Senate Budget and Fiscal Review

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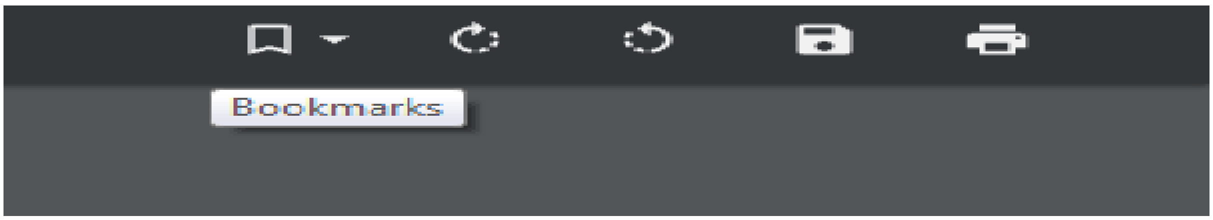

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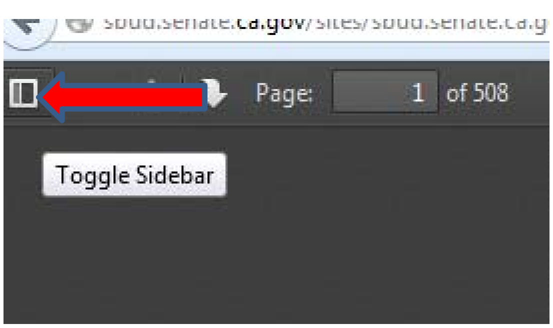

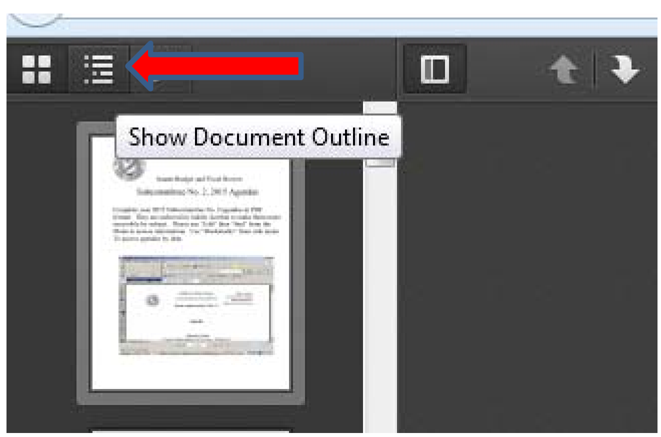

Senate Budget and Fiscal Review—Holly J. Mitchell, Chair

SUBCOMMITTEE NO. 2 Agenda

Senator Bob Wieckowski, Chair
Senator Mike McGuire
Senator Jim Nielsen

Thursday, March 8, 2018
9:30 a.m. or upon adjournment of session
State Capitol - Room 112

Consultants: James Hacker and Christopher Francis

Vote Only Calendar

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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 – California Energy Commission (CEC)

Issue 1: On-Call Delegate Chief Building Official Contract Funding

The budget requests $1,000,000 in increased expenditure authority from the Energy Facility License and Compliance Fund (EFLCF) to provide contract funding for an On-Call Delegate Chief Building Official (DCBO). This contract will provide DCBO support for modifications to jurisdictional power plants resulting from project owner filed amendments, emergency responses, such as power plant fires, and other small modifications. The Energy Commission has indicated that they seek to change from the current MOU approach to a contracted approach to eliminate potential conflicts of interest between the selected DCBO firms and the project owners. This approach requires additional contract authority to execute.

Staff Recommendation:
Approve as budgeted

8660 – California Public Utilities Commission (PUC)

Issue 1: Communications Licensing and Compliance Program

The budget requests $295,000, PUC Utilities Reimbursement Account (0462), ongoing, for two permanent positions for the Licensing and Compliance Program (L&C) to address expanded work obligations that have resulted in work backlog issues.

Issue 2: Supporting Statewide Presence

Governor's Proposal: The budget requests $1,056,000 in 2018-19, with additional ongoing costs, from various funds, to lease two additional office spaces in Sacramento County for the placement of new PUC staff and the relocation of existing employees. The PUC has indicated that there will be partially offsetting savings when existing PUC leases end and are not renewed.

Issue 3: Water and Utility Program Audit Compliance

The budget requests $929,000 per year from the Public Utility Commission Utilities Reimbursement Account (0462) to convert seven limited term positions to permanent positions. These positions were originally provided on a limited-term basis to address gaps in PUC's oversight of utilities through a State Auditor report. The workload to ensure the PUC continues to address the audit findings is likely permanent. As such, it is appropriate to extend these positions.

Issue 4: Water Affordability for Low-Income Communities

The budget requests $294,000 from the Public Utilities Commission Utilities Reimbursement Account (Fund 0462) for two two-year limited-term positions to analyze and identify potential solutions to the growing water affordability issue in rate-setting proceedings as part of the PUC’s recently-opened rulemaking R. 17-06-024.

Issue 5: Gas and Electric Service Disconnections

The budget requests $336,000 (Public Utilities Commission Utilities Reimbursement Account) per year for two permanent positions to implement the requirements of SB 598 (Hueso), Chapter 362, Statutes of 2017. These positions will support the development and administration of decisions and a rulemaking proceeding on disconnections, as well as ongoing work to incorporate potential impact on disconnections into all future General Rate Case (GRC) proceedings. These are new tasks for the PUC that cannot be absorbed by existing staff, and will continue into the foreseeable future.

Issue 6: Residential Solar Energy Storage System Consumer Protection (AB 1070)

The budget requests $592,000 (Public Utilities Commission Utilities Reimbursement Account) for one two-year limited term position to implement the requirements of AB 1070 (Gonzalez Fletcher), Chapter 662, Statutes of 2017. This request includes $450,000 in contractor funding. AB 1070 directs the PUC to develop and adjust, on an ongoing basis, a methodology that estimates electric utility bill savings for residential customers who install solar energy systems, and to create a uniform disclosure document the solar industry is required to present to residential customers before the purchase or lease of a solar energy system. Developing this new methodology and disclosure requirement is new, limited-term workload that the PUC cannot absorb with current resources.

Staff Recommendation:
Approve as budgeted.

8660 – Public Utilities Commission Office of Ratepayer Advocate

Issue 1 – Electric Safety Analysis

The Office of Ratepayer Advocates requests $334,000 from Public Utilities Commission Office of Ratepayer Advocates Account (PUCORA) and two positions, one Public Utilities Regulatory Analyst (PURA) III and one Senior Utilities Engineer, to address utility safety-related workload arising from expansion of existing and new PUC proceedings. The PURA III will provide technical support and assistance to an existing PURA V on federal and state safety regulations and project coordination. The PURA III also will work with the existing engineering staff to provide further policy, technical, and economic insights into electric safety work. The Senior Utilities Engineer will be the technical lead for ORA on safety-related issues, particularly for electric safety and also be ORA's lead on the risk accountability reports and risk spending reports. The ORA is adequately staffed to review and integrate findings into natural gas reports, but not electric safety reports. Increased staff in electric safety will help inform safety model assessment proceeding and assess the accuracy of the utilities’ risk management. As a result, ORA will be able to mitigate safety risk as much as possible without compromising cost-effectiveness (lowest service rate).

Issue 2 – Analysis of Community Choice Aggregation and Other Departing Load Programs

The budget requests $167,000 per year from the Public Utilities Commission Office of Ratepayer Advocates Account (PUCORA) for one permanent Public Utilities Regulatory Analyst (PURA) V position to perform expanding workload associated with the recent increase in departing load programs, specifically the Community Choice Aggregation (CCA) program. The CCA program enables cities and counties to pool resources to develop or purchase power—with an emphasis on renewable energy. Customers are beginning to depart investor owned utilities (IOUs) for CCAs. SB 350 (de León), Chapter 547, Statutes of 2015, mandates new requirements that support the state's goals to increase renewable resources, reduce GHG emissions, and enhance system reliability in the most cost effective manner apply to all load serving entities (LSEs). Both IOUs and CCAs are defined as LSEs. The CCA-related requirements of SB 350 have a direct and significant impact on all residential customers' rates and ultimately their monthly bills. As CCAs grow, workload associated with reviewing CCAs' compliance with SB 350 requirements increases. Participation by various cities and counties throughout the state is estimated to grow significantly. The PURA V will provide complex technical analyses on how to ensure that cost allocation is fair and nondiscriminatory, prepare written reports and testimony, and testify in evidentiary hearings. The PURA V also will lead CCA project teams and coordinate with other ORA staff regarding ORA's positions on issues involving CCA-related issues.

Issue 3 – Electric Resource Modeling

The budget requests two Public Utilities Regulatory Analyst (PURA) IV positions and $307,000 from the Public Utilities Commission Office of Ratepayer Advocates Account, to perform mission critical work associated with new complex computer simulation and modeling efforts required by the PUC's implementation of the integrated resource planning mandates contained in SB 350 (de León), Chapter 547, Statutes of 2015. Two new PURA IV positions are necessary for ORA to participate in the development and implementation of the computer simulations and models needed to identify the optimal portfolios of resources for the state's load-serving entities to procure, in light of the environmental, cost, and reliability requirements established in SB 350.

Staff Recommendation:
Approve as budgeted

3360 CALIFORNIA ENERGY 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 $384 million for support of the CEC, a decrease of approximately $300 million from the enacted 2017-18 budget, predominantly due to a decline in funding for the Electric Program Investment Charge Fund.

3-YR EXPENDITURES AND POSITIONS

		Positions			Expenditures		
		2016-17	2017-18	2018-19	2016-17*	2017-18*	2018-19*
2380	Regulatory and Planning	139.2	131.0	131.0	$30,996	$38,543	$37,864
2385	Energy Resources Conservation	125.9	164.3	164.3	42,742	52,941	48,491
2390	Development	171.7	193.1	193.1	324,266	592,398	297,722
9900100	Administration	180.9	180.9	180.9	27,235	28,259	-
9900200	Administration - Distributed	-	-	-	-27,235	-28,259	-
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		**617.7**	**669.3**	**669.3**	**$398,004**	**$683,882**	**$384,077**

FUNDING		2016-17*	2017-18*	2018-19*
0001	General Fund	$-	$18,000	$-
0033	State Energy Conservation Assistance Account	-6,261	-616	359
0044	Motor Vehicle Account, State Transportation Fund	150	161	162
0115	Air Pollution Control Fund	1,405	-	-
0381	Public Interest Research, Development, and Demonstration Fund	1,233	1,257	751
0382	Renewable Resource Trust Fund	23,119	25,750	4,748
0465	Energy Resources Programs Account	74,180	79,924	79,021
0497	Local Government Geothermal Resources Revolving Subaccount, Geothermal Resources Development Account	5,067	1,606	1,548
0853	Petroleum Violation Escrow Account	183	5,825	-
0890	Federal Trust Fund	15,271	13,497	13,464
0942	Special Deposit Fund	301	58	-
0995	Reimbursements	42	2,050	800
3062	Energy Facility License and Compliance Fund	3,527	3,576	4,577
3109	Natural Gas Subaccount, Public Interest Research, Development, and Demonstration Fund	32,076	45,769	24,000
3117	Alternative and Renewable Fuel and Vehicle Technology Fund	102,456	177,512	107,858
3205	Appliance Efficiency Enforcement Subaccount, Energy Resources Programs Account	125	1,402	1,497
3211	Electric Program Investment Charge Fund	143,234	234,735	136,021
3228	Greenhouse Gas Reduction Fund	-	66,000	-
3237	Cost of Implementation Account, Air Pollution Control Fund	-	9,286	9,271
9330	Clean and Renewable Energy Business Financing Revolving Loan Fund	1,896	-1,910	-
TOTALS, EXPENDITURES, ALL FUNDS		**$398,004**	**$683,882**	**$384,077**

Issues Proposed for Discussion

Issue 1: Title 20 Appliance Energy Efficiency Standards – Compliance Assistance and Enforcement Program Contract Funding

Governor's Proposal: The CEC requests a $100,000 increase in expenditure authority for baseline contract funding from the Appliance Efficiency Enforcement Subaccount (AEES) to support the Title 20 appliance efficiency enforcement testing contract. This requested $100,000 augmentation in additional contract authority will increase the testing capacity at the contracted test laboratory and its contract funding from $200,000 per fiscal year to $300,000 per fiscal year.

Background: Broadly defined, appliances are products that use electricity, gas, or water. In response to legislative requirements to reduce California's energy demand the CEC regularly prescribes appliance efficiency standards through the Warren-Alquist Act of 1976. Also known as the California Code of Regulations, Title 20, Sections 1601 through 1609, these standards are updated regularly to include amendments and new standards. For example, SB 350 (de León), Chapter 547, Statutes of 2015, requires the CEC and the PUC to establish annual statewide energy efficiency savings and demand reduction that achieves the Governor's and Legislature's goal of doubling of energy efficiency savings by 2030.

All appliances and equipment regulated under Title 20 must be tested and certified to the CEC before being offered for sale in California. The California State University, Sacramento Engineering Energy Efficiency Test Laboratory, under an agreement with the CEC, determines if appliances meet the energy efficiency and labeling or marking requirements prescribed in the Title 20 regulations. The CEC also has, and continually updates, an appliance efficiency database that contains information and consumption metrics for each appliance. Currently, there are over 2.2 million appliances listed in the CEC's Modern Appliance Efficiency Database System. Of these listed appliances approximately 536,000 of these listings are active and 1.6 million are archived listings superseded with new model numbers or standards. The regulations span 23 appliance product categories.

SB 454 (Pavley), Chapter 591, Statutes of 2011, authorizes the CEC to establish an administrative enforcement process for violations of the appliance efficiency standards. Since the SB 454 regulations have been in effect in July 2015, the CEC has closed 26 cases through the settlement process, which has yielded over $2.4 million in penalties, a consumer rebate program, a consumer replacement program, and the redesign of numerous products to be compliant with the appliance efficiency standards.

The most recent 2015 market survey conducted by the CEC shows that of a sample search of 4,000 models of appliances, 60 percent (2,400) were not in the CEC database and therefore cannot legally be sold or offered for sale in California. Moreover, in 2015, the CEC's contract test laboratory tested 10 appliances that use small battery charger systems and all 10 appliances failed.

Staff Comments: Compliance from manufacturers, distributors, and retailers continues to be an issue for the CEC. The CEC indicates that there are 45 open cases with two pending settlements that will total over $200,000. Additionally, there are an additional 76 cases in the "wait list" investigation file with more queuing up each month. With the requested increase, the CEC projects a 30 percent increase in the number of tested appliances to support the growing program infrastructure. Specifically, 25 additional engineering tests focusing on high energy consuming appliances such as pool pumps and motors, spas, and wall/window air conditioners will occur. The funds will also be used for quarterly internal laboratory audits, subletting select engineering tests to other labs consulting services, and general assistance on technical testing related issues.

Questions:

- Can the CEC and its test facility keep up with the pace of fast-changing technology and increasing non-compliance? What other actions are going to be taken to solve the non-compliance issue?

Staff Recommendation:
Approve as budgeted

Issue 2: Implementation of the School Bus Retrofit and Replacement Program (SB 110)

Governor's Proposal: The budget requests authority for three-year funding of $900,000 annually for six temporary positions from the Alternative and Renewable Fuel and Vehicle Technology Fund to develop and implement the new school bus retrofit and replacement activities under the Clean Energy Job Creation Program.

Background: The California Clean Energy Jobs Act, an initiative approved by the voters as Proposition 39 at the November 6, 2012 statewide general election, made changes to corporate income taxes and, except as specified, provides for the transfer of $550,000,000 annually from the General Fund to the Clean Energy Job Creation Fund for five fiscal years beginning with the 2013-14 fiscal year. Moneys in the fund are available, upon appropriation by the Legislature, for purposes of funding eligible projects that create jobs in California improving energy efficiency and expanding clean energy generation.

SB 110 (Committee on Budget and Fiscal Review), Chapter 55, Statutes of 2017, established the Clean Energy Job Creation Program with the purpose of funding specified projects in public schools and community colleges that create jobs in California improving energy efficiency and expanding clean energy generation. The bill provides $75 million to the Energy Commission to provide grants or loans to school districts and county offices of education for school bus retrofit or replacement.

Staff Comments: The state has aggressive policies for expediting the development of clean, alternative, and renewable fuels and vehicle technologies to help in meeting the state's environmental goals. Cleaner school buses are a top priority for the state. Exposure to diesel particulate matter is a health hazard, particularly to children whose lungs are still developing and the elderly, who may have other serious health concerns.

