study.** \$350,000 for feasibility study in Glendale for a bicycle and pedestrian trail through the Verdugo Wash flood control channel.
- 5) **Arroyo Seco Park Water Reuse and Natural Stream Restoration.** \$3.7-\$4 million for the Arroyo Seco Park Water Reuse and Natural Stream Restoration system for improvements including: automated water diversion structure to divert stormwater for urban runoff remediation; restoration of natural stream; enhancement of natural water stream and stormwater storage for water reuse; providing additional park furnishings and amenities along the water stream trails.
- 6) **Robinson Park Recreation Center.** \$7.8 million for renovations of the Robinson Park Recreation Center in Pasadena. Of the total, \$5.2 million is for a swimming pool and pool house building replacement; \$1.1 million for renovations of the Center's gymnasium; and \$1.5 for site work renovations.
- 7) **South Pasadena Recyclable Green Energy Pathway Project.** \$1.34 million for the South Pasadena Recyclable Green Energy Pathway Project for the installation of solar energy at strategically selected city sites.
- 8) **One Arroyo Streamside Walk Demonstration Project.** \$2.6 million for the One Arroyo Woodlands Streamside Walk Demonstration Project.
- 9) **One Arroyo Woodlands Loop Demonstration Project.** \$3.6 million for the One Arroyo Woodlands Loop Demonstration Project, which is a trail concept study.

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- 10) **Glendale-Hyperion Complex of Bridges.** \$4.931 million to design and construct a pedestrian path undercrossing for the Glendale-Hyperion complex of bridges on the east bank of the LA River.
 - 11) **Berkshire and Grevelia Pocket Parks.** \$495,000 for the Berkshire and Grevelia Pocket Parks in the City of South Pasadena for construction.

Energy:

- 12) **Del Oro Water Company.** \$4 million in one-time General Fund resources to support Del Oro Water Company and its customers in the restoration of the portions of Del Oro's system that were damaged in the 2018 Camp Fire. This will assist the utility in meeting its operations, maintenance, and customer service obligations over the next three years as it recovers from the fire.

Staff Recommendation. Hold open.

Senator Bob Wieckowski, Chair
Senator Brian W. Jones
Senator Mike McGuire
Senator William W. Monning
Senator Henry I. Stern



Tuesday, May 14, 2019
1:30 p.m.
State Capitol – Room 112

PART A
Consultant: James Hacker

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

VOTE-ONLY CALENDAR

2660 CALIFORNIA DEPARTMENT OF TRANSPORTATION

Issue 1: Repayment of All Outstanding General Fund Loans

Governor's Budget. The Governor proposes trailer bill language to repay all outstanding General Fund transportation loans, no later than June 30, 2020. This includes:

- \$236 million (this amount is already planned to be repaid in 2019-20, but under the Administration's proposal would not count as part of Proposition 2.)
- \$873 million in loaned weight fees would be repaid in 2019-20 instead of in 2020-21 as required by current statute.

Under the Administration's proposal, the remaining \$236 million of the Traffic Congestion Relief Fund (TCRF) loan will be repaid in 2019-20 and will not be included as Proposition 2 payments. The Administration has proposed satisfying the Proposition 2 requirement from three sources: 1) State Retirement Health, 2) State Employee Pensions, and 3) Teacher's Pensions. The Administration proposed to repay all other outstanding General Fund loans from special funds and transportation accounts outside of the Proposition 2 requirements. This amount includes the \$236 million TCRF repayment. If this request is not approved, the \$236 million would be part of the Proposition 2 requirement and one of the three retirement liabilities would have to make up the difference.

The Department of Finance estimates that there will be \$873 million in previously loaned weight fees that need to be repaid as of the end of 2018-19. This language would repay the entire amount in 2019-20, instead of waiting until 2020-21. Under current law absent the requested trailer bill, the Administration estimates the General Fund payment to be about \$388 million in 2019-20 and \$484 million (the remainder of the weight fee loan amount) in 2020-21 regardless of how much debt service is eligible for offset.

This item was first heard in Budget Subcommittee No. 2 on April 11, 2019.

Staff Recommendation: Approve as Proposed.

Issue 2: Office of the Inspector General (OIG) Trailer Bill Language

Governor's Budget. The Administration has proposed trailer bill language to provide confidentiality protections to individuals who communicate with the Department's Independent Office of Audits and Investigations.

The proposed language gives Caltrans' Inspector General (IG), as the director of the Audits and Investigations Office, access and authority to examine all records, files, documents, accounts, reports, correspondence, or other property of the department and external entities that receive state and federal transportation funds from the department. In addition, any information obtained by the IG may be kept confidential and disclosure would not be required under the California Public Records Act. The language also provides that not complying with providing information to the IG is a misdemeanor.

There is merit in the Administration's proposal. However, the proposed trailer bill language regarding what is disclosed in under the California Public Records Act goes beyond the authority that the California State Auditor has and it is unclear why the Inspector General would need this additional authority. Language with a more limited scope is more appropriate.

This item was first heard in Budget Subcommittee No. 2 on May 9, 2019.

Staff Recommendation: Approve Placeholder Trailer Bill Language.

Issue 3: Project Delivery Workload

Governor's Proposal. The budget requests a net increase of \$8.8 million and 48 Full Time Equivalents (FTEs) for the Capital Outlay Support Program from the 2019-20 Governor's Proposed Budget. This results in a total request of \$1.9 billion in 2019-20 to support 10,354 positions, including 1,032 contracted positions.

The resources requested here are broadly reasonable and in-line with expected transportation funding while remaining consistent with past policies on the use of contracted positions.

This item was first heard in Budget Subcommittee No. 2 on May 9, 2019.

Staff Recommendation: Approve as Budgeted.

2665 HIGH-SPEED RAIL AUTHORITY

Issue 4: Contract Management & Financial Office Resources

Governor's Budget. The budget requests 35 permanent positions and \$4.5 million (Proposition 1A) to shift certain administrative and contract management responsibilities from its Rail Delivery Partner to state staffing resources.

A recent report by the State Auditor identified areas where HSRA's reliance on contractors for contract management and other administrative functions has contributed to problems with control of costs and performance of contractors. The Accounting and Budget Branch play a key role in contract management, among their other state and federal mandated requirements, such as managing the allocation of funds to execute contracts and processing payments. The branches also assist with monitoring balances and available cash to provide timely information to management for decision-making. As such, this request is consistent with the goal of bringing more expertise in-house at HSRA, and is an appropriate first step towards more fully developing HSRA's administrative functions.

The Authority has indicated that this, combined with other recent budget requests, will cause HSRA to reach the administrative funding cap in Proposition 1A in 2020-21. As such, the Legislature should expect a request to raise the cap in the 2020-21 budget.

This request was first heard in Budget Subcommittee No. 2 on May 9, 2019.

Staff Recommendation: Approve as Budgeted.

2720 CALIFORNIA HIGHWAY PATROL (CHP)

Issue 5: Organized Retail Crime Task Force (AB 1065)

Governor's Proposal. The budget requests \$5.8 million General Fund in 2019-20 and 2020-21 to fund 16 positions and associated costs, to comply with the requirements of AB 1065 (Jones-Sawyer), Chapter 803, Statutes of 2018.

The Administration also proposes trailer bill language to extend the program's sunset date by six months to July 1, 2021.

The Administration's proposal would create three regional task forces at CHP, each consisting of four officers, to support local law enforcement in their efforts to combat organized retail crime. While this meets the stated intent of the original bill, it represents a significant increase in CHP's usual involvement in local law enforcement issues. A more limited statewide coordinating structure is more appropriate to CHP's traditional role.

This item was first heard in Budget Subcommittee No. 2 on April 11, 2019.

Staff Recommendation: Approve four positions and \$705,000 per year for two years for the organized retail crime task force. Approve the requested trailer bill language as proposed.

3360 CALIFORNIA ENERGY COMMISSION

Issue 6: Energy Resources Program Account Deficit Reduction

Governor's Proposal. The budget requests a series of actions to reduce the Energy Resources Programs Account (ERPA) structural deficit. The result of these actions is an \$8.468 million reduction to the ERPA structural deficit in 2019-20, a \$9.442 million reduction in 2020-21, and a \$10.468 million reduction in 2021-22.

These actions will reduce ERPA expenditures by roughly \$8.5 million in 2019-20. This is an important step, but is not sufficient to fully salvage the fund. If these actions are taken, the Administration's forecasts predict the fund will still exhaust its reserves by 2022-23. While the Commission has raised the surcharge to its statutory cap, there are additional options for addressing the structural deficit. These include further reductions in program expenditures, extending the surcharge to "behind-the-meter" electricity consumption, and raising the administrative funding cap for the EPIC program to allow EPIC funding to cover administrative activities currently funded by ERPA.

This proposal was first heard in Budget Subcommittee No. 2 on April 25, 2019.

Staff Recommendation: Approve as Budgeted. Approve placeholder supplemental reporting language requiring CEC to report on their plan to fully close the ERPA gap as part of the 2020-21 budget, and to report on the feasibility of extending the surcharge behind the meter.

8660 CALIFORNIA PUBLIC UTILITIES COMMISSION**Issue 7: Strengthen Administrative Core**

Governor's Proposal. The budget requests eight new permanent positions, limited-term funding for three positions, and \$1,448,000 from various funds to strengthen the administrative core, which supports the PUC Budget Office; Accounting Office; Non-IT Contracts and Procurement Office; Business Services Office; and Public Records Act (PRA) response team.

It is reasonable to believe that the PUC's administrative functions have been understaffed for several years, particularly given the increase in the scope and complexity of the Commission's workload. However, while the Commission has indicated that much of the current unmet workload is absorbed within staff overtime, quantifying this workload has proven difficult. Absent this workload data it is difficult to fully justify this request.

This item was first heard in Budget Subcommittee No. 2 on March 28, 2019.

Staff Recommendation: Approve six new permanent positions, three limited term positions, and \$1.2 million from various funds.

Issue 8: Administrative Services Staff Complement - IT Positions

Governor's Proposal. The budget requests five positions and \$706,000 various special funds to provide Information Technology (IT) support for 91 permanent and 33.5 limited-term positions proposed by PUC and the Public Advocates Office (PAG) in the 2019-20 Governor's Budget and recently enacted bills.

This request is generally reasonable given the additional workload required by the cited bills, and the fact that earlier requests related to those bills did not include the required IT overhead resources. The PUC has indicated that future legislatively driven budget requests will include all necessary overhead, negating the need for a separate budget request for overhead resources.

This item was first heard in Budget Subcommittee No. 2 on April 25, 2019.

Staff Recommendation: Approve as Budgeted.

Issue 9: Balancing Accounts and Audit Positions

Governor's Proposal. The budget requests seven permanent positions for the Utility Audit, Finance, and Compliance Branch (UAFCB) and \$830,000 from the Public Utilities Commission Utilities Reimbursement Account (PUCURA, Fund 0462) to address the PUC's statutory requirements for the conduct of audits. This request includes trailer bill language to further amend section 792.5 to allow reviews or audits of balancing accounts.

The PUC's Audit Branch received budget authority for seven limited term positions for 2015-16, which were made permanent in 2018-19. Although PUC has made gains in the last two years in increasing its production of audits, it is reasonable to believe that the PUC requires additional

resources to meet the workload presented by the statutory requirements for the PUC to conduct regulatory audits of the utilities and balancing accounts.

This item was first heard in Budget Subcommittee No. 2 on April 25, 2019.

Staff Recommendation: Approve as Budgeted. Approve the requested trailer bill language.

Issue 10: Decentralization - Sacramento and Los Angeles Office Space

Governor's Proposal. The budget requests \$2.4 million in various special funds (Distributed Administration) for additional office space and relocation costs. Of this amount \$1.6 million is ongoing and \$860,000 will be one-time costs for office relocation costs.

The PUC has indicated that this is the first phase of a broader decentralization plan. The second phase will concentrate on filling new and vacant positions in the Administrative Law Judge (ALJ) and Legal Divisions in Sacramento and Los Angeles. This will promote public participation in Commission events such as hearings, proceedings, and public participation meetings. In addition, the CPUC will be opening a small office in San Diego for technical program staff to meet industry needs.

This request is generally reasonable, and represents a good first step towards expanding PUC operations statewide.

Staff Recommendation: Approve as Budgeted.

Issue 11: PUC Response to Utility Bankruptcy

Governor's Proposal. The budget requests \$28,000,000 from the Public Utilities Commission Utilities Reimbursement Account (Fund 0462) for a legal services contract. This proposal requests that the funds be available for encumbrance until June 20, 2022 and available for liquidation through June 30, 2024.

This request is broadly reasonable given the expected length of the bankruptcy proceeding and the cost of the related counsel. In the April 25th hearing the PUC committed to providing an explanation of how the requested counsel would, or would not, coordinate with other entities contracted to work with the state on wildfire, utility liability, or utility bankruptcy issues. PUC has since provided documentation on this issue, and it will likely be discussed in the Senate Select Committee on Governor's 2019 Report: Wildfires and Climate Change - California's Energy Future.

This item was first heard in Budget Subcommittee No. 2 on April 25, 2019.

Staff Recommendation: Approve as Budgeted.

ISSUES FOR DISCUSSION

8660 CALIFORNIA PUBLIC UTILITIES COMMISSION

Issue 12: LifeLine Program

Governor's Proposal. The May Revision estimate includes and update to the California LifeLine projections. The PUC estimates the combined State Operations and Local Assistance current year expenditures to be \$384,876,000 and budget year expenditures to be \$454,015,000.

Background. The Moore Universal Telephone Service Act of 1984 set the goal of providing high quality telephone service at affordable rates to eligible low-income households. The act requires the PUC to annually designate a class of lifeline service necessary to meet minimum residential communications needs, develop eligibility criteria (currently 150 percent of the federal poverty level or participation in a variety of existing public assistance programs), and set rates for services, which are required to be not more than 50 percent of the rate for basic telephone service. Over the years, the definition of a "basic service," that originally included only traditional wireline (landline) service, has been considered in the broader context of new technologies and trends towards voice, video, and data services.

The program is funded by a surcharge assessed against intrastate charges on end-users of all telephone corporations and connected Voice over Internet Protocol (VOIP) service providers in California. These charges are estimated to provide a revenue base for the program of roughly \$428 million in 2019-20.

Staff Comments. The initial November Estimate projects 2019-20 program costs to be \$362.2 million (\$23 million for State Operations and \$339.1 million for Local Assistance). The revised estimate is \$454 million (\$27.9 million for State Operations and \$426.1 million for Local Assistance), an overall increase of \$91.9 million or 25.4 percent compared to the initial November estimates.

The PUC has indicated that the projected increase in Local Assistance expenditures is primarily due to pilot costs that will explore potential redesign of California LifeLine through partnerships with government (state and local) agencies, non-profit organizations, and facilities-based communications service providers. On April 25, 2019, the Commission approved two pilots to increase participation which is estimated at \$56 million for 2019-20. These changes resulted in an increase of \$67 million or 20 percent from the 2018 Budget Act Appropriation.

The revised estimate is \$27.9 million for State Operations, an increase of 21.2 percent or approximately \$4.9 million (rounded from \$4,883,000) compared to the November estimate of \$23 million. The increase is primarily due to the costs to conduct outreach for the pilot programs specifically a recently approved pilot that will allow California Alternate Rates for Energy (CARE) program to participate in California Lifeline. Customers are eligible for CARE through income based or if they are enrolled in public assistance programs similar to public assistance programs under California LifeLine. The Commission authorized the energy companies administering CARE to share their participants' information with California LifeLine. For this pilot program, the Commission will use this information to conduct outreach to CARE participants and inform them about the Boost pilot and the California LifeLine Program. This outreach campaign will include general information about the program, as well as information about the pilot. The possible outreach channels include

mailing/receiving printed materials, sending/receiving emails and text messages, making/receiving phone calls, and developing a website.

Staff Recommendation: Approve as Budgeted.

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| Issue 13: Wildfires and Climate Change – California’s Energy Future |
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Governor’s Budget. The budget requests 16 positions and \$41.0 million (\$38.0 million in one-time contract authority) in 2019-20, \$3.0 million in 2020-21 and 2020-22, and \$2.9 million on-going to support permanent staff from the Public Utilities Commission Utilities Reimbursement Account to begin the implementation of a five-part action plan aimed at preventing and responding to catastrophic wildfires as laid out in the Wildfires and Climate Change: California's Energy Future Report Released on April 12, 2019.

Background. Early in 2019, the Administration created a strike force team was created to develop a comprehensive strategy, within 60 days, to address the destabilizing effect of catastrophic wildfires on the state's electric utilities. On April 12, 2019, the report of the strike force team. Wildfires and Climate Change: California's Energy Future, was released. This report establishes steps the state should take to reduce the incidence and severity of wildfires, renew the commitment to clean energy, outlines actions to hold the state's utilities accountable and recommended changes to stabilize California's utilities to meet the energy needs of customers and the economy. This report was split into five sections, each including recommendations for strengthening or streamlining the PUC. These include:

- Part 1: Catastrophic Wildfire Prevention and Response
- Part 2: Mitigating Climate Change through Clean Energy Policies
- Part 3: Fair Allocation of Catastrophic Wildfire Damages
- Part 4: A More Effective CPUC with the Tools to Manage a Changing Utility Market
- Part 5: Holding PG&E Accountable & Building a Utility that Prioritizes Safety

The CPUC has broad powers to regulate investor-owned utilities (IOU's) and ensure that safety is the top priority for the state. SB 901 (Dodd), Chapter 623, Statutes of 2018, requires CPUC to review and approve wildfire mitigation plans (WMP) that are to be submitted to the CPUC annually. The current law requires the CPUC to approve WMPs within three months with consideration given to costs, establishment of memo accounts, and the review for reasonableness of these costs in the memo accounts.

In addition, the bill also requires the CPUC to retrospectively determine the maximum amount the IOU's could pay without harming ratepayers and maintaining adequate and safe services, and to review catastrophic wildfire ratepayer protection financing to allow for cost recovery if the costs and expenses are "just and reasonable," determine fixed recovery charges, and issuance for recovery bonds. A budget change proposal was submitted to the Legislature requesting 34 positions to perform the work outlined in SB 901. These positions focused on WMP reviews to assess public safety. The SB 901 requests were first heard in Budget Subcommittee No. 2 on March 28, 2019.

Staff Comments. This request includes 16 positions (and \$3 million in supporting funding) for enforcement activities related to SB 901, and \$38 million in contract authority. This includes:

- \$25 million to contract with third parties to ensure IOU compliance with SB 901 safety requirements.
- \$13 million to develop a long-term plan for improving PUC’s regulation of utilities and their wildfire response. This plan would include:
 - A 10-year strategic vision for dealing with utility-related wildfires, and a road map to get there;

- A model or framework for consistent reviews of utility Wildfire Mitigation Plans; and
- An identification of additional gaps in PUC policies or authorities, and proposals for closing them.

The requested positions and funding would specifically address the report findings from Part 1 (Catastrophic Wildfire Prevention and Response) and Part 4 (A More Effective CPUC with the Tools to Manage a Changing Utility Market). The PUC has indicated that address parts two, three, and five will require further analysis of the workload related to SB 901 and the PG&E bankruptcy proceedings that are already underway.

Overall staff recognizes the utility of this request, but has concerns with the structure of the contracts. Specifically, the PUC does not have a good estimate of what these contracts should actually cost; hiring the enforcement contractors seems to invert the process outlined in SB 901, which requires PUC to develop a list of qualified contractors for IOUs to work with on enforcement issues; and the development of a WMP framework, while valuable, could delay effective oversight and would seem to potentially undercut the role of the PAO and intervenors in future PUC proceedings if implemented incorrectly.

LAO Comments. The May Revision includes \$41 million (Public Utilities Commission Utility Reimbursement Account and Reimbursements) for activities to reduce the risk of utility started wildfires. This includes \$25 million one-time contracting resources to hire a “swat team” of investigators to monitor and enforce utility Wildfire Mitigation Plans (WMPs), \$13 million one-time contracting resources to help CPUC develop a strategy and expertise needed to effectively oversee WMPs, and \$3 million ongoing for additional staff to help oversee utility power shutoffs and reform internal CPUC processes. In concept, the LAO thinks these activities have merit as part of the state’s overall approach to reducing wildfire risk. However, there is no clear implementation plan for WMP enforcement activities or estimates of the outcomes that CPUC expects the swat team to accomplish. In addition, it is unclear how CPUC will use its experience with using the swat team to inform its long-term WMP enforcement strategy.

The LAO recommends the Legislature adopt Supplemental Report Language requiring the CPUC to report, by April 1, 2020, on how much contract funding for enforcement it has spent, what outcomes it has achieved, and how the experience will be used to inform the development of ongoing WMP enforcement. This would enhance legislative oversight of WMP implementation and potentially inform future policy changes to improve WMP enforcement.

Staff Recommendation. Hold Open.

Senator Bob Wieckowski, Chair
Senator Brian W. Jones
Senator Mike McGuire
Senator William W. Monning
Senator Henry I. Stern



Tuesday, May 14, 2019
1:30 p.m.
State Capitol - Room 112

Consultant: Joanne Roy

PART B

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VOTE-ONLY CALENDAR

0540 CALIFORNIA NATURAL RESOURCES AGENCY (CNRA)

0555 CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY (CALEPA)

Issue 1: Proposition 99 Technical Adjustments (May Revision (MR))

Governor's Proposal. The May Revision proposes that various Budget Bill items be amended to reflect a technical baseline budget adjustment for various departments within the Natural Resources Agency and Environmental Protection Agency to reflect additional tobacco tax revenue for the Public Resources Account. Revenue and Tax Code section 30124(b)(5) specifies that five percent of Cigarette and Tobacco Products Surtax Fund revenue shall be deposited into the Public Resources Account for programs that protect, restore, enhance, or maintain fish, waterfowl, and wildlife habitat, and enhance state and local parks and recreational resources. The May Revision proposes the following items be amended to reflect this change:

- Increase Item 0555-001-0235 by \$7,000 (CalEPA)
- Increase Item 3600-001-0235 by \$167,000 (Department of Fish and Wildlife)
- Increase Item 3790-001-0235 by \$468,000 (Department of Parks and Recreation)
- Increase Item 3940-001-0235 by \$27,000 (State Water Resources Control Board)

It is also proposed that Item 3640-311-0001 (Wildlife Conservation Board) be decreased by \$256,000. This adjustment is associated with corresponding increased May Revision revenues from the Unallocated Account Cigarette and Tobacco Products Surtax fund that offset General fund expenditures pursuant to Fish and Game Code Section 2796.

Staff Recommendation. Approve as proposed.

0540 CALIFORNIA NATURAL RESOURCES AGENCY (CNRA)**Issue 2: Local Assistance (MR)**

Governor's Proposal. The May Revision proposes that Item 0540-101-0001 be decreased by \$1 million and Item 8260-103-0001 be added in the amount of \$5 million to support the development of the Armenian American Museum and Cultural Center of California in Glendale, California. The Armenian American Museum's mission is to promote understanding and appreciation of America's ethnic and cultural diversity by sharing the Armenian American experience.

It is also proposed that provisional language for Item 8260-103-0001 be added to specify funding be made available to the Armenian American Museum and to provide for an extended encumbrance until June 30, 2022.

Staff Recommendation. Approve as proposed.

0555 CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY (CALEPA)**Issue 3: Aligning Expenditures with Revenues (MR)**

Governor's Proposal. The May Revision proposes that Item 0555-001-0028 be decreased by \$1 million to reflect updated revenue projections for the Unified Program Account. This one-time reduction in expenditure authority is necessary given a delay in the collection of planned fee increased. Once fees are fully implemented, revenues are expected to fully cover the cost of the program by 2020-2021. This one-time reduction will allow Agency to control its expenditure levels to match current revenues.