CEC has indicated that existing staff resources are not currently sufficient to effectively implement both ongoing responsibilities and new school bus retrofit and replacement activities. CEC has also indicated that school districts (especially small school districts and school districts within disadvantaged communities) lack the resources and expertise necessary to effectively apply for, administer and implement school bus retrofit and replacement activities.

Questions for the Commission:

1. What is the Energy Commission doing to ensure that there will be geographic and socioeconomic equity in project selection?
2. What progress has CEC made to date in implementing the program?

Staff Recommendation:
Approve as Budgeted.

Issue 3: Zero Emission Vehicle Infrastructure Initiative

Governor's Proposal: The administration has requested an additional $70 million in funding for the Alternative and Renewable Fuel and Vehicle Technology Fund (3117), in addition to the $77 million in funding already provided, for the Energy Commission's Zero Emission Vehicle (ZEV) Infrastructure Initiative. The request also includes a transfer of $15 million from the Air Quality Improvement Fund (3119) to the Alternative and Renewable Fuel and Vehicle Technology Fund to further support this work. This request includes Budget Bill Language to grant the CEC greater flexibility in allocating program funds. The Administration has also indicated that there will be forthcoming trailer bill language transferring $88 million in one-time funds from the new Solar Homes Partnership funding source for the ZEV initiative, bringing the total available funding for the program to $235 million.

Background: AB 118 (Núñez), Chapter 750, Statutes of 2007, created the California Energy Commission's Alternative and Renewable Fuel and Vehicle Technology Program. The statute, subsequently amended by Assembly Bill 109 (Núñez), Chapter 313, Statutes of 2008, and Assembly Bill 8 (Perea), Chapter 401, Statutes of 2013, authorizes the Energy Commission to develop and deploy alternative and renewable fuels and advanced transportation technologies to help attain the state's climate change policies. Currently, about $40 million annually is deposited in the Air Quality Improvement Fund (AQIF) and is used for clean vehicle loans administered by CARB. Another $100 million annually is deposited in the Alternative and Renewable Fuels and Vehicle Technology Fund (ARFVTF) to support the Alternative and Renewable Fuels and Vehicle Technology Program (ARFVTP). The ARFVTP supports grants for projects intended to transform California's fuel and vehicle types to help meet the state's GHG reduction goals.

Executive Order B-16-12, issued in 2012, directed state government to help accelerate the market for zero-emission vehicles (ZEVs) in California by calling for 1.5 million ZEVs in California by 2025 and establishes several milestones on the pathway toward this target. The Administration's 2013 ZEV Action Plan then identified specific actions state government would take to meet the milestones of the Executive Order. This was further expanded by the 2016 ZEV Action Plan outlines progress to date and identifies new actions state agencies will take in continued pursuit of the milestones in the EO B-16-12.

Executive Order B-48-18 updated these goals, calling for 5 million ZEVs by 2030, as well as 250,000 vehicle charging stations and 200 hydrogen charging stations by 2025. To achieve these goals, the budget proposes to provide a total of $900 million over eight years from the ARFVTF and other funds to support the construction of ZEV fueling infrastructure.

The state has numerous programs designed to increase ZEV vehicle adoptions. These include (1) CARB regulations requiring that automobile manufacturers produce a certain percentage of ZEVs; (2) state programs that provide consumer rebates for purchasing ZEVs, including the Clean Vehicle Rebate Project; and (3) High−Occupancy Vehicle lane decals for ZEVs. Additionally, the state funds or oversees numerous programs designed to expand ZEV charging and fueling infrastructure. These include $800 million over ten years from the Volkswagen fraud settlement; $200 in investor-owned utility funding for ZEV fueling infrastructure to date; an estimated $100 million from a 2012 settlement with NRG; $20 million for Caltrans to install 32 electric vehicle charging stations along highway corridors; and a proposed $87 million over four years for the Department of General Services to install 6,200 charging stations at state buildings.

CEC also administers the New Solar Homes Partnership (NHSP) program, which provides financial incentive rebates for the installation of solar energy systems in new homes. SB 1 (Murray), Chapter 132 of 2006 authorized $400 million for the NSHP program with the goal of achieving 360 megawatts (MW) of solar capacity installed by 2016. The program was originally funded with a portion of revenue from a surcharge on electricity bills, also known as the public goods charge. However, the public goods charge expired in 2012 before the entire $400 million was collected for NSHP. In 2016, the CPUC authorized investor−owned utilities (IOUs) to collect about $112 million to pay for the shortfall in funds for the program after the public goods charge expired. According to the administration, the state has not yet met the 360 MW goal established in Chapter 132. Current law authorizes CEC to spend the NSHP funds through June 2018. The Administration estimates that there will be roughly $88 million available to the program when the program's authorization expires.

Staff Comments: The CEC has indicated that the proposed funding will be combined from multiple sources. Specifically, the additional $70 million provided by this proposal would be composed of a $15 million transfer from the Air Quality Improvement Fund and an additional $55 million from the existing ARFVTF fund balance. This would be combined with the proposed $88 million transfer from the NSHP to provide $235 million in 2018-19 for ZEV infrastructure. Additionally, the plan proposes to shift over a two-year period all ARFVTF resources to exclusively fund ZEV infrastructure through 2025-26. This funding is detailed below:

Zero-Emission Vehicle Infrastructure Funding Proposal
(In millions)

		Governor's Proposal	
	Current Spending 2017-18	2018-19	2019-20 Through 2025-26
Zero-emission vehicle infrastructure	$36	$235[a]	$95
Low-carbon fuel production	23	25[b]	—
Alternative fuel vehicles	27	18	—
Manufacturing	5	—	—
Workforce training	3	—	—
Other	2	—	—
Totals	**$97**	**$278**	**$95**

[a]Includes $70 million one-time funding from the Alternative and Renewable Fuel and Vehicle Technology Fund and Air Quality Improvement Fund as well as $88 million from ratepayer funds reserved for New Solar Homes Partnership.

[b]One-time funding from Greenhouse Gas Reduction Fund.

While expanding ZEV fueling infrastructure is consistent with current state policy, the proposal raises a number of issues. Specifically, staff concurs with the LAO (see below) that the administration has not fully explained how the proposed funding would complement of supplement the numerous existing ZEV programs currently in place across the state. Additionally, the Administration has not provided the trailer bill language necessary to implement the transfer of funds from the NSPH to the ARFVTF.

LAO Comments: The LAO recommends that the Legislature direct the administration to provide (1) a more detailed justification for the amount of funding requested for ZEV infrastructure; (2) additional information about how the funding would affect key policy outcomes, such as greenhouse gas (GHG) emission levels; (3) its assessment of potential risks and costs associated with a substantial expansion of ZEVs, and (4) a plan for evaluating outcomes after program implementation. Additionally, we recommend the Legislature direct the administration to develop a detailed strategy for coordinating spending for ZEV infrastructure across various state programs. We further recommend the Legislature consider whether the administration's proposal to use various special funds and ratepayer funds to support ZEV infrastructure is consistent with legislative priorities.

Questions for the Commission:

1. How will this program complement the other ZEV programs currently in-place? What mechanisms are currently in-place to ensure coordination between the various programs?
2. What will the impacts be of shifting the entirety of the ARFVTF to this program through 2025-26? What will not be funded as a result of this shift?
3. What are the goals of this program? What outcomes can the Legislature expect, should we choose to approve this request?

Staff Recommendation:
Hold open

Issue 4: Senate Office of Research – Optimizing Benefits of State-Funded Research and Development Programs

At the request of Senator Bob Wieckowski, chair of the Senate Budget and Fiscal Review Subcommittee 2 on Resources, Environmental Protection, Energy, and Transportation, the Senate Office of Research (SOR) investigated ways to optimize public benefits of state-funded research. After interviewing 42 research scientists and administrative leaders primarily in energy-related fields, SOR reached the following conclusions which they found to be universally instructive for state-funded research, regardless of scientific discipline:

- ***There are nine key principles to consider when designing, assessing, or reconfiguring state-funded research programs to optimize public benefits.*** The figure below lists the key principles.

Key Principles for Research Programs

- ***Clearly defined research goals and objectives***
- ***Impartial expert guidance***
- ***Adaptability and flexibility***
- ***Efficient granting***
- ***Intellectual property stewardship***
- ***Review and assessment***
- ***Marketing and outreach***
- ***Cross-agency coordination and collaboration***
- ***Skilled workforce and economic development***

- ***There are three basic components necessary to achieve optimal research program performance: (1) legislative program goals, (2) an impartial expert advisory council, and (3) a program administrator.*** Optimal research program administration requires unique structure, culture, personnel, and supporting services specifically oriented to support research granting programs. SOR found that certain existing entities in the state are well-suited to administer and guide state-funded research programs in order to ensure the key principles are implemented.

SOR's report also includes a more detailed analysis of research contracting and intellectual property management, two complex issues that can significantly impact public benefits from state-funded research.

8660 California Public Utilities Commission

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 1,070 positions to support the PUC in the budget year, as shown in the figure below. This is an increase of 38 positions and a decrease of roughly $220 million from the enacted 2017-18 budget, mainly due to a decreased appropriation for the California LifeLine Program.

3-YR EXPENDITURES AND POSITIONS

		Positions			Expenditures		
		2016-17	2017-18	2018-19	2016-17*	2017-18*	2018-19*
6680	Regulation of Utilities	432.2	412.3	411.9	$670,692	$755,238	$761,631
6685	Universal Service Telephone Programs	36.2	33.0	38.6	725,421	996,279	773,873
6690	Regulation of Transportation	168.5	148.6	143.3	30,999	36,866	36,228
6695	Office of Ratepayer Advocates	128.4	159.0	164.9	28,144	36,263	36,957
9900100	Administration	235.1	289.4	311.4	54,166	62,242	61,470
9900200	Administration - Distributed	-	-	-	-54,166	-62,242	-61,470
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		**1,000.4**	**1,042.3**	**1,070.1**	**$1,455,256**	**$1,824,646**	**$1,608,689**

FUNDING		**2016-17***	**2017-18***	**2018-19***
0042	State Highway Account, State Transportation Fund	$4,840	$5,360	$6,415
0046	Public Transportation Account, State Transportation Fund	6,432	7,774	7,878
0412	Transportation Rate Fund	1,692	2,539	-
0461	Public Utilities Commission Transportation Reimbursement Account	14,563	17,887	18,171
0462	Public Utilities Commission Utilities Reimbursement Account	104,235	129,691	136,089
0464	California High-Cost Fund-A Administrative Committee Fund	36,880	49,247	49,256
0470	California High-Cost Fund-B Administrative Committee Fund	17,041	22,330	22,333
0471	Universal Lifeline Telephone Service Trust Administrative Committee Fund	429,684	630,173	428,817
0483	Deaf and Disabled Telecommunications Program Administrative Committee Fund	51,182	64,428	64,403
0493	California Teleconnect Fund Administrative Committee Fund	94,269	153,001	128,041
0890	Federal Trust Fund	5,726	8,952	9,405
0995	Reimbursements	41,670	60,844	60,844
3015	Gas Consumption Surcharge Fund	522,533	562,057	562,057
3089	Public Utilities Commission Ratepayer Advocate Account	28,144	33,263	33,957
3141	California Advanced Services Fund	96,365	77,100	81,023
TOTALS, EXPENDITURES, ALL FUNDS		**$1,455,256**	**$1,824,646**	**$1,608,689**

Issues Proposed for Discussion

Issue 1: Safety and Enforcement Division: Fortify Gas Safety Reliability, Rail Crossings and Engineering, and Rail Operations Branches

Governor's Proposal: PUC requests $2,205,000 from the State Transportation Fund (0042) and the Public Utilities Commission Utilities Reimbursement Account (Fund 0462) for additional operational support and field staff in the Safety and Enforcement Division (SED). Specifically, the request includes 12 new permanent full time positions, classification upgrade of five existing permanent full-time positions, and equipment, training, and travel necessary to facilitate inspections and audits, and to ensure staff safety.

Background: SED oversees the safety of utility and rail infrastructure in California by traveling to facilities for inspections, audits, and investigations, as well as responding to emergencies. This jurisdiction includes thousands of miles of railroad tracks, gas pipelines, and electric power lines, as well as more than 1,000 power plants scattered across the state. The PUC is headquartered in San Francisco, with satellite offices in Sacramento and Los Angeles. SED staff is housed in San Francisco, Los Angeles, and Sacramento, with minimal staff based elsewhere in the state. The staffing breakdown is described below.

Location	Number of SED Staff	% of Total SED Staff
San Francisco	69.5	34%
Los Angeles	83	40%
Sacramento	47	23%
Central Valley/Homebased	7	3%
Total	206.5	100%

The PUC has indicated that they have developed a regional model for SED, splitting the Division into four regions of operations (North, South, Central, and Coastal). The PUC has indicated that this is based on the organization of similar state organizations, such as the Office of Emergency Services.

Staff Comment: The PUC has indicated that the desired reorganization of SED, combined with the additional positions included in this request, will help reduce response times to incidents, expand knowledge and understanding of local infrastructure, and reducing staff travel. However, the PUC has also indicated that the reorganization would involve minimal shifting of staff between offices or "homebasing." While it is reasonable to believe that a reorganized SED could achieve improved outcomes, it is unclear at this point how the proposed organization would operate differently from the existing organization, or why it would require additional resources.

Questions:

1. How will the new organization be functionally different from the existing organization?
2. Could this decentralized model be applied to other branches within the PUC?

Staff Recommendation:
Hold open.

Issue 2: California LifeLine Program State Operations and Local Assistance

Governor's Proposal: The budget requests $396,884,000 in Local Assistance and $31,314,000 in State Operations funding in 2018-19, all from the Universal Telephone Service Trust Administrative Committee Fund (0471), for the California LifeLine Program.

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 $500 million in 2018-19.

In January, 2014, the PUC issued a decision authorizing voluntary participation in the program by wireless service providers offering discounted wireless service plans to low-income households, if they include wireless voice, text, and data services. Since this change, there has been substantial growth in the program and the number of subscribers doubled from fiscal year 2013-14 to 2014-15, with all of the growth in the number of wireless subscribers (offset by a reduction in the number of wireline subscribers).

Staff Comment: As noted last year, enrollment estimates are subject to considerable uncertainty. Generally, the Governor's May Revision provides updated expenditure estimates for caseload-driven programs, such as Medi-Cal and other health and human services programs. These updated estimates help the Legislature make budget allocations that are based on the most up-to-date information available.

The PUC indicates that it plans to provide updated enrollment and cost information for the LifeLine program with this year's May Revision. By relying on the best possible estimates for program expenditures, the Legislature can be more confident that it is providing an amount of funding that is adequate to cover program costs, while also preventing higher-than-necessary costs for non-LifeLine customers.

Staff Recommendation:
Hold open.

Issue 3: California LifeLine Monitoring and Compliance

Governor's Proposal: The budget requests a permanent increase of $619,000 from the Universal Telephone Service Trust Administrative Committee Fund (0471) four additional positions to keep pace with California LifeLine program growth and to address several administrative backlogs.

Background: From 1984 to 2013, California LifeLine discounted only home (wireline) phone service. In January 2014, the PUC issued Decision 14-01-036 to expand and modernize California LifeLine as well as authorize the voluntary participation of wireless service providers in the program. Decision 14-01-036 also delegated many responsibilities to PUC staff including revision of administrative procedures to provide for the efficient operation of California LifeLine and address any California LifeLine irregularities or other issues, and monitoring of California LifeLine service providers to oversee compliance with all program rules. Decision 14-01-036 authorized staff to investigate service providers and participants and remedy instances of waste, fraud, and abuse by service providers as stated in Ordering Paragraph 31 and 32.

Currently, despite the rapid growth in program participation by customers and service providers and expanded program activities, the total number of staff managing the program has remained fixed at seven personnel years since 2012-13. The PUC has indicated that increased workload, which includes more frequent caseload and budget predictions, has outstripped staff resources to prevent fraud in the program and protect and maintain the integrity of program funds. PUC staff has to prioritize work activities, which means that other important program work is being delayed or not implemented,

Staff Comment: It is reasonable to believe that the increase in LifeLine caseload since the 2014 expansion to wireless service. However, the appropriate resource level is at least partially dependent on having an accurate estimate of caseload. As such, it is premature to approve this proposal prior to the updated caseload estimates the Administration will provide as part of the May Revision.