Staff Recommendation. Approve as proposed.

3340 CALIFORNIA CONSERVATION CORPS (CCC)**Issue 4: Tahoe Base Center: Equipment Storage Relocation (MR)**

Governor's Proposal. The May Revision proposes reappropriation of \$279,000 from the Public Buildings Construction Fund for the acquisition phase of the Tahoe Base Center: Equipment Storage Relocation project.

Background. The Storage Warehouse Relocation project at Tahoe Base Center consists of the acquisition of land and renovation of an existing storage facility near the Tahoe Residential Center located in El Dorado County. The Legislature has appropriated \$4.038 million Public Buildings Construction Fund in prior years for this project.

This project has had a number of delays related to completion of the acquisition of the site due to real estate due diligence issues pertaining to easements on the site, multiple appraisals, and negotiations with the property owner who splits residence between Hawaii and California. Given that these issues have been resolved and the property owner recently has agreed to sell, CCC anticipates completion of the acquisition phase by the end of the current calendar year. The reappropriation is intended to ensure that adequate acquisition authority is available to complete this phase of the project.

Staff Recommendation. Approve as proposed.

3340 CALIFORNIA CONSERVATION CORPS (CCC)**5225 CALIFORNIA DEPARTMENT OF CORRECTIONS AND REHABILITATION****Issue 5: Division of Juvenile Justice (DJJ) Apprenticeship Conservation Corps (MR)**

Governor's Proposal. The May Revision proposes the following:

- **DJJ:** 2.4 positions and associated General Fund totaling \$344,000 beginning in fiscal year 2019-20 and ongoing.
- **CCC:** 2.0 ongoing positions and \$1.085 million one-time General Fund in 2019-20 and \$581,000 ongoing General Fund beginning in 2020-21, which includes \$876,000 in 2019-20 and \$376,000 ongoing for certified local conservation corps.

Requested resources are intended to support the implementation of the DJJ Apprenticeship Conservation Corps pilot program to present DJJ youth with skill-building and job-readiness opportunities that are intended to provide pathways to conservation careers upon returning to their communities.

Specifically, the proposed ACC would have three tiers of involvement, differentiated by size of the participating cohorts, the training to be offered, the length of each session, and the amount of coaching and feedback that participants would receive:

Tier 1. The base tier would serve up to 80 youths and last three to six months. ACC staff will focus on basic soft skills employment training, and provide monthly coaching and performance feedback for work completed as DJJ-employed youth workers. Tier 1 participants will obtain industry certifications in Serve Safe Food Handling, Customer Service Level 1, and OSHA 10 General Industry.

Tier 2. The mid-level tier would serve up to 48 youths for three to six months. This tier will provide intensive soft skills employment training, provide weekly coaching and performance feedback, incorporate social emotional learning, and feature transitional life-skills training (e.g., mentorship, financial literacy, and career pathways planning). Tier 2 participants will obtain certifications in First Aid and CPR, Customer Service Level 2 (Managerial), and OSHA 10 Construction Industry.

Tier 3. The first two tiers serve as a preparatory training experience and feeder on a rolling basis for the third tier comprised of 12 youth who are in a 3-4 month window prior to release. Tier 3 will include rigorous soft skills employment training, daily coaching, social and emotional learning, transitional life skills training, community service training, and basic conservation corps job skills development. Tier 3 participants would serve in leadership, mentorship, and supervisory roles within program, supporting cultural continuity and programmatic esprit de corps. DJJ also envisions providing these elite ACC participants with in-community, on-the-job training at actual community conservation projects secured through Local Corps contracts. In addition to the inherent value of on-the-job training and work experience, this feature enables participants to take their first steps toward community reintegration, while still being supported by considerable resources, structure, and opportunity. This work experience would serve as a critical bridge, which guides and supports participants through the transition from a secure custodial

environment to life in the community and life in the corps. Tier 3 certifications will include Wildland First Aid & CPR, Hazardous Waste Operations and Emergency Response 40, American Traffic Safety Services Flagger & Traffic Control, Forklift Operator Warehouse, and Forklift Operator Construction.

Potential annual performance measures include:

- The number of DJJ youth who successfully complete ACC curriculum
- The number of youth who go on to complete a Local Corps or CCC placement after release from DJJ
- The number of ACC alumni who go on to receive an honorable discharge

Creation of the proposal would allow DJJ to collect and evaluate improved data related to:

- Comparative recidivism data among program participants
- Comparative employment statistics among program participants

Background. *Post-Secondary and Career Technical Education at DJJ.* In recent years, DJJ has worked to expand its post-secondary educational and career technical education (CTE) offerings. Additional opportunities are needed, especially those that directly connect youth to post-release employment opportunities. Programs are limited by facility, staffing, and resource considerations, such that not all offerings are available at each DJJ site. As a result, different locations offer youth different CTE training opportunities.

CCC and Local Conservation Corps (LCCs) are environmental, conservation, and resource management project-based career opportunities with proven ability to help youth transition back into society and return to their community safely and successfully.

The proposed pilot program is intended to further diversify DJJ's career technical education offerings. The program focuses on practical and social-emotional skill building so that youth are well-prepared to enter into such career opportunities and can more easily adjust back into a community-based environment.

Staff Comments. A pilot program is typically considered a small-scale and short-term experiment – a preliminary study to evaluate the feasibility, study the design, and analyze the effectiveness of the project to determine whether the program should be carried out on a larger scale. The proposed pilot program in the May Revision would be ongoing. As a pilot program, it would be reasonable to limit the term of the program and assess it towards the end of that term.

Staff Recommendation. Approve the following:

- **DJJ: 2.4 positions and associated General Fund totaling \$344,000 beginning in fiscal year 2019-20 for five years.**
- **CCC: Two positions and \$1.085 million one-time General Fund in 2019-20 and \$581,000 General Fund for four years beginning in 2020-21, which includes \$876,000 in 2019-20 and \$376,000 for four years thereafter for certified local conservation corps.**

3480 DEPARTMENT OF CONSERVATION (DOC)**Issue 6: Technical Bond Adjustments (MR)**

Governor’s Proposal. The May Revision proposes to revert \$1.142 million in Proposition 40 that was allocated in the Budget Act of 2016 and to revert \$180,000 in Proposition 84 that was allocated in the Budget Act of 2016. Reversion of both of these items of appropriation will prevent over allocation of bond funds since the liquidation period is still valid for an additional two years.

On March 29, 2019, the Administration submitted a Spring Finance Letter to the Legislature requesting Proposition 40 and Proposition 84 bond funds for DOC's Division of Land Resources Protection Unit for Agricultural Land Preservation. Since that time, it was discovered that without a forced reversion of the liquidation period of these items of appropriation, which still have two more years before the funding naturally reverts on June 30, 2021, the bond funds would be over allocated.

Staff Recommendation. Approve as proposed.

Issue 7: Well Statewide Tracking and Reporting System (WellSTAR) (MR)

Governor’s Proposal. The May Revision proposes \$3.17 million from the Oil, Gas, and Geothermal Administrative Fund to expand the scope and functionality of the Well Statewide Tracking and Reporting (WellSTAR) System.

This proposal also requests the reappropriation of a portion of Item 3480-001-3046, Budget Act of 2018, for the continued development and implementation of the WellSTAR

Background. *Well Statewide Tracking and Reporting System (WellSTAR).* WellSTAR is a comprehensive electronic database currently under development to better handle data collection and analysis, streamline operations and processes, and adhere to requirements prescribed by legislation. WellSTAR is designed to give Division of Oil, Gas, and Geothermal Resources (DOGGR), other state agencies, industry, and the public an integrated information system that provides centralized information on oil and gas production operations. Also, WellSTAR is meant to address many of the systematic problems within DOGGR, including poor recordkeeping and the lack of modern data tools and systems.

WellSTAR Project is On Schedule and On Budget. According to the December 2018 Independent Project Oversight Report (IPOR) prepared by California Department of Technology, the overall health of the WellSTAR project is “satisfactory,” meaning no corrective action is necessary at this time. For example, the project is operating: (1) on schedule; (2) within the approved budget; and, (3) within the approved scope. The project is also meeting other requirements for a satisfactory rating in seven other areas tracked on IPOR’s independent project oversight dashboard (such as having an approved staff management plan in place).

Recent Legislation and Regulations Necessitates Changes to WellSTAR Design. SB 1493 (Committee on Natural Resources), Chapter 742, Statutes of 2018, revised the due date of Idle Well Fees to allow operators time to report production for the prior year to ensure a more accurate idle well inventory. According to DOGGR, these changes are substantial enough that they have resulted in a rewrite of the

Idle Well program and associated business processes, and therefore the current WellSTAR designs no longer meet the current needs of the program.

AB 1420 (Salas), Chapter 272, Statutes of 2016, increased the department's authority over pipelines and facilities. AB 2729 (Williams), Chapter 272, Statutes of 2016, expanded the Idle Well Program within DOC making significant changes. SB 724 (Lara), Chapter 652, Statutes of 2017, added additional responsibilities for the department in the areas of pipelines, facilities, and idle wells. According to DOC, these changes requires the expansion of scope and functionality of WellSTAR.

In addition to the legislative change, DOC also promulgated regulations needed to implement legislative changes relating to the Idle Wells program, Underground Injection Control program, Well Stem, Underground Gas Storage program, and Pipelines and Facilities programs. According to DOC, these changes continued to evolve after the initial WellSTAR design and scope and has resulted in the need for additional functionality to WellSTAR.

Staff Recommendation. Approve as proposed.

3600 DEPARTMENT OF FISH AND WILDLIFE (DFW)**Issue 8: Erskine Land Restoration (MR)**

Governor's Proposal. The May Revision proposes \$325,000 General Fund one-time to fulfill its contractual obligation to the United States Department of the Interior, Bureau of Land Management (BLM) under an existing Recreation or Public Purposes Lease. The funding would be used to conduct remediation of the site and remove DFW from further involvement in the site, which was impacted by a destructive wildfire in 2016.

Background. In 1987, DFW entered into a Recreation or Public Purposes Lease (43 U.S.C. 869, et seq.) with the BLM for a property located near Lake Isabella, Kern County, California. At approximately the same time, DFW entered into a cooperative agreement with the Mountain Valley Bowhunters dba Kern River Archers (Archers) for the development and management of an archery range. The parties subsequently renewed both agreements. DFW renewed its lease with BLM on May 11, 2007, for a period of 25 years subject to all the original terms and conditions. DFW last renewed the cooperative agreement with the Archers in 1992. Although it states a term of five years, the parties continued to operate under the 1992 terms and agreement.

Federal rules allow BLM to lease property under a Recreation or Public Purposes Lease to government entities without imposing rent. With Department of General Services (DGS) approval, DFW entered into the cooperative agreement with the Archers in an in-lieu of rent arrangement whereby the consideration by the Archers was to develop and maintain an archery range opened to the public. All three parties entered into these agreements with the understanding that DFW's role was passive. It did not develop, manage, or maintain the site.

One of the provisions of the BLM lease agreement states: "(that upon the termination of this lease by expiration, surrender, or cancellation thereof, the lessee [DFW], shall surrender the possession of the premises to the United States in good condition and shall comply with such provisions and conditions respecting the removal of the improvements of and equipment on the property as may be made by an authorized officer..."

On June 23, 2016, a wildfire occurred in the Lake Isabella area, known as the Erskine Fire, which destroyed over 300 structures and killed two individuals. The Kern County Fire report determined that the source of the fire originated when an electrical line rubbed against a tree located on the archery property. The Archers installed the line as a drop line from the main utility line to bring power to an outbuilding. Numerous claims were filed with the California Government Claims Program and parties are currently trying to resolve the claims as part of a complex mediation.

In April 2017, DFW sent notice to both BLM and the Archers that it wanted to terminate the agreements. DFW partially extended the termination date of the cooperative agreement with Archers numerous times to prevent evidentiary issues with spoliation of evidence and to allow the Archers and BLM to explore a direct contractual relationship. BLM notified DFW that it would not accept DFW's surrender of the property until restoration of the property occurs. In April 2018, DGS provided an estimate cost of removal of the improvements and restoration of the property in the amount of \$320,600.

The Archers and BLM have made no progress toward reaching a direct contractual relationship over

the nearly two years since DFW provided them with notice of its desire to terminate the agreements. Therefore, DFW did not extend the termination date of the cooperative agreement beyond March 31, 2019. DFW remains obligated to BLM for the restoration of the property and is not able to dissolve the lease and reduce future liability until the property is restored.

The Archers is a nonprofit organization and has minimal financial resources. As such, individuals affected by the 2016 Erskine Fire filed claims against the State of California and DFW seeking to recover damages. DFW seeks to limit its liability exposure in the event of any subsequent wildfire. The most effective way to limit liability is to terminate the cooperative agreement with the Archers and surrender the property back to BLM. BLM requires the property to be restored to its pre-lease condition before it will accept DFW's surrender.

DFW also seeks to limit any exposure due to injuries should the Archers, as volunteers, attempt to remove the buildings and other fixtures, electrical lines, plumbing and septic tank. Moreover, it is likely that Archers could not restore the property to the satisfaction of BLM and it would look to DFW to complete or remedy an incomplete restoration attempt by the Archers. DFW intends to work with DGS to enter into contracts with appropriate contractors licensed to do this type of work.

Staff Recommendation. Approve as proposed.

Issue 9: Salton Sea Restoration Fund (MR)

Governor's Proposal. The May Revision proposes an ongoing increased spending authority of \$324,000 from Salton Sea Restoration Fund (SSRF).

Annual payments to the SSRF from the Imperial Irrigation District are scheduled through 2047 and are expected to increase annually. The increased spending authority will enable DFW to continue implementation of Salton Sea Restoration Actions described in Fish and Game Code Section 2932.

Background. The Salton Sea, located in Imperial and Riverside counties, is the largest lake in California. It was created by a levee break along the Colorado River in 1905. It supports a dynamic fishery and a multitude of avian species. However, the Salton Sea is continually changing due to the lack of a natural outlet, evaporation, and the quality of inflows. These changes now threaten the ability of the Salton Sea to continue to support fish, avian, and other wildlife species.

The annual payment to the SSRF from the Imperial Irrigation District in December 2017, covering Calendar Year 2017, was \$448,301. The annual payment in Calendar Year 2018 was \$600,275; Calendar Year 2019 will be \$760,965, and Calendar Year 2020 will be \$930,755. Beginning in Calendar Year 2021, all future payments will exceed \$1 million annually. Increasing the SSRF authority is intended to aid in the achievement of restoration actions and timelines specified in the Salton Sea Management Program Phase I, 10-year plan.

The proposed increased spending authority is intended to enable full utilization of funds in the SSRF and enable DFW to implement the following:

- Environmental and engineering studies related to restoration of the Salton Sea and the protection of fish and wildlife dependent on the sea.
- Implementation of conservation measures necessary to protect fish and wildlife, including adaptive management measures pursuant Fish and Game Code Section 2081.7.
- Implementation of preferred Salton Sea restoration alternative.

If spending authority is not increased, DFW will lack the ability to meet the State's obligation required by the Stipulated Water Order; therefore, DFW would need to rely on other funding appropriated by the Legislature in order to carry out its obligations.

Staff Recommendation. Approve as proposed.

3790 DEPARTMENT OF PARKS AND RECREATION (PARKS)**Issue 10: Credit Card Processing Contract (MR)**

Governor's Proposal. The May Revision proposes \$4 million State Parks and Recreation Fund ongoing to support operating expenses associated with the department's credit card processing service contract.

Background. These contract costs are currently deducted from the revenues collected from credit cards. This proposal would end that process and instead all of the revenue would come directly to Parks and the department would pay vendors for their operating costs through an appropriation. This change in methodology would result in a net zero impact to the fund.

Parks currently pay the credit card processing service contract through deducting the cost of services from collected revenues. These dollars are calculated based on an average percentage per credit card transaction. However, each transaction percentage varies depending on the credit card and/or dollar amount, so the actual percentage charged is not a one-for-one match which slows down the approval of each revenue debit transactions, delays cash availability, then delays payment of invoices. This can make it difficult for reconciliation and review purposes internally and externally.

Staff Recommendation. Approve as proposed.

Issue 11: Public Beach Restoration Projects (MR)

Governor's Proposal. The May Revision proposes the following:

- \$231,000 one-time from the Public Beach Restoration Fund for a local assistance grant to the City of San Clemente. This grant will fund preconstruction, engineering, and design activities for the U.S. Army Corps of Engineers' Beach Sand Replenishment Project.
- \$500,000 in reimbursement authority for contributions toward public beach restoration projects by local governments.
- A net-zero programmatic adjustment for local assistance from the Harbors and Watercraft Revolving Fund.

Background. The widening of the City of San Clemente's beach near the San Clemente Pier is intended to improve protection against storm surges for non-retreatable public infrastructures nearby, including a railroad segment behind the project area that the federal government considers strategically important. To reverse past erosion of the city's shoreline that has persisted for several decades, the project will add 251,000 cubic yards of sand to the city beach, widening a 3,400-foot long section of beach by about 50 feet. The U.S. Army Corps of Engineers (Corps) has prepared a detailed draft outline of the pre-construction, engineering, and design work to be completed, but work has not yet started. The pre-construction, engineering, and design phase is expected to last two years, with construction following shortly thereafter if federal funding is available.

Further, Parks receives an annual local assistance appropriation from the Harbors and Watercraft Revolving Fund. Currently, there are three programs with appropriations under this item: Boating Facilities, Reimbursements, and Boating Operations. This proposal will shift available authority from the Boating Facilities program to the Beach Erosion Control program on a one-time basis for the Pacifica Shoreline Erosion Study project.

Staff Recommendation. Approve as proposed.

Issue 12: Reappropriation of Deferred Maintenance and 2017 Public Beach Restoration Funding (MR)

Governor's Proposal. The May Revision proposes reappropriation of the unencumbered balance of Control Section 6.10 deferred maintenance funding and local assistance grant funding from the Public Beach Restoration Fund.

Staff Recommendation. Approve as proposed.

3840 DELTA PROTECTION COMMISSION**Issue 13: Federal Fund Item Establishment (MR)**

Governor's Proposal. The May Revision proposes \$1,000 to establish a federal fund item to facilitate potential receipt of future federal funds. In order to make adjustments to accommodate potential future federal funds, a federal fund item is needed in the Budget Act.

Staff Recommendation. Approve as proposed.

3860 DEPARTMENT OF WATER RESOURCES (DWR)**Issue 14: Salton Sea Reappropriation (MR)**

Governor's Proposal. The May Revision proposes reappropriation of Proposition 1 funding for Salton Sea Management Plan state operations and capital outlay.

Specifically, the requested reappropriation of approximately \$12.5 million from Proposition 1, Section 79736 will continue to support CNRA's efforts to complete programmatic permitting and planning for the Salton Sea Management Plan. The funds to be reappropriated have not been fully expended or committed due to continued efforts to receive land access rights and other delays. It is estimated that the land access will be granted to DWR in 2019. DWR is anticipating giving the order to proceed to its contractor for design and construction in May of 2020. Projected completion of fund liquidation is June 2022.

This request also includes the reappropriation of \$60 million from Proposition 1, Section 79736 to continue support of CNRA's process to design and build projects included in the Salton Sea Management Plan. DWR will support construction of ongoing and new restoration projects included in the plan. The funds to be reappropriated have not yet been committed due to project delays and land access efforts needed for construction. A Request for Qualifications was submitted in December 2018. It is estimated that the land access will be granted to DWR in 2019 allowing the construction process to proceed. Commitment and liquidation of funds is predicted to be complete by June 2022.

Staff Recommendation. Approve as proposed.

3940 STATE WATER RESOURCES CONTROL BOARD (SWRCB)**Issue 15: Technical Adjustment: Safe Drinking Water Acceleration (MR)**

Governor's Proposal. The May Revision proposes that Item 3940-101-0001 be decreased by \$20 million to reflect the changes made in AB 72 (Committee on Budget), Chapter 1, Statutes of 2019, which accelerated local assistance funding into the current year to address emergency drinking water needs.

Staff Recommendation. Approve as proposed.

Issue 16: Emergency Response Program (MR)

Governor's Proposal. The May Revision proposes \$1.052 million General fund ongoing and six permanent positions to establish an emergency preparedness and response unit needed to improve the capabilities of SWRCB and the nine regional water quality control boards (RWQCBs) to prepare for and respond to disasters.

The proposal includes: one Senior Environmental Scientist (Supervisory), two Environmental Scientists, one Engineering Geologist, one Water Resource Control Engineer, and one Associate Governmental Program Analyst.

These additional resources are intended to allow SWRCB to support ongoing disaster recovery efforts without diverting staff away from other aspects of SWRCB's mission.

Background. *SWRCB's Role in Disaster Recovery Efforts.* The 2017 California State Emergency Plan identifies SWRCB as the appropriate entity to assist public water systems to provide a reliable, adequate, and safe drinking water source, advise water systems and the public of emergency situations (including issuing unsafe water notices), and monitor water quality.

SWRCB's most critical role is to protect human health and safety by coordinating efforts to meet drinking water needs during and after a disaster. Working with water systems to maintain pressure and supply can be key for firefighters' ability to respond during fires. In disasters, drinking water systems and waste water systems can lose power, infrastructure, and staff, and water supplies can be degraded or destroyed. Recent fires (including the Tubbs Fire and the Camp Fire), for example, contaminated drinking water distribution pipes with benzene and other volatile organic compounds and complicated recovery efforts.

Erosion of disaster debris and sediments after an initial disaster can itself constitute an additional disaster. The first rains after a wildfire destroys the vegetation that stabilizes hillsides, for example, can cause huge debris flows or mudslides that kill people or destroy infrastructure, or, less dramatically but still harmfully, increase erosion and clog and degrade waterways—with the potential to degrade community water supplies.

Currently, SWRCB's emergency efforts are carried out by a decentralized group of staff. Over the last two years, SWRCB temporarily assigned staff to respond to simultaneous wildfires in Northern and

Southern California. SWRCB faces increased planning, coordination, and response emergency-related workload, as the frequency, severity, and length of wildfires increase.

Between July 2018 and February 2019, SWRCB staff were temporarily reassigned and deployed with emergency response duties for a total of 103 days to respond to eight wildfires, some concurrently. More than 30 staff were temporarily reassigned and are active on debris task forces; these task forces are cleaning up residential hazardous waste and debris and are supporting environmental restoration efforts in the areas impacted by the November 2018 wildfires. As of February 2019, SWRCB staff had reported 6,378 regular hours and 1,718 overtime hours associated with fire recovery efforts. In addition, SWRCB staff are temporarily reassigned to support longer-term recovery efforts. SWRCB also continued to monitor water quality impacts, perform site inspections of burned areas, and support local recovery from the 2017 Northern and Southern California fires and environmental restoration efforts throughout the State while simultaneously responding to 2018 wildfires.

Emergency Preparedness and Response Program. The proposed new program is intended to increase overall efficiency and effectiveness by centralizing SWRCB's coordinated statewide emergency planning and response efforts.

The emergency preparedness and response program is intended to conduct activities to protect public health and the environment. These include:

Plans, reports, and evaluations

- Annually review and update plans (including SWRCB's Emergency Response Plan and the Emergency Response Plans of SWRCB Divisions and Regional Water Quality Control Boards (RWQCBs) and associated procedures and resources (e.g., administrative and health and safety protocols).
- After each emergency, submit after-action reports to CalEPA and California Office of Emergency Services detailing SWRCB and RWQCBs activities. After-action reports are critical for identifying and learning the lessons that will improve responses to the next disasters.
- Annually conduct an emergency response lessons learned session for SWRCB and RWQCBs staff.

Outreach and training

- Support and provide technical services to State and local partners.
- Conduct drills and table-top simulation exercises to assess and improve staff preparedness.
- Train federal, state, and local response partners in developing and exercising plans to respond to significant environmental incidents.
- Conduct public outreach and education to increase public awareness of drinking water and waste water systems operational status.
- Make public presentations to SWRCB upon request.

Coordination and statewide consistency

- Staff emergency operation centers with people experienced with water-sector issues, including

issues unique to small utilities and meet their needs or answer questions.

- Appoint emergency response liaisons in each RWQCB office to improve coordination with partners.

Watershed protection

- Develop and implement best management practices (BMPs) to reduce water quality impacts.
- Grant waivers of policies to regulated parties to balance water resource protection and the urgent needs that arise in emergencies.
- Increase the number of water quality monitoring sites and frequency of water quality sampling and analysis to determine the efficiency of BMPs to protect water quality.
- Increase RWQCBs' participation in local Watershed Emergency Response Teams (WERT), Burned Area Emergency Response (BAER) teams, and other local response efforts to evaluate changes to impacted watersheds following a disaster. A successful outcome will include early and ongoing engagement with local teams throughout the state that leads and inclusion of actionable items in improved emergency response or recovery plans and mitigation actions to address water quality issues.

Staff Recommendation. Approve as proposed.

Issue 17: Inyo County Primacy Delegation Revocation (MR)

Governor's Proposal. The May Revision proposes \$386,000 Safe Drinking Water Account ongoing and two permanent positions, for SWRCB to assume regulatory responsibility for federal Safe Drinking Water Act requirements in Inyo County.

This funding is intended to enable the state to provide regulatory oversight of public small water systems in Inyo County. Providing regulatory oversight is essential to avoid incidents of bacteriological and chemical contamination that could lead to waterborne illness.

Background. SWRCB's Division of Drinking Water (DDW) is the designated primacy agency for implementing the federal Safe Drinking Water Act by the US Environmental Protection Agency (USEPA). DDW further delegates primacy to 30 Counties to regulate small public water systems below 200 service connections known as Local Primacy Agreements (LPAs).

SWRCB has evaluated Inyo County LPA program annually prior to 2018, and quarterly since January 2018 for compliance with the delegation agreement. Quarterly reports submitted to the county have described inadequacies in the program in multiple areas of water quality monitoring review, permitting, surveillance and enforcement of the Safe Drinking Water Act for the county's small water systems. In July 2018, SWRCB notified the county that improvements needed to be made in 12 specific program areas or the delegation agreement would be revoked. The county submitted a corrective action plan in August 2018; however, the county has failed to complete 11 of the 12 improvements identified in its corrective action plan.

In February 2019, SWRCB informed the county it failed to meet requirements under its delegation agreement and has been revoked.

Starting July 1, 2019, the San Bernardino District office will be the regulatory authority over the 89 public water systems which serves a permanent population of 10,726 people in Inyo County. DDW has assessed the workload of the county water systems and determined that two positions are needed to conduct regulatory oversight of the 89 public water systems.

SWRCB is mandated to establish and maintain a minimum regulatory program for all public water systems that is adequate to ensure that consumers are reasonably protected from waterborne diseases and chemical contamination. This mandate may be partially carried out through delegation to LPAs that apply for delegation. However, under state law and the US EPA primacy delegation to SWRCB to operate a drinking water program, SWRCB is also responsible for the Public Water System Supervision program in California. If the state does not adequately fulfill its mandate to protect public health in this area, including those systems delegated to the counties, the federal government may withdraw primacy from California. This could jeopardize federal funding for the Drinking Water Program in California.

Staff Recommendation. Approve as proposed.

3970 DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY (CALRECYCLE)**Issue 18: Emergency Debris Cleanup and Recovery (MR)**

Governor's Proposal. The May Revision proposes \$2.782 million 2019-20 and \$3.414 million ongoing thereafter to support 21.5 permanent positions for dedicated staffing resources and department infrastructure to provide emergency debris removal services upon request from the Governor's Office of Emergency Services.

The requested positions would be used to formally establish a team to respond to local government requests for technical assistance, provide guidance when developing disaster recovery plans, and support CalRecycle's response to emergency mission tasking for state-operated disaster removal programs.

This proposal is part of the Administration's larger Disaster Preparedness, Response, and Recovery May Revision package. The May Revision includes resources for various departments to enhance the state's disaster response preparedness and support the continuity of state government during disasters.

Background. *Disaster Debris Management.* California experiences a wide range of natural and man-made disasters that often create significant quantities of debris, which can include ash, metal, concrete, building materials, soils, and hazardous materials. Debris generated by a disaster incident must be removed, recycled, or disposed of expeditiously in order to reduce threats to public health and safety and the environment, and assist communities impacted by these disasters efficiently recover and rebuild.

Debris management poses challenges for state, local, and tribal agencies and governments in terms of available resources for debris management operations, appropriate procurement and management of contractors, reduction of debris volume, disposal and segregation, handling and disposal of household hazardous waste, and other hazardous materials. There are also legal requirements to recycle applicable material into appropriate waste streams, and specific environmental issues that need to be evaluated for compliance.

Debris management operations are the responsibility of the affected jurisdiction. Affected jurisdictions are responsible for organizing recovery operations from disasters, including debris removal operations, in accordance with a debris management plan. However, at the request of the state, the federal government may provide assistance for debris management following a Presidential declaration of emergency or major disaster, in response to a Governor's declared State of Emergency and an assistance request from a local government, Cal OES has regularly tasked CalRecycle to organize, manage, implement and oversee debris removal operations in support of a local government.

CalRecycle has conducted debris removal operations for 22 incidents since 2007, and eight of the 22 incidents occurred in 2018 alone. The majority of incidents CalRecycle has responded to are the result of destructive wildfires. These wildfires have increased significantly in magnitude, cost, duration and frequency. The Camp Fire is the most deadly and destructive wildfire in California history to date, over 18,000 structures were destroyed and 86 people died in the fire. At an initial estimate of \$2 billion, the Camp Fire debris removal project will be the most expensive disaster cleanup in California history.

CalRecycle has limited staff and no formalized program, division, structure or processes to organize

and oversee debris removal operations. CalRecycle has implemented its disaster debris removal operations by drawing from personnel dedicated to non-emergency mandated programs within CalRecycle. These operations have utilized staff resources from within every CalRecycle division and office. Wildfires and subsequent debris removal projects are no longer abnormal, and are occurring with more frequency and intensity every year. CalRecycle workload has increased significantly as a result of multiple, large, and simultaneous disaster incidents. There is little or no CalRecycle resources available to provide adequate opportunities to train, and otherwise support, local governments to implement their own independent efforts to remove debris.

The work of staff redirected to debris projects must be delegated to others, delayed until staff return to their original duties, and is sometimes not completed. This work includes jurisdiction compliance reviews, inspections of facilities, landfill closures, and successful implementation of many other core CalRecycle programs.

The May Revision proposes to provide additional resources to enable CalRecycle to continue to provide debris removal services and assistance to local governments in order to facilitate timely, safe, and effective debris removal operations, as well as assist local governments in the preparation of Debris Removal plans for future incidents. This will not only provide for efficient operations in the event of a future incident, it may also entitle the state or local jurisdiction to additional FEMA reimbursements, as well as decrease costs overall by having pre-approved private public partnerships, Master Services Agreements, and a directory of local resources and infrastructure that may be utilized in a cleanup.

Staff Recommendation. Approve as proposed.

3960 DEPARTMENT OF TOXIC SUBSTANCES CONTROL**Issue 19: Information Technology Security Software (MR)**

Governor's Proposal. The May Revision proposes \$452,000 split evenly between the Hazardous Waste Control Account (HWCA) and Toxic Substances Control Account (TSCA) (\$226,000 each) in 2019-20 and \$555,000 HWCA and TSCA (\$277,500 each) ongoing thereafter to purchase and install security software to remain compliant with the Department of Technology and state regulations and remediate information security risks.

Background. According to DTSC's independent security assessment conducted in 2016 and 2018, DTSC is currently out of compliance in several security controls including Configuration Management, Identity Management, Access Control, Network Security and Architecture, FIPS 199 Data Classification, Privilege Management, and Incident Response.

As automation becomes more prevalent, additional security measures are necessary to protect information from threats including unauthorized access or use. To help safeguard DTSC's information and have countermeasures to increasingly complex and sophisticated cyberattacks, security tools are required to effectively combat the attempted breaches on security and privacy.

DTSC has recently started an effort to classify all electronic data and has been focused on high risk and confidential information controls, along with enhancing internal security practices to maintain data integrity.

Staff Recommendation. Approve as proposed.

8570 CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE (CDFA)**Issue 20: Technical Adjustment: Reappropriation (MR)**

Governor's Proposal. The May Revision proposes that Item 8570-491 be added to reappropriate funding included in the 2018 Budget Act to suppress diseases associated with the Shot Hole Borer Invasive Beetle. CDFA engaged stakeholders on a plan to utilize these funds and a reappropriation is necessary to provide sufficient time to develop and issue a request for proposal and award contracts in fiscal year 2019-20.

Staff Recommendation. Approve as proposed.

Issue 21: Farm Animal Confinement (Proposition 12) (MR)

Governor's Proposal. The May Revision proposes \$4.513 million General Fund in 2019-20, \$2.022 million General Fund in 2020-21 ongoing, and 14 permanent positions for the Animal Health and Food Safety Services (AHFSS) Division within CDFA to establish an Animal Care Program in order to implement the Farm Animal Confinement Initiative of 2018 (Proposition 12). Proposition 12 established new standards for confinement space for specified classes of food-producing livestock including calves raised for veal, breeding pigs, and egg-laying hens.

These resources will support registration and certification activities, compliance activities, program administration, and information technology consultant services for project planning and system development.

Background. Proposition 2. In 2008, California voters approved Proposition 2, which added Chapter 13.8, *Farm Animal Cruelty*, to the Health and Safety Code. The statute prohibited egg-laying hens, breeding pigs and calves raised for veal from being housed in areas that do not allow freedom to turn around, lie down, stand up or fully extend their limbs. The animal housing requirements in Proposition 2 did not apply to out-of-state producers who shipped affected products into California, nor did the measure specify enforcement authority or a compliance activity mandate to CDFA.

Proposition 12. On November 6, 2018, California voters approved Proposition 12, which expanded the animal housing requirements in Chapter 13.8, *Farm Animal Cruelty*, of the Health and Safety Code. The revisions to state law established new and more stringent minimum space standards on housing for calves raised for veal, breeding pigs and egg-laying hens that will go into effect in a phased approach over the next three years. The ballot measure also makes it illegal for businesses in California to knowingly sell eggs (including liquid eggs) or uncooked pork or veal that came from animals housed in a manner that does not comply with the new confinement requirements, including products from animals raised and maintained at facilities located in California and out-of-state. The provisions are broad-sweeping and apply to the entire production and marketing systems for the specified animal products, encompassing both in-state and out-of-state livestock production facilities, as well as the extensive and diverse retail food sectors they supply in California.

Comprehensive, System-Wide Animal Care Program. Efficient and effective enforcement of a mandate of this scope requires a comprehensive system-wide Animal Care Program, which consists of regulatory components extending from farm to shelf, including all of the following:

- A registration program for establishing a regulatory inventory of production facilities both in-state and out-of-state that ship covered animal products into California commerce;
- A certification program for documenting compliance with California animal housing and confinement standards;
- A compliance audit program for verifying conformance with animal cruelty and confinement provisions of the Health and Safety Code at both in-state and out-of-state facilities that house veal calves, breeding pigs and egg-laying hens;
- An investigative unit for enforcing violations of the animal cruelty provisions of Proposition 12, including criminal case development for submission to appropriate prosecutorial authorities under the Health and Safety Code and the Business and Professions Code;
- Border surveillance by monitoring shipments entering California through existing CDFA Border Protection Stations;
- Information management utilizing a database that would provide accurate, secure and up-to-date program information to properly track facility locations, animal confinement system information, compliance status on registrations and certifications, as well as enforcement actions.

Proposition 12 mandates enforcement by CDFA and the California Department of Public Health (CDPH) through joint promulgation of regulations to implement its requirements. AHFSS is responsible for the safety and security of meat, poultry and dairy products, along with other foods of animal origin. AHFSS coordinates with various local and federal government agencies and stakeholders to provide services to protect the public and animal health. Due to the farm expertise of AHFSS in relation to livestock and poultry, when CDPH and CDFA executive management teams met in December 2018 to initiate implementation, they mutually agreed that CDFA will take the lead on regulatory development and enforcement in continuing consultation with CDPH.

Staff Recommendation. Approve as proposed.

ADULT USE OF MARIJUANA ACT (PROPOSITION 64) (CNRA, DFW & PARKS)**Issue 22: Cannabis Tax Fund (MR)**

Governor's Proposal. The May Revision proposes the following:

- **CNRA: Youth Community Access Grants.** \$5.3 million Cannabis Tax Fund for CNRA to support youth community access grants. These grants will fund programs to support youth access to natural or cultural resources, with a focus on low-income and disadvantaged communities.
- **DFW: Watershed Mitigation.** \$23.9 million Cannabis Tax Fund and 79 positions, as follows:
 1. \$13.8 million of that amount will be used to support clean-up, remediation, and restoration of damage in watersheds affected by illegal cannabis cultivation.
 1. Continue to provide funding through the Cannabis Restoration Grant Program for cleanup, remediation, and restoration projects to address statewide environmental impacts from cannabis cultivation.
 2. Develop and implement a pilot monitoring and assessment program to evaluate cannabis cultivation impacts on fish and wildlife throughout the state to help inform where to prioritize DFW cannabis activities.
 3. Add scientific staff to assess environmental damage from cannabis cultivation.
 4. Add resources to implement and coordinate with other state and local agencies on data efforts.
 5. Assess, clean up, remediate, and restore affected DFW properties from illegal cultivation throughout the state.
 6. Secure property boundaries and increase staff patrols to discourage illegal trespass cultivation.
 2. \$10.1 million of the amount will be used to support enforcement activities aimed at preventing further environmental degradation of public lands. DFW works collaboratively with SWRCB and other federal, state, and local agencies to address statewide environmental impacts from illegal cannabis cultivation. These resources will enable DFW to:
 1. Add law enforcement to respond to illegal cultivation on DFW and public lands.
 2. Add additional law enforcement to address cleanup and remediation on private properties.

3. Add support positions for more efficient enforcement operations, including minimizing risks to DFW and allied agency personnel.
- **Parks: Survey, Enforcement, Remediation, and Restoration.** \$15.9 million Cannabis Tax Fund and 53 positions for Parks, as follows:
 1. ***Assessment and Program Development.*** \$7.1 million of that amount will be used to survey the impacts of cannabis cultivation and identify unknown areas to assist with prioritizing resources for effective enforcement. Parks will develop a multi-disciplinary task force to assess the environmental impacts of illegal cannabis cultivation in the state park system, develop and implement methods of better identifying illegal grows and establish staffing requirements necessary to meet program needs in future years.
 2. ***Remediation and Restoration.*** \$5.6 million will be used for remediation and restoration due to illegal activities on state park land. Parks has identified over 240 individual remediation and restoration projects in districts affected by illegal grows with an estimated total completion price of \$50 million. Parks estimates the resources dedicated to this category will be sufficient to complete 20 to 25 projects. Parks estimates the average remediation projects will take two years to complete based on the complexity of conducting restoration projects in environmentally sensitive locations. It is estimated that the total number of remediation and restoration projects in the state park system will grow as the assessment program is implemented.
 3. ***Ingress and Egress.*** \$3.2 million to make roads and trails accessible for peace officer patrol and program assessment and development. Illegal grows in the state park system are largely conducted in areas with the least accessibility. Resources dedicated to ingress and egress will be used to develop methods of entry for park rangers and remediation teams who cannot currently access areas in order to patrol them and provide cleanup activity at identified grow sites. These resources will provide for brush removal, downed tree removal, drainage maintenance, and both foot and vehicle access.

Background. The Medical Marijuana Regulation and Safety Act enacted in 2015 created a regulatory framework for medical cannabis in California, and distributed the responsibility for state licensing between three state entities—the Bureau of Cannabis Control, the Department of Food and Agriculture, and the Department of Public Health. In November 2016, voters approved Proposition 64, the Adult-Use of Marijuana Act, which legalized the recreational sale and use of cannabis to people over the age of 21 and levied new excise taxes on the cultivation and retail sale of all state-regulated cannabis. SB 94 (Committee on Budget and Fiscal Review), Chapter 27, Statutes of 2017, integrated medicinal and adult-use regulations to create the Medicinal and Adult-Use Cannabis Regulation and Safety Act, establishing a single regulatory system to govern the commercial cannabis industry in California.

Cannabis Excise Tax. As approved in Proposition 64, effective January 1, 2018, excise taxes are levied on the cultivation and retail sale of both adult-use and medicinal cannabis with tax revenues being deposited into the Cannabis Tax Fund. The cannabis excise tax is forecast to generate \$288 million in 2018-19 and \$359 million in 2019-20, a reduction of \$67 million and \$156 million, respectively, from the Governor’s Budget forecast. The forecast assumes continued growth of more than 15 percent a year as new businesses continue to enter the marketplace and local jurisdictions adjust to the state’s legal framework. It is important to note that for the near term, revenue estimates

will be subject to significant uncertainty because the market has only recently been established.

Cannabis Tax Fund. Proposition 64 specified the allocation of resources in the Cannabis Tax Fund, which are continuously appropriated. After Allocation 1 and 2 program costs have been covered, 20 percent of the remaining funds go DFW and Parks for cleanup, remediation, and restoration of environmental damage in watersheds affected by cannabis cultivation. As well as for the stewardship and operation of state-owned wildlife habitat areas and state park units in a manner that discourages and prevents the illegal cannabis activities on public lands, in addition to other enforcement efforts. The funding will be split 60 percent to DFW and 40 percent to Parks.

Staff Comment. Because these funds are continuously appropriated, there is no BCP. No legislative action is required on the expenditures.

The subcommittee may wish to ask how the departments intend to use the positions and how they are coordinating with other departments as it relates to environmental protection and enforcement as a result of illegal cannabis cultivation.

Staff Recommendation. No action required.

ISSUES FOR DISCUSSION

0555 CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY (CALEPA)

Issue 23: Process Improvement Positions (MR)

Governor's Proposal. The May Revision proposes \$985,000 General Fund ongoing and six positions to provide a wide variety of process improvements that will benefit the CalEPA boards, departments, and offices. These positions are intended to provide strategic planning leadership, improve internal and external communications, and enhance the coordination of departmental policies at the Agency level.

Background. The Office of the Secretary heads CalEPA, overseeing and coordinating the activities of one office, two boards, and three departments (collectively referred to as BDOs). The Office of the Secretary currently lacks sufficient support in the following areas: strategic planning, training, contract law, communications, and enforcement coordination.

Presently, there are a variety of strategic plans throughout CalEPA and those plans are not consistent across BDOs. None of these plans provide a single overall mission or vision for the agency. In addition, there is no agency-wide staff development and training program. As a result, CalEPA lacks necessary institutional infrastructure.

In looking at models for these needed improvements, CalEPA notes that the Lean Six Sigma process has been utilized for decades in the manufacturing and service sectors. It is supported and sponsored by the California Department of Human Resources. It is a model that is meant to improve all areas of an organization using the expertise of the organization's own employees.

With regard to legal needs, CalEPA has found that contract law is a complex discipline in the state, especially in the environmental area. No such expertise exists within the agency currently.

Additionally, CalEPA needs more planning and coordination of partnerships with internal and external organizations, including other state agencies and key stakeholder groups. CalEPA proposes hiring a position that can assist its Communications Unit with developing social media strategies to promote the goals and mission of the agency and effectively communicate with disadvantaged communities.

Lastly, CalEPA proposes more coordination of all BDO environmental enforcement programs and requests a position to work under the CalEPA Chief Counsel and provide oversight on inspections, violations, and development and execution of enforcement actions. This proposed position would oversee implementation and compliance with environmental laws and regulatory requirements.

Legislative Analyst's Office (LAO) Comments. The broad goals described in this proposal have merit. However, the proposal does not include a detailed description of specific problems being addressed, activities that would be undertaken, or measurable outcomes that CalEPA intends to achieve if the request is approved.

For example, the proposal requests a position to provide leadership in preparing a training program, but does not identify (1) the type(s) of training that would be provided, (2) the number of state employees in need of specific types of training, or (3) a time frame for when trainings would commence and be completed.

LAO Recommendation. Before approving this proposal, LAO recommends CalEPA be required to testify in budget subcommittee hearings to provide more details on the existing shortcomings being addressed, activities that would be undertaken, and measurable outcomes that would be established for each of the components of this proposal. This information would better ensure that the Legislature could hold the agency accountable for its implementation of this proposal.

Staff Recommendation. Approve as proposed and require supplemental reporting language to require CalEPA to provide details on the existing shortcomings being addressed, activities that would be undertaken, and measurable outcomes that would be established for each of the components of this proposal.

3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CALFIRE)**Issue 24: Professional Forester Registration Program (MR)**

Governor's Proposal. The May Revision proposes a one-time transfer of \$100,000 from the California Environmental License Plate Fund to support the Office of Professional Foresters Registration. This is a short-term solution while the Board of Forestry (Board) and the Administration continue development of a longer term solution to address the increase in operating costs and decline in revenue, which has led to the structural imbalance of the Professional Forester Registration Fund (PFRF).

Background. There has not been a fee increase for Registered Professional Foresters (RPFs) and Certified Rangeland Managers since the mid-1980s. While operating cost increases associated have been nominal, increasing by less than 2.3 percent per year, revenue from renewals has declined by nearly one-third during this same period. The increase in operating costs and the decline in revenue has led to the structural imbalance of PFRF.

The Board is exploring long-term solution to address the PFRF's structural imbalance. One approach is to increase outreach efforts. Outreach increases awareness of California's forestry licensing program, and helps address the various requirements for becoming qualified to take the RPF exam. Another approach is to increase revenues into the fund. The Professional Foresters Examining Committee (PFEC) is an advisory committee to the Board on matters of regulations related to the licensing of RPFs and CRMs. Currently, there are discussions at the PFEC supporting increasing renewal fees for RPFs and CRMs.

Staff Recommendation. Approve as proposed.

Issue 25: Enhanced Fire Protection May Revision Update: C-130 Federal Air Tankers (MR)

Governor's Proposal. The May Revision proposes \$4.6 million in 2019-20, \$4.6 million in 2020-21, and \$2.2 million in 2021-22 to fund an Exclusive Use C-130 Contract-Training Platform to support CalFire's Large Air Tanker (LAT) C-130 Program.

This proposal is additive to the \$13.1 million proposed in the Governor's Budget to begin implementation of the C-130 program. The funding requested will partially offset Emergency Fund expenditures and enable the state to avoid future costs as the contract will be obtained at a lower rate than if CalFire were to seek the contract during the peak season.

Background. *The National Defense Authorization Act of 2019.* The NDAA of 2019 passed in August of 2018, which allocated seven C-130 aircrafts from the United States Coast Guard to CalFire. These C-130s will be modified for firefighting purposes and equipped with a retardant drop system.

Governor's Budget Proposed Resources to Support the Deployment of Seven C-130s. The Governor's Budget included \$13.1 million and six positions to support the deployment of the seven C-130s allocated to CalFire by the federal government. The BCP noted that the ongoing training needs identified were based on the assumption that CalFire would receive one C-130 in 2019-20. According to CalFire, discussions with the federal government concluded in March 2019, and the schedule acceleration did not occur as anticipated, resulting in a need for a May Revision budget request.