Questions:

- Does PUC have an estimate of the level of noncompliance with LifeLine rules amongst program providers? What cases of noncompliance has PUC uncovered to date?

Staff Recommendation:
Hold open.

Issue 4: California Advanced Services Fund – Internet for All Now Act (AB 1665)

Governor's Proposal: The budget requests $76,554,000 from the California Advanced Services Fund (3141) for the following:

1. Permanent funding for two (2) Senior Telecommunications Engineers to address staffing shortfalls in the program.
2. The conversion of five (5) limited-term positions set to expire on December 31, 2020 to permanent positions.
3. The addition of five (5) new, permanent positions; one (1) new permanent half-time position; and two (2) new limited-term positions to implement the mandates of Chapter 851.
4. Funding of $2.5 million per year for consultant services for the statutorily required California Environmental Quality Act (CEQA) review of projects in the program.
5. Ongoing funding of $72,611,000 for local assistance for the CASF program—an additional seven (7) years beyond the last approval, or until 2029.
6. Budget bill language authorizing a three-year encumbrance period and two-year liquidation period for local assistance funding prospectively and extension of liquidation for current appropriations.

Background: The California Advanced Services Fund (CASF) program was initiated in 2008, after the program was first adopted by the Commission in Decision 07-12-054 and enacted into statute pursuant to SB 1193 (Padilla), Chapter 393, Statutes of 2008. The CASF promotes the deployment of broadband infrastructure in unserved and underserved areas of the state by providing grants and loans to help fund eligible broadband projects. It is funded by a surcharge rate on the revenues collected by telecommunications carriers from the end-users of intrastate services. The PUC was authorized to collect $315 million for CASF through 2020, but not to exceed $25 million per year, unless the CPUC determined that collecting a higher amount in any year will not result in an increase in the total amount of all surcharges collected from telephone customers that year. PUC has indicated that they had collected the entire authorized amount of $315 million by December 1, 2016.

AB 1665 (Eduardo Garcia), Chapter 851, Statutes of 2017, amends Public Utilities Code sections 281 and 914.7 to extend the date of the CASF goal from 2015 to 2022. The bill authorizes the PUC to collect an additional $330 million beginning January 1, 2018 through the 2022 calendar year, bringing the total Program funding authorization to $645 million.

Additionally, pursuant to Public Utilities Code section 912.2(a), the State Controller's Office (SCO) conducted the second independent interim financial and performance audit of the CASF program for the period of July 1, 2010, through December 31, 2015. While the audit overall found the CASF administration "reasonably in compliance" with statute, program requirements, and procedures, the SCO identified "internal control deficiencies and non-compliance." Further, the SCO recommended that the PUC dedicate more resources to perform adequate project management tasks, such as on-site visits, to determine the status of infrastructure projects.

Staff Comment: AB 1665, in extending the CASF program, created additional work requirements for the PUC, including additional program design and administration, stakeholder outreach, and overall program management. Additionally, after PUC approval for infrastructure grants, the PUC conducts environmental review of the infrastructure project pursuant to the California Environmental Quality Act (CEQA). The current Infrastructure Grant Account process requires grantees to request costs for the CEQA compliance from CASF funds and reimburse the PUC for the cost of CEQA consultants. The additional steps of approving grantees' requests for CEQA costs by resolution and the payments request process have caused project delays and cash flow problems for some grantees. The PUC intends to recommend a process to pay CEQA consultant invoices directly from CASF funds without the additional steps of having grantees request CEQA costs through the CASF funds and reimburse PUC.

In the last two completed fiscal years (fiscal years 2015-16 and 2016-17), the Commission awarded approximately $72.6 million of new grants per year. Given AB 1665's extension of the CASF program, this trend of local assistance expenditure will continue into fiscal year 2018-19. Thus, this BCP requests reestablishing ongoing local assistance expenditure authority for an additional seven (7) years of local assistance operations beyond the last grant approval—or until 2029 (assuming the last grant approval is in 2022 as authorized by AB 1665).

Staff Recommendation:
Approve as budgeted.

Issue 5: Building Administrative Infrastructure Core

Governor's Proposal: The budget requests $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.

Background: The PUC's responsibilities have expanded over the years to include new technologies, industries, mandates, programs, and goals. Staff has increased accordingly to meet the challenges of the changes in the areas over which the PUC has jurisdiction. However, the PUC has indicated that staffing in Administrative functions, such as Accounting, Human Resources, and Facilities has not kept pace with these staffing increases. Additionally, a series of Department of General Services (DGS) audit reports identified shortcomings in management and cost controls in the Fleet Management and Records Retention units.

Staff Comment: It is reasonable to believe that the PUC's administrative functions have been understaffed for several years. The PUC currently spends about 5.1 percent of its Personal Services budget on Administrative functions. This compares to the 12-15 percent ratio more common at other departments. Additionally, the cited DGC audits identified genuine issues that need to be addressed.

However, these requests must be reviewed in the context of several other PUC requests and reorganizations, including the proposals to decentralize the SED function and increase Sacramento office space. It is unclear at this time whether these or any other changes to the PUC organization will have additional impacts on administrative workload within the department.

Questions:

- How will the SED decentralization proposal impact administrative workload in that division?
- Does PUC foresee any additional organizational changes that will impact administrative workload?

Staff Recommendation:
Hold open.

Issue 6: Electric Transmission Rates Advocacy

Governor's Proposal: The budget requests $1,511,000 (Public Utilities Commission Utilities Reimbursement Account) for ongoing consulting costs ($600,000) and for five additional positions to advocate for California ratepayers at transmission rate proceedings before the Federal Energy Regulatory Commission (FERC) and the California Independent System Operator (CAISO).

Background: California Public Utilities (PU) Code §451 requires the PUC to ensure that electric rates paid by ratepayers are "just and reasonable." Prior to electric restructuring on January 1, 1998, California investor-owned utilities were vertically integrated, with generation, transmission, and distribution under rate regulation by the PUC. As a result of California electric industry restructuring, the Federal Energy Regulatory Commission (FERC) has jurisdiction over the transmission rates that must be borne by California ratepayers in utility rate cases, while the PUC approves the electric generation, distribution, and customer service cost components of utility rates.

PU Code Sections 307, 365, and 451 imposes on the PUC the duty to intervene in transmission rate cases at FERC to help ensure the FERC-authorized rates are just and reasonable before they are passed through to California ratepayers. Once FERC authorizes the utilities to recover transmission costs, the PUC has no independent authority to change FERC-authorized rates. Accordingly, the PUC's General Counsel or their designees represent the PUC in various cases at FERC and other decision-making proceedings. Consultants and the PUC Energy Division analysts perform technical research and discovery for the assigned legal staff, prepare testimony as expert witnesses in FERC transmission rate cases and support legal staff with research in settlement negotiations.

Staff Comment: The PUC currently has minimal representation in FERC transmission rate cases. The current cases range in value from $153 million to $1.72 billion and are serviced by multiple senior attorneys who balance FERC transmission rate cases with other caseloads. At present, there is one staff person supporting one personnel year equivalent of one attorney litigating six active rate cases at FERC, with a consulting budget of less than $200,000 spread over multiple years. Due to their high economic values, transmission rate cases are extremely technical and heavily litigated. Consultants are typically specialized and expensive. The PUC has indicated that, absent additional funding for consulting costs, they will be unable to contract with consultants with the appropriate skill set to effectively advocate for California consumers.

Questions:

1. What has been the impact to California ratepayers of the PUC's limited ability to advocate in FERC proceedings?
2. What kind of rate benefits could California ratepayers expect from improved PUC advocacy at FERC proceedings?

Staff Recommendation:
Approve as Budgeted.

Issue 7: Reduce Carbon Emissions

Governor's Proposal: The budget requests $359,000 per year in ongoing funding (Public Utilities Commission Utilities Reimbursement Account) for two permanent positions and $1,000,000 per year for four years for consulting contract costs.

Background: SB 350 (De Leon), Chapter 547, Statutes of 2015, expanded the PUC's work to include transportation electrification beyond vehicles and required the PUC to order the six electric utilities under its jurisdiction to file applications proposing programs to support transportation electrification.

AB 578 (Blakeslee), Chapter 627, Statutes of 2008 (AB 578), requires the PUC, in consultation with the CAISO and CEC, to biennially study and submit a report on the impacts of distributed energy generation on the state's distribution and transmission grid.

AB 327 (Perea), Chapter 611, Statutes of 2013, requires an electrical corporation, by July 1, 2015, to submit to the PUC a Distribution Resources Plan (DRP) proposal to identify optimal locations for the deployment of Distributed Energy Resources (DERs). The statute requires the PUC to review each DRP proposal and approve, or modify, the DRP for each corporation.

Staff Comment: Pursuant to SB 350, in January 2017 the large investor-owned utilities submitted applications proposing 25 transportation electrification projects with a collective budget of over $1 billion. The applications are currently under consideration at the PUC, and no final decision has been made on the proposed programs. However, if approved, the proposed programs represent a fivefold increase in the number of transportation electrification programs currently overseen by the PUC. If all of the proposed projects are approved, PUC technical staff will be responsible for managing implementation of up to 36 new projects, monitoring their progress towards the state's transportation electrification and GHG reduction goals and advising decision makers on any modifications to the programs to see that these goals are met. PUC has indicated that they lack the necessary staff resources required to properly meet this increased workload.

Additionally, the PUC has indicated that it lacks the technical expertise in-house needed to perform the analysis of DRPs and DERs called for in SB 350, AB 578, and SB 327. The PUC has indicated that they have attempted to direct the utilities to provide the needed analysis, but the utilities have not been willing partners, resulting in delayed and unreliable outcomes. As such, hiring a consultant will help the PUC to determine the optimal grid modernization investments and DER costs within a timeline necessary to meet the statutory requirements.

Questions:

1. Please provide detail about the proposed transportation electrification projects. What kinds of projects, located where?
2. Does PUC anticipate future growth in this type of workload as the transportation sector continues to electrify?

Staff Recommendation:
Approve as Budgeted.

Issue 8: Electric Vehicle Charging Infrastructure at Public Parks, Public Beaches, and Schools (AB 1082 and AB 1083)

Governor's Proposal: The budget requests $546,000 (Public Utilities Commission Utilities Reimbursement Account) for three one-year limited term positions to implement the requirements of AB 1082 (Burke), Chapter 637, Statutes of 2017, and AB 1083 (Burke), Chapter 638, Statutes of 2017. These bills created an expedited review process for applications to install charging stations at certain public properties that requires additional work at the PUC.

Background: AB 1082 authorizes each electric utility to file an application to propose a pilot for the installation of electric vehicle charging stations at school facilities and other educational institutions. It would require the utilities to file these applications by July 30, 2018 and for the PUC to review, modify if appropriate, and decide whether to approve a pilot by December 31, 2018.

AB 1083 authorizes each electric utility to file an application to propose a pilot for the installation of electric vehicle charging stations at state parks and beaches. AB 1083 sets the same expedited timeline as AB 1082 for the filing and review of potential utility proposals. Additionally, AB 1083 requires utilities to consult with the Department of Parks and Recreation, PUC, CEC, and ARB if they file an application. The Department of Parks and Recreation shall determine which parks or beaches are suitable locations for EV charging.

Both bills require all projects to have a reasonable cost recovery mechanism, to participate in time-variant electricity pricing, and serve disadvantaged communities. AB 1082 also authorizes projects to charge users for their electricity use.

Staff Comments: In response to AB 1082 and AB 1083, all six electric utilities under the PUC's jurisdiction could potentially file both an application for a schools pilot and an application for a parks and beaches pilot, totaling twelve new applications for twelve distinct electric vehicle charging infrastructure pilots filed on the same date. In this scenario, the expedited five-month review schedule mandated by AB 1082 and AB 1083 would require PUC staff to review up to twelve new applications concurrently. PUC has indicated that this workload cannot be absorbed by current resources without negatively impacting other work.

Staff finds this request generally reasonable, and in line with the fiscal analyses published with the passage of the two bills in question. However, given the state's growing and extensive efforts to expand ZEV charging infrastructure, staff believes that additional reporting on the outcomes of the possible pilots under these bills could help inform future policy and budgetary decisions.

Questions:

1. What does PUC hope to learn from these pilot projects?

Staff Recommendation:
Approve as Budgeted with Supplemental Reporting Language requiring the PUC to report on the outcomes of the proposed pilot projects.

Issue 9: California Public Utilities Commission Governance, Accountability, Training, and Transportation Oversight Act of 2017 (SB 19)

Governor's Proposal: The budget requests the elimination of ongoing appropriations in the Transportation Rate Fund (TRF, Fund 0412) and 11 related positions, as well as the transfer of $750,000 from the TRF to the Household Movers Fund (HMF), in the Professions and Vocations Fund to fund new responsibilities at the Department of Consumer Affairs (DCA). These changes are intended to enact the requirements of SB 19 (Hill), Chapter 421, Statutes of 2017.

Background: The PUC has authority under Article XII of the State Constitution to establish rules and set rates for various categories of companies that transport passengers and property. Specifically, the PUC has licensing, rate regulation, enforcement, prosecution, rulemaking authority and insurance rate setting responsibility over passenger and goods carriers such as limousines, airport shuttles, transportation network companies, buses, ferries, boats, commercial air operators and household goods carriers.

During the 2015-16 legislative session, the Governor signed a package of bills enacting various reforms to improve public safety, as well as PUC governance, accountability, and transparency. In an accompanying signing message, the Governor directed the Administration to work with the PUC to reorganize duties and responsibilities over transportation-related regulation.

SB 19 (Hill), Chapter 421, Statutes of 2017, approved by the Legislature on September 19, 2017 and signed by the Governor on October 2, 2017, added Article 3.1 to the Business and Professions Code. It transferred jurisdiction over household goods regulation from the PUC to the Department of Consumer Affairs (DCA), effective July 1, 2018. It also required the PUC and DCA to enter into a Memorandum of Understanding to facilitate the transfer of responsibilities.

Staff Comment: The PUC has indicated that the Interagency Agreement between PUC and DCA was executed on February 12, 2018. The PUC has also indicated that only 11 vacant positions are moving to DCA—the Transportation Enforcement Branch (TEB) is not being eliminated. The many Admin/Distributed Admin activities (HR, IT, Facilities, Contracts, Procurement, Fiscal, etc.) will not decrease notably as a result. Staff finds the proposal generally reasonable. It is consistent with the structure of SB 19, and takes a reasoned and appropriate approach to the transfer of responsibilities from PUC to DCA.

Questions:

- What is PUC doing to ensure a smooth handoff of responsibilities to DCA? Have you been in contact with the regulated entities about the transfer?

Staff Recommendation:
Approve as Budgeted.

8660 PUC – Office of Ratepayer Advocate

Per Public Utilities Code Section 309.5, the PUC Office of Ratepayer Advocate (ORA) 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 ORA 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 1: Geographical Information Systems Analysis

Governor's Proposal: The budget requests a Research Program Specialist III (Geographic Information Systems) position and $142,000 from the Public Utilities Commission Office of Ratepayer Advocate Account (PUCORA) to perform geographical spatial analysis work associated with evaluating investor-owned utility (IOU) applications and programs across industry areas, and measure program outcomes that impact disadvantaged communities and low-income households.

Background: PUC proceedings occur in industry areas such as energy, telecommunications, and water. SB 350 (de León) Chapter 547, Statutes of 2015, requires that a minimum of 50 percent of electricity generated and sold to retail customers come from renewable sources by December 31, 2030 and the doubling of energy savings and demand reduction in retail electricity and gas use by January 1, 2030. SB 350 and Executive Order B-16-12 encourage the acceleration of transportation electrification. Moreover, Executive Order B-16-12 establishes benchmarks to achieve by 2025 such as 1.5 million zero-emission vehicles on California roads. Public Utilities Codes § 399.4(d), 454.55-56, and 783.5 require the PUC to examine affordable energy options for disadvantaged communities. PU Code § 400 requires the PUC and Energy Commission to take into account the use of distributed energy generation so that that it provides economic and environmental benefits in disadvantaged communities.

AB 401 (Dodd), Chapter 662, Statutes of 2015, directs the State Water Resources Control Board (SWRCB), in collaboration with the PUC and other relevant stakeholders, to create and fund the Low-Income Water Rate Assistance Program, a statewide, rate assistance program for low-income water customers.