Exclusive Use Contract for a C-130 Training Platform. According to CalFire, they need access to the training platform in 2019-20 to have flight crews fully trained and prepared in anticipation of the first C-130 being delivered in 2020-21. Not having access to this training will result in delivered C-130 without properly trained crews, delaying operations for up to two years. The training platform will be provided by a third-party vendor, and includes C-130 flight instructors to provide training for new and existing pilots, C-130 qualified mechanics to work with existing mechanics to gain C-130 familiarization training, and an on call 4,000-gallon LAT for actual wildfire firefighting missions.

LAO Comments. The May Revision includes \$4.6 million in 2019-20, \$4.6 million in 2020-21 and \$2.2 million in 2021-22 to enter into an exclusive use contract for a C-130 aircraft to be used as a training platform for the new C-130 air tanker program proposed in the January budget. The aircraft would also be available for fire response needs during peak fire season.

CalFire asserts that the proposal is cost neutral since the department would likely contract for a similar air tanker for use during the peak fire season. However, the backup data to support the concept of this proposal being cost neutral is inconclusive. While the cost of the C-130 training aircraft is likely to be offset to some degree by savings from reduced emergency fire suppression expenditures, the amount of offsetting savings is unknown and will depend on the severity and fire response needs in the upcoming fire seasons.

The Legislature will likely want to align its actions on this proposal with actions on the broader proposed C-130 air tanker program. LAO continues to think that the Legislature will want to weigh the costs and potential benefits of the proposed enhanced fire protection resources, including the C-130 air tanker program, against other options for addressing wildfires.

Staff Recommendation. Hold open.

Issue 26: Innovation Procurement Sprint (MR)

Governor's Proposal. The May Revision proposes \$15 million to enable CalFire to procure innovative solutions to combat the state's wildfire crisis consistent with Executive Order N-04-19 and provisional language be added to allow for augmentations of this amount as necessary under specified conditions.

Proposed Budget Bill Language Provisions:

1. Of the amount appropriated in this item, \$5,000,000 shall be available for Proof of Concept solution vendors to meet the objectives in Executive Order N-04-19. Notwithstanding any other provision of law, upon request from the Department of Forestry and Fire Protection, the Department of Finance may augment this item based on the final contract amount(s) and anticipated need not sooner than 30 days after written notification of the necessity of the increase to the chairperson of the committee in each house of the Legislature that considers appropriations and the Chairperson of the Joint Legislative Budget Committee, or such lesser time as the chairpersons of the committees, or their designees, may in each instance jointly determine.
2. Of the amount appropriated in this item, \$10,000,000 shall be available, upon approval from the Department of Finance, for the scope and estimated cost of the selected solution vendor(s) authorized by Executive Order N-04-19, including staffing costs to Implement and support the projects. Within 10 days after approval, the Department of Finance shall notify the chairperson of the committee in each house of the Legislature that considers appropriations and the Chairperson of the Joint Legislative Budget Committee of the approved projects, including the scope and estimated cost of each project.
3. Notwithstanding any other provision of law, upon request from the Department of Forestry and Fire Protection, the Department of Finance may augment this item consistent with the pending contract(s) and staff costs not sooner than 15 days after written notification of the necessity therefor to the chairperson of the committee in each house of the Legislature that considers appropriations and the Chairperson of the Joint Legislative Budget Committee, or such lesser time as the chairpersons of the committees, or their designees, may in each instance jointly determine. If an augmentation is determined necessary, notification of the approved project(s) may be combined with notification of the necessity for an augmentation.

Background. *Executive Order (EO) N-04-19.* The EO directed CalFire, in collaboration with the California Department of Technology (CDT) and Department of General Services (DGS), to engage in a modified procurement process to identify solutions to the state's wildfire crisis. This approach would grant broad authority to CDT and DGS to utilize flexible approaches on behalf of the state and other state agencies. The first innovative solutions procurement process will be executed by CDT and DGS on behalf of CalFire to identify innovative solutions to the threat of catastrophic wildfires.

The Request for Innovative Ideas was Issued on March 22, 2019. The Request for Innovative Ideas (RFI2), requesting solutions to the following problem statement:

If not immediately notified by a 9-1-1 caller, first responders and decision makers are faced with challenges related to early wildfire detection, ability to adequately dispatch the most appropriate emergency resources to the scene of an emergency, and the ability to make appropriate public notifications.

Those decision makers are further challenged to make a definitive prediction of the path of travel of a wildfire based on the materials or fuels burning, the current and predicted weather factors based on California's climate zones and micro climates, and the topography in which a fire is burning.

Interested innovators with solutions to all or part of the problem statement were encouraged to submit their proposals to DGS by April 24, 2019. Innovative ideas that pass an initial evaluation by the state will be invited to demonstrate their proposed solutions with a prototype deployment between July and October 2019. Based on those prototype evaluations by the state, one or more contracts will be awarded in spring 2020.

Requested Funding Represents a Starting Appropriation for Proof of Concept As Well As For Awarding the Contract. This proposal for \$15 million and provisional language are intended to address two components of this procurement process:

- 1) ***Prototype Stipend.*** This proposal requests authority of up to \$5 million to innovators to support the proof of concept phase with provisional language to augment this amount as necessary after the required 30-day legislative notification process has occurred. The Administration anticipates that one or more contracts may be awarded to innovators with identified solutions to the problem statement that were successful during the prototype evaluation phase as early as spring 2020.

The total cost of the innovative solutions have not been finalized.

- 2) ***Contract Award.*** The request for \$10 million for CalFire to enter into contracts with successful innovators is a starting point. This request includes provisional language to augment this amount, as needed, based on the number of contracts and total cost. Augmentation will require Department of Finance approval and legislative notification. It should be noted that it is possible that the innovative solutions identified could require staff resources to support implementation. If this is the case, CalFire will utilize a portion of the \$15 million to hire temporary help staff, as applicable, in fiscal year 2019-20.

Any ongoing resources needed to implement the innovative solutions would be requested in a future budget proposal.

LAO Comments. While LAO recognizes the potential benefits of piloting a new procurement approach, the proposed provisional language raises two major concerns. First, the provisional language allows the Administration to augment the funding by an unlimited amount upon notification to JLBC (in some cases with only a 15-day notification). Given the uncertainty around the types of technologies or solutions that might result from the innovative procurement approach, some flexibility in funding may be reasonable. However, providing an unlimited potential augmentation of funds outside of the traditional budget process significantly limits the Legislature's role.

Second, given the confidential nature of the ongoing procurement process, the Administration has not provided any details on the types of technologies or solutions it might select with these funds, and the proposed provisional language does not include a requirement to report on these details. Without details on how the funds might be spent it will be difficult for the Legislature to weigh the potential benefits against other budgetary priorities.

LAO Recommendation. Based on the concerns raised above, LAO recommends modifying the proposed provisional language as follows:

1. Specify a cap on the total level of augmentations that can be authorized.
2. Require 30 days notification and review periods, rather than a 15-day period.
3. Require CalFire to provide an update to the JLBC on the procurement process and the number and types of technologies being considered upon conclusion of the initial evaluation of proposals.
4. Require CalFire to provide a description of the outcomes of field testing of any technologies or solutions before entering into any contracts beyond the initial proof of concept.

Staff Recommendation. Hold open.

Issue 27: Community Wildfire Prevention and Mitigation Report: California Vegetation Treatment Program Environmental Impact Report (EIR) (MR)

Governor's Proposal. The May Revision proposes \$730,000 General Fund one-time to complete the revision and certification of the California Vegetation Treatment Program Environmental Impact Report (EIR).

The EIR is intended to enable CalFire and other partner agencies to increase the pace and scale of fire prevention activities and help achieve statewide forest management targets as recommended in the Forest Carbon Plan.

Background. *California Vegetation Treatment Program Environmental Impact Report (CalVTP).* The Board of Forestry and Fire Protection (Board) has been working on the CalVTP for over a decade. The CalVTP represents more than a decade of work analyzing potential environmental effects associated with vegetation management aimed at reducing wildland fire risk across the state. The CalVTP plays a critical role is assisting CalFire in increasing the pace and scale of vegetation management while also maintaining California's diverse vegetation and habitats.

Upon certification, the CalVTP will facilitate timely implementation of wildland urban interface vegetation reduction projects, fuel breaks to assist in wildland fire suppression efforts, and support ecological restoration projects.

The requested funds are intended to enable the Board to continue contracts with outside legal counsel and environmental experts to complete the revision and certification of the CalVTP. The CalVTP will enable CalFire and other partner agencies to increase the pace and scale of fire prevention activities and help achieve statewide forest management targets as recommended in the Forest Carbon Plan.

Staff Recommendation. **Approve as proposed.**

Issue 28: Office of the State Fire Marshal, Fire and Life Safety Division (BCP and TBL) (MR)

Governor's Proposal. The May Revision proposes:

- \$2.2 million (\$531,000 General Fund, \$133,000 Special Fund, and \$1.5 million reimbursements) ongoing and eight positions to support the Office of the State Fire Marshal's (OSFM's) Fire and Life Safety Division's increased workload.
- \$500,000 one-time General Fund for an analysis of the Division's fee structure and a contract with the California Attorney General's office to analyze and provide clarity for specific statutory issues that relate to and impact the OSFM's jurisdiction.
- Trailer Bill Language to help define and clarify the Division's mission and responsibilities.
- Various technical changes included in the 2018-19 Budget.

Background. *Office of the State Fire Marshal's Fire and Life Safety Division's (Division).* The Division enforces laws and regulations related to fire prevention, life safety, fire protection systems, building construction, and protection. As such, the Division is responsible for the approval of construction, repair, remodel, addition, or change of occupancy of most state-owned and occupied buildings in California. The Division is responsible for periodically inspecting state-owned and occupied buildings, providing fire and life safety oversight at large special events on state property, providing training on state regulations to local jurisdictions, and doing damage inspection reports, which provide an evaluation of the fire damage to structures within a specific fire perimeter. The largest proportion of the Division's workload is dedicated to plan reviews and construction inspections.

The Division's Inspection Duties are Extensive. In addition to inspection of state-owned buildings, the Division is also responsible for inspecting buildings in which the state leases space. This includes the points of entry and paths of ingress and egress to the space leased by the state to ensure they are compliant with the state's fire and life safety laws and regulations. The Division is also responsible for inspecting all trial court facilities. Many of the trial court facilities are considered high-rise structures, which triggers more rigorous annual inspections.

All of the airspace under the highways and freeways in California are state-owned and are frequently used to operate facilities to support Caltrans' operations, which includes storage of equipment and utility vehicles. Through delegated authority, Caltrans also leases some airspace to external entities for a variety of purposes, including for business and commercial use. The Division maintains the responsibility to conduct regular inspections of the Caltrans airspace despite the existence of the lease agreements because the ownership of the airspace still ultimately lies with the state. The Division has the responsibility to enforce fire and life safety standards at special events that occur on state-owned property. For some events, the Division's involvement is limited to review of the event permit application materials and approval or denial of the event permit based on the information provided. However, many events occur on state-owned property that involve significant infrastructure or special features, such as fireworks displays and concerts. These require a more intensive review, as well as site inspections by Division staff. Additionally, Division staff frequently attend the special events and fireworks displays to support the event operator in maintaining compliance with applicable laws and regulations and to respond to any fire and life safety risks that present during the course of the events.

Mission-Based Review Process. The Division is currently undergoing a mission-based review process with the Department of Finance. The goal of this review is to determine the appropriate level of resources needed to implement OSFM Division's services and programs. The mission-based review process has identified a significant amount of management time was spent addressing administrative issues, thus decreasing the amount of time available for program implementation. The mission-based review process also conducted an analysis of the fee structures of other outside entities performing similar services and activities was conducted and found that the Division's approach of applying a single hourly rate to all billable services and activities is inconsistent with standard industry practice. This has led to significantly disparate costs for comparable work on similar projects in terms of scope, and has also resulted in budgeting difficulties related to Division's costs on individual projects.

Staff Recommendation. Reject without prejudice.

Issue 29: Office of the State Fire Marshal: Licensing and Certification Fund Program (MR)

Governor's Proposal. The May Revision proposes \$1.098 million and four positions in 2019-20 and \$1.1 million L&C Fund and five positions ongoing to support the Office of the State Fire Marshal (OSFM) Fire Engineering and Investigations Division's Licensing and Certification Program.

Background. *OSFM's Fire and Life Safety Division's (Division) oversees 11 licensing programs.* The Division enforces laws and regulations related to fire prevention, life safety, fire protection systems, building construction, and protection. The Division is responsible for overseeing 11 licensing and certification programs. This includes the Building Materials Listing Program, the Flame Retardant Program, Automatic Extinguishing Systems, Fire Extinguishers, Pyrotechnics, Laboratory Accreditations, Motion Picture and Entertainment, and Vapor Recovery. Each program either licenses an individual to perform a related service or certifies the safety of a product that the citizens of California will use. The programs are funded by the collection of fees associated with the licensing and certification of related products and services.

Building Materials Listing (BML) Program. The BML Program ensures that fire alarm systems and fire alarm devices are tested and approved before any marketing or sale of the product occurs in California. The program has expanded to include several other materials such as roof coverings, wall finish materials, insulating products, and fire doors and dampers. The approval and listing of each product is based on an evaluation of test results that include an analysis of required performance and reliability features. California law requires these products, and other related products, be tested by an OSFM accredited laboratory before any company may begin to sell or market the products.

Flame Retardant (FR) Program. The FR Program issues certificates of registration for flame-retardant chemicals, nonflammable materials, fabrics that have been treated with flame-retardant chemicals, and individuals or companies that apply flame-retardant chemicals. All approved and registered flame-retardant chemicals, nonflammable materials, and treated fabrics are first subjected to testing by an OSFM accredited laboratory where they must satisfactorily demonstrate flame-retardant capabilities.

Current Fee Structure No Longer Supports Operational Costs. Over the years, both operational costs and workload have increased while revenue has failed to increase commensurately due to the static fee structures. To help offset this imbalance between workload and revenue, the Division has left positions vacant while also reducing operating expenditures. The Division is currently engaged in a collaborative mission-based budget review with the Department of Finance. This process identified the need for the additional resources to address urgent programmatic challenges resulting from critical staffing deficiencies and increases in workload.

Staff Recommendation. Approve as proposed.

3790 DEPARTMENT OF PARKS AND RECREATION (PARKS)**Issue 30: Public Safety Emergency Response (MR)**

Governor's Proposal. The May Revision proposes \$3.873 million General Fund one-time to enhance its emergency response efforts. This funding is intended to provide multi-band portable radios, two incident command trailers with tow-vehicles, two inflatable rescue boats and rescue paddleboards with a cargo trailer, and flame-retardant clothing.

Background. *Parks Fleet of Public Safety Equipment.* Parks operates a fleet of marine vessels, aircraft, fire apparatus and other public safety equipment to protect the natural and cultural resources at more than 280 park units, which provide direct service millions of visitors, and the surrounding communities. These are specialized equipment and apparatus and are part of the State's Office of Emergency Services response plan.

Parks Participates in the Statewide Mutual Aid System. Parks provides mutual aid response in the form of search and rescue, law enforcement, emergency management and incident management. The department's Law Enforcement and Emergency Services Division's current resources do not allow for a significant response to natural disasters, including extreme weather or rescue events.

Staff Comments. This request is similar to several other requests that this subcommittee has approved relating to radio interoperability and emergency response equipment.

Staff Recommendation. Approve as proposed.

Issue 31: Wildfire Repair and Reimbursement (MR)

Governor’s Proposal. The May Revision proposes \$7.9 million General Fund one-time and \$2.8 million in reimbursement authority from the State Parks and Recreation Fund to begin addressing the wildlife repair costs due to the severe fire damage incurred over the last year.

The Federal Emergency Management Agency (FEMA) has announced that federal funding is available for eligible parties on a cost-sharing basis for emergency work and the repair or replacement of facilities damaged during the wildfires. The anticipated FEMA funding will be the source of the reimbursements for this proposal.

Background. *Parks Affected by Recent Wildfires.* Wildfires throughout California in the past year have affected the State park system. In particular, the Woolsey Fire in Southern California, named the worst wildfire in modern history, affected Leo Carrillo State Park and Malibu Creek State Park. The Woolsey Fire began November 8, 2018, and ravaged Southern California for 13 days, destroying over 150 square miles of land, 70,000 homes and businesses, and dozens of historic park structures. The fire also destroyed Parks field offices, trails, equipment storage facilities, and visitor centers. Parks continues to assess the damage to the State park system's park unit facilities. Certain hazards have been identified that jeopardize public safety. In these instances, affected park units or areas have been closed to the public. Once the hazards are addressed to ensure public safety and resource protection, the closures can be lifted.

Federal Funding is Available on a Cost-Sharing Basis. FEMA has announced that federal funding is available for eligible parties on a cost-sharing basis for emergency work and the repair or replacement of facilities damaged during the wildfires. The federal funds available, which pays for 75 percent of the cost, requires a 25 percent match from the state.

Future Costs Anticipated. According to Parks, this proposal’s request for resources is for the most critical repair and replacement projects as well as the planning funding needed to assess the comprehensive damage to the state park system. Parks anticipates a future proposal for the balance of the work that is needed to restore the state park system once the planning efforts have been completed and is able to quantify the total resource needs.

LAO Recommendation. LAO’s key concern with the proposal is that the proposal lacks detail regarding the specific parks and projects that will be funded. LAO recommends that the Legislature require Parks to provide details on how the funds will be spent, including identifying specific parks and projects that will receive this funding before taking action on this proposal. Doing so will allow the Legislature to consider whether the list of projects aligns with its priorities and better ensure that in the future the Legislature can hold the department accountable for implementing these projects.

Staff Recommendation. Approve as proposed and adopt supplemental reporting language to require Parks to provide details on how the funds will be spent, including identifying specific parks and projects that will receive this funding.

Issue 32: Harbors and Watercraft Revolving Fund and State Parks and Recreation Fund Stabilization (MR)

Governor's Proposal. The May Revision proposes \$35.747 million General Fund one-time and \$9.747 million ongoing in General Fund to offset the below estimate Motor Vehicle Fuel Account (MVFA) transfers to the State Parks and Recreation Fund (SPRF). This proposal also requests a reversion of \$16.41 million from the unencumbered balance of Harbors and Watercrafts Revolving Fund (HWRF) local assistance appropriations and the transfer of \$6 million from the Public Beach Restoration Fund to HWRF to offset the reduced Motor Vehicle Fuel Account (MVFA) transfers.

Background. *Portion of Motor Vehicle Fuel Goes to Parks.* Parks receives funding from MVFA for the portion of taxes attributable to the sale of motor vehicle fuel for use in boating and off-highway motor vehicle recreation. The base excise tax, currently \$0.18 of the total per gallon rate, on each gallon sold for these purposes is transferred to HWRF or the Off-Highway Vehicle Trust Fund.

SB 1 Increased the Motor Vehicle Fuel Tax. SB 1 increased the gas tax by \$0.12 per gallon and transfers the revenues attributable to boating and off-highway vehicle use to SPRF. This creates a recurring transfer of \$26.649 million in boating related motor vehicle fuel tax revenues from the MVFA to SPRF for boating related purposes within the state park system.

Discrepancy Between Parks and State Controller's Office. According to Parks, it was the Administration's intent that the entirety of this transfer be made from the base excise tax revenues that would otherwise be transferred to HWRF. However, the State Controller's Office is transferring from the entire per gallon rate, resulting in revenues otherwise transferred to the General Fund and SPRF being included in the transfers. This discrepancy in understanding between Parks and the State Controller's Office is the result of ambiguous provisional language included.

This proposal is intended to allow Parks to maintain projected resource levels by adjusting down the appropriations from SPRF and providing General Fund to compensate for reduced revenues. The one-time appropriation will account for revenues received below estimate in 2017-18 and 2018-19. The proposed reversion of, and transfer to, HWRF is intended to establish a balance in the fund and allow Parks the time to develop a long-term solution for inclusion in the 2020 Budget.

LAO Comments. The key issue is that the budget plan for Parks includes ongoing funding commitments from SPRF and HWRF that are higher than these funds can actually support because of a miscalculation of the amount of new SB 1 revenues that are supposed to be deposited into these funds. As with any fund shortfall, there are a few types of strategies that can resolve the shortfall.

In this case, the May Revision proposes to address the SPRF shortfall with one-time and ongoing General Fund transfers to maintain previously committed and planned spending levels. However, given how recently these new funding commitments were made, another option is for the Legislature to consider modifying planned expenditures downward to address the shortfalls, or approving a combination of General Fund transfers and expenditure reductions.

Staff Recommendation. Approve as proposed.

3810 SANTA MONICA MOUNTAINS CONSERVANCY**Issue 33: Woolsey Fire Restoration and Recovery (MR)**

Governor's Proposal. The May Revision proposes \$15 million General Fund one-time and two positions (five-year limited-term) to cover the costs of the Woolsey Fire. The requested funding would allow the Conservancy to address safety concerns, assess the damage, and implement a restoration and recovery plan. The requested positions would be abolished at the end of the five-year period.

Background. *Impacts of Woolsey Fire on the Conservancy Property.* The Woolsey Fire damaged tens of thousands of acres of Conservancy property including buildings, trails, trailheads, and public amenities. Soon after the fire, the rainy season compounded the damage with mudflows and slides. Several properties owned by the Conservancy were, and continue to be, evacuated while an assessment of the damage continues and utilities remain cut off.

There are several safety concerns that must be addressed immediately and regular and frequent protective actions are necessary to prevent further damage and protect the public and employees. The Conservancy has begun to assess the damage and will develop a recovery and restoration plan. The plan will include the replacement, rebuilding, and repair of capital assets such as buildings and visitor serving amenities, as well as restoration activities for parkland and open space. Examples include culvert repair and/or replacement, fire break road repair, sign and kiosk replacement, soil testing, active and passive restoration.

Priority Locations. The following park locations have already been identified as priorities for this request, and more will be added as additional locations are assessed:

- Ramirez Canyon Park (Conservancy Headquarters)
- Cameron Nature Preserve at Puerco Canyon
- Charmlee Wildness Park
- Corral Canyon Park - Sara Wan Trailhead
- Escondido Canyon Park
- Fran Pavley Meadow
- Las Virgenes View Trail
- Liberty Canyon Trailhead
- Triunfo Creek Park
- Upper Las Virgenes Canyon Open Space Preserve (formerly Ahmanson Ranch)
- Zev Yaroslavsky Las Virgenes Highlands Park

The requested funding will be for new and necessary projects to be implemented in coordination with the ongoing capital outlay and local assistance projects and the implementation of the Conservancy work program that are already in process. In general, the complexity of any Conservancy-funded project requires extensive planning and monitoring work over a long period of time and additional post-project monitoring. The Conservancy does not have the support budget or staff on hand to fund the sustained development of dozens of these complex fire related multi-year projects.

Staff Recommendation. Approve as proposed.

3860 DEPARTMENT OF WATER RESOURCES (DWR)**Issue 34: Dam Safety Risk Management (MR)**

Governor's Proposal. The May Revision proposes \$1.625 million Dam Safety Fund ongoing and six positions to incorporate Risk Informed Decision Making (RIDM) into the California Dam Safety Program.

This proposal also requests that the remaining three years of \$1.625 million annual payback of the General Fund loan made in 2017-18 (total balance of \$4.875 million from the original \$6.5 million loan) be forgiven to offset dam safety fee impacts to dam owners.

Background. California Dam Safety Program. The Division of Safety of Dams (DSOD) regulates approximately 1,250 non-federal dams, of which about 650 dams are classified as high- or extremely-high hazard. This program is the only State-level regulatory program with respect to dam safety. The hazard classification indicates the potential for life and property loss downstream of the dam if it were to fail. Because hazard classification is not an indicator of dam condition or likelihood of failure, DSOD conducts inspections and reevaluations to make needed assessments with respect to dam safety and to support its mission of protecting life and property from dam failures.