PU Code § 882 (b) requires the development of rules, procedures, orders, or strategies to provide Californians access to the widest possible array of advanced communications services and to ensure cost-effective deployment of technology so as to protect ratepayers' interests and the affordability of telecommunications services. PU Code § 451 requires that every public utility furnish and maintain adequate, efficient, just, and reasonable service, instrumentalities, equipment, and facilities, including telephone facilities necessary to promote the safety, health, comfort, and convenience of its patrons, employees, and the public. Additionally, PU Code § 281 requires the PUC to develop, implement, and administer the California Advanced Services Fund program to approve funding for cost effective deployment of broadband to no less than 98% of households in California.

Staff Comments: The ORA does not currently have a position dedicated to GIS analysis. They state that their inability to conduct geographical spatial analysis prevents them from adequately contributing to PUC proceedings across industry areas such as energy, telecommunications, and water. They estimate that, in 2018-19, 33 proceedings will directly benefit from a research program specialist. However it is unclear how many of these proceedings directly measure outcomes that impact disadvantaged communities and low-income households—the main justification for their budget request. Moreover the benefits that California's ratepayers experience, especially in these communities, are unknown. Even though there may be a need for this position and its abilities, sufficient justification has not yet been articulated.

Questions:

1. What can't the ORA do without this position?
2. What has been the impact of ORA's inability to do this analysis work on California's ratepayers, especially in low income and disadvantaged communities?
3. What benefits can California's ratepayers, especially in low income and disadvantaged communities, expect from the ORA utilizing this position?

Staff recommendation:

Hold Open.

Issue 2: Trailer Bill Proposal: Public Advocate's Office

Proposal. This request includes trailer bill language to rename the Office of Ratepayer Advocates as the Public Advocate's Office.

Background. The Office of Ratepayer Advocates has existed in one form or another since the middle part of the last century. It functions as an independent staff within the CPUC, separate and apart from the commissioners' staffs, to advocate on behalf of ratepayers in proceedings before the Commission. More recently, the Legislature has enacted laws (a) to name the Office, (b) to make its director an appointment by the Governor and subject to Senate Confirmation, and (c) to require that it have a separate line item in the budget. The Office has requested that the Legislature update and rename the Office as the "Public Advocate's Office" so that its name more accurately conveys its public interest mission. The Office has indicated that there will be no budget impact related to this name change.

Staff Recommendation. Adopt placeholder TBL.

SUBCOMMITTEE NO. 2 Agenda

Senator Bob Wieckowski, Chair
Senator Mike McGuire
Senator Jim Nielsen

Thursday, March 15, 2018
9:30 a.m. or upon adjournment of session
State Capitol - Room 112

Consultant: Joanne Roy

OUTCOMES

PRESENTATION – California Natural Resources Agency budget overview.
• John Laird, Secretary for Natural Resources

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PUBLIC COMMENT

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 Secretary of the Natural Resources Agency

1. **California Ocean Protection Council – Once Through Cooling.** The budget requests $5.4 million annually from the State Water Resources Control Board's Once-Through-Cooling (OTC) Interim Mitigation Program payments to the Ocean Protection Trust Fund to fund projects identified as necessary to mitigate the harm to Marine Protected Areas (MPA) caused by entrainment and impingement of marine life as a result of OTC. This proposal also seeks to make two limited-term positions permanent.

2. **Proposition 1 Bond Auditing.** The budget requests $11.13 million one-time in Proposition 1 funding to be appropriated over the life of the bond for auditing services provided by the Department of Finance Office of Audits and Evaluation, of which $540,000 is appropriated in fiscal year (FY) 2018-19. This request will scale Proposition 1 funding for audit services over the life of the bond, with the majority of audit services being performed in the mid-years, when programs and projects are fully underway or completed and have the highest amount of projects and related expenditures to audit.

3. **Various Technical Adjustments.** The budget requests for various technical reappropriations, reversions, reversions with associated new appropriations, and baseline appropriation adjustments to continue implementation of previously authorized programs. This proposal also requests authorization of two new accounting positions for the Department of Forestry and Fire Protection to support administration of bond funds for the Secretary of the California Natural Resources Agency (CNRA). These two positions will be funded from existing resources and used to fulfill previously authorized agency program activities.

3600 Department of Fish and Wildlife

4. **Proposition 84 Reversion and Appropriation.** The budget requests a reversion of $6.9 million in Proposition 84 funding appropriated in FY 2015-16. The Department received $12.7 million in FY 2015-16 of which the balance will not revert until June 30, 2020. This proposal also requests a new appropriation of $32 million in Proposition 84 that were appropriated in FY 2007-08 through FY 2014-15. The requested funds will be used for habitat restoration purposes in line with the Department's mission and consistent with the Proposition 84 bond act requirements.

5. **Sacramento Valley Salmon Resiliency Strategy Implementation.** The budget requests a reversion of $5,698,000 in Proposition 50 funds appropriated in FY 2015-16 and FY 2016-17. This proposal also requests a new appropriation of $14.394 million in Proposition 50 funds that were appropriated in FY 2013-14 and FY 2016-17. The requested funding will support the completion of restoration actions on Battle Creek, to support winter-run Chinook Salmon recovery and benefit spring-run Chinook Salmon and steelhead. This is a key element of the Sacramento Valley Salmon Resiliency Strategy and an important recovery plan action for these species. The Battle Creek project is an ongoing multi-agency effort, which requires the additional funding to complete and allow re-introduction of winter-run Chinook Salmon to the creek.

8570 Department of Water Resources

6. **Flood Corridor Program and Tribal Engagement.** The budget requests $2.9 million in FY 2018-19, $177,000 in FY 2019-20, and $176,000 in FY 2020-21 to support the Flood Corridor Program and the Tribal Engagement program. Specifically, the proposal is as follows:

   Flood Corridor Program
   - Requests a reversion and reappropriation of $2 million from Proposition 84 for local assistance in 2018-19.
   - Request $530,000 from Proposition 13 for state operations ($177,000 for FY 2018-19 and FY 2019-2020, $176,000 for FY 2020-21).

   Tribal Engagement
   - Requests $684,000 one-time from Proposition 84 for grants or contracts that facilitate greater and more effective participation by Tribal governments and Tribal communities in the Integrated Regional Water Management programs and activities.

7. **Resiliency Strategy Implementation.** The budget requests $500,000 one-time from the Harbors and Watercraft Revolving Fund for aquatic weed control, a contributing cause of the decline of delta smelt, Chinook salmon, and steelhead.

   The Delta Smelt Resiliency Strategy calls for enhanced control of invasive aquatic plants, which have deleterious effects on water quality and foster invasive predator populations.

8. **San Joaquin River Restoration Program and San Joaquin River Projects.** The budget requests $20,800,000 in state reimbursement authority from CNRA and the Wildlife Conservation Board (Propositions 40, 84, and 1) to support 17 existing positions for continued work on the San Joaquin River Restoration Program (SJRRP) and the San Joaquin River Projects. Specifically, this proposal requests:

   - $15.6 million ($5.1 million in FY 2018-19, $5.3 million in FY 2019-20, and $5.2 million in FY 2020-21) in reimbursement authority from Proposition 84 from CNRA to support SJRRP.

     The requested funds will be used to support the SJRRP through program management, hydraulic and sediment studies, geotechnical investigations, habitat studies, and design, to evaluate and implement priority actions identified in the settlement agreement between the Natural Resources Defense Council (plaintiff) and the U.S. Bureau of Reclamation (co-defendant) and the Friant (co-defendant) in September, 2006, regarding the dewatering of the river to give to farmers that resulting in dead fish, and the program’s environmental impact study/environmental impact report.

   - $5.2 million ($1.1 million in FY 2018-19, $2.1 million FY 2019-20, and $2 million in FY 2020-21) in reimbursement authority from Propositions 84, 40, and 1 from the Wildlife Conservation Board to support habitat restoration, recreation, and public access improvement projects along the San Joaquin River (SJR).

The requested funds will be used for design and permitting of a gravel pit isolation and access improvement project at the Milburn Pond Ecological Reserve on the SJR; construction of a public fishing access project at the Sycamore Island Recreation area; planning and implementation of work for a bridge rehabilitation project on the SJR; and salmon spawning habitat enhancement on the SJR.

3940 State Water Resources Control Board

9. **Water Rights Online Annual Use Reporting.** The budget requests $384,000 one-time ($192,000 from the Water Rights Fund and $192,000 from the General Fund) and four positions to implement the Water Rights Online Reporting Program. The Water Rights Online Reporting Program is responsible for the receipt, analysis, and validation of approximately 38,500 annual water use reports. The requested funding would be used to address increased workload related to: (1) two legislative bills that mandate online reporting of water rights information and changes in the frequency of water use reporting from every three years to annually; and (2) the Governor's January 2014 Drought Proclamation, which highlighted the need for better water rights data to inform water use decisions.

Staff Recommendation: Approve all vote-only items as budgeted.

ISSUES FOR DISCUSSION

0540 Secretary of the Natural Resources Agency
3125 California Tahoe Conservancy
3340 California Conservation Corps
3480 Department of Conservation
3540 Department of Forestry and Fire Protection
3600 Department of Fish and Wildlife
3640 Wildlife Conservation Board
3760 State Coastal Conservancy
3790 Department of Parks and Recreation
3810 Santa Monica Mountains Conservancy
3825 San Gabriel and Lower Los Angeles River and Mountains Conservancy
3835 Baldwin Hills Conservancy
3855 Sierra Nevada Conservancy
3860 Department of Water Resources
3875 Sacramento-San Joaquin Delta Conservancy
3940 State Water Resources Control Board
8570 California Department of Food and Agriculture
0540 Ocean Protection Council

Issue 1 – The Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access for All Act of 2017 (SB 5): Budget Change Proposals (BCPs)

Governor's Proposal. If voter-approved, the Governor's budget proposes to spend $1.02 billion in SB 5 (de León), Chapter 852, Statutes of 2017, bond funds for the first year of implementation. Of this amount, the budget proposes to dedicate $123 million to climate adaptation and resiliency programs.

The following table lists the programs proposed to receive SB 5 funding in FY 2018-19:

Department	BCP Title	Programs	State Operations	Local Assistance	Capital Outlay	Total	PY
Baldwin Hills Conservancy	Support and Local Assistance	Habitat Restoration, Watershed Protection, Park Improvements	$0.135	$1.100	$0.000	$1.235	0.0
California Conservation Corps	Corps Projects and Local Assistance Grants	Habitat Restoration	5.183	4.567	0.000	9.750	7.0

California Department of Food and Agriculture (CDFA)	Fair Deferred Maintenance	Deferred Maintenance	0.350	3.209	0.000	3.559	2.0
CDFA	SWEEP and Healthy Soils	SWEEP and Healthy Soils Program	1.048	26.404	0.000	27.45	7.0
California Tahoe Conservancy	Upper Truckee River and Marsh Restoration Project	River and Marsh Restoration	0.000	0.000	3.200	3.200	0.0
Department of Conservation	Working Lands and Riparian Corridors	Agricultural Land Trusts	0.195	1.000	0.000	1.195	0.0
Department of Fish and Wildlife	Implementation of California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access For All Act of 2018	River Restoration	1.574	22.060	0.000	23.6	10.5
Department of Forestry and Fire Protection	Urban Forestry Program	Urban Forestry	1.070	13.555	0.000	14.63	4.0
Department of Parks and Recreation	Safe Neighborhood Parks Local Assistance	Local Parks Grants	3.135	460.292	0.000	463.4	13.0
Department of Parks and Recreation	State Park System Scoping, Planning and Redwood Reforestation	Park Maintenance and Forestry	4.185	0.000	0.000	4.185	3.0
Department of Water Resources	Drought and Groundwater Investments	Regional Groundwater Sustainability	15.500	46.250	0.000	61.75	6.0
Department of Water Resources	Floodplain Management, Protection and Risk Awareness Program	Floods	2.000	0.000	0.000	2.000	0.0
Department of Water Resources	Floodwater for Groundwater Recharge	Groundwater recharge	2.500	0.000	0.000	2.500	0.0
Department of Water Resources	Multi-Benefit Flood Improvements Projects	Floods	0.000	0.000	94.000	94.00	0.0
Department of Water Resources	Salton Sea Management Program Phase 1 Implementation	Salton Sea	0.000	0.000	30.000	30.000	0.0
Department of Water Resources	Urban Streams Restoration Program	Urban Streams Restoration	0.537	0.000	0.000	0.537	0.0
Natural Resources Agency	Appropriations of SB 5 for Agency Programs	Waterways, Parkways, Multi-benefit Green Infrastructure	0.700	56.500	0.000	57.20	5.0
Ocean Protection Council	CA Ocean Protection Council - Advancing Ocean and Coastal Health Productivity and Resiliency	Marine Wildlife, Coastal Restoration and Management	0.284	20.000	0.000	20.28	2.0
Sacramento-San Joaquin Delta Conservancy	Economic Development in the Delta	Delta	0.117	0.939	0.000	1.056	2.0
San Gabriel and Lower Los Angeles River and Mountains Conservancy	Los Angeles River Watershed and Tributaries Support, Local Assistance, and Capital Outlay Allocations	LA River	0.430	8.245	0.000	8.675	0.0
Santa Monica Mountain Conservancy	Los Angeles River Watershed and Tributaries	LA River	0.300	8.375	0.000	8.675	0.0

San Diego River Conservancy	SB 5 Local Assistance Grant Program	San Diego River	0.050	0.000	0.000	0.050	1.0
Sierra Nevada Conservancy	Watershed Improvement Program and Conservancy Projects	Habitat Restoration	1.045	5.300	0.000	6.345	3.0
State Coastal Conservancy	Support and Local Assistance Appropriation	Coastal Restoration and Management	0.191	4.872	0.000	5.063	1.5
State Water Resources Control Board	California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access for All Act of 2018	Drinking Water, Groundwater Treatment, Groundwater Sustainability	1.330	145.920	0.000	147.3	10.0
Wildlife Conservation Board	Lower American River Conservancy and Conservation Project Grant Programs	Habitat Restoration	0.853	20.000	0.000	20.85	5.0
Department of Parks and Recreation	Statewide bond costs	Bond Management	0.747	0.000	0.000	0.747	5.0
Natural Resources Agency	Statewide bond costs	Bond Management	0.426	0.000	0.000	0.426	2.0
Department of Water Resources	Statewide bond costs	Bond Management	0.188	0.000	0.000	0.188	1.0
			$44.1	**$848.6**	**$127.2**	**$1,019.9**	**90.0**

** Source: Legislative Analyst's Office*

For more detail for each of the BCPs listed above, a summary of each of these proposals is as follows:

1. ***CNRA: Appropriations of SB 5 funds for Agency Programs.*** Requests $57.2 million in support and local assistance from SB 5 in FY 2018-19, and five new permanent positions. The requested funding is allocated in the bond act, as specified to provide various conservation, recreation, restoration, and multi-benefit greening and water conservation projects.

2. ***CNRA: Bonds and Grant Unit.*** Requests to make six long-term limited positions permanent within the Bonds and Grants Unit at CNRA. The funding for these positions is in the Agency's baseline budget and comes from Proposition 1, Proposition 84, and the Greenhouse Gas Reduction Fund.

3. ***CNRA: California Ocean Protection Council – SB 5 Advancing Ocean and Coastal Health, Productivity, and Resiliency.*** Requests to appropriate $20.284 million from SB 5 Bond Funds to the California Ocean Protection Trust Fund to provide critical support for projects that maintain and advance healthy, resilient, and productive ocean and coastal ecosystems for the benefit of current and future generations.

4. ***CNRA, Department of Parks and Recreation, and Department of Water Resources: Lifetime Statewide Bond Costs for SB 5.*** CNRA, Department of Parks and Recreation, and the Department of Water Resources request first year staffing and funding needs of eight positions and $1.362 million in bond funding.

5. ***California Tahoe Conservancy: Upper Truckee River and Marsh Restoration Project.*** Requests a total of $9.07 million for the construction phase of the Upper Truckee River and Marsh Restoration Project. The project will restore natural processes and functions of Conservancy-owned or controlled lands within the Upper Truckee River Marsh. The purpose of the improvements is to enhance the area's ecological values and water filtering capacity, with a

complimentary and appropriate level of recreation infrastructure. The total cost estimate is $10.37 million. This request also includes a reversion of $1.709 million from the unencumbered balances of various appropriations from FY 2014-15 through FY 2017-18.

6. ***California Conservation Corps: Corps Projects and Local Assistance Grants.*** Requests $9.75 million in bond funding for FY 2018-19 and seven positions for program delivery and planning and monitoring activities. The funding would be used to provide over 150,000 annual hours in projects to enhance and restore state parkways, and administer $4.567 million in grants to certified local conservation corps.