Dam Safety Reevaluation Program. DSOD began conducting reevaluations in the late 1960's to identify potential dam safety deficiencies at jurisdictional dams in support of its mission. Reevaluation programs have used a traditional standards based assessment approach focused on specific failure modes and maximum loading conditions (e.g. extreme floods, maximum earthquakes). Thus, DSOD has historically focused on earthquake-related risks at dams given the statewide seismic regime. Other focused reevaluation efforts have been initiated in response to lessons learned from incidents such as the radial gate reviews (Folsom Dam, 1995) and the recent spillway reevaluations (Oroville Dam, 2017). Generally, 10 to 20 dams are reevaluated annually by DSOD. Until 2017-18, DSOD did not have dedicated resources for reevaluation studies. The number of reevaluation reviews was largely governed on an annual basis by the workload associated with time sensitive application reviews that included design and construction reviews of new dam construction and the repair, alterations, enlargements, and removals of existing dams.

Dam Fees. Annual fees paid by dam owners fully support the Dam Safety Program. Dam fees have increased recently by about 55 percent because of recent dam safety mandates and requirements (e.g. inundation maps, spillway reevaluations, etc.), and some owners are also financing other DSOD directives, such as necessary investigative field studies, engineering analyses, and repair work related to spillways.

Industry Development of RIDM. Various organizations, including the US Army Corp of Engineers, observed that the traditional standards-based approaches to dam safety reevaluations are inefficient and slow in identifying deficiencies. They found that dam safety incidents often occur from deficiencies that were not identified through focused reviews. They needed an efficient and consistent method to comprehensively review dams, identify all potential failure modes, and rank dams by their risk. RIDM was developed as a method to solve these needs and to formalize a process for repeatability and consistency. Risk is the product of the following three components: 1) likelihood of a loading condition; 2) likelihood of failure occurring for the load (e.g. dam performance); and 3) the downstream consequence of that failure in terms of lives and property losses. RIDM uses the evaluated

risks to prioritize additional detailed analyses. Additionally, RIDM facilitates communication of the risks across a portfolio of dams to increase awareness, inform risk reduction measures or repairs, and aid owners in securing funding for repairs.

RIDM Recognized as a Best Practice in Dam Safety Organizations. The U.S. Bureau of Reclamation and U.S. Army Corps of Engineers have adopted RIDM within the last 20 years and have acknowledged this significant effort has tremendous benefits. The USBR has a portfolio of 366 high hazard dams, and it has taken nearly 20 years to mature its RIDM program using dedicated staffing and funding resources. These 366 high hazard dams have now been comprehensively reviewed three times, with an expectation that each dam is periodically assessed once every six to eight years. Their process informs the decision of detailed evaluations needed, helps prioritize funding for repairs, and provides confidence that they are identifying and addressing the critical risks associated with their dams.

Cumulative Impacts to Dam Owners. In addition to the recent 55 percent annual dam fee increase, some owners are also financing other DSOD directives, such as necessary investigative field studies, engineering analyses, and repair work related to spillways. Funding the proposed initiative would require an additional 10 percent fee increase in 2019-20, which would equate to an overall 30 percent fee increase in 2019-20. Given the cumulative fiscal impacts on dam owners, DWR is proposing to offset the additional 10 percent fee increase by forgiving the 2017-18 General Fund loan balance of \$4.875 million. Revenue collected through fees for the loan payback of \$1.625 million annually for the next three years would be used to fund this request without any additional impacts to owners.

Staff Recommendation. Approve as proposed.

Issue 35: Open and Transparent Water Data Act (AB 1755) (MR)

Governor’s Proposal. The May Revision proposes \$1.058 million from the Environmental License Plate Fund annually for four years to implement the Open and Transparent Water Data Act (AB 1755 (Dodd), Chapter 506, Statutes of 2016).

The requested operating expense and equipment (OE&E) funding would cover the following:

- General Expenses (\$5,000)
- Overhead (\$312,000) (Administration Staff – e.g. accounting, budgets, contract; and facilities, utilities, printing, internal tech services, etc.)
- Consulting and Professional Services (\$200,000) – e.g. communications, facilitation, data architecture.

Requested funding will support collaboration on and periodic update of protocols for data sharing, documentation, quality control, and public access; coordinated operation, maintenance, and federation of existing portals and addition of new portals; and work with stakeholders to produce usable and useful data to inform water management decisions.

Background. *Open and Transparent Water Data Act.* AB 1755 established the Open and Transparent Water Data Act. AB 1755 required DWR, in consultation with the State Water Resources Control Board (SWRCB), the Department of Fish and Wildlife (DFW), and the California Water Quality Monitoring Council to create and maintain a statewide, integrated water data platform by August 1, 2020, based on a specified schedule.

AB 1755 included a September 1, 2019 deadline to make state statute-compliant datasets available and an August 1, 2020 deadline to make federal statute compliant datasets available. Achieving these statutory deadlines requires coordination with the state agency partners, federal agencies, and stakeholders to iteratively develop and improve water data publication practices and standards for use across California to support the discoverability and interoperability of water data. DWR is requesting funding to support collaboration on and periodic update of protocols for data sharing, documentation, quality control, and public access; coordinated operation, maintenance, and federation of existing portals and addition of new portals; and work with stakeholders to produce usable and useful data to inform water management decisions.

Funding for this effort was provided in the Budget Act of 2017 and 2018. DWR had anticipated philanthropic donations to support this effort, which has not materialized. This request is made to enable DWR to fulfill the two statutory deadlines prescribed in AB 1755 and allow the SWRCB, DWR, and DFW to continue building the database and maintenance of the information technology system.

DWR states that is proposal is not an expansion of the program or a “new need”. This request is intended to fund the gap in funding due to the lack of revenues in the Water Data Administration Fund. The 2017 Budget Act appropriated \$1.6 million to DWR from the Water Data Administration Fund. There is substantial programming needed to develop the data portal, and significant work to be done in developing protocols that lay out how entities should gather information in a way that makes it conducive to sharing on the portal. DWR must also inform and involve State and federal agencies, since the project relies on them to collect and share their information on the portal. The request is for

two Information Technology (IT) positions to do programming and IT support for the portal, and two positions in program to develop and finalize the protocols in collaboration with the State agencies involved in the project, and to engage State and federal agencies about this project over the next four years.

DWR states that what has been completed so far is a strategic plan for the project and initial draft protocols, which was done by the mandated January 2018 deadline. Linking the two existing state-hosted open data portals is nearly complete, but additional metadata needs transferred and descriptive text needs to be added. In addition, an online user interface, such as a webpage, needs to be developed so the data can be accessed. The draft protocols were developed at the beginning of the project. Beta testing has begun and those results, as well as continuous user feedback, will inform updates and additions to the protocols.

There is also a Water Data Consortium being developed as a part of this project. It is funded by external sources and would serve as a complimentary data collaborative that incentivizes the development of end user dashboards, visualization, and analytical tools.

Staff Recommendation. Approve as proposed.

Issue 36: Urban Flood Risk Reduction (Project Adjustment) (MR)

Governor’s Proposal. The May Revision proposes to redirect the \$25 million from Proposition 68 (PRC 80145 (a)(1)(A)) included in the Governor’s Budget for a number of multi-benefit urban flood risk reduction improvement projects to instead fund the weir improvements and associated ecosystem restoration for the Oroville Wildlife Area (OWA) Project. The various multi-benefit urban flood risk reduction improvement projects will be instead funded by other available bond funds. The following changes to the provisional language are requested:

3860-301-6088—For capital outlay, Department of Water Resources, payable from the California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access For
 All Fund.....98,000,000

Schedule:

| | |
|--|----------------------------------|
| (1) 0000743-Urban Flood Risk Reduction Program..... | 25,000,000 |
| (a) Study..... | 410,000 |
| (b) Acquisition..... | 2,640,000 |
| (c) Preliminary plans..... | 890,000 |
| (d) Working drawings..... | 1,130,000 |
| (e) Performance criteria..... | 1,100,000 |
| (f) (a) Construction..... | 18,860,000 25,000,000 |
| (2) 0000745-Systemwide Flood Risk Reduction Program..... | 73,000,000 |
| (a) Construction..... | 62,000,000 |
| (b) Design-build..... | 11,000,000 |

Provisions:

1. The funds appropriated in this item shall be available for multibenefit capital outlay projects that achieve public safety improvements and measurable fish and wildlife enhancement, consistent with paragraph (1) of subdivision (a) of Section 80145 of the Public Resources Code.
2. The amounts appropriated in Schedule (1) are provided for the following purposes:
 - (a) ~~\$420,000 for Bushy Lake and Woodlake Restoration.~~
 - (b) ~~\$4,200,000 for the Sacramento Area Flood Control Agency Habitat Berm project.~~
 - (c) ~~\$9,100,000~~ \$8,520,000 for the multi-benefit reclamation district 17 flood project.
 - (d) ~~\$7,880,000 for the Southport Setback Levee project.~~
 - (e) ~~\$3,400,000~~ \$8,600,000 for the Oroville Wildlife Area Weir Enhancement.
3. The amounts appropriated in Schedule (2) are provided for the following purposes:
 - (a) \$55,000,000 for Yolo Bypass Phase I Implementation.
 - (b) \$3,000,000 for the Paradise Cut flood project.
 - (c) \$15,000,000 for the Butte Slough Outfall Gates project.
4. Notwithstanding existing law, the funds appropriated in this item shall be available for encumbrance or expenditure until June 30, 2022.

Background. The OWA Project consists of weir improvements and associated ecosystem restoration in order to improve the connectivity of the Feather River to its historic floodway, reduce stages within the main channel, reduce or eliminate fish stranding, and enhance 300 acres of riparian habitat. The project request has been revised to account for the increased funding need for OWA. The original funding request for the OWA project increased due to design changes, additional costs associated with unanticipated environmental permitting requirements, higher construction costs and scope increases to address hydraulic elements that are needed to fully repair the existing system of inflow and outflow weirs, which allow water to flow into and out of the project areas during times of high water flow.

Staff Recommendation. Approve as proposed.

3900 AIR RESOURCES BOARD (ARB)**Issue 37: Evaluation and Approval of Innovative Freight Technologies (MR)**

Governor's Proposal. The May Revision proposes \$1.326 million Air Pollution Control Fund (APCF) for three years and seven permanent full-time positions to meet existing regulatory, planning, and incentive commitments for innovative technologies to cut emissions from freight equipment such as ships, locomotives, harbor craft, cargo handling equipment, and transport refrigeration units.

To meet the demand for new technology approvals, ARB requests seven new positions in the Transportation and Toxics Division (TTD) to conduct reviews of advanced pollution control technologies and facilitate ARB approvals for freight equipment used at seaports, rail yards, distribution centers, and other freight hubs. Specifically, the requested positions include four Air Resources Engineers, two Air Pollution Specialists, and one Air Resources Supervisor to manage the team.

The purpose of the proposal is to meet the growing demand (projected to increase by 400% over the next few years) for ARB to evaluate, approve, and monitor new technologies to cut emissions from port, rail, and other off-road freight equipment (such as ships, locomotives, harbor craft, cargo handling equipment, and transport refrigeration units). These equipment types are not covered by ARB programs that have received increased resources for certification and in-use enforcement in recent years following the Volkswagen emission cheating scandal. Zero-emission and other innovative technologies are coming to market in each of these freight sectors under existing regulatory, incentive, and planning commitments. Existing regulations and incentive programs specify ARB's approval of zero-emission and other innovative control technologies is required prior to deployment. ARB does not currently have dedicated staffing, established approval procedures, or fee schedules for innovative technology approvals for the freight equipment concentrated at seaports, rail yards, and distribution centers. However, ARB's approval of these technologies is still required for compliance with its regulations and for incentive programs to ensure the State's investment is sound.

These additional resources would enable ARB to develop procedures, perform technology evaluations, approve manufacturer/industry requests, monitor performance, and respond to detected problems. These actions are critical to providing regulatory compliance options for California businesses, to allow technology developers (some based in California) to bring products to market, and to prevent delays in deployment of cleaner freight equipment needed to cut emissions in disadvantaged communities.

Enforcement settlement funds deposited into APCF would initially fund the positions until fees collected from technology developers can provide ongoing support for the program. SB 854 (Committee on Budget and Fiscal Review), Chapter 51, Statutes of 2018, authorized ARB to assess fees for certifying, verifying, or approving innovative control technologies for non-vehicular and other off-road equipment. ARB has begun developing an overarching fee regulation and will amend existing equipment-specific regulations over the next five years to include fee collection provisions. However, ARB will have workload associated with approving innovative freight technologies well before fees are deposited into the Certification and Compliance Fund. As a result, ARB needs temporary funding through APCF for three years until the Certification and Compliance Fund is able to sustain these activities on an ongoing basis.

Background. *Environmental Impacts.* Ships, harbor craft, cargo handling equipment, locomotives, and other equipment that move freight in California are significant contributors of emissions including toxic diesel particulate matter, greenhouse gases, and nitrogen oxides that form ozone and fine particles. These emissions are a public health concern at both community and regional levels, and contribute to climate change. While existing ARB programs have reduced emissions significantly, most progress has resulted from the adoption of lower-emitting combustion technologies.

New Emission Control Technology. Every new emission control technology must be approved by ARB to be used for regulatory compliance or to obtain grants from state-funded incentive programs like the California Climate Investments/Low Carbon Transportation, Proposition 1B, or the Carl Moyer Program. The technologies already approved by ARB staff have been "first of their kind" and highly complex control systems that require extensive evaluation, iterative consultation with technology developers, approval and issuance of Executive Orders, performance monitoring, and engagement with developers to remediate any issues.

Staff Recommendation. Approve as proposed.

Issue 38: Heavy-Duty Phase 2 Greenhouse Gas Implementation and Audit Program (BCP and TBL) (MR)

Governor's Proposal. The May Revision proposes \$1.9 million Air Pollution Control Fund (APCF) and 10 positions phased in over three years to review and certify medium and heavy-duty (HD) engines, vehicles, and trailers to the newly adopted California Phase 2 Greenhouse Gas (GHG) Regulations.

The positions would initially be funded by existing APCF resources until additional certification fees can be collected.

Associated trailer bill language (TBL) is proposed to expand ARB's authority to collect certification fees.

Background. To ensure vehicles and equipment meet California's strict emission standards, ARB currently issues over 3,900 certifications, also known as Executive Orders annually. Vehicles, engines and components must be certified by ARB to be sold in California, and advanced emission control technology must be approved by ARB to be used for regulatory compliance or to obtain grant funding.

Phase 2. On-road medium and heavy-duty trucks are a significant source of air pollution. The U.S. Environmental Protection Agency (US EPA), Department of Transportation's National Highway Traffic Safety Administration (NHTSA), and ARB staff have worked together to develop the Phase 2 standards for medium and HD vehicles in order to make vehicles more efficient and cut carbon pollution in order to reduce the impacts of climate change. The Phase 2 program imposes standards and requirements on manufacturers of medium and HD engines, chassis/vehicle, and trailers. Phase 2 builds on the previous Phase 1 GHG rulemaking, which regulated engines and three categories of vehicles: Tractors, vocational vehicles, pickups, and vans. The federal Phase 2 program applies to model year (MY) 2021+ for engines and vehicles. The California Phase 2 program will begin with MY 2020 for trailers and MY 2021+ years for engines and vehicles. The Phase 2 standards become increasingly more stringent through MY 2027.

Under California's Phase 2 GHG regulations, ARB staff will be required to conduct detailed independent reviews of technical applications to issue engine, vehicle, and trailer GHG certifications. This proposal includes 10 permanent staff positions starting in 2019-20 to begin implementing certification requirements for the new Phase 2 GHG program.

Staff Comment. Requiring regulated entities to pay for associated regulatory activities is reasonable. The expansion of the fee authority proposed in the May Revision is significant. The subcommittee may wish to ask ARB what the size of the fee is expected to be or the amount of additional revenue that it may generate.

Staff Recommendation. Approve as proposed.

3960 DEPARTMENT OF TOXIC SUBSTANCES CONTROL (DTSC)**Issue 39: Cost Recovery Management System Information Technology Project (MR)**

Governor's Proposal. The May Revision proposes \$2.578 million one-time split evenly between the Hazardous Waste Control Account (HWCA) and the Toxic Substances Control Account (TSCA) (\$1.289 million each) in 2019-20 and four positions, including funding for two positions for two years, for the planning and project implementation phases of the Cost Recovery Management System (CRMS) information technology platform upgrade project.

Background. DTSC incurs costs overseeing the investigation and cleanup of contaminated sites (oversight costs), performing investigation and/or cleanup activities itself (cleanup costs) and when it reviews and issues permits to hazardous waste facilities. These costs are collectively known as DTSC's response costs. DTSC is authorized to recover its response costs from responsible parties (i.e., those parties responsible for the contamination) and from permitted hazardous waste facilities. The responsible parties and permitted hazardous waste facilities are referred to as billable parties. DTSC recovers millions in response costs from billable parties annually.

Cost Recovery Billing System (CRBS). CRBS is the existing vehicle for recovering DTSC's costs and is critical to DTSC's revenues. CRBS issues invoices to responsible parties, tracks cost data, records payments, and reconciles account balances to ensure that claims for reimbursement are accurate. CRBS also maintains data on the number of invoices processed and the amount of reimbursements received and provides reports and tracking tools related to cost recovery. Further, the information maintained in CRBS is critical to support litigation undertaken by DTSC and the Office of the Attorney General against responsible parties and responses to Public Records Act requests.

Failure to replace CRBS poses several unacceptable risks to DTSC. CRBS was developed in 2002 using software which is no longer supported as of April 2008. Critical security patches for CRBS have been unavailable since July 2018, which means that CRBS is at risk from new and emerging security threats. Additionally, the system cannot be modified to meet new business requirements, such as tracking settlements and issuing collection letters and delinquent notices, which can cause DTSC to be noncompliant with State Administrative Manual (SAM) requirements. Finally, the system cannot be modified to meet changes in existing law.

In August 2014, the State Auditor issued a report on DTSC's cost recovery efforts. The report found several deficiencies in DTSC's cost recovery processes. It specifically noted that CRBS was no longer supported and the system could not perform basic functions, such as tracking settlement agreements or automating the process for issuing collection letters to billable parties. The lack of basic functionality was an important factor in DTSC's failure to collect response costs in a timely manner.

DTSC has also been subject to several oversight hearings by the Legislature concerning its cost recovery efforts. These hearings demonstrated that CRBS was a major impediment to DTSC effectively recovering its response costs and complying with statute and state policy. DTSC has made a commitment to the Legislature that it would replace CRBS.

LAO Comments. This project has not yet completed the Project Approval Lifecycle (PAL) process. This means the Legislature is being asked to approve funding for the development and implementation of the project without the benefit of a completed project plan and final cost estimate.

LAO Recommendation. In order to ensure legislative oversight of this project, LAO recommends the Legislature adopt budget bill language that would make the release of the requested funding contingent on (1) approval of Stage 4 PAL documents by California Department of Technology and the Department of Finance, and (2) written notification to the Joint Legislative Budget Committee that the project has received these approvals.

Staff Recommendation. Approve as proposed and adopt BBL that would make the release of the requested funding contingent on (1) approval of Stage 4 PAL documents by CDT and the Department of Finance, and (2) written notification to the Joint Legislative Budget Committee that the project has received these approvals.

Issue 40: Base Funding to Maintain Operations (MR)

Governor's Proposal. The May Revision proposes a total augmentation of \$37.5 million General Fund in 2019-20 to maintain its existing operations. This consists of \$27.5 million for a General Fund backfill to the Hazardous Waste Control Account (HWCA) and \$10 million from the elimination of the Lead-Acid Battery Control Fund's General Fund Loan repayment and corresponding funding shifts. Accordingly, this request proposes several adjustments to realign DTSC's expenditures with the appropriate funding source while maintaining prudent fund balances and improving budget transparency.

More specifically, this request would do the following:

\$27.5 million General Fund Backfill

- Provide \$27.5 million General Fund to backfill the Hazardous Waste Control Account (HWCA) in 2019-20, \$18.5 million in 2020-21, and \$18.5 million in 2021-22 to maintain current service levels and ensure HWCA has a prudent reserve.

\$10 million Net General Fund Change

- Eliminate the \$16.7 million loan repayment from LABCF to the General Fund for the Exide Technologies facility cleanup beginning in 2019-20.
- Shift \$1.2 million General Fund for the 2018-19 Safer Consumer Products Budget Change Proposal (BCP) to the Toxic Substances Control Account (TSCA) TSCA to promote budget transparency.
- Shift \$5.5 million General Fund for hazardous waste activities to HWCA (comprised of \$3.0 million provided for HWCA solvency and \$2.5 million for the 2018-19 Enforcement in Vulnerable Communities BCP) to promote budget transparency.

For the net \$10 million General Fund change related to the LABCF, eliminating the \$16.7 million loan repayment from LABCF to the General Fund as well as shifting the above General Fund expenditures to HWCA (\$5.5 million) and TSCA (\$1.2 million) provides an additional net \$10 million General Fund support to DTSC in 2019-20. Combined with the \$27.5 million General Fund backfill to HWCA, the total General Fund impact in 2019-20 is \$37.5 million.

Other Funding Adjustment

- Eliminate a \$10 million loan from TSCA to LABCF in 2019-20 given the condition of TSCA.

Background. At the time of the 2019-20 Governor's Budget, DTSC had not completed the reconciliation of its accounting records. As a result, the magnitude of the Department's funding shortfall was unknown. The Governor's Budget reflected several temporary and placeholder funding shifts from other special funds, including the Lead-Acid Battery Cleanup Fund, to support the Department's current funding level. In February, DTSC was able to reconcile its accounting records through 2017-18.

The HWCA receives fees from various hazardous waste generators, facilities, and transporters. The fees provide revenue for HWCA and DTSC's Hazardous Waste Management Program, which funds the following activities:

- The Permitting Division is responsible for reviewing and acting on applications for hazardous waste facility permits, assessing and reviewing studies performed by permit applicants pursuant to permit conditions, and overseeing facility closures.
- The Enforcement and Emergency Response Division is responsible for inspecting hazardous waste facilities and taking appropriate enforcement actions.
- The Office of Criminal Investigation is responsible for conducting criminal investigations regarding violations of hazardous waste control laws.
- The Policy and Program Support Branch is responsible for registering hazardous waste transporters, collecting and tracking information related to the handling of electronic waste, and providing advice to the public and the regulated community on the application of hazardous waste management requirements.

Both of DTSC's two main special funds, HWCA and TSCA, have structural deficits with ongoing expenditures exceeding revenues. DTSC currently faces a risk of a cash shortfall in HWCA in 2018-19 and has been constraining spending to address this risk. The HWCA fund balance would be approximately -\$4.8 million by the end of 2018-19 if DTSC did not take measures to reduce its costs as well as shift its \$3.1 million Pro Rata assessment to TSCA. The current year HWCA Pro Rata liability will be repaid in 2019-20 from the General Fund backfill. Without this General Fund support, the HWCA fund balance will decrease to approximately -\$24.8 million in 2019-20, -\$44.1 million in 2020-21, and -\$63.5 million in 2021-22. The backfill proposed in 2019-20 also provides the HWCA fund with some reserve funding.

HWCA has also suffered increased cost pressures as legislative mandates have increased without a commensurate increase in fee revenues. These mandates have typically been funded with limited-term resources because the HWCA fund balance was insufficient to sustain the costs over time.

If left unaddressed, the deficit in HWCA will require the Hazardous Waste Management Program to make significant cuts to its operations. DTSC will be unable to adequately regulate the 105 permitted facilities that store, treat, or dispose hazardous waste; the 100,000 businesses that generate hazardous waste; and approximately 900 businesses that transport hazardous waste.