7. ***Department of Conservation: Working Lands and Riparian Corridors.*** Requests $1.195 million for FY 2018-19 to build agricultural land trust capacity.

8. ***Department of Forestry and Fire Protection: Urban Forestry Program.*** Requests one-time funding of $14.6 million in FY 2018-19 to provide urban forestry projects.

9. ***Department of Fish and Wildlife: Implementation of SB 5.*** Requests $23.5 million for local assistance and state operations to support competitive grants and the redirection of 10.5 existing positions, currently supported with expiring bond money and other funds, to implement SB 5. Authorization of the request would allow the department to support a variety of projects, which include climate change adaptation, protecting and restoring rivers and streams, and improving conditions for fish and wildlife.

10. ***Wildlife Conservation Board: Lower American River Conservancy and Conservation Project Grant Programs.*** Requests a FY 2018-19 state operations appropriation in the amount of $853,000 and five PY position authority to implement the applicable statutory requirements resulting from SB 5. The board is further requesting $20 million in funding which may be used for either capital outlay or local assistance to implement new programs as specified in SB 5.

11. ***State Coastal Conservancy: Local Assistance and State Operations Funding.*** Requests a local assistance appropriation of $4.872 million, and a support (state operations) appropriation of $191,000 in FY 2018-19 pursuant to Chapters 9 (ocean, bay, and coastal protection) and 10 (climate preparedness, habitat resiliency, resource enhancement, and innovation) of SB 5 and consistent with the Conservancy's rollout plan. The support appropriation will include $130,000 of planning and monitoring funding and $61,000 of program administration. The Conservancy also requests 1.5 new permanent, full-time positions to implement the SB 5 programs, one new Staff Services Analyst and one-half a of a Conservancy Project Development Analyst.

12. ***Department of Parks and Recreation (Parks): Safe Neighborhood Parks Local Assistance.*** Requests a one-time increase of $3.135 million for support and $460.292 million for local assistance in FY 2018-19. This proposal requests funding for program delivery staff to manage and oversee several SB 5 grant programs. Parks anticipates the need for $3.135 million and 13 positions in the first year.

13. ***Parks: State Park System Scoping, Planning and Redwood Reforestation.*** Requests a one-time increase of $4.185 million and three positions in FY 2018-19 to undertake scoping and planning for critical State Park System projects and for a critical redwood reforestation partnership.

14. ***Santa Monica Mountains Conservancy: Los Angeles River Watershed and Tributaries.*** Requests appropriation of $300,000 state operations and $8.375 million local assistance. Additionally, the Conservancy requests the local assistance funds be available for encumbrance and expenditure until June 30, 2020. Funds will be used for the implementation of the Santa Monica Mountains Comprehensive Plan, the Rim of the Valley Trails Corridor master Plan, the Los Angeles County River Master Plan, the San Gabriel and Los Angeles Rivers Watershed and Open Space Plan, and to further cooperation with local governments in the region to secure open space and parkland, to expand efforts to integrate nature into the urban environment and to expand education, public access, and resource stewardship components in a manner that best serves the public, protects habitat and provides recreational opportunities.

15. ***San Gabriel and Lower Los Angeles River and Mountains Conservancy: Los Angeles River Watershed and Tributaries.*** Requests $8.675 million with allocations for state operations and $8.245 million for local assistance in FY 2018-19 to begin implementation of projects consistent with SB 5 and the Watershed and Open Space Plan for the San Gabriel and Los Angeles Rivers.

16. ***Baldwin Hills Conservancy: Support and Local Assistance.*** Requests $1 million for local assistance grants and $135,000 for state operations. The appropriations will support the Conservancy's mission, in particular by continuing its watershed protection, habitat restoration, acquisition and park improvements in the Ballona Creek/Baldwin Hills Watershed and support an existing Park and Recreation Specialist position.

17. ***San Diego River Conservancy: Appropriation for Program Delivery.*** Requests $50,000 for program delivery in FY 2018-19 in order to support the Conservancy's implementation of its statutory authorization, mission and strategic plan – in particular, by continuing to conserve land, offer outdoor recreation and provide public access to trails and other open space, outdoor recreation and public educational opportunities along the San Diego River watershed. The request will provide funding for one new position to support implementation of the local assistance grants program. It is anticipated that grant funds will be awarded over a 9-year period beginning with FY 2019-20 and that ongoing administration will continue through FY 2029-30.

18. ***Sierra Nevada Conservancy: Watershed Improvement Program and Conservancy Projects.*** Requests $6.4 million and three positions to implement SB 5. Specific appropriations are requested as follows: a) $5.3 million for local assistance for grants to support the Sierra Nevada Watershed Improvement Program; b) $260,000 for program delivery; and, c) $785,000 for planning and monitoring.

19. **Department of Water Resources (DWR): Drought and Groundwater Investments.** Requests one-time funding for 6.0 positions and $61.8 million for drought and groundwater investments to achieve regional sustainability. DWR also requests a two-year extended encumbrance for the local assistance funds.

20. ***DWR: Floodplain Management, Protection and Risk Awareness Program.*** Requests a one-time appropriation of $2 million in state operations to begin implementation of the Floodplain Management, Protection and Risk Awareness Program to protect people and property in California's alluvial fan, coastal and riverine floodplains.

21. ***DWR: Floodwater for Groundwater Recharge.*** Requests a one-time appropriation of $2.5 million in state operations to conduct strategic planning, identify data gaps, and develop tools

necessary to prepare a statewide plan to use floodwater for managed aquifer recharge and support sustainable water resources.

22. ***DWR: Multi-Benefit Flood Improvement Projects.*** Requests a total of $94 million for FY 2018-19 to implement multi-benefit flood improvement projects. This request will support existing staff and contract work needed to carry out the projects.

23. ***DWR: Salton Sea Management Program Phase 1 Implementation.*** Requests $30 million in Reimbursement Authority ($23.9 million in capital outlay and $6.1 million in state operations). DWR will be reimbursed from CNRA appropriation from SB 5. The authority will be used to construct water management infrastructure and habitat conservation and dust mitigation projects pursuant to the CNRA Salton Sea Management Phase I 10-year Plan and required by the State Water Resources Control Board Stipulated Order WRO 2002-0013. The reimbursement authority will provide DWR the resources needed to implement the design, construction, and construction management for the 1,000 acres of aquatic habitat/dust mitigation and construct water supply infrastructure required for the full implementation of the Salton Sea Management Program Plan and support 13 existing full-time equivalent positions.

24. ***DWR: Urban Streams Restoration Program.*** Requests a one-time appropriation of $537,000 in state operations to support the Urban Streams Restoration Program. Funds will support 2.1 existing positions to provide technical assistance and to develop grant solicitations.

25. ***Sacramento-San Joaquin Delta Conservancy: Economic Development in the Delta.*** Requests two positions and $1.1 million to begin implementation of SB 5.

26. ***State Water Resources Control Board: California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access for All Act of 2018.*** Requests $147,300,000 in budget authority and 10 positions to administer the programs and permit projects authorized by SB 5 and requests the local assistance funds be available for an extended encumbrance period of two years.

27. ***California Department of Food and Agriculture (CDFA): Fair Deferred Maintenance Program.*** Requests $3.559 million and two positions for FY 2018-19 to begin providing deferred maintenance support to the Network of California Fairs and requests budget bill language to make this funding available, for encumbrance or expenditure, for two years through June 30, 2020. This will provide more fairs more opportunities to generate self-sustaining revenue and safer facilities for the public during events and the emergency personnel who utilize the fairgrounds during catastrophic events such as earthquakes, wildfires, and floods.

28. ***CDFA: State Water Efficiency and Enhancement Program and Healthy Soils Program.*** Requests $27.452 million and seven positions in FY 2018-19 to award, administer, and monitor $17.8 million in State Water Efficiency and Enhancement Program grants and $8.604 million in Healthy Soils Program grants; and requests budget bill language to make this funding available, for encumbrance or expenditure, for two years through June 30, 2020.

Overall, the Governor’s proposed spending plan for SB 5 moneys in FY 2018-19 is consistent with the parameters set forth in SB 5.

Background. ***SB 5 (de León), Chapter 852, Statutes of 2017, established the Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access for All Act of 2017 (SB 5).*** SB 5 allocates a total of

$4.1 billion – $4 billion of which is new bond authority and the remaining $100 million will be redirected from unsold bonds previously approved as part of Propositions 1, 40, and 84. SB 5 is subject to voter approval and has been placed on the June 2018 ballot as Proposition 68.

SB 5 includes the following purposes and accompanying amounts:

SB 5 FUNDING ALLOCATIONS		
SB 5 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, CNRA, 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**

Of the $4.1 billion bond, the Governor proposes to spend $1.02 billion in the FY 2018-19 budget.

Past Natural Resources Bonds. Since 2000, multiple general obligation bonds, totaling approximately $27 billion, have been approved and provide funding for purposes similar to SB 5, including the following:

RESOURCES GENERAL OBLIGATION BONDS SINCE 2000		
Proposition (Year)	**Purpose**	**Amount Authorized (in Billions)**
12 (2000)	Parks and natural resources protection	$2.1
13 (2000)	Safe drinking water, water quality, flood protection, and water reliability projects	1.9*
40 (2002)	Development, restoration, and acquisition of state and local parks, recreation areas and historical resources, and for land, air, and water conservation programs	2.6
50 (2002)	CALFED Bay-Delta Program projects including urban and agricultural water use efficiency projects; grants and loans to reduce Colorado River water use; purchasing, protecting and restoring coastal wetlands near urban areas; competitive grants for water management and water quality improvement projects; development of river parkways; improved security for state, local and regional water systems; and grants for desalination and drinking water disinfecting projects	3.3*
1E (2006)	Rebuild and repair California's most vulnerable flood control structures to protect homes and prevent loss of life from flood-related disasters, including levee failures, flash floods, and mudslides, and to protect California's drinking water supply system by rebuilding delta levees that are vulnerable to earthquakes and storms	4.0*
84 (2006)	Safe drinking water, water quality and supply, flood control, waterway and natural resource protection, water pollution and contamination control, state and local park improvements, public access to natural resources, and water conservation efforts	5.3*
1 (2014)	Ecosystem and watershed protection and restoration, water supply infrastructure projects, including surface and groundwater storage, and drinking water protection	7.5

TOTAL	$26.7
* Reflects amount authorized by voters adjusted by Proposition 1 (2014), which reallocated some previously approved bonds for other purposes.	

These past resources bonds have been expended and encumbered to varying degrees (as of June 2017), but still have unencumbered moneys available for future spending, as follows:

ENCUMBERED & UNENCUMBERED PORTIONS OF RESOURCES BONDS SINCE 2000		
Bonds since 2000	**Percentage of Bond Expended & Encumbered**	**Amount of Bond Unencumbered**
Proposition 1	10%	$6,765,091,000
Proposition 1E	76	971,254,856
Proposition 84	87	695,380,797
Proposition 50	95	181,223,896
Proposition 40	95	139,227,968
Proposition 13	91	184,919,878
Proposition 12	99	13,896,654
TOTAL	**67%**	**$8,950,995,049**

Although two-thirds of moneys from resources bonds approved by voters since 2000 have been expended and encumbered, almost $9 billion remain unencumbered. SB 5 would add an additional $4 billion, for a total of approximately $13 billion in general obligation bonds available for natural resources and environmental protection purposes.

Legislative Analyst's Office (LAO). ***Reasonable Approach to Implementing First Year of Funding.*** Overall, LAO finds that the Administration's SB 5 funding plan for 2018-19 is reasonable. While departments are proposing to spend hundreds of millions of dollars in the budget year, they generally have targeted this spending towards programs that are likely to be successfully implemented this first year. This includes focusing on grant programs for which administering departments are confident that they can develop grant guidelines and make awards before the end of the budget year, such as when the funding supports existing or recently active grant programs. In addition, some spending is targeted towards more narrowly defined state purposes, such as implementing the Salton Sea Management Plan. For new programs authorized by the bond, the Administration generally is requesting funding for administrative positions that would be responsible for developing program guidelines during the budget year.

LAO also notes that in most cases, local assistance and capital outlay funding is targeted to programs where prior bond funds largely have already been spent or committed to projects, leaving little available for new projects absent this proposal. For example, the proposal would provide $47 million for DWR to offer another round of grants to local groundwater agencies that are in the process of developing plans to help implement the Sustainable Groundwater Management Act (SGMA). Proposition 1 (2014) provided such support to some agencies; however, those grants have been fully allocated and not every local agency received funding.

Notably, there are a number of programs in SB 5 for which the administration is not requesting any resources for 2018-19, including for projects or administrative support. This includes some programs with relatively large amounts of funding authorized in SB 5, such as for multibenefit projects to implement voluntary agreements that improve stream conditions for fish ($200 million), water recycling projects ($80 million), and coastal watersheds restoration ($64 million). Based on LAO's review; however, the Administration has a reasonable rationale for delaying spending on these programs. In some cases, it could be premature to appropriate spending in the budget year because program details and planning will need more time to be developed (such as for the voluntary agreements), and in other cases previously approved funds remain available (such as water recycling funds in Proposition 1).

Long-Term Funding Plan Not Identified. While the budget-year plan appears reasonable, the Administration has not identified a spending plan for subsequent years. Therefore, it is unclear when the Administration expects to begin funding programs that are not proposed to receive project funding in the budget year. It is also unclear how many years the Administration thinks it will take to fully appropriate all of the funds.

Additional Scrutiny Needed for Some Proposals. Though the budget-year proposals generally seem reasonable, LAO has identified a couple of proposals that raise specific concerns. These proposals include:

- ***DWR Flood Control Projects.*** The Administration proposes $94 million for flood control projects. However, the proposal by DWR does not specify which projects will be funded, denying the Legislature the ability to provide sufficient oversight over how these funds will be spent. The state's flood management infrastructure has billions of dollars of needed renovations and improvements according to various reports, and it is unclear which of those needs will be targeted by the proposed funding.
- ***DFW Competitive Grant Programs.*** The budget plan proposes a total of $14 million for two grant programs related to habitat restoration and improving conditions for fish and wildlife. However, the proposed budget already includes $28 million from Proposition 1 for similar DFW activities, and there remains $179 million in authority from that bond that has not yet been committed for these types of projects. At the time of this analysis, the department was unable to explain why the SB 5 funding plan included appropriations for these programs when there were still outstanding funds available from another bond.

High-Priority Projects Might Lack Funding if Voters Reject SB 5. The Legislature will not know until close to its constitutional deadline to pass the state budget whether voters have approved SB 5. Despite this uncertainty, LAO thinks it is appropriate that the Governor has included these proposals in his January budget because doing so allows the Legislature several months to review the proposals and ensure that the spending plan is consistent with its priorities. However, should the bond measure fail to pass, the Legislature might be faced with decisions about whether it wants to find alternative funding sources for certain programs with little time before the constitutional budget deadline to explore its options. Considering potential alternative funding sources might be especially important for programs where (1) the state has an obligation to provide funds (such as for the Salton Sea Management Plan), (2) the state could face long-term financial costs if it does not make certain investments (such as in the case of maintaining flood management or other infrastructure), or (3) additional funding might be key to successful execution of a statewide priority (such as support for local implementation of SGMA). Some existing programs might be able to utilize past funding sources. For example, the Urban Forestry Program is supported in the current year with the Greenhouse Gas Reduction Fund (GGRF). Other programs, however, rely on nearly exhausted bond funds and would need a new fund source to continue.

LAO Recommendations. ***Approve Proposals With a Couple Modifications.*** LAO recommends approval of most of the Administration's SB 5 funding requests and associated positions. However, based on its review of the proposals, LAO recommends the following two modifications:

- ***Budget Bill Language Specifying Flood Projects.*** LAO recommends that the Legislature direct DWR to report at budget hearings on which specific flood management projects will be funded in the budget year. Based on this information—as well as an assessment of its own priorities—LAO recommends that the Legislature adopt budget bill language that would schedule the proposed flood funding by project.
- ***Replace SB 5 Funds With Proposition 1 Funding for Two DFW Grant Programs.*** LAO recommends reducing DFW's allocation from SB 5 by $14 million and increasing its appropriation from Proposition 1 by an equivalent amount. This will be more consistent with the administration's broader approach to allocating the first year of SB 5 funding. Moreover, it will be administratively more efficient for the department to operate one set of bond programs related to habitat restoration and improving conditions for fish and wildlife, rather than simultaneously administering parallel programs from different bonds.