LAO Comments. DTSC requests \$27.5 million General Fund in 2019-20 and \$18.5 million General Fund in 2020-21 and 2021-22—as well as several other budget adjustments—to address structural deficits in HWCA and TSCA. LAO agrees with the need provide funding in order for DTSC to continue to regulate facilities that store or treat hazardous waste, as well as businesses that generate and transport hazardous waste.

LAO Recommendation. Accordingly, LAO recommends the Legislature approve the request for \$27.5 million General Fund and other budget adjustments in 2019-20. However, LAO recommends rejection of the request for \$18.5 million General Fund in 2020-21 and 2021-22. In recent years, DTSC has been the focus of numerous legislative oversight hearings due to fiscal and operational issues. Approving only one year of General Fund backfill will require DTSC to return with an additional request next year to address the HWCA structural deficit, which will help ensure continuing conversations regarding options to address the department’s structural deficits (including TSCA), as well as ensure ongoing legislative oversight of this department’s activities through the budget process.

Staff Recommendation. Approve as proposed with placeholder TBL to create a fee task force and implement other changes to the department.

8570 CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE (CDFA)**Issue 41: Catastrophic Livestock Disease Prevention and Emergency Response – Virulent Newcastle Disease and Natural Disasters Impacting Animals (MR)**

Governor’s Proposal. The May Revision proposes \$3.336 million General Fund and 23 permanent positions in 2019-20 and \$3.278 million General Fund ongoing thereafter to address current and continued threats to animal health, food supply, and the economy posed by the virulent Newcastle Disease (vND) and other diseases or natural disaster threats to animals. Specifically, these resources are intended to establish teams that will coordinate and respond to current and future threats to animal health.

Background. *Virulent Newcastle Disease (vND).* The current outbreak of vND was originally detected on May 16, 2018, in backyard chickens that died in Los Angeles County. Once this virus hits a large group of susceptible birds, it can explode as virus replication creates a viral plume, moving quickly from one ranch to another through workers, equipment, supplies, products, rain runoff, blown dust, rodents and feral poultry or wild birds. On December 14, 2018, vND was confirmed in a commercial poultry ranch in Riverside County where CDFA found dense backyard poultry and high levels of disease. As of the mid-April 2019, nine other commercial producers have tested positive in Riverside and San Bernardino Counties. About 1.2 million birds have been euthanized on over 450 confirmed infected and 1,000 exposed premises. The direct response costs alone total more than \$30 million and continues to increase. As of mid-April 2019, the virus spread into new areas of Los Angeles, San Bernardino, Riverside, Ventura and Alameda Counties, as well as to Utah and Arizona.

As of mid-February 2019, the United States Department of Agriculture has agreed to seek federal emergency funds to augment CDFA's response, USDA is willing to assist with temporary funding for needed permanent CDFA prevention and response staff through June 30, 2019 and are seeking emergency funds to cover the much larger immediate eradication effort, recognizing prior responses suggest that \$200 million may be required. USDA's conditional emergency support includes a commitment from California to ensure core infrastructure is maintained to prevent further introductions, immediately limit spread, and manage scale-up when facing future emergencies.

CDFA Role In Fighting Outbreaks. To fight these outbreaks, CDFA keeps a limited number of skilled response specialists placed strategically around the state. CDFA has an early warning system that utilizes animal owners, thousands of private veterinarians, specially trained CDFA foreign animal disease diagnosticians and the California Animal Health and Food Safety Laboratory System. One of CDFA's responsibilities is to train all contributors to the early warning system so they know when and how to contact CDFA at the first sign of a problem. CDFA also maintains constant foreign and emerging animal disease surveillance to assure that the state is free from particularly dangerous disease. When a disease of concern is detected, CDFA shifts all available staff resources into response positions. For livestock and poultry epidemics, these skilled resources are prepositioned at the state level rather than the local level, so they can be quickly deployed to any county.

CDFA Staffing Needs to Fight Outbreaks. Currently, CDFA does not have adequate resources to prevent catastrophic livestock and poultry disease introduction into California or contain an outbreak once introduced. CDFA has re-evaluated its vND containment and is shifting from waiting until an outbreak gets large enough to detect in California as done historically, to striking once a disease is detected. The goal is to use the anticipated short-term infusion of federal funds to reduce the current

virus load through active disease identification and flock euthanasia in known infected areas of San Bernardino, Riverside, Ventura, Alameda and Los Angeles; followed by long-term community education programs in high-risk areas statewide. Looking forward, when bird owners and their veterinarians need assistance relative to vND control, CDFA would quickly mobilize a local strike team to eliminate the virus before it spreads to an uncontrollable level. This improved best practice strategy protects the food supply and residents and will provide trained resources to assist with other disease outbreaks and natural disasters affecting animals.

The 23 positions proposed in the May Revision cover the following:

- Disease detection and prevention (One Veterinarian (Epidemiologist), One Agricultural Program Supervisor, and Three Livestock Inspectors).
- Disease Reporting Officer and Euthanasia Team (One Veterinarian, One Senior Livestock Inspector, and Four Livestock Inspectors).
- Field Reimbursement Specialist (Indemnity) (Two Livestock Inspectors). Two Livestock Inspectors will be responsible for assisting producers with the indemnity and reimbursement process for mandatory destruction orders that affect their operations.
- Quarantine Enforcement and Investigations (Two Livestock Inspectors and Two Special Investigators).
- Live Bird Market Disease Prevention and Surveillance (One Veterinarian (Epidemiologist)).
- Geographic Information Systems (One Research Data Specialist II).
- Communication, Education, and Outreach (One Associate Governmental Program Analyst).
- California Animal Response Emergency System (One Program Manager II, One Senior Emergency Coordinator, and One Associate Governmental Program Analyst).

CDFA intends to account for personnel workload activity and hours through a web-based task tracker. The task tracker will provide detail on the activities of staff and make it possible to more accurately allocate work, redirect and make staff changes, balance workloads, and assist in the program budget development process. The requested resources will be managed through monthly budget projections, expenditure forecasting, and the Financial Information System for California.

The current vND outbreak and associated challenges demonstrates that core staffing is essential where catastrophic disease is often introduced, at the rural-urban interface. Placing skilled, permanent staffing close to historical vND outbreak locations will build a rapport with local communities, reduce costs by reducing travel and overtime and effectively control disease spread. These positions along with technical specialists for animals in disaster, will also free up key CDFA staff to support disaster response as described by Executive Order, Administrative Orders and the Governor's Office of Emergency Services.

Staff Recommendation. Approve as proposed.

Issue 42: Produce Safety Technical Assistance (MR)

Governor's Proposal. The May Revision proposes \$700,000 General Fund in 2019-20 and ongoing and one position for the development of produce safety technical expertise and education to assist California produce farmers in complying with the Food Safety Modernization Act (FSMA). The resources requested is intended to be utilized to establish the Produce Safety Technical Assistance Program (TAP) to provide technical expertise in produce safety and allow for contracting with food safety experts at University of California Cooperative Extension (UCCE).

Background. *Food Safety Modernization Act.* In 2011, President Obama established FSMA to enable the Food and Drug Administration (FDA) to better protect public health by strengthening the food safety system. It allows the FDA to focus on preventing food safety problems before they begin rather than primarily reacting to problems after they occur. Within rules created by FSMA, the Product Safety Rule (PSR), effective January 2016, establishes science-based minimum standards for the safe growing, harvesting, packing, and holding of fruits and vegetables grown for human consumption. The first major compliance date for large farms began on January 26, 2018 with routine inspections beginning in spring 2019.

Product Safety Program (PSP). CDFA currently has a partnership with the FDA and has received federal funding for PSP. The PSP has provided some educational opportunities for California's agricultural industry, such as presenting at workshops and providing voluntary on-farm readiness reviews. Beginning in 2019, the PSP will focus on produce safety inspections and compliance under the PSR. TAP will employ produce safety experts and will contract with UCCE and other food safety experts for produce safety education to provide farms with the resources and expertise needed to implement food safety practices based on current research findings and industry advancements.

Small-Scale Farms. There are more than 25,000 growers in California producing raw agricultural commodities and nearly half of these are small family farms. Large growers often utilize third-party certification audits to ensure their food safety measures are acceptable. However, it may not be plausible for small-scale growers to utilize third-party audits or independently comply with industry safety standards without requisite education and outreach. Similarly, it can be cost-prohibitive to hire a full-time food safety consultant to bridge this technical assistance need. TAP will assist growers by offering the tools necessary for meeting compliance of the PSR in California.

CDFA's Plan to Implement Product Safety Technical Assistance Program (TAP). To implement TAP, CDFA requests \$700,000 General Fund in 2019-20 and ongoing and one position. One Senior Environmental Scientist (Supervisory) will have responsibilities to: oversee development and implementation of TAP; implement and oversee educational and outreach activities; oversee UCCE contracted activities; be responsible for all program and budgetary aspects; act as the primary contact and subject matter expert on food safety methodologies for California's agricultural industry; and, work closely with industry association groups to assist farmers in developing food safety plans. Of the \$700,000 request, \$500,000 of this is proposed to be used to contract with UCCE to perform on-farm training and off-site workshops to ensure compliance with the PSR at the local level. Contracting with UCCE and other food safety experts for produce safety education will provide farms with the helpful resources and expertise needed to implement food safety practices based on current research findings and industry advancements.

Staff Recommendation. Approve as proposed.

3930 DEPARTMENT OF PESTICIDE REGULATION (DPR)**8570 CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE (CDFA)****Issue 43: Transitioning to Safer, More Sustainable Pest Management Solutions (Pest Management Research Grants) (MR)**

Governor's Proposal. The May Revision proposes the following to assist with the transition to safer, more sustainable pest management solutions:

- \$2.225 million General Fund one-time to DPR to contribute additional resources to the Pest Management Research Grant Program and facilitate a cross-sector work group that will identify, evaluate, and develop safer practical, and more sustainable alternative pest management tools for California growers.
- \$3.5 million General Fund one-time to CDFA to supplement CDFA's Pesticide Alternatives Grant program and to revitalize the Biologically Integrated Farming Systems (BIFS) Program to provide training and demonstration projects for Integrated Pest Management.

DPR and CDFA also request that the funds be available for encumbrance or expenditure until June 30, 2022, in recognition of the long-term nature of research grant projects and to accommodate terms of the Model Contract Language between the state and the University of California.

Background. Chlorpyrifos. Chlorpyrifos is a pesticide used to control a variety of insects on more than 60 crops, with major uses in California for nut trees, alfalfa, citrus, cotton, and several other food crops. In 2018, DPR determined that chlorpyrifos was a toxic air contaminant (TAC), which is defined as "an air pollutant that may cause or contribute to an increase in mortality or an increase in serious illness, or which may pose a present or potential hazard to human health." Chlorpyrifos was listed as a TAC on April 1, 2019. DPR recommended that county agricultural commissioners implement interim mitigation measures that prohibit or otherwise limit certain kinds of applications (aerial and air blast), institute buffer zones of up to a quarter mile, and restrict use to certain crops without acceptable pesticide alternatives. These recommendations were available to the county agricultural commissioners to use as of January 1, 2019 and are expected to further reduce the use of chlorpyrifos in California. DPR will commence a regulatory process to cancel the registration of chlorpyrifos, which would essentially no longer allow the use of this insecticide in the state.

Transition to Safer Alternatives. DPR and CDFA are proposing a comprehensive approach to assist in the transition to safer, more sustainable pest management solutions. DPR and CDFA will lead the work of a newly created, cross-sector work group that will identify, evaluate and develop safer, practical, more sustainable alternative pest management tools for California growers. In order to implement the work group's recommendations, DPR and CDFA also propose to fund incentive programs, additional research, and technical assistance to develop practical, safer, more sustainable alternatives to chlorpyrifos. In combination, the working group and funding for the development of alternatives will produce short-term solutions and prioritize the development of long-term solutions to support healthy communities and a thriving agricultural sector.

Work Group to Develop Safer, Sustainable Pest Management Alternatives. DPR requests \$125,000 General Fund one-time to convene a cross-sector work group that will identify, evaluate, and develop safer, practical, more sustainable alternatives pest management tools for California growers.

Recognizing the importance of maintaining a strong agricultural industry in California and the critical role pesticides currently play in that industry, there will be a corollary focus on the strategic controlled use of existing tools in the face of increasing restrictions on their use. The work group will develop an action plan by Spring 2020.

The work group will include representatives from California universities, environmental groups, growers and agricultural organizations, including those focused on sustainable agricultural practices, farmworker and field labor organizations, agricultural commissioners, commodity boards, pest control advisers, pest management product manufacturers, and state agencies. Recognizing that previous groups have worked to identify areas for future investment and development, the work group will begin by reviewing previous reports and recommendations to determine what pest management practices can be implemented in the short term. In addition, the work group will consult with experts from across the globe to identify and develop pest management tools and practices in agricultural production focusing primarily on the current use of chlorpyrifos for control of insect pests. The work group will also consider the strategic use of pesticides in the face of increasing use restrictions on chlorpyrifos in California.

The work group will provide practical, short-term solutions to begin the transition to safer, more sustainable pest management solutions. It will also provide direction for a five-year action plan to invest in new products and strategies to manage pests.

Funding Incentive Programs, Additional Research, and Technical Assistance. DPR and CDFA request additional, one-time resources to reflect the state's commitment to supporting the agricultural sector in transitioning to safer, more sustainable pest management solutions. There are several existing programs that can serve to support this transition in the short- and long-term. DPR and CDFA request a total of \$5.6 million General Fund to support three grant programs, as described below, to support the investment and implementation of safer, more sustainable pest management solutions.

- ***DPR Pest Management Research Grants.*** \$2.1 million General Fund one-time for Pest Management Research Grants are intended to foster reduced-risk and sustainable integrated pest management (IPM) strategies that provide for public safety, environmental stewardship, environmental justice, effective pest management, and increased compliance with environmental laws and regulations.
- ***CDFA Development of Pesticide Alternatives Grant.*** CDFA requests \$1.5 million General Fund to support the Inter-Regional Research Project Number 4 (IR 4) and CDFA's Proactive Integrated Pest Management Solutions grants program. IR 4 is a program of the United States Department of Agriculture that supports and accelerates the registration of pest management tools on specialty crops. CDFA currently funds three IR-4 projects per year and one Proactive Integrated Pest Management Solutions grant per year. A one-time investment of \$1.5 million could support the backlog in the IR-4 program and focus on the funding of alternatives to chlorpyrifos that advance safer, more sustainable pest management solutions.
- ***Biologically Integrated Farming Systems (BIFS) Program.*** CDFA requests \$2 million General Fund for the BIFS grants program. This one-time investment would support two three-year projects, with an emphasis on demonstration sites, incentives to growers to participate, technical assistance, reporting, and administrative costs.

Staff Recommendation. Approve as proposed.

Senator Bob Wieckowski, Chair
Senator Brian W. Jones
Senator Mike McGuire
Senator William W. Monning
Senator Henry I. Stern



REVISED

(Issue #16)

Wednesday, May 15, 2019

10:30 a.m.

State Capitol - Room 112

Consultants: Joanne Roy and James Hacker

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VOTE-ONLY CALENDAR

0540 CALIFORNIA NATURAL RESOURCES AGENCY (CNRA)

Issue 1: Proposition 68 Implementation (Governor’s Budget (GB))

Governor’s Proposal. The Governor’s budget proposes \$1 billion and 15.5 new position across multiple departments to continue development and implementation of Proposition 68 bond programs. The chart below lists funding amounts requested by department and bond subsection.

*Dollar Amounts in Thousands.

| Category | Bond Section | Agency | Program | Bond Allocation | 2018-19 Budget | 2019-20 Proposed |
|---------------------------|--------------|-------------------------------|---|-----------------|----------------|------------------|
| Parks Improvements | 80050 | State Parks | Safe Neighborhood Parks in accordance with the Statewide Park Development and Community Revitalization Act of 2008 - Competitive Grants | \$725,000 | \$277,379 | \$2,416 |
| | | | Local Park | \$200,000 | \$185,671 | \$667 |
| | 80061(a) | State Parks | Rehabilitation, Creation, and Improvement Grants -- Per Capita Grants | | | |
| | 80061(b) | State Parks | Parks in Urban Areas (jurisdictions 200,000 or less in population) | \$15,000 | \$18 | \$13,925 |
| | 80065 | State Parks | Regional Parks -- Competitive Grants | \$30,000 | \$30 | \$83 |
| | 80066 | State Parks | Local or Regional Park Infrastructure for local agencies with revenue enhancement measures - Proportional Grants | \$40,000 | \$293 | \$37,133 |
| | 80070 | State Parks | Restoration and Preservation of Existing Parks | \$80,000 | \$2,100 | \$132 |
| | 80072 | State Parks | Enterprise Projects | \$10,000 | \$0 | \$4,000 |
| | | | Grants to Local Agencies for Aging Infrastructure in the State Park System | \$5,000 | \$6 | \$17 |
| | 80073(a) | State Parks | | | | |
| | 80074 | Dept. of Food and Agriculture | Facility Improvements to county fairs and district agricultural associations | \$18,000 | \$3,559 | \$7,047 |
| | 80075 | State Parks | Lower Cost Coastal Accommodations | \$30,000 | \$0 | \$0 |
| | 80076 | State Parks | State Park System Natural Resource Values | \$25,000 | \$16,935 | \$30 |
| | 80077 | State Parks | Deferred Maintenance Regional Allocations (\$10 million each: Central Valley, Central | \$50,000 | \$150 | \$11,650 |

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|---|-----------------------------|------------------------------------|--|--------------------|------------------|------------------|
| | 80080(a) | Natural Resources Agency | Coast, East Bay, Imperial County and Coachella Valley, Inland Empire) Trails and Greenway Investments - Competitive Grants | \$30,000 | \$117 | \$27,888 |
| | 80090(a) | State Parks | Parks in non-urbanized areas in accordance with the Roberti-Z'berg-Harris Urban Open-Space and Recreation Program Act -- Competitive Grants | \$25,000 | \$30 | \$83 |
| | Subtotal | | | \$1,283,000 | \$486,288 | \$105,071 |
| Climate Adaptation & Ecosystem Restoration | 80100(a)(1)(A) | Santa Monica Mountains Conservancy | Protect or Enhance the Los Angeles River watershed and its tributaries | \$37,500 | \$8,675 | \$8,675 |
| | 80100(a)(1)(B) | Rivers and Mountains Conservancy | Protect or Enhance the Los Angeles River watershed and its tributaries | \$37,500 | \$8,675 | \$5,792 |
| | 80100(a)(2) | State Coastal Conservancy | Santa Ana River Conservancy Program | \$16,000 | \$0 | \$0 |
| | 80100(a)(3) | Wildlife Conservation Board | Lower American River Conservancy Program | \$10,000 | \$2,037 | \$7,281 |
| | 80100(a)(4), (5), (7), (10) | Natural Resources Agency | California River Recreation, Creek, and Waterway Improvements (Los Gatos Creek/Guadalupe River/\$3,000; Russian River/\$3,000; Clear Lake/\$ 5,000, Los Angeles River in Glendale/ \$20,000) | \$31,000 | \$28,840 | \$120 |
| | 80100(a)(6) | State Coastal Conservancy | River Parkway Projects along the Santa Margarita River | \$10,000 | \$9,750 | \$0 |
| | 80100(a)(8) | Natural Resources Agency | California River Parkways Program - Competitive Grants | \$10,000 | \$9,395 | \$120 |
| | 80010(a)(9) | Department of Water Resources | Urban Streams Restoration Program - Competitive Grants | \$10,000 | \$537 | \$7,906 |
| | 80110(a) | Natural Resources Agency | Salton Sea Authority: Management Program Implementation (New River Water Quality, Public Health, River Parkway/\$10,000) | \$30,000 | \$0 | \$0 |

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|--|--------------|--|--|-----------|----------|----------|
| | 80110(b)(1) | Baldwin Hills Conservancy | Conservancy Specified Purposes | \$6,000 | \$1,235 | \$1,284 |
| | 80110(b)(2) | California Tahoe Conservancy | Conservancy Specified Purposes | \$27,000 | \$3,200 | \$6,181 |
| | 80110(b)(3) | Coachella Valley Mountains Conservancy | Conservancy Specified Purposes | \$7,000 | \$0 | \$2,000 |
| | 80110(b)(4) | Sacramento-San Joaquin Delta Conservancy | Conservancy Specified Purposes | \$12,000 | \$1,056 | \$9,291 |
| | 80110(b)(5) | San Diego River Conservancy | Conservancy Specified Purposes | \$12,000 | \$50 | \$2,100 |
| | 80110(b)(6) | Rivers and Mountains Conservancy | Conservancy Specified Purposes | \$30,000 | \$0 | \$6,602 |
| | 80110(b)(7) | San Joaquin River Conservancy | Conservancy Specified Purposes | \$6,000 | \$0 | \$0 |
| | 80110(b)(8) | Santa Monica Mountains Conservancy | Conservancy Specified Purposes | \$30,000 | \$25,300 | \$300 |
| | 80110(b)(9) | Sierra Nevada Conservancy | Conservancy Specified Purposes | \$30,000 | \$13,017 | \$275 |
| | 80110(b)(10) | State Coastal Conservancy | San Francisco Bay Restoration | \$20,000 | \$19,500 | \$0 |
| | 80110(c) | Wildlife Conservation Board | Specified Purposes + Regional Conservation Investment Strategies/\$5,000; NCCP Implementation/\$52,000; UC Natural Reserve System/\$10,000 | \$137,000 | \$39,515 | \$65,400 |
| | 80114 | Natural Resources Agency | Voluntary Agreements | \$200,000 | \$0 | \$70,000 |
| | 80115 | Department of Fish and Wildlife | Capital Improvements for DFW Deferred Maintenance | \$50,000 | \$0 | \$10,000 |

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|--|-------------|---------------------------------|---|-----------|----------|----------|
| | 80116 | Natural Resources Agency | Salton Sea Management Program Restoration Activities | \$170,000 | \$30,000 | \$0 |
| | 80120(a) | Ocean Protection Council | Marine Wildlife and Healthy Ocean and Coastal Ecosystems | \$35,000 | \$10,142 | \$142 |
| | 80120(b) | State Coastal Conservancy | Lower Cost Coastal Accommodation Grants and Project Development | \$30,000 | \$0 | \$0 |
| | 80120(c) | State Coastal Conservancy | Beaches, Bays, Wetlands, and Coastal Watersheds | \$63,750 | \$0 | \$0 |
| | 80120(d) | State Coastal Conservancy | San Francisco Bay Area Conservancy | \$21,250 | \$3,010 | \$3,128 |
| | 80120(e) | State Coastal Conservancy | Coastal Forest Watersheds | \$20,000 | \$19,500 | \$0 |
| | 80120(f) | State Coastal Conservancy | Estuarine Lagoons and Designated Wildlife Areas | \$5,000 | \$0 | \$1,525 |
| | 80132(a) | Wildlife Conservation Board | Direct Expenditures and Grants Pursuant to Wildlife Conservation Law of 1947 - Competitive Grants | \$18,000 | \$10,000 | \$6,706 |
| | 80132(c) | Wildlife Conservation Board | Pacific Flyway Habitat Protection and Restoration | \$20,000 | \$75 | \$10,062 |
| | 80132(c) | Department of Fish and Wildlife | California Waterfowl Habitat Program | \$10,000 | \$0 | \$975 |
| | 80132(d) | Department of Fish and Wildlife | Habitat Restoration and Protection - Competitive Grants | \$25,000 | \$4,875 | \$462 |
| | 80132(e)(1) | Wildlife Conservation Board | Wildlife or Fish Passage - Competitive Grants | \$30,000 | \$10,113 | \$15,093 |
| | 80132(e)(2) | Department of Fish and Wildlife | Southern California Steelhead Habitat - Competitive Grants | \$30,000 | \$9,379 | \$886 |
| | 80132(f) | Wildlife Conservation Board | Sierra Nevada and Cascade Mountains - Competitive Grants | \$60,000 | \$10,113 | \$30,186 |
| | 80132(g) | Department of Fish and Wildlife | Improve Conditions for Fish and Wildlife - Competitive Grants | \$30,000 | \$9,380 | \$887 |
| | 80133(a) | Ocean Protection Council | Projects that Assist Coastal Communities | \$21,200 | \$10,142 | \$142 |

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|--------------|--------------|-------------------------------------|---|--------------------|------------------|------------------|
| | 80133(b) | State Coastal Conservancy | San Francisco Bay Area Conservancy Program | \$14,000 | \$1,983 | \$2,223 |
| | | | | \$4,800 | \$0 | \$0 |
| | 80133(c) | State Coastal Conservancy | West Coyote Hills | | | |
| | 80134(b) | Department of Food and Agriculture | Farm and Ranch Management Practices | \$10,000 | \$9,052 | \$448 |
| | 80134(c)(1) | Department of Conservation | Working Lands and Riparian Corridors | \$20,000 | \$2,195 | \$15,200 |
| | 80135(a) | CAL FIRE | Forest Management Practices | \$10,000 | \$0 | \$8,872 |
| | 80135(b) | CAL FIRE | Urban Forestry Program | \$15,000 | \$14,625 | \$0 |
| | 80135(c) | Sierra Nevada Conservancy | Sierra Nevada Watershed Improvement Program | \$25,000 | \$23,328 | \$225 |
| | 80136, ref 1 | California Conservation Corps | CCC Restoration and Rehabilitation Projects | \$20,000 | \$4,875 | \$4,875 |
| | 80136, ref 2 | California Conservation Corps | Grants to Certified Local Conservation Corps | \$20,000 | \$4,875 | \$7,159 |
| | | | Various Projects (Native American Resources; Repurpose Powerplants; Science Centers; Natural Resources Investments, Cultural and Visitor Centers) -- Competitive Grants | \$40,000 | \$39,115 | \$0 |
| | 80137(a) | Natural Resources Agency | | | | |
| | 80137(b) | Natural Resources Agency | Multibenefit Green Infrastructure Program -- Competitive Grants | \$20,000 | \$18,616 | \$100 |
| | | | Subtotal | \$1,547,000 | \$416,175 | \$312,623 |
| Water | 80140(a) | State Water Resources Control Board | Safe Drinking Water | \$220,000 | \$35,500 | \$170,333 |
| | 80140(b) | State Water Resources Control Board | Regional Water Supply Projects within the San Joaquin River hydrologic unit | \$30,000 | \$27,750 | \$961 |
| | 80141(a) | State Water Resources Control Board | Groundwater Treatment and Remediation -- Competitive Grants | \$80,000 | \$74,000 | \$222 |

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|-----------------------------|-------------|-------------------------------------|---|--------------------|--------------------|------------------|
| | 80145(a)(2) | Department of Water Resources | Stormwater, Mudslide, Flash-Flood Protection | \$100,000 | \$2,000 | \$30,350 |
| | 80145(a)(3) | Natural Resources Agency | Multibenefit Stormwater Projects -- Competitive Grants | \$100,000 | \$117 | \$92,991 |
| | 80146(a) | Department of Water Resources | Groundwater/Sustainable Groundwater Management Act Implementation | \$190,000 | \$15,000 | \$111,353 |
| | 80146(a) | State Water Resources Control Board | Groundwater Regional Sustainability | \$50,000 | \$40,000 | (\$9,670) |
| | 80146(b) | Department of Water Resources | Groundwater Planning and Implementation -- Competitive Grants | \$50,000 | \$46,750 | \$500 |
| | 80147(a) | State Water Resources Control Board | Water Recycling | \$80,000 | \$0 | \$74,347 |
| | 80147(b) | Department of Food and Agriculture | State Water Efficiency and Enhancement Program | \$20,000 | \$18,400 | \$600 |
| | | | Subtotal | \$1,270,000 | \$259,517 | \$471,987 |
| | | | Projects Total | \$4,100,000 | \$1,161,980 | \$889,681 |
| Statewide Bond Costs | Various | Natural Resources Agency | Statewide Bond Costs | | \$427 | \$425 |
| | Various | State Parks | Statewide Bond Costs | | \$747 | \$748 |
| | Various | Department of Water Resources | Statewide Bond Costs | | \$188 | \$190 |
| | | | Subtotal | \$0 | \$1,362 | \$1,363 |
| | | | Grand Total | \$4,100,000 | \$1,163,342 | \$891,044 |

*Source: Legislative Analyst's Office (LAO).

This proposal was discussed at the March 7, 2019 hearing.

One More. The Governor's budget proposal also includes the following technical adjustment related to Proposition 68:

| | | | | | |
|--------------|---------------------------|--|-----|---------------------------|--|
| PRC 80135(c) | Sierra Nevada Conservancy | Proposition 68 Reappropriation to Extend Liquidation | \$0 | 3855-490 3855-101-6088 | Extend the liquidation for the Item 3855-101-6088, Budget Act of 2018, by three years, from June 30, 2022, to June 30, 2025. |
|--------------|---------------------------|--|-----|---------------------------|--|

Staff Recommendation. Approve as proposed.

Issue 1a: Proposition 68 Implementation: Voluntary Settlement Agreements (GB)

Governor's Proposal. The Governor's budget includes the appropriation of \$70 million that is dedicated by Chapter 8 of Proposition 68 for "implementation of voluntary agreements that provide multi-benefit water quality, water supply, and watershed protection and restoration for the watersheds of the state to achieve the objective of implementing an updated State Water Resources Control Boards' (Water Board) San Francisco Bay/San Joaquin Delta Estuary Water Quality Control Plan (Delta Water Quality Control Plan)." The Governor's proposal would make this funding available for projects that would implement a voluntary agreement (VA) between water users in the Sacramento and San Joaquin Rivers, and tributaries thereto, for the purposes of projects and actions to develop and improve habitat, river flows, water quality, and contribute to conditions that support the viability of native fish species.

This proposal was discussed at the March 7, 2019 hearing.

Staff Recommendation. Approve as proposed and adopt budget bill language for 2020 and supplemental reporting language for future years, as follows:

On or before April 1 2020, the California Natural Resources Agency shall provide a report to the chairpersons of the appropriate subcommittees that consider the state budget and the Legislative Analyst's Office. That report shall include all of the following:

- (1) A list of the specific projects for which the Agency has approved the expenditure of this funding and the associated costs of each of those projects;**
- (2) Confirmation that this funding is not being used to fulfill any mitigation requirements imposed by law, consistent with Section 80200 of the Public Resources Code;**
- (3) Confirmation that the projects funded implement a voluntary agreement submitted by the Department of Fish and Wildlife to the State Water Resources Control Board to facilitate implementation of an updated Bay-Delta Water Quality Control Plan, consistent with Section 80114(a) and Section 80114 (b)(1) of the Public Resources Code;**
- (4) A description of the prioritization criteria and processes used to select the projects to be funded with these monies; and,**
- (5) An update on the status of voluntary agreements described in Public Resources Code Section 80114.**

Issue 1b: Proposition 68 Implementation: Trails and Greenway Investments (GB)

Governor's Proposal. The Governor's budget proposes \$27.888 million in support and local assistance to administer the Proposition 68 Trails and Greenways program per PRC Section 80080(a), and requests one position (previously approved one-time in 2018-19) to administer the program and related projects. This competitive program will grant funds for non-motorized trail projects to promote new or alternate access to parks, waterways, outdoor recreational pursuits, and forested or other natural environments. The projects are intended to encourage health-related active transportation and opportunity for Californians to reconnect with nature.

This proposal was discussed at the March 7, 2019 hearing.

Staff Recommendation. Approve as proposed.

Issue 1c: Proposition 68 Implementation: Multibenefit Stormwater Projects (GB)

Governor's Proposal. The Governor's budget proposes \$92.99 million in support and local assistance to administer the Proposition 68 Multibenefit Stormwater Projects program per Public Resources Code Section 80145(a)(3), and requests three positions to develop and administer the program. This is a competitive program and will grant funds for multibenefit stormwater projects in urbanized areas to address flooding. The projects will support stormwater capture and reuse, planning and implementation of low-impact development, restoration of urban streams and watersheds, and increasing permeable surfaces to help reduce flooding.

This proposal was discussed at the March 7, 2019 hearing.

Staff Recommendation. Approve as proposed.

Issue 1d: Proposition 68 Implementation: SGMA Implementation Grants and New Positions (GB)

Governor's Proposal. The Governor's budget proposes \$171.8 million in mutli-year funding from Proposition 68 to support nine new positions and 28.4 existing positions for continued implementation of drought and groundwater investments to achieve regional sustainability.

This proposal is requesting the remaining balance of Proposition 68 funding as follow up to the 2018-19 appropriation. Consistent with last year's request, this BCP proposes the following:

- *\$104.8 million – Sustainable Groundwater Implementation Grant Program* to support planning, design, and implementation projects for groundwater recharge and conjunctive use projects. These projects will directly support sustainable groundwater management and groundwater sustainability plans (GSP) implementation.
- *\$65 million – Sustainable Groundwater Data, Tools, and Anaylsis* to support successful development and evaluation of GSPs and facilitate groundwater recharge as part of the Sustainable Groundwater Management Act (SGMA). These data collection, tool development, and analysis efforts enhance and extend DWR's existing technical assistance program.

- *\$2 million – Sustainable Groundwater Planning (SGWP) Grant Program* for continued support of existing SGWP Grant Program defined in Water Code Section 79775.

This proposal was discussed at the March 7, 2019 hearing.

Staff Recommendation. Approve as proposed.

Issue 1e: Proposition 68 Implementation: Stormwater, Mudslide, Flash-Flood Protection (GB)

Governor’s Proposal. The Governor’s budget proposes \$30.35 million in one-time funding from Proposition 68 – \$25 million in Local Assistance and \$5.35 million State Operations - in support of the Floodplain Management, Protection and Risk Awareness Program (Floodplain Risk Program).

Funding is requested to continue the work of the Floodplain Risk Program to protect people and property in California’s alluvial fan, coastal and riverine floodplains. The local assistance funds are requested as multi-year funds with three years to encumber and two years to liquidate. Funding will support 10.6 existing positions.

This proposal was discussed at the March 7, 2019 hearing.

Staff Recommendation. Approve as proposed.

Issue 1f: Proposition 68 Implementation: Urban Streams Restoration Program (GB)

Governor’s Proposal. The Governor’s budget proposes funding (\$9.21 million) for the DWR Urban Streams Restoration Program (Urban Streams Program) that would be funded by Proposition 68. The requests are for local assistance (\$7.58 million) and state operations (\$1.633 million) to continue development and implementation of the Proposition 68 bond program. The new appropriation as requested is needed to make proposition funds available for the Program and continues the roll-out of the bond funds for statewide urban stream restoration projects. This request complements the 2018-19 appropriations to the Program, which prepared the framework for a Local Assistance solicitation and grants consistent with its implementation plan in the budget request for 2018-19.

This proposal was discussed at the March 7, 2019 hearing.

Staff Recommendation. Approve as proposed.

Issue 1g: Proposition 68 Implementation: Deferred Maintenance (GB)

Governor’s Proposal. The Governor’s budget proposes \$10 million from the \$50 million Proposition 68 allocation for DFW deferred maintenance. These funds will be directed to the highest priority health and safety projects at DFW facilities statewide. DFW will act on a set of “no regrets” projects in 2019-20 based on what is currently known about asbestos and water quality, along with other critical health and safety needs such as plumbing and electrical repair, and structural rehabilitation. In 2018, DFW issued a public request for information to secure a contractor to do a more comprehensive assessment of the condition of DFW properties. This assessment will include testing for asbestos and

other hazardous materials, structural analysis of buildings, prioritization of corrective actions and cost estimates, and will inform projects to be undertaken with Proposition 68 deferred maintenance funds in subsequent fiscal years. The plan for requesting Proposition 68 appropriations as shown in CNRA's consolidated BCP is as follows (does not add up to \$50 million due to statewide bond costs):

- 2019-20: \$10 million
- 2020-21: \$5 million
- 2021-22: \$10 million
- 2022-23: \$15 million
- 2023-24: \$8.75 million

This proposal was discussed at the March 7, 2019 hearing.

Staff Recommendation. Approve as proposed.

3125 CALIFORNIA TAHOE CONSERVANCY**Issue 2: Alta Mira Public Access Project (GB)**

Governor's Proposal. The Governor's budget proposes \$600,000 from the Proposition 68 funds for a study of proposed alternatives, environmental review, and better understand the costs associated with improving public access and site resilience to climate change.

This proposal was discussed at the March 14, 2019 hearing.

Staff Recommendation. Approve as proposed.

Issue 3: Opportunity Acquisitions (GB)

Governor's Proposal. The Governor's budget proposes \$7 million (\$5 million Proposition 68, \$1.6 million Reimbursements, and \$397,000 Habitat Conservation Fund) for the acquisition of environmentally sensitive or significant resource areas.

This proposal was discussed at the March 14, 2019 hearing.

Staff Recommendation. Approve as proposed.

3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CALFIRE)**Issue 4: Enhanced Fire Protection Resources (GB)**

Governor's Proposal. The Governor's budget proposes \$96.9 million (\$94.5 million General fund, \$2.1 million in Reimbursements, \$296,000 GGRF), and an offsetting reduction of \$1.8 million Collins-Dugan Reimbursement Account), including \$1.3 million for CCC and 228 positions starting in 2019-20 to implement the proposals described below. Under the proposals, this funding for CalFire would increase to over \$120 million in subsequent years.

- ***Additional Fire Engines (\$40.3 Million).*** The budget supports adding 13 new fire engines to CalFire's fleet, as well as 131 additional positions to staff those engines. This would bring the total size of the fleet to 356 fire engines. Under the proposal, these 13 new engines would be operated on a year-round basis bringing the total number of fire engines operated on a year-round basis to 65 engines.
- ***Increased Staffing (\$15.1 Million).*** The budget includes two proposals to increase CalFire's fire response staffing. First, the budget includes \$10.6 million and 34 heavy equipment operator positions in order have a total of three heavy equipment operators for each of CalFire's 58 bulldozers to provide 24 hours a day, seven days a week staffing. Second, the budget includes \$4.5 million to support 13 positions to provide situational awareness staffing—dedicated staff to provide real-time intelligence to decision makers during a wildfire.
- ***CCC Crews Dedicated to CalFire (\$13.6 million).*** The budget proposes to add five CCC crews dedicated to CalFire for fire response and prevention activities. This includes converting four existing CCC reimbursement crews into crews dedicated full-time to CalFire work and creating one new crew dedicated to CalFire work. Under the proposal, the total number of CCC crews dedicated to CalFire will increase to 12.
- ***C-130 Air Tankers and Related Capital Outlay (\$13.1 million).*** The budget includes funding and six positions to implement the first year of a plan to accept seven used C-130 air tankers from the federal government to replace CalFire's existing fleet of aircraft, with the first air tanker scheduled to be received in 2020-21. The state will receive the aircraft for free, but the department's costs will increase over the next several years for operating and maintenance costs. CalFire estimates annual costs will rise steadily over the next five years reaching \$50 million in increased annual costs by 2023-24. In addition, the proposed 2019-20 funding level includes \$1.7 million for the first phase of three capital outlay projects to construct barracks to accommodate the new larger flight crews needed to operate the C-130 aircraft. These three projects along with a fourth barracks project expected to be initiated next year are estimated to cost a total of \$26 million over several years.
- ***Employee Wellness (\$6.6 million).*** The budget proposes to expand two employee wellness programs. First, the budget would expand an existing health and wellness pilot program to a statewide program. The health and wellness pilot program involves conducting voluntary wellness screenings to test for health conditions common to firefighters, such as heart disease and certain types of cancer. Second, the budget increases staffing for CalFire's Employee Support Services program that provides mental health support to CalFire employees and family members. The proposal would allow CalFire to provide more services to firefighters at the

location of major fires and provide additional education and information related to post-traumatic stress disorder.

- ***Fire Detection Cameras (\$5.2 million)***. The Administration proposes to join an existing network of wildfire detection cameras and to expand the network by 100 additional cameras in locations determined by CalFire. Specifically, the funding will support a contract between CalFire and ALERTWildfire—a consortium of the University of Nevada, Reno; the University of California, San Diego; and the University of Oregon—to allow CalFire to access and control ALERTWildfire’s existing network of wildfire detection cameras.
- ***Mobile Equipment Replacement (\$3 million)***. The budget proposes to continue on an ongoing basis a one-time 2018-19 funding augmentation to CalFire’s budget for replacement of mobile equipment, such as bulldozers and fire engines. Funding would be used to replace additional mobile equipment that has experienced additional wear and tear from the extended fire seasons in recent years.

This proposal was discussed at the March 14, 2019 hearing.

Staff Recommendation. Approve as proposed and add budget bill language to require CalFire to report to the Legislature by December 31, 2020, regarding the health and wellness pilot program on the following:

- 1) **How the funding was used.**
- 2) **Number of employees provided services**
- 3) **Number and types of health screenings that occurred.**
- 4) **Number of incidents that teams were deployed to provide mental health services to crews working at those sites.**

Issue 5: Wildfire Prevention and Recovery Legislative Package (SB 901, SB 1260, AB 2518, and AB 2911) (GB)

Governor's Proposal. The Governor's budget proposes \$10 million Greenhouse Gas Reduction Fund (GGRF) and 24 positions starting in 2019-20 to address workload associated with SB 901 (Dodd), Chapter 626, Statutes of 2018, SB 1260 (Jackson), Chapter 624, Statutes of 2018, AB 2518 (Aguiar-Curry), Chapter 637, Statutes of 2018, and AB 2911 (Friedman), Chapter 641, Statutes of 2018.

- **SB 901 (Dodd).** CalFire and the Board of Forestry and Fire Protection (BFFP) request \$4.8 million GGRF and 10 positions starting in 2019-20, which are above and beyond the annual budget appropriation required in SB 901 for forest health and fire prevention activities for prescribed fire and other fuel reduction activities. The additional funding and positions are intended to address forestry and landscape level fuels management, utility fire prevention and planning, and enable CalFire and the Board to implement and comply with these new laws.
- **SB 1260 (Jackson).** CalFire requests \$2.5 million GGRF and eight positions starting in 2019-20 to develop curriculum for burn boss certification training standards, course plans, and continuing education; address the potential increase in workload associated with the anticipated increases in burn permits and prescribed fire projects statewide from newly certified burn bosses; and provide the necessary steps to increase the pace and scale of prescribed fire statewide, which involves cooperative planning, training, burn agreement liability, and public education surround the use of prescribed fire, fire prevention, and public safety.
- **AB 2518 (Aguiar-Curry).** CalFire requests \$400,000 to produce the two reports required by AB 2518 to: (1) identify barriers to in-state production of mass timber and other innovative forest products as well as solutions that are consistent with the state's climate objectives on forested lands; and, (2) provide recommendations for the siting of additional wood product manufacturing facilities in the state.
- **AB 2911 (Friedman).** CalFire requests \$2.3 million GGRF and six positions starting in 2019-20 to implement the local government survey required by the legislation, coordinate with local governments, and conduct field reviews and develop recommendations for improving the fire and life safety of non-conforming residential subdivisions across the state.

The funding and positions requested in this proposal are in addition to the \$200 million GGRF proposed in the 2019-20 budget for forest health and fire prevention activities consistent with SB 901.

This proposal was discussed at the March 28, 2019 hearing.

Staff Recommendation. Approve as proposed.

**Issue 6: Wildfire Prevention and Recovery Legislative Package (SB 901) Spring Adjustments:
Utility Wildfire Mitigation Program (SFL)**

Governor's Proposal. An SFL requests \$816,000 Greenhouse Gas Reduction Fund (GGRF) and two positions starting in 2019-20, to meet the statutory requirements set forth by SB 901 (Dodd), Chapter 626, Statutes of 2018, related to the review of Utility Wildfire Mitigation Plans (WMPs), as recently clarified through a January 2019 Administrative Law Judge ruling, and support efforts to reduce the risks associated with the utility-caused wildfires.

The funding and positions requested in this proposal is in addition to the \$200 million GGRF proposed in the 2019-20 Budget for forest health and fire prevention activities consistent with SB 901 and builds on the resources requested in the 2019-20 Governor's Budget.

This proposal was discussed at the May 2, 2019 hearing.

Staff Recommendation. Approve as proposed.

3760 STATE COASTAL CONSERVANCY (SCC)**Issue 7: Proposition 68 Lower-Cost Coastal Accommodation Program (SFL)**

Governor's Proposal. An SFL requests \$5.35 million from Proposition 68 for implementation of SCC's Lower-Cost Coastal Accommodation (LCCA) Program for grants and support. Funds are requested to be available for encumbrance through June 30, 2022, and for expenditure through June 30, 2024.

This proposal was discussed at the May 2, 2019 hearing.

Staff Recommendation. Approve as proposed.

3860 DEPARTMENT OF WATER RESOURCES (DWR)**Issue 8: Statewide Flood Improvement Projects (GB)**

Governor's Proposal. The Governor's budget proposes \$92 million one-time (\$73 million Proposition 68 and \$19 million Proposition 1) to implement multi-benefit flood improvement projects. This request will support existing staff and contract work needed to carry out the projects.

This proposal was discussed at the March 7, 2019 hearing.

Staff Recommendation. Approve as proposed.

Issue 9: Urban Flood Risk Reduction (GB)

Governor's Proposal. The Governor's budget proposes \$25 million Proposition 68 one-time to implement multi-benefit urban flood risk reduction improvement projects and support existing staff and contract work needed to carry out the projects.

This proposal was discussed at the March 7, 2019 hearing.

Staff Recommendation. Approve as proposed.

3900 AIR RESOURCES BOARD (ARB)**Issue 10: Wildfire Prevention and Recovery Legislation: Prescribed Fire Monitoring Program (SB 1260) (GB)**

Governor's Proposal. The Governor's budget proposes \$3.4 million GGRF and five positions to address workload associated with implementation of SB 1260 (Jackson), Chapter 624, Statutes of 2018, including smoke monitoring, forecasting, reporting, and modeling capabilities to support a significant increase in prescribed burn projects.

The requested funds include \$595,000 in one-time equipment costs and \$2 million for three years in local assistance funding.

This proposal was discussed at the March 28, 2019 hearing.

Staff Recommendation. Approve as proposed.

3980 OFFICE OF ENVIRONMENTAL HEALTH HAZARD ASSESSMENT (OEHHA)**Issue 11: Environmental Health Support for Communities (AB 617) (GB)**

Governor’s Proposal. The Governor’s budget proposes \$982,000 in Greenhouse Gas Reduction Fund (GGRF) (including \$350,000 for contracts) and four permanent positions to support the Air Resources Board (ARB), local air districts, and impacted communities to implement AB 617 (C. Garcia), Chapter 136, Statutes of 2017.

AB 617 requires ARB, in consultation with OEHHA and other specified entities, to prepare a plan for the deployment of community air monitoring systems in high priority locations throughout the state and to develop a strategy to reduce emissions of air contaminants in burdened communities. The requested OEHHA staff and contract funds are intended to provide: (1) expertise in the interpretation of potential health effects that may result from exposures to air toxics observed through the air quality monitoring data, and the benefits in reducing emissions of those pollutants; (2) for the development of health guidance values needed to fully analyze the health effects and the benefits of reducing emissions of those pollutants; and (3) for the design and implementation of targeted biomonitoring studies to track exposures in communities.

This proposal was discussed at the March 21, 2019 hearing.