Report at Budget Hearings on Long-Term Funding Plan. LAO recommends that the Legislature direct the Administration to report at budget hearings on its longer-term strategy for expending SB 5 funds. Doing so would give the Legislature a better sense of when programs not proposed for funding in 2018-19 would be implemented and how long the Administration proposes taking to fully allocate bond funding.

Consider Budget-Year Priorities and Alternative Funding if SB 5 Fails. LAO notes that the Legislature might wish to consider whether there are certain programs funded in SB 5 that would be high enough priorities to fund from other sources should SB 5 fail. This could involve, for example, the budget subcommittees identifying an alternative budget approach for specific programs—including funding amounts and sources—that could be adopted in June if the proposition fails. Aside from the General Fund, whether an alternative fund source could be used for a particular program would probably depend on the allowable uses of that fund. In addition, the use of alternative fund sources generally would involve the trade-off of not having those funds available for other purposes.

Staff Comments. ***State Responsibilities and Obligations.*** SB 5 is required to go to the voters for approval in June of this year. Although the Governor's budget anticipates the passage of this general obligation bond, the budget includes activities/responsibilities that the state would still be obligated to perform/fulfill regardless of whether the SB 5 bond is approved.

For example, DWR requests $30 million in SB 5 funding for the Salton Sea Management Program, which is estimated to cost a total of $383 million. On March 16, 2017, CNRA released its 10-year plan for various actions, such as habitat and dust mitigation projects, at the Salton Sea. The Sea's water level is currently maintained primarily by agricultural runoff, which, by existing agreement – the Quantification Settlement Agreement (QSA) – started being reduced in 2017. Without significant restoration efforts, the QSA water transfers when fully implemented are highly likely to result in the collapse of the Sea's ecosystem over the next 10 to 20 years.

Another example of SB 5 funding for state responsibilities is a BCP entitled, "Multi-Benefit Flood Improvement Projects (SB 5)." DWR requests a total of $94 billion in SB 5 moneys to implement multi-benefit flood improvement projects to support existing staff and contract work needed to carry out projects. The BCP includes State Plan of Flood Control (SPFC) facility improvements such as replacement of aging infrastructures, making urgently needed repairs to existing structures, and improving system capacity. In 2003, a state appellate court found the state responsible for a SPFC levee failure along the Yuba River (this case is commonly referred to as the *Paterno* decision). The state eventually reached a settlement paying $464 million to nearly 3,000 plaintiffs. *Paterno* established a new standard for the state's flood liability and makes it possible that the state could ultimately be held responsible for the structural integrity of *all* SPFC facilities.

If SB 5 is not approved by the voters in June, a question arises as to what alternative funding sources are available to ensure that the state fulfills its responsibilities and obligations, such as the ones noted above.

The State's Debt. The Governor's Budget Summary states, "[E]conomic expansions do not last forever. In the post-war period, the average expansion has lasted about five years. By the end of the 2018-19 fiscal year, the expansion will have matched the longest in modern history a moderate recession will drop state revenues by over $20 billion annually for several years." (Governor's Budget Summary – 2018-19, page 3.) Regardless of the amount of revenue coming in, the state still must pay the debt it has incurred. As mentioned above, debt service is a significant General Fund expenditure – The state pays just under $6 billion in debt service currently and is expected to possibly reach $7.3 billion in 2025-26.

When considering the $1.02 billion worth of proposals put forth by the Governor using SB 5 moneys, the Legislature may wish to consider whether these BCPs are commensurate to its priorities to ensure that they merit adding to the state's debt over the next few decades. In a nutshell, will a proposal utilizing SB 5 moneys give the state the biggest bang for its buck and the interest that it must pay on it?

Questions. The Legislature may wish to ask the Administration the following:

1) How would the projects be prioritized for alternative funding should SB 5 fail?
2) Is there an alternative funding plan for any of the proposed projects?
3) Is there a longer term plan being developed beyond the first year?

Staff recommendation: Hold open.

0540 Secretary of the Natural Resources Agency

Overview

The mission of the California Natural Resources Agency (CNRA) is to restore, protect and manage the state's natural, historical and cultural resources for current and future generations using creative approaches and solutions based on science, collaboration and respect for all involved communities. The CNRA Secretary, a member of the Governor's cabinet, sets the policies and coordinates the environmental preservation and restoration activities of 26 various departments, boards, commissions and conservancies, and directly administers the Sea Grant Program, Ocean Protection Council, California Environmental Quality Act, Environmental Enhancement Mitigation Program, River Parkways, Urban Greening, and the California Cultural and Historical Endowment grant programs.

CNRA consists of the departments of Forestry and Fire Protection, Conservation, Fish and Wildlife, Parks and Recreation, and Water Resources; the California Conservation Corps; Exposition Park; California Science Center; California African American Museum; the State Lands Commission; the Colorado River Board; the San Francisco Bay Conservation and Development Commission; the Energy Resources Conservation and Development Commission; the Wildlife Conservation Board; the Delta Protection Commission; the California Coastal Commission; the State Coastal Conservancy; the California Tahoe Conservancy; the Santa Monica Mountains Conservancy; the Coachella Valley Mountains Conservancy; the San Joaquin River Conservancy; the San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy; the Baldwin Hills Conservancy; the San Diego River Conservancy; the Sierra Nevada Conservancy; the Sacramento-San Joaquin Delta Conservancy; the Native American Heritage Commission; and the Special Resources Program.

CNRA’s proposed budget is $155.262 million, which represents a 53.5 percent decrease in expenditure from last year. Most of CNRA’s budget is comprised of special funds, with $4.86 million in General Fund.

Issue 2 – Environmental License Plate Fund (ELPF)

Governor’s Proposals.

- **California Ocean Protection Council – Ocean Resiliency Program.** The Governor’s budget proposes to appropriate $15 million of Environmental License Plate Funds to the California Ocean Protection Trust Fund to address the threats of climate change on coastal and marine ecosystems (and the communities that rely on them) by supporting projects that do the following: advance understanding of the impacts of climate change on coastal and ocean ecosystems; support adaptation strategies to address sea-level rise and changing ocean conditions such as ocean acidification and hypoxia; and build broader ecosystem resilience by improving ocean health; and, allowing marine life and habitats to better withstand climate change impacts.

- **Natural Resources Conservation Project Monitoring Program.** The budget proposes $700,000 ongoing in Environmental License Plate Fund (ELPF) and four positions to administer a project monitoring program within the Agency. The program will conduct ongoing compliance monitoring of projects funded by the Agency departments and conservancies.

Background. ***Environmental License Plate Fund (ELPF).*** The ELPF was established to provide funding to various environmental programs through the EPP at the state and local level. The amount of funding available is dependent upon the number of certain specialty license plates sold and maintained in the state. Traditionally, the fund has been allocated to natural resource programs. The main priorities of the ELPF, as designated by Public Resources Code 21190, include:

1. The control and abatement of air pollution.
2. Acquisition, preservation, and restoration of ecological reserves.
3. Environmental education, including formal school programs and informal public education programs.
4. Protection of nongame species and threatened and endangered plants and animals.
5. Protection, enhancement, and restoration of fish and wildlife habitat.
6. Purchase of real property for state and local parks.
7. Reduction or minimization of soil erosion and sediment discharge into Lake Tahoe.
8. In addition to these, SB 861 (Committee on Budget), Chapter 35, Statutes of 2014, added climate assessment to the eligible list of priorities.

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 FY 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, this year, ELPF increased $9.6 million in revenues, primarily due to the new black and yellow legacy plates. 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. As a result, the Administration states that the fund shows a healthy balance going forward.

Ocean Protection Council (OPC). OPC was created in 2004 by the California Ocean Protection Act to integrate and coordinate the state's laws and institutions responsible for protecting and conserving ocean resources, including coastal waters and ocean ecosystems. OPC incorporates ecosystem perspectives into the management of coastal and ocean resources using sound science, with a priority of protecting, conserving, and restoring coastal and ocean ecosystems. OPC is also legislatively mandated to "coordinate governance and stewardship of the state's ocean, to identify priorities, bridge existing gaps, and ensure effective and scientifically sound approaches to protecting and conserving the most important ocean resources.

OPC’s Strategic Plan for 2012 – 2017 proposes action in areas of critical need and highlights a focus on five areas: 1) science-based decision making, 2) climate change, 3) sustainable fisheries and marine ecosystems, 4) coastal and ocean impacts from land-based sources, and 5) existing and emerging ocean uses.

Staff Comment. Both of the Governor's budget proposals have merit. However, as noted earlier, prior to the current FY, ELPF faced a structural deficit. The new uses of ELPF may raise cautious concern because the fund was only recently balanced. The balance of the fund may be tenuous in the long-run if purchases of the legacy plates fade over time and there is not a new one that replaces its popularity.

Staff Recommendation. Approve as budgeted.

Issue 3 – Information Security Operations

Governor's Proposal. The Governor's budget requests $2,916,000 from various funds ($1,778,000 one-time, $1,138,000 ongoing) and six positions to establish a new Security Operations Center (SOC) to address information security and cyber security vulnerabilities and threats. SOC would provide service and support for all CNRA's departments, commissions, conservancies, and boards that require information security operational activities to protect and secure critical information, systems, and infrastructure assets.

Background. ***Information Technology at CNRA.*** CNRA consists of thirty organizations (departments, commissions, conservancies, and boards) which have a total of 21,000 employees in over 1,000 locations throughout the state. The organizations' size ranges from large (i.e. CalFire, Department of Water Resources, Parks and Recreations, Fish and Wildlife) to small (i.e. Delta Protection, Native American Heritage, and Sacramento-San Joaquin Delta Conservancy).

In the last six years, CNRA organizations have expanded their use of information technology to help achieve their mission objectives and to effectively perform various program areas activities and tasks. CNRA organizations have utilized technology advances such as private and public cloud services, virtualization technologies, software as a service, and platform as a service. In addition, CRNA organizations have deployed numerous specialized technology solutions related to areas such as, but not limited to: water management, energy management, emergency and response management, conservation, oil and gas, land management, recreation management, engineering, and environmental science. Many of the CNRA organizations do not have independent technology resources and rely on the Agency to provide technology services and support.

Data Centers Vary in Levels of Security. CNRA currently maintains a Tier III Data center used by all of the Agency's organizations. A data center is a facility used to house computer systems and associated components, such as telecommunications and storage systems. It generally includes backup power supplies, redundant data communications connections, environmental controls (e.g. air conditioning, fire suppression) and various security devices. A large data center is an industrial-scale operation using as much electricity as a small town.

Data centers are categorized in four levels, or tiers, based upon the availability of data processing from the hardware at a location. The higher the Tier level, the greater the expected availability. The Data Center Tier 4 is considered the most robust and least prone to failures. Tier 4 is designed to host mission critical servers and computer systems, with fully redundant subsystems (cooling, power, network links, storage etc.) and compartmentalized security zones controlled by biometric access controls methods. This is in contrast to Tier 1, the simplest data center typically used by small business or shops. The overall CNRA technology environment consist of: A Tier Ill Data Center, 6,000 virtual servers, 11 petabytes of data, 800 websites, 30,000 end-devices (PCs, workstations, laptops, tables), 3,500 applications/software products, and roughly 4,000 sensors.

Increase in Data Breaches and Cyber-Attacks. Recent information security assessments conducted as required by the State Administrative Manual 5305.7 and 5305.2 reveals that the majority of CNRA organizations are unable to implement and maintain the proper level of security control required and therefore are not or just partial in compliance with state, federal, and industry regulation and policies. In addition, information security incidents have risen due to lack of the proper level of security control across the CNRA organizations.

Over the last 12-month period the CNRA Data Center's intrusion monitoring logs, reflect over 4,000,000 cyber-security hack attempts and probes for infrastructure vulnerabilities to network/system security. This number increases exponentially every time new systems, applications, services, and devices are added to the overall CNRA technology eco-system. As automation becomes more prevalent, high-risk system and confidential information maintained and entrusted to CNRA organizations can become more vulnerable to compromise. In addition, CNRA organizations information and cyber security incidents have increased by 22 percent over the last year. To mitigate the ever-increasing trend reflected in cyberattack incident reports, security staff and resources (tools) are required to effectively combat the attempted breaches on security and privacy, which continue to increase in complexity and sophistication.

Staff Comments. ***Previous IT Projects.*** A 2015 report by the State Auditor revealed that California has a history of failed IT projects. Between 1994 and 2013, for example, the state terminated or suspended seven IT projects after spending almost $1 billion. In the State Auditor's September 2013 assessment of high-risk issues the state and certain agencies face, the assessment concluded that based on the high costs of certain projects and the failure of others, the state's oversight of IT projects should remain designated as an area of ongoing concern. Given the increasing reliance on information technologies and CNRA's level of security risk, it would be prudent to provide CNRA resources to proactively mitigate security vulnerabilities and respond to cyber-security attacks for the Agency and all its organizations entities. However, it is important to have proper oversight procedures in place to ensure execution of the project goes as intended. A question may arise as to how CNRA intends to ensure proper oversight and execution of the project.

California Department of Technology (CDT). According to CDT, the department "is the guardian of public data, a leader in IT services and solutions, and has broad responsibility and authority over all aspects of technology in California state government, including: policy information, inter-agency coordination, IT project oversight, information security, technology service delivery, and advocacy." The BCP is silent as to whether CDT has any involvement in establishing a new Security Operations Center as proposed. Considering that CDT has broad authority and authority over all aspects of technology in the state government, including information security, a question may arise as to what are the role and responsibilities of CDT in this proposal?

Staff Recommendation. Hold open.

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.

Activities Conducted by the Department of Fish and Wildlife

2017-18 (Dollars in Millions)

Category	Funding	Authorized Positions	Description
Biodiversity Conservation	$266.5	712.7	Conduct activities to conserve, protect, manage, and restore fish, wildlife, native plants, and habitat.
Hunting, Fishing, and Public Use	101.4	355.3	Facilitate sustainable hunting, fishing (recreational and commercial), and trapping by conserving and managing game species.
Enforcement	91.0	458.8	Enforce compliance with laws and regulations, investigate habitat destruction and pollution incidents, and investigate illegal commercialization of wildlife.
Management of Department Lands and Facilities	90.6	323.4	Manage hatcheries, wildlife areas, ecological reserves, fish and wildlife laboratories, and public access areas.
Spill Prevention and Response	44.3	236.4	Prevent damage, minimize impacts, and restore and rehabilitate fish and wildlife and their habitats from the harmful effects of oil or other spills.
Communications, Education, and Outreach	4.7	16.5	Conduct resource conservation education, conduct community and stakeholder outreach, and disseminate information.
Fish and Game Commission	1.6	10.0	Establish and oversee implementation of the state's fish and wildlife policies, rules, and regulations.
Administration	—	258.0	Provide administrative support and executive leadership for the department's activities.
Totals	**$600.0**	**2,371.1**	

[a]Funding for administration is included in other categories.

** Source: Legislative Analyst's Office*

DFW's proposed budget is $609.7 million, which represents 1.6 percent increase in expenditure from last year. Most of the department's budget is comprised of special funds, with $93.8 million in General Fund and 2,171.8 positions.

Issue 4 – Restructuring the Fish and Game Preservation Fund (FGPF)

Governor's Proposal. The budget proposes $50.6 million ongoing funding ($6.6 million General Fund, $18 million Motor Vehicle Account (MVA) and $26 million Tire Recycling Management Fund (TRMF)) for the following purposes: 1) Address the structural deficit in FGPF ($19.6 million); and, 2) Improve and expand DFW's program activities ($31 million).

Fish and Game Preservation Fund (FGPF) (Governor's Proposal) (Dollars in Thousands)			
	2016-17	**2017-18**	**2018-19**
Total Resources	*$164,476*	*$178,828*	*$192,443*
Total Revenue	98,027	120,747	141,996
Total Expenditures	106,395	128,381	142,285
	-8,368	-7,634	-289
Fund Balance	**$58,081**	**$50,447**	**$50,158**

Addressing FGPF Structural Deficit. The budget provides $19.6 million to continue critical programs supported by FGPF that are affected by the long-running structural imbalance. The proposal avoids reducing funding to current level of service or loss of entire program elements. Activities benefitting from this proposal include:

- Recruitment, retention, and reactivation of hunters and anglers;
- Communication with hunters and anglers to provide timely information on hunting and fishing opportunities throughout the state;
- Fisheries management in support of fish stocking in state waterways;
- Human-wildlife interaction;
- Law enforcement capacity to prevent the illegal take of fish and wildlife;
- Native and game fisheries monitoring;
- Management of lands for the improvement of wildlife-related outdoor recreation;
- Upgrade and modernization of marine fisheries data management systems; and,
- Addressing emerging management needs relating to commercial fisheries.