Staff Recommendation. Approve as proposed.

8570 DEPARTMENT OF FOOD AND AGRICULTURE (CDFA)

Issue 12: California Biodiversity Initiative (GB)

Governor’s Proposal. The Governor’s budget proposes \$4.22 million General Fund one-time, \$3.9 million General Fund in 2020-21 and ongoing and eight positions to initiate the planning and coordination of the workload associated with the California Biodiversity Initiative-A Roadmap for Protecting the State's Natural Heritage.

Specifically, the proposal does the following: 1) Establish the California Biodiversity Initiative Working Group; 2) Accelerate and streamline prevention, detection, and management of invasive species and pests; 3) Expand seed banking and collection to create a hedge against extinction; and 4) Establish a soil carbon map of California.

CDFA: California Biodiversity Initiative Proposal

| Fiscal Year | Title | Summary | Fund Source | Dollar Amount BY | Dollar Amount BY+1 | Positions requested | Positions BY+1 |
|---------------|--|--|--------------|--------------------|--------------------|---------------------|----------------|
| 19/20 | Biodiversity Initiative Working Group | \$139,000 General Fund and 1 position in 2019-20 and ongoing to create a cross-agency working group co-chaired by the director of the Department of Fish and Wildlife and the secretary of the Department of Food and Agriculture to facilitate coordinated actions to achieve the State's biodiversity goals. | General Fund | \$139,000 | \$139,000 | 1.0 | 1.0 |
| 19/20 | Invasive Pest Risk Assessment Staffing | \$517,000 General Fund and 2 positions in 2019-20 and ongoing for invasive species risk assessment activities. This proposal also includes \$100,000 per year in invasive species research contracts. | General Fund | \$517,000 | \$517,000 | 2.0 | 2.0 |
| 19/20 | Germplasm Program | \$564,000 General Fund in 2019-20, \$245,000 General Fund in 2020-21 and ongoing and 1 position to coordinate the establishment of a germplasm program for the State. This position will coordinate with other state department's to develop the germplasm program. This includes \$125,000 for a one-time feasibility study to determine options for building a new Germplasm facility, and one-time equipment funding of \$179,000. | General Fund | \$564,000 | \$245,000 | 1.0 | 1.0 |
| 19/20 | Weed Management | The California Department of Food and Agriculture requests \$3,000,000 and 4 positions in 2019-20 and ongoing to implement a California State Weed Program for rapid response, control, and eradication of noxious weeds to protect California Agriculture, wildlands, forests, property and preserve native plant biodiversity. Of the amount requested, \$1,800,000 in 2019-20 and ongoing will be expended on county contracts. Additionally, \$600,000 in 2019-20 and ongoing would be used for research grants. | General Fund | \$3,000,000 | \$3,000,000 | 4.0 | 4.0 |
| 19/20 | Soil Carbon Maps | No funding requested - This task overlaps with existing efforts in the state. This task can be handled at the HSP staff level and additional resources are not needed. | NA | \$0 | \$0 | 0.0 | 0.0 |
| Total: | | | | \$4,220,000 | \$3,901,000 | 8.0 | 8.0 |

Staff Comment. Protection of native plants is more consistent with the mission of the Department of Fish and Wildlife (DFW), and funding is needed for collection of rare plants to protect against extinction. DFW is a member of the California Plant Rescue Program (Program), which is a public/private partnership focused on seed banking in California. CDFA is not a member of this program. This network maintains several seed bank facilities throughout the state with existing capacity.

This proposal was discussed at the March 21, 2019 hearing.

Staff Recommendation. Reject the proposed funding and position to expand seed banking and collection, and do the following:

- 1) **Approve funding and position to establish the California Biodiversity Initiative Working Group.**
 - a. **Adopt placeholder Supplemental Reporting Language that will require the Administration to report on the progress of the Biodiversity Initiative to: a) Establish the California Biodiversity Initiative Working Group; b) Accelerate and streamline prevention, detection, and management of invasive species and pests; and c) Establish a soil carbon map of California.**
- 2) **Approve funding and positions to accelerate and streamline prevention, detection, and management of invasive species and pests.**
- 3) **Reject the proposed funding and position to expand seed banking and collection and instead, adopt the following:**
 - a. **Appropriate \$800,000 to DFW as follows:**
 - i. **A total of \$600,000 Environmental License Plate Fund (\$200,000 per year for three years) for collection of rare plants through contracts or grants with the Program.**

The Program estimates collection cost at \$2,500 per taxa. This funding would potentially allow for collection of 240 of the remaining 600 taxa needed to be banked.
 - ii. **In lieu of the position and funding proposed for CDFA to expand seed banking and collection in this BCP, appropriate \$200,000 General Fund ongoing for an environmental scientist position to oversee the contracts/grants with the Program, provide input and scientific expertise to the Program, and monitor and update the status of native plants, including CESA-listed and other sensitive plant species.**

Issue 13: State-Designated Fairs Revenue (MR)

Governor’s Proposal. The May Revision proposes Item 8570-011-0001 be added to reflect a transfer of \$18.637 million General Fund to the Fair and Exposition Fund.

The proposed budget bill language is as follows:

8570-011-0001—For transfer by the Controller from the General Fund to the Fair and Exposition Fund.....18,637,000

Provisions:

1. The funds transferred in this item shall be used for purposes consistent with the requirements of Section 19620.2 of the Business and Professions Code.
2. Upon approval by the Department of Finance, the amount transferred by this item may be adjusted to reflect the requirements of Section 19620.15 of the Business and Professions Code.

Background. AB 1499 (Gray), Chapter 798, Statutes of 2017 requires a portion of gross receipts from the sales and use tax received within the property of a state-designated fair to be transferred to the Fair and Exposition Fund beginning in 2019-20. This request establishes the budgetary mechanism necessary to effectuate the annual transfer.

Staff Recommendation. Approve as proposed.

3940 STATE WATER RESOURCES CONTROL BOARD (SWRCB)
8570 CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE (CDFA)

Issue 14: Safe and Affordable Drinking Water (SADW) (BCP) and (TBL) (GB)

Governor's Proposal. The Governor's budget proposes the following BCP and TBL:

- BCP of \$4.8 million General Fund one-time as follows:
 - \$3.4 million to SWRCB for 23 positions to: (1) map high-risk aquifers and process water quality data from small water systems; (2) develop an assessment of the total annual funding needed to assist water systems in the state to deliver safe drinking water; (3) develop an implementation plan that includes funding priorities and guidelines; and, (4) process fees that will be deposited into a new fund and perform accounting work.
 - \$1.4 million to CDFA for seven positions to: (1) establish a new registration and fee collection system for dairies, farms, and ranches; and (2) administer the fertilizer materials mill assessments augmentation.
- TBL, which do the following:
 - Establish four charges, including:
 - A safe drinking water fee for confined animal facilities excluding dairies (amount generated not estimated).
 - A fertilizer safe drinking water fee (\$14 million to \$17 million).
 - A dairy safe drinking water fee (\$5 million).
 - A SADW fee for community water system customers (\$100 million to \$110 million).
 - Establish the SADW Fund to provide a source of funding to assist communities in paying for costs of obtaining access to SADW, such as operations and maintenance costs and capital costs associated with water system consolidation and service extensions.
 - Require SWRCB to administer a new SADW Program.
 - Require SWRCB to conduct a public review and assessment of the Safe Drinking Water Fund at least every 10 years.
 - Require SWRCB to prepare a report of expenditures annually, as specified.
 - Require SWRCB to make available a map of aquifers that are high-risk of containing contaminants and that exceed primary federal and state drinking water standards.
 - Exempt an agricultural operation from enforcement action for causing, contributing, creating, or threatening to create a condition of pollution or nuisance for nitrates in groundwater if the operation meets specified criteria.

Under a separate BCP, the Governor's budget proposes \$168.5 million in Proposition 68 funds for public water systems in disadvantaged communities for infrastructure improvements, including drinking water and wastewater treatment projects. This BCP was heard on March 7, 2019, in this subcommittee, as part of the Proposition 68 issue.

The Legislature and Governor enacted AB 72 (Committee on Budget), Chapter 1, Statutes of 2019, which does the following to address safe and affordable drinking water needs in the current budget year, 2018-19:

- \$10 million General Fund one-time to continue emergency funding for emergency drinking water and technical assistance.
- \$10 million General Fund one-time for grants and contracts to provide administrative, technical, operational, or managerial services to water systems – mainly in disadvantaged communities – to support compliance with current drinking water standards.

This proposal was discussed at the March 21, 2019 hearing.

May Revision. The Administration is proposing revised TBL in the May Revision. At the time of writing for this agenda, the proposed TBL was not available.

Staff Recommendation. Reject the Governor's proposal and adopt the following:

- **\$150 million General Fund continuous appropriation.**
- **TBL, as follows: Add Health and Safety Code Section 116773:**

Article 6. Funding Mechanism

116773. (a) Notwithstanding Section 13340 of the Government Code, the sum of one hundred fifty million dollars (\$150,000,000) is hereby continuously appropriated, without regard to fiscal year, from the General Fund to Safe and Affordable Drinking Water Fund for the purposes of implementing Chapter 4.6 (commencing with Section 116765) of Part 12 of Division 104 of the Health and Safety Code.

(b) The amount continuously appropriated pursuant to subdivision (a) shall be reduced by an amount equivalent to any new fees, taxes or other revenues enacted into law to fund the Safe and Affordable Drinking Water Fund.

(c) This section shall become operative only if Senate Bill No. 200 of the 2019-2020 Regular Session of the Legislature is enacted and takes effect.

LEGISLATIVE REQUESTS

Issue 15: Special Fund Augmentations

1. **SR-156/Castroville Safety Improvements.** \$10 million in State Highway Account funds for a right-of-way purchase for additional safety investments along the SR-156 right-of-way.
2. **Burbank to Anaheim Metrolink Corridor.** \$80 million in Public Transportation Account funds for capital improvements along the Burbank-Anaheim Metrolink Corridor.
3. **Palo Alto Grade Separation Project.** \$1 million in State Highway Account funds for environmental review of grade separation projects for three at-grade Caltrain crossings.
4. **Foothill Boulevard Link Bikeway and Pedestrian Greenbelt.** \$390,000 in State Highway Account Funds for the design and construction of bicycle, pedestrian, and landscape improvements along Foothill Boulevard in Los Angeles County.
5. **California Short Line Railroad Infrastructure Improvement Act of 2019.** \$7.2 million in Trade Corridor Improvement Fund resources for investments in short line railroad infrastructure projects consistent with the 2018 California State Rail Plan, and placeholder trailer bill language to implement the California Short Line Railroad Infrastructure Act of 2019.
6. **Alameda Creek Restoration.** \$31.365 million Proposition 68 one-time (\$15 million Prop. 68 PRC 80120(c) for the State Coastal Conservancy and \$16.365 million PRC 80145(a)(2) for the Department of Water Resources) for wetlands restoration to address sea level rise in the Bay Area.
7. **Arroyo Seco Water Reuse and Natural Stream Restoration.** Of the Proposition 68 funding appropriated for PRC 80061(b) for the Department of Parks and Recreation, \$3.5 million one-time for the Arroyo Seco Park and Water Reuse and Natural Stream Restoration system for improvements, including: automated water diversion structure to divert stormwater for urban runoff remediation; restoration of natural stream; enhancement of natural water stream and stormwater storage for water reuse; additional park furnishings and amenities along the water stream trails.
8. **Tijuana River Border Pollution Control Project.** \$15 million Proposition 68 PRC 80120(c) for the State Coastal Conservancy for the Tijuana River Border Pollution Control Project to address discharge of raw sewage and other waste through the Tijuana River Valley.

Staff Recommendation. Approve the identified augmentations. Adopt placeholder trailer bill language to implement the California Short Line Railroad Infrastructure Act of 2019.

ISSUES FOR DISCUSSION

GREENHOUSE GAS REDUCTION FUND (GGRF)

Issue 16: Achieving a Carbon-Neutral Economy (Cap-and-Trade Expenditure Plan) (MR)

Governor's Proposal. The Governor's Budget included a \$1 billion Cap-and-Trade Spending Plan and the May Revision proposes an additional \$251.5 (GGRF), as follows:

2019-20 Cap and Trade Expenditure Plan
(Dollars in Millions)

| Investment Category | Department | Program | Governor's Budget | May Revision | Total |
|--|--|--|-------------------|--------------|----------------|
| Air Toxic and Criteria Air Pollutants | Air Resources Board | AB 617 - Community Air Protection | \$200 | - | \$200 |
| | | AB 617 - Local Air District Implementation (\$50 million total, including other funds) | \$20 | - | \$20 |
| | | Technical Assistance to Community Groups | \$10 | - | \$10 |
| Low Carbon Transportation | Air Resources Board | Clean Vehicle Rebate Project | \$200 | - | \$200 |
| | | Clean Trucks, Buses, & Off-Road Freight Equipment | \$132 | \$50 | \$182 |
| | | Enhanced Fleet Modernization Program & Transportation Equity Projects | \$50 | \$15 | \$65 |
| | | Agricultural Diesel Engine Replacement & Upgrades | \$25 | \$65 | \$90 |
| Healthy Forests | CAL FIRE | Healthy & Resilient Forests | \$165 | - | \$165 |
| | | Prescribed Fire & Fuel Reduction | \$35 | - | \$35 |
| Climate Smart Agriculture | Department of Food & Agriculture | Healthy Soils | \$18 | \$10 | \$28 |
| | | Methane Reduction | \$25 | \$10 | \$35 |
| Short-Lived Climate Pollutants | CalRecycle | Waste Diversion | \$25 | - | \$25 |
| Integrated Climate Action: Mitigation & Resilience | Strategic Growth Council | Transformative Climate Communities | \$40 | \$92 | \$132 |
| | Coastal Commission & BCDC | Coastal Resilience | \$3 | - | \$3 |
| | Community Services & Development | Low-Income Weatherization | \$10 | - | \$10 |
| | California Conservation Corps | Energy Corps | \$6 | - | \$6 |
| Workforce Training | Workforce Development Board | Preparing Workers for a Carbon-Neutral Economy | \$27 | \$8 | \$35 |
| Climate and Clean Energy Research | Strategic Growth Council | Climate Change Research | \$10 | - | \$10 |
| | California Environmental Protection Agency | Transition to a Carbon-Neutral Economy | - | \$1.5 | \$1.5 |
| Total | | | \$1,001 | \$252 | \$1,253 |

Source: May Revision 2019-20 Summary

Transition to a Carbon-Neutral Economy. The May Revision proposes additional funding for transit-oriented communities; bus, truck, freight, and tractor engine upgrades to reduce diesel use; methane reductions in agriculture; and providing apprenticeships and job training in careers that are intended to build a future green economy. The May Revision also includes a study to decrease demand and supply of fossil fuels in an economically and sustainable manner.

The May Revision includes a new item, \$1.5 million for “Transition to a Carbon-Neutral Economy.” \$1.5 million is proposed for a study laying out the key actions needed to transition toward a carbon-neutral economy. The study is intended to emphasize environmental and economic programs and policies to dramatically reduce fossil fuel demand by 2050, in line with the state’s overall climate goals. The study is intended to inform the Air Resources Board’s Scoping Plan, which lays the foundation for achieving the state’s goals, including achieving carbon-neutrality by 2045 and reducing greenhouse gas emissions to 80 percent below 1990 levels by 2050. The study will also consider the legal requirements of the federal Clean Air Act.

The Secretaries of Environmental Protection, Natural Resources, Transportation, and Labor agencies as well as the Director of the Governor’s Office of Planning and Research would oversee a one-month scoping process to determine the content and direction of the study. The process would include opportunities for public participation.

LAO Comments and Recommendation. According to LAO, the May Revision assumes that cap-and-trade auctions will generate nearly \$3.1 billion in 2018-19 and \$2.4 billion in 2019-20—or a total of roughly \$750 million more than the Governor assumed in January. Under these revised estimates, there would be about \$300 million additional revenue available for “discretionary” spending in the budget year or in future years. LAO’s revenue estimates are very similar to the May Revision.

The primary difference is that LAO estimates revenue for the last quarterly auction in 2018-19 (scheduled for May 14, 2019) will be about \$150 million higher than the Governor assumes. This is because: (1) LAO assumes *all* allowances offered at the advance auction are sold, whereas the Administration assumes only 43 percent of advance allowances are sold, and (2) LAO assumes allowances sell for \$17.50 (current auction) and \$17.00 (advance auction), somewhat higher prices than the May Revision assumes (at or slightly above the \$15.62 floor price). Under the LAO’s estimate, about \$60 million in additional revenue would be available for discretionary spending in the budget year or future years compared to the May Revision estimate. Preliminary results from the May auction are expected to be available on May 21, 2019. LAO will provide the Legislature with updated revenue information at that time.

The May Revision allocates an additional \$252 million of discretionary Cap-and-Trade revenues (GGRF) to the following programs:

- Transformative Climate Communities (\$92 million)
- Agricultural diesel engine replacements (\$65 million)
- Clean Trucks, Buses, and Off-Road Freight Equipment (\$50 million)
- Enhanced Fleet Modernization Program and transportation equity projects (\$15 million)
- Healthy Soils (\$10 million)
- Agricultural methane reductions (\$10 million)

The Administration did not provide a clear rationale for why it allocated the additional revenue to this specific mix of programs, or how it determined the specific amount of funding provided to each

program. As LAO discussed in its February budget analysis, LAO recommends the Legislature allocate GGRF funds according to its priorities.

REVISED AS APPROVED IN THE HEARING: The Senate Proposal for Cap-and-Trade Spending Plan. The Senate proposes an alternative spending plan to the Governor’s plan, as follows:

Senate Proposal for Cap-and-Trade Spending Plan

| Investment Category | Program | Department | Senate 2019-20 Cap-and-Trade Expenditure Plan (Dollars in millions) |
|---|---|---|---|
| Air Toxic and Criteria Pollutants | Carl Moyer | ARB | 40 |
| | AB 617 State and Local Implementation Costs* | ARB | 20 |
| | Technical Assistance to Community Groups | ARB | 10 |
| Low Carbon Transportation | Heavy Duty Vehicle and Off-Road Equipment Programs (Heavy Duty Vehicle Incentive Program) | ARB | 25 |
| | Clean Vehicle Rebate Project* | ARB | 250 |
| | Clean Trucks, Buses & Off-Road Freight Equipment | ARB | 182 |
| | Enhanced Fleet Modernization Program, School Buses & Transportation Equity Projects | ARB | 65 |
| | Low Carbon Fuel Production | Energy Commission | 25 |
| Healthy Forests | Healthy & Resilient Forests (SB 901)* | CalFire | 165 |
| | Prescribed Fires & Fuel Reduction (SB 901)* | CalFire | 35 |
| | Regional Forest Restoration Projects | Natural Resources Agency | 25 |
| | Wildland-Urban Interface (WUI) and Other Fire Prevention Activities | CalFire | 17.55 |
| | Urban Forestry | CalFire | 25 |
| Agriculture | Agricultural Diesel Engine Replacement & Upgrades | ARB | 90 |
| | Healthy Soils | Food & Agriculture | 30 |
| | State Water Efficiency & Enhancement Program | Food & Agriculture | 25 |
| | Agricultural Renewable Energy | Energy Commission | 5 |
| | Methane Reduction: Alternative Manure Management Program | Food & Agriculture | 35 |
| Other Programs | Waste Diversion/Recycling Infrastructure | CalRecycle | 75 |
| | Transformative Climate Communities | Strategic Growth Council | 57 |
| | Energy Corps* | Conservation Corps | 10 |
| | Low-Income Weatherization | Community Services and Development | 22.45 |
| | Urban Greening | Natural Resources Agency | 25 |
| | Wetlands Restoration | Fish and Wildlife | 35 |
| | Coastal Resilience/Adaptation | Various | 40 |
| | Long-Term Resiliency Investment | Wildlife Conservation Board and Conservancies | 100 |
| | Climate and Energy Research | Strategic Growth Council | 20 |
| | Transition to a Carbon-Neutral Economy | CalEPA | 1.5 |
| Technical Assistance to Disadvantaged Communities | Strategic Growth Council | 5 | |
| TOTAL | | | \$1,461 |

* Existing discretionary spending commitments

The REVISED Senate proposal also includes the following appropriations a new program listed in the above discretionary spending chart for “Wildland-Urban Interface (WUI) and Other Fire Prevention Activities”:

-
- \$5 million one-time to fund workforce development component of SB 462 (Stern), which would help fund educational programs at community colleges to teach students how to perform prescribed fire treatments, building hardening, defensible space management, and approved community defense techniques.
 - \$1 million one-time to create a new Fire Outreach and Extension Program that would entail 17 fire extension advisors located in selected counties.
 - \$300,000, over a three-year period, to reimburse counties for a new requirement to train local planners. Require every county that has more than 5% of its land in SRA or locally designated very high hazard severity zones to require its land use planners to obtain certification about land use planning issues in WUI.
 - \$250,000 one-time to require OPR to inventory and publish on its website best practices reflected in local planning ordinances, enforcement practices undertaken at the local level in WUI.
 - \$6 million, as a block grant to allocate funds to county groups for implementing fire prevention and preparedness community action in collaboration with UC fire advisors, resource conservation districts, and others.
 - \$2.5 million one-time, to develop and fund statewide capability for overhead fixed wing or satellite remote sensing that provides real-time perimeters and behavior information to all responders, emergency officials, and the public.
 - \$2.5 million, three-years, to reimburse counties for maintenance of evacuation routes during emergencies. Counties should also develop standards for these routes as well as develop and maintain signage and other necessities.

Staff Recommendation. Approve the Senate Proposal for the Cap-and-Trade Spending Plan AS REVISED IN THE HEARING, WHICH IS REFLECTED ABOVE. Reject the Governor’s Cap-and-Trade Expenditure Plan, including the workforce training proposal, which was discussed at the March 28, 2019 hearing.

8570 DEPARTMENT OF FOOD AND AGRICULTURE (CDFA)**Issue 17: Unclaimed Gas Tax (UGT) (TBL) (MR)**

Governor's Proposal. The May Revision proposes an amendment to Food and Agriculture Code (FAC) Section 224(g) authorizing CDFa to retain a portion of the remaining UGT funding, upon agreement by the agricultural commissioners and the Secretary, for purposes of implementing jointly developed priority agricultural program spending.

Background. *Unclaimed Gas Tax (UGT).* Every year, Caltrans transfers UGT funds to CDFa to be used for activities benefiting agriculture, pursuant to FAC Section 224. These UGT funds represent excise taxes paid for gasoline purchased by agricultural producers and used for off-road purposes. These excise taxes paid are eligible for refund if a claim is filed with the State Controller. A relatively small number of agricultural producers file these claims to collect their refunds and most of the taxes paid via these transactions are unclaimed. As a result, in the 1970s a process was established for the transfers of UGT from Caltrans to CDFa based on a formula using various factors. The main drivers in the formula that determine the amount to be transferred each year are gallons estimated used in agriculture for off-road purposes and resulting excise taxes paid.

The passage of SB 1 (Beall), Chapter 5, Statutes of 2017, significantly increased the amount of excise taxes collected which in turn resulted in an increase in the amount transferred from Caltrans to CDFa beginning in 2018. Prior to SB 1, the amount transferred was around \$40 million and after SB 1, the amount is approximately \$65 million.

FAC Section 224 specifies how these funds are utilized and has provisions for fixed amounts going toward specific activities and the amount remaining is distributed to the counties as reimbursement for their local general fund support for agricultural programs carried out by the agricultural commissioners under the supervision of the Secretary, pursuant to FAC 224(g). The remaining amount going to the counties under FAC 224(g) was approximately \$23 million before SB 1 and is now approximately \$48 million due to SB 1.

Staff Recommendation. Approve as proposed.