Expanding DFW Programs. The budget includes a $31 million augmentation for purposes of implementing specific priorities identified through the California Fish and Wildlife Strategic Vision (CFWSV) process, as follows:

Proposed 2018-19 DFW Program Expansions

(Dollars in Millions)

Activity	Description	Funding	Positions
Improve marine fisheries management and data	Increase scientific marine fishery monitoring, implement Marine Life Management Act Master Plan actions, develop centralized electronic collection system for marine fisheries data, conduct environmental review for emerging marine use projects (such as artificial reefs or desalination), and develop and implement program to reduce whale entanglements.	$8.4	38
Enhance marine enforcement	Purchase new patrol boat and skiff to be used north of San Francisco and increase enforcement patrols in Marine Protected Areas and commercial and recreational fisheries.	5.8[a]	8
Monitor and assist salmon	Conduct various activities to monitor, assess, and recover CESA-listed salmon, and to restore salmon, steelhead, and sturgeon fisheries, including: real-time fish monitoring, coordinating and evaluating habitat restoration activities, and conducting genetic analyses.	4.9	18
Monitor and review declining species	Conduct statutorily required three- and five-year reports on status of CESA-listed species, collect information on current species and habitat assessment and monitoring efforts, and collect data on species population trends.	3.2	9
Enhance wildlife trafficking enforcement	Increase inspections, investigations (including responding to tips), and legal actions related to illegal wildlife trafficking and commercialization.	2.8	8
Support voluntary conservation programs	Develop, implement, and expand conservation agreements and strategies with private landholders and stakeholders to protect at-risk species, including through established state programs such as “safe harbor” agreements and the Regional Conservation Investment Strategy program.	2.2	8
Support hatchery production	Upgrade hatchery operations by (1) employing cryopreservation technology to improve genetic diversity and (2) installing new lighting to extend timeline for spawning.	1.3[b]	1
Increase administrative support	Provide administrative support for the department’s expanded activities.	1.3	7
Update wildlife connectivity assessment	Conduct analyses of wildlife habitat “connectivity zones” to advise transportation planners on mitigation strategies, and design and conduct studies to evaluate mitigation techniques for future road projects.	1.1	1
Totals		**$31.0**	**98**

[a] Includes $2 million for one-time purchase of new patrol boat.
[b] Includes $1 million for one-time purchase of equipment.
DFW = Department of Fish and Wildlife and CESA = California Endangered Species Act.

***** *Source: Legislative Analyst’s Office*

As shown above, the Governor proposes to add 98 new positions to the department’s workforce to implement the proposed activities. As with funding, the proposed augmentations are proportionally very substantial for many activities, more than doubling existing levels for five of the nine categories. Currently DFW has authority for 2,371 positions, so this would represent about a 4 percent increase. Of the new staff, 67 positions would be from three classifications of environmental scientists, 16 would be law enforcement positions, and the remainder would be from various analyst classifications.

New Revenue to FGPF: Tire Fee ($26 million). The budget proposes to divert $26 million ongoing, which would have gone to APCF from the Tire Recycling Management Fund, to FGPF instead. The Cap-and-Trade Expenditure Plan proposes to backfill APCF with GGRF revenue for the budget year. Trailer bill language (TBL) amends the purpose of the 75-cent portion of the tire fee from mitigation of air pollution caused by tires to mitigation of harms on wildlife and habitat caused by tires.

Tire Fee: Statutory Purpose. Currently, statute governing the 75-cent portion of the tire fee provides that the money be spent to mitigate air pollution harms caused by tires. TBL proposes to change the purpose of the 75-cent fee statutorily by amending PRC §42889 as follows:

> (a) Of the moneys collected pursuant to Section 42885, an amount equal to seventy-five cents ($0.75) per tire on which the fee is imposed shall be transferred by the State Board of Equalization to the ~~**Air Pollution Control Board**~~ ***Fish and Game Preservation*** Fund. The ~~**state board**~~ ***Department of Fish and Wildlife*** shall expend those moneys, or allocate those moneys to the districts for expenditure, to fund programs and projects that mitigate or remediate ~~**air pollution**~~ ***harmful impacts to wildlife and its habitat*** caused by tires in the state, to the extent that the ~~**state board or the applicable distric**~~t ***Department of Fish and Wildlife*** determines that the program or project remediates ~~**air pollution**~~ ***the negative impacts*** ~~**harms**~~ created by tires upon which the fee described in Section 42885 is imposed.

TBL changes the statutory purpose from mitigating or remediating air pollution caused by tires to mitigating or remediating harmful impacts to wildlife and its habitat caused by tires.

New Revenue to FGPF: MVA ($18 million). The budget proposes to use $9.01 million from MVA for the Biodiversity Conservation Program. This program encourages the preservation, conservation, maintenance, and restoration of wildlife resources, including the Ecosystem Restoration Program, under the jurisdiction and influence of the state. Activities involve the conservation, protection and management of fish, wildlife, native plants, and habitat to ensure maintenance of biologically sustainable populations of those species.

The budget proposes to use $8.99 million from MVA for DFW enforcement purposes. This program serves the public through law enforcement, public safety and hunter education. Law enforcement promotes compliance with laws and regulations protecting fish and wildlife resources; investigates habitat destruction, pollution incidents and illegal commercialization of wildlife. Wardens also serve the public through general law enforcement, mutual aid and homeland security.

Background. ***California Fish and Wildlife Strategic Vision (CFWSV).*** AB 2376 (Huffman), Chapter 424, Statutes of 2010, required CNRA to convene a committee to develop a strategic vision for the Department of Fish and Game (now called DFW) and the California Fish and Game Commission. The CFWSV Project established a strategic vision for DFW and the Commission that addresses, among other things, improving and enhancing their capacity and effectiveness in fulfilling their public trust responsibilities for protecting and managing the state's fish and wildlife. As part of the project, a blue-ribbon citizen commission and a stakeholder advisory group supported the executive committee in developing a strategic vision report in 2012. Since the issuance of the report, DFW has pursued multiple efforts to align its revenue and costs, including: the establishment of regional conservation investment strategies, mitigation banking, California Endangered Species Act permitting fees, revenues for timber harvest plan review, a scientific collecting permit fee, a lands pass program, an indexing fee to account for inflation, and an increase in commercial fishing fees.

Fish and Game Preservation Fund (FGPF): General Background. FGPF was established in 1909 as a repository for all funds collected under the Fish and Game Code and any other law relating to the protection and preservation of birds, mammals, fish, reptiles and amphibia in California. Revenues are generated from the sale of licenses for hunting, recreational and commercial fishing, and numerous special permits.

FGPF is made up of many different accounts. 29 of these accounts are "dedicated" and collect fee revenues that may only be used for specified purposes and activities. For example, the "duck stamp" account, where duck hunters pay a special fee that is deposited into this account, may only be spent on duck-related activities.

Revenue from licenses, fees and permits that are not directed by statute to a dedicated account are deposited in the only "nondedicated" account in FGPF, which makes up 80 percent of the overall FGPF. This account supports general purpose activities of DFW and has experienced an operating shortfall over the years.

FGPF Nondedicated Account: Sources of Revenue. FGPF nondedicated account revenue is derived from a variety of sources. A majority of revenue comes from recreational fishing licenses and permits. The second biggest revenue generator is recreational hunting licenses and permits; this is followed by commercial fishing licenses and permits as well as environmental review fees paid by project proponents. The smallest source of revenue is commercial fishing landing fees.

FGPF Nondedicated Account: DFW Activities. FGPF nondedicated account supports a variety of program activities. Some of the main functions supported by FGPF are displayed in the following table:

Main Functions Supported by FGPF Nondedicated Account	
Law Enforcement	Support for more than 400 wildlife officers positioned throughout the state to promote compliance with laws and regulations protecting fish and wildlife resources. Wildlife officers also investigate habitat destruction, pollution incidents and illegal commercialization of wildlife, and serve the public through general law enforcement, mutual aid and homeland security.
Lands Management	Management of department-owned lands including wildlife areas, ecological reserves, and public access areas to contribute to the conservation, protection, and management of fish and wildlife. Among other things, these activities support hunting opportunities and serve as required match for federal wildlife restoration grant funds.
Wildlife Conservation	Activities conducted by regional and field staff related to resource assessment and monitoring, conservation and management activities for game and nongame species, and public outreach related to those species. Funding for these activities also serves as required match for federal wildlife restoration grant funds.
Fisheries Management	Development and implementation of policies to address management, protection, and restoration of fish species and their habitats. Also promotes commercial and public recreational angling opportunities. These funds serve as required match for federal sport fish restoration grant funds.
Fish and Game Commission	The commission establishes regulations for hunting, sport and commercial fishing, aquaculture, exotic pets, falconry, depredation control, listing of threatened or endangered animals, marine protected areas, public use of department lands, kelp harvest, and acts as a quasi-judicial appeal body.

FGPF: Addressing the Structural Imbalance ($19.6 million). In past years, expenditures have exceeded revenues, with the gap reaching over $20 million annually beginning in 2014-15. While DFW has been able to operate a higher level of expenditures by utilizing the balance in the reserve, that balance has depleted. Some causes of FGPF nondedicated account's structural imbalance include: fund shifts (particularly to the General Fund), lifting of prior spending restrictions (e.g. vehicles, furloughs), increased need for federal funds, and cost of business increases (e.g. employee compensation). Although revenues in FGPF have remained relatively stable over the last decade, statutory mandates have expanded resulting in increased expenditures while the fund balance continues to decrease.

FGPF: Current Year (2017-18) Spending Plan. The 2017-18 budget plan included $18.7 million from various sources to address the ongoing shortfall in the nondedicated account of FGPF. This additional revenue allowed DFW to sustain current activities supported by this account through the year. Of the total amount provided, $1.6 million – $900,000 increase in commercial landing fees and $750,000 of $8.7 million in lifetime license revenues – represented ongoing funding. The budget package also included statutory changes associated with these two new revenue sources: 1) A schedule detailing the new commercial landing fees for each species; and, 2) Elimination of the Lifetime License Trust Account and transfer of the existing account balance and future revenues from lifetime license purchases directly into the FGPF nondedicated account and other relevant accounts.

Tire Fee: General Background. Pursuant to the California Tire Recycling Act (Public Resources Code (PRC) §42860 et seq.), a person who purchases a new tire is required to pay a California tire fee. AB 923 (Firebaugh), Chapter 707, Statutes of 2004, adjusted the tire fee from $1 per tire to $1.75 per tire and was due to sunset in 2015. AB 8 (Perea), Chapter 401, Statutes of 2013, extended the sunset to January 1, 2024. $1 of the fee is deposited into the Tire Recycling Fund for oversight, enforcement, and market development grants related to waste tire management and recycling. The remaining $0.75 is deposited in the Air Pollution Control Fund (APCF) for programs and projects that mitigate or remediate air pollution caused by tires. The fee is scheduled to be reduced on January 1, 2024 to $0.75 per tire – at which time, all of the revenue will be deposited into the Tire Recycling Fund.

Tire Fee: Fee or Tax? Contrary to the name, the tire fee is a tax. Proposition 26 (2010) expanded the scope of what is deemed a state or local tax. New laws to create – or extend – certain types of revenue measures are now subject to a higher approval requirement for taxes. Proposition 26 requires a two-thirds vote in the Legislature to pass many charges and tax revenue allocations that under the state's previous rules could have been enacted by a simple majority vote. The tire fee was extended pursuant to AB 8 (Perea), Chapter 401, Statutes of 2013, by a two-thirds vote of the Legislature, post-Proposition 26 (2010); and did not meet any exceptions from the requirement to qualify as a fee. Therefore, revenue raised by the tire fee is considered General Fund and is not constrained by trust for beneficial purposes under the California Constitution. However, it may be directed for a specific purpose by statute.

Tire Fee: The 75-Cent Portion of the Fee: Carl Moyer Memorial Air Quality Standards Attainment Program (Carl Moyer Program). PRC §42889(a) restricts the use of revenue derived from the 75-cent portion of the tire fee. The revenue must be spent to mitigate or remediate air pollution caused by tires in the state to the extent that the Air Resources Board (ARB) or the applicable district "determines that the program or project remediates air pollution harms created by tires upon which the fee described in Section 42885 is imposed."

The revenue raised by the 75-cent portion of the tire fee is deposited into APCF and is one of three ongoing funding sources for the Carl Moyer Program. The other two sources are the motor vehicle registration charge levied by a local district and the smog abatement fee (smog check). Approximately $1 billion has been allocated to the Carl Moyer Program to date and the program has provided over $60 million in grant funding each year to clean up older, polluting engines throughout the state.

ARB administers the program, which provides grants through the state's 35 local air quality management and air pollution control districts for deployment of engines, equipment, and emission-reduction technologies that are cleaner than required by current laws or regulations and reduce emissions of specified air pollutants. Covered sources include onroad vehicles, off-road nonrecreational equipment and vehicles, locomotives, marine vessels, agricultural sources of air pollution, and other categories necessary for the state and local air districts to meet air quality goals.

According to ARB, emissions from heavy-duty diesel engines have been identified as a major source of air pollution, including smog-forming nitrogen oxides (NOx) and cancer-causing air toxics including particulate matter (PM) from diesel combustion. 70 percent of the airborne carcinogens in California come from diesel exhaust. The Carl Moyer Program accelerates the replacement of older, dirtier diesel engines with newer, cleaner technologies. Emission reductions achieved by the program play a role in helping California meet federal air quality standards and reduce toxic emissions and associated health risk in communities throughout the state. The program provides incentives to obtain early or extra emission reductions, especially from emission sources in minority and low-income communities and areas disproportionately impacted by air pollution.

Greenhouse Gas Reduction Fund (GGRF). Since 2012, ARB has conducted eight California-only and 13 joint California-Quebec cap-and-trade auctions. To date, approximately $6.5 billion has been generated by the cap-and-trade auctions and deposited into GGRF. GGRF revenue is estimated to be $2.7 billion in 2017-18 and $2.4 billion in 2018-19.

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 the Department of Finance, 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 GGRF. ARB is required to develop guidance for administering agencies on reporting and quantifying methodologies for programs and projects funded through GGRF to ensure the investments further the regulatory purposes of the California Global Warming Solutions Act of 2006 (AB 32 (Núñez and Pavley), Chapter 488, Statutes of 2006).

Proceeds from cap-and-trade auctions provide an opportunity for the state to invest in projects that help California achieve its climate goals and provide benefits to disadvantaged communities. Statutes require a state agency, prior to expending any money appropriated to it by the Legislature from GGRF, to prepare a description of: 1) Proposed expenditures; 2) How they will further the regulatory purposes of AB 32; 3) How they will achieve specified GHG emissions reductions; 4) How the agency considered other objectives of that act; and, 5) How the agency will document expenditure results.

Motor Vehicle Account (MVA): General Background. MVA derives the majority of its revenue from vehicle registration fees and driver's license fees and primarily supports the California Highway Patrol and the Department of Motor Vehicles. MVA supports the administration and enforcement of laws regulating the use, operation, and registration of vehicles on California public streets and highways, including the enforcement of traffic and vehicle laws by state agencies and the mitigation of negative environmental effects of motor vehicles. Due to expenditures outpacing revenues, the MVA has faced an operational shortfall in recent years. Although revenue has increased over the current year and budget year, the reserve continues to slowly deplete.

MVA: California Constitution Article XIX. The budget change proposal (BCP), "Sustainable Funding for Fish and Wildlife," states that the proposed use of MVA moneys for DFW activities is consistent with California Constitution Article XIX. Article XIX, Section 3(b), refers to Section 2(a), which states that motor vehicle revenues may be used for "research, planning, construction, improvement, maintenance, and operation of public streets and highways (and their related public facilities for nonmotorized traffic), including the mitigation of their environmental effects, the payment for property taken or damaged for such purposes, and the administrative costs necessarily incurred in the foregoing purposes."

Legislative Analyst's Office (LAO). ***Some Have Called for Additional Funding for DFW to Meet Current-Law Responsibilities.*** Beyond just addressing the structural imbalance in the FGPF to maintain DFW's existing activities, arguments have been made that DFW needs a budget augmentation to *increase* its existing service levels in order to meet its statutory responsibilities. For example, the Legislature has expressed dissatisfaction with the funding available to DFW by enacting statute in 2006—which is still in law today—stating: "The Legislature finds and declares that the department continues to be inadequately funded to meet its mandates. While revenues have been declining, the department's responsibilities have increased in order to protect public trust resources in the face of increasing population and resource management demands . . . To fulfill its mandates, the department must secure a significant increase in reliable funding, in addition to user fees."

Proposal Would Significantly Augment Existing DFW Activities

(Dollars in Millions)

			Proposed Increase	
Activity	**2017-18**	**2018-19**	**Amount**	**Percent**
Funding				
Improve marine fisheries management and data	$2.1	$10.5	$8.4	409%
Enhance marine enforcement	7.7	13.5	5.8	75
Monitor and assist salmon	8.2	13.1	4.9	60
Monitor and review declining species	0.7	3.9	3.2	466
Enhance wildlife trafficking enforcement	1.2	4.0	2.8	233
Support voluntary conservation programs	0.8	3.0	2.2	276
Support hatchery production	26.8	28.1	1.3	5
Increase administrative support	—[a]	—[a]	1.3	—[a]
Update wildlife connectivity assessment	0.2	1.3	1.1	618
Positions				
Improve marine fisheries management and data	15	53	38	253%
Enhance marine enforcement	45	53	8	18
Monitor and assist salmon	51	69	18	35
Monitor and review declining species	4	13	9	225
Enhance wildlife trafficking enforcement	7	15	8	114
Support voluntary conservation programs	5	13	8	160
Support hatchery production	157	158	1	1
Increase administrative support	258	265	7	3
Update wildlife connectivity assessment	1	2	1	100

[a]Data not available.
DFW = Department of Fish and Wildlife.

*** Source: Legislative Analyst's Office**

DFW Undergoing Comprehensive Budget Review to Answer Key Questions. The department has faced long-term questions regarding its revenues and expenditures. In particular, stakeholders and the Legislature have sought greater clarity over how the fee revenues generated by fishers, hunters, and permit seekers—which are intended to directly benefit the fee payers—interact with the General Fund provided for public trust activities, and exactly which of the department's activities are supported by each funding source. In some cases, the department has struggled to respond to these questions because of the multiple and overlapping goals associated with their conservation responsibilities. For example, over the course of a day, a warden patrolling the coast might track and catch an illegal poacher, inspect the catch of licensed fishermen to ensure they are staying within catch limits, remove abandoned crab traps that are creating a hazard for migrating whales, ensure no one is fishing in Marine Protected Areas, and issue a citation to someone boating under the influence of alcohol. The variety of these activities illustrates why DFW can have difficulty deciding and explaining exactly how to assign costs to its various revenue sources. Paying for the cost of this warden's activities that regulate and benefit the commercial fishing industry would be an appropriate use of the fees they pay. However, maintaining a healthy fishery and marine ecosystem benefits not only the fishing industry but also the broader public trust resource, suggesting General Fund would also be an appropriate funding source for a portion of this warden's activities.

To address this budgeting challenge, the Legislature enacted language in the *2017-18 Budget Act* directing the department to complete a zero-based budget. In response, DOF has initiated a "mission-based budgeting" review of DFW. According to DOF, this analysis will "determine the appropriate level of expenditures and resources needed to implement government services and programs." The review began in the fall of 2017, and the Administration has not given a timeline for its completion or when it may be able to share its findings.

LAO Recommendations. ***Adopt Funding Package to, at a Minimum, Address FGPF Shortfall.*** LAO recommends the Legislature identify sufficient new ongoing revenues to provide at least \$19.6 million to support DFW's existing activities. Failure to do so would further limit the department's ability to implement current law and protect the state's public trust resources. While the department has sustained its service levels in recent years using one-time budget solutions, LAO recommends the Legislature address this issue with a permanent solution in 2018-19 and avoid further uncertainty or the need to repeatedly revisit how to address the funding gap in future budgets. The Proposition 64 requirement to spend an additional \$6.6 million in General Fund can begin to address this shortfall, and the Legislature could provide the additional \$13 million from a combination of other sources, including MVA or additional General Fund.

Adopt Ongoing Augmentation Package That Reflects Legislative Priorities. LAO concurs with the Administration that providing the department with some additional resources would improve its ability to respond to both existing and growing responsibilities. LAO therefore recommends the Legislature augment DFW's budget based on what it views as the highest state priorities. LAO finds that the Governor's proposal provides a reasonable starting place, but the Legislature can add, modify, or remove activities based on its assessment of the most important priorities. Because LAO finds that both the threats to wildlife—particularly species that are already threatened or endangered—and the associated responsibilities for the department will increase with the effects of a changing climate, LAO recommends prioritizing proposals that respond to such pressures. These include those that would protect endangered salmon, increase enforcement in Marine Protected Areas, and monitor and assist species identified under CESA.

Require DFW to Provide More Detailed Justification for Use of MVA, Approve Corresponding Amount of Funding. While the proposed use of MVA for DFW's vehicle-related tasks seems reasonable in concept, at the time this report was prepared the department had not yet provided sufficient justification for what amount of funding would be appropriate. LAO therefore recommends requiring that DFW provide the budget subcommittees an accounting for how much of its workload is directly related to motor vehicles. While LAO understands this exercise might be difficult given the multiple activities that staff such as wardens may undertake in a given day—only some of which might be related to vehicles—LAO believes developing a reasonable estimate is important to justify the use of MVA for this new purpose. LAO recommends the budget subcommittees review these data before approving the use of MVA for DFW. To the extent the department is able to quantify its vehicle-related workload, LAO recommends the Legislature appropriate a corresponding amount of MVA to DFW.

Reject Proposed Use of TRMF. LAO recommends the Legislature reject the Governor's proposal to use $26 million from the TRMF for DFW. LAO believes the department has not sufficiently justified the legal nexus for using tire fees to support its workload. Furthermore, given the fund is scheduled to experience a significant drop in revenues in 2024—and the Governor proposes to stop using it for DFW at that time—LAO recommends the Legislature avoid using it to establish new ongoing activities and positions that will be difficult to sustain in the future. Correspondingly, LAO also recommends against directing $26 million from the GGRF to CARB, as rejecting the proposed TRMF transfer to DFW would negate the need for that backfill.

Balance Use of Other Funding Sources with Other State Priorities, Consider Revisiting Based on Results of Budgetary Review. LAO was not able to identify an obvious source for augmenting DFW's budget—all of the options before the Legislature come with trade-offs. The Legislature will need to balance the strengths and weaknesses of each source to fund the service levels it wants DFW to provide. Moreover, as discussed earlier, determining the right mix of General Fund and fees for a budget augmentation is complicated by the uncertainty surrounding DFW's use of existing revenues. Assuming it chooses to focus program augmentations on new activities that benefit the public trust—such as protecting native species—relying primarily on the General Fund for program expansions in 2018-19 would be appropriate. However, the Legislature may want to revisit the mix of funding sources in future years once additional information on the department's existing budget is available. For example, if DOF's budget analysis reveals that significant General Fund is being used to support activities that benefit specific groups—such as hunters, recreational or commercial fishers, or permit applicants—the Legislature may want to raise corresponding fees and reduce the General Fund support.

Require DFW and DOF to Provide Update on Progress of Budgetary Review. LAO recommends requiring DOF and DFW to provide the Legislature with updates on their mission-based budgeting review. Specifically, LAO recommends requesting a verbal update on the status of the review during spring budget hearings, and enacting budget bill language to require a formal written update and summary of initial findings to be provided no later than October 1, 2018. This information will be important for informing development of the 2019-20 budget. LAO recommends requiring that this written update include a summary of initial findings related to (1) how DFW uses its existing revenues and which fund sources support which types of activities; (2) instances where DFW should readjust how it is directing existing revenues to support its activities and to better meet legal and programmatic requirements; (3) instances where DFW appears to have insufficient funding—either in total, or from a particular source—to implement specific statutory responsibilities; (4) instances where DFW might be undertaking activities outside of its core mission; (5) instances where statutory changes might be needed to improve DFW's service delivery; (6) data or information that is lacking or unavailable and therefore precludes answering some of these key budgetary questions, and suggestions for how to overcome those gaps, and (7) to the degree that the full review is not yet complete, what data and questions remain to be analyzed, and a timeline for its completion.

Staff Comments. ***Tire Fee: Backfill Carl Moyer Program Using GGRF.*** For 2018-19, the Administration's Cap-and-Trade Expenditure Plan proposes to use $26 million in GGRF to backfill APCF for the $26 million being diverted from APCF to FGPF.

On July 25, 2017, Governor Brown signed AB 398 (E. Garcia), Chapter 135, Statutes of 2017, which, among other things extended authorization for ARB to utilize the cap-and-trade program to reduce GHG emissions after December 31, 2020. There have been questions about whether or not AB 398, which was passed by a two-thirds vote in the Legislature, had any impact on the current cap-and-trade program set to expire December 31, 2020, and the revenues it generates. In the formal opinion of Legislative Counsel, AB 398 did not immediately change the character of cap-and-trade revenue. Specifically, Legislative Counsel has determined that the revenues generated through December 31, 2020 by the current cap-and-trade program continue to be subject to a trust and, therefore, must continue to be appropriated in a manner that is reasonably related to GHG emissions reductions through December 31, 2020. As for revenue generated by the cap-and-trade program post-2020, the Legislative Counsel has not come to a determination yet – the nature of GGRF moneys could potentially change in the coming decade.

At least until 2021, the purpose of GGRF moneys is to reduce GHG emissions regardless from what funds they are spent.

Tire Fee: Backfill to Carl Moyer After the Budget Year. As noted above, the $26 million from the tire fee to FGPF is ongoing funding. The Cap-and-Trade Expenditure Plan proposes to backfill APCF with GGRF for 2018-19. However, a question arises as to what, if any, source is intended to backfill for the Carl Moyer Program after the budget year.

Tire fee: 2024 Sunset. Current law sunsets PRC §42889 on January 1, 2024. After that date, the entire tire fee reduces from $1.75 per tire to $0.75 per tire with all of the revenue going towards tire recycling purposes. The proposed TBL does not include amendments to extend or eliminate the sunset date. A question arises as to if and how DFW plans to replace the $26 million ongoing revenue source after January 1, 2024, when the 75-cent portion of the tire fee being redirected from APCF to FGPF no longer exists.

Tire Fee: Changing the Statutory Purpose. As noted above, the tire "fee" is actually a tax and may be used for whatever purpose provided in statute. TBL changes the purpose of the tire fee from mitigating air pollution caused by tires to mitigating "harmful impacts to wildlife and its habitat caused by tires in the state." A question arises as to whether the Senate wishes to prioritize $26 million in tire fee revenue in this manner rather than continue using the funds to mitigate environmental pollution caused by waste tires.

Transportation-Related Fund Sources and Environmental Effects to be Mitigated. The BCP states:

> The proposal provides funding from transportation-related fund sources with a clear nexus to fish and wildlife. Road networks across the State have fragmented and isolated habitat to the degree that wildlife migration corridors are obstructed and cause large losses. The Department is consistently working at the local level to minimize these impacts that result from

> transportation corridors that impede fish and wildlife movement. With a few exceptions (e.g. Caltrans contract positions); the department is not funded to address this workload.
>
> A 2016 UC Davis Road Ecology Center report estimates the cost of wildlife-vehicle conflict to be at least $225 million annually. This report cites data that nearly 6,000 traffic incidents involved wildlife in 2015, with mule deer being the most common (91 percent), followed by coyote (6 percent), and black bear (two percent). The department responds to traffic incidents involving wounded wildlife and makes arrangements for disposition of the animal as appropriate, such as placing the animal with a private wildlife rehabilitation facility. The department also works with tribes, which may take possession of an animal carcass involved in a traffic collision, consistent with a memorandum of understanding.

Transportation-Related Fund Sources and Waste Tires. The product upon which the tire fee is placed is an integral part of a motor vehicle. However, the authority for the fee, the California Tire Recycling Act, pertains to the tire after the end of its useful life as a form of waste – the fund source, the tire fee, relates to solid waste rather than transportation. Tires no longer in service can cause pollution and become solid waste that need to be disposed or recycled – the tire fee helps pay for activities to address these issues. Environmental damages caused by waste tires still exist and there is no shortage of activities for which these moneys could be appropriated for their current statutory purpose.

MVA: Mitigation of Environmental Effects: Animal Strikes. As noted above, the use of MVA moneys is restricted by California Constitution Article XIX. The budget shows that MVA moneys will be used for DFW's Biodiversity Program and Enforcement. DFW proposes to allocate MVA funds for the following activities:

- Enforcement:
    - Wildlife trafficking; and,
    - General law enforcement.

- Biodiversity Conservation Program:
    - Salmon/steelhead monitoring;
    - Trend monitoring and status reviews; and,
    - Statewide connectivity.

In regards to environmental effects being mitigated, DFW states:

> A 2017 UC Davis annual report showed nearly 8,000 plus animals were struck by vehicles costing California more than $276 million in damages, including $38 million attributed to wildlife losses. This is up to 20 percent from the previous year's report. This is but a small fraction of documented wildlife mortality on California's roadways…
>
> Environmental effects that need to be mitigated include "taking" species listed under the California Endangered Species Act; incidents involving animal vs. vehicle; presence of aquatic and terrestrial migration barriers; and discharging sediment or other deleterious materials to streams, wetlands, and other sensitive habitats.
>
> Currently, environmental effects caused by public streets and highways are generally being mitigated in a piecemeal fashion absent the project efficiency and economy of scale benefits that are possible from advanced planning. Advanced planning may encompass high priority

conservation areas, as well as include larger-scale/landscape-level mitigation which often benefits multiple species and habitats. Coordinated, large-scale mitigation provides economy of scale benefits pertaining to project cost, as well as attendant economy of scale benefits to fish and wildlife resources and their habitats.

The term “environmental effects,” in Article XIX, may be broadly interpreted and does not include parameters on the types of environmental effects that may be mitigated. DFW contends that animal strikes are environmental effects that satisfy the Constitutional requirements for using MVA moneys; and that activities related to DFW enforcement and the Biodiversity Conservation Program will mitigate those environmental effects. Streets and highways can divide wildlife habitat and migration corridors, which can lead to animal strikes; DFW activities related to statewide connectivity seem appropriate for mitigating the environmental effect of animal strikes in such cases. However, when considering some of the other activities to be funded by MVA, such as enforcement for wildlife trafficking, questions may arise as to how these activities may mitigate the harm to wildlife that are struck by vehicles.

What are Other Options for a Comprehensive Solution? The Governor’s proposal amounts to an ongoing solution to addressing the FGPF’s structural imbalance. Permanent solutions are necessary. Some of the solutions that have been brought up in the past include: statewide fees/taxes, water rights fee (assessed by State Water Resources Control Board), or a non-consumption user fee (boat rentals, diving, whale watching). In addition, the following table displays revenue generating options that other states use:

Other States Fish and Wildlife Revenue Generation	
General Sales Tax	Missouri, Arkansas
Sales Tax on Outdoor Gear	Texas, Virginia
Real Estate Transfer Tax	Florida, South Carolina
General Obligation Bonds	Nevada
Lottery Funds	Arizona, Maine

Almost all of the FGPF’s revenue is derived from fees from recreational hunters and anglers, with some funding coming from California Environmental Quality Act filers and commercial fishers. However, some have raised the argument that the department’s work serves a statewide purpose and the public good, which should merit the consideration of some of these alternative proposals.

Staff Recommendation. Hold open.

Issue 5 – State Water Project (SWP)

Governor's Proposal. The budget requests $3.94 million reimbursement authority to enter into an agreement with the California Department of Water Resources, to support 17 existing positions currently funded by Proposition 84. The requested authority will ensure that the State Water Project complies with California Endangered Species Act requirements, and supports the implementation of mitigation actions and adaptive management.

Background. ***California SWP.*** DWR maintains and operates SWP, which is a water storage and delivery system of reservoirs, aqueducts, power plants and pumping plants. SWP includes 34 storage facilities, reservoirs and lakes; 20 pumping plants; four pumping-generating plants; five hydroelectric power plants; and about 701 miles of open canals and pipelines. Its main purpose is to store water and distribute it to 29 urban and agricultural water suppliers in Northern California, the San Francisco Bay Area, the San Joaquin Valley, the Central Coast, and Southern California. Of the contracted water supply, 70 percent goes to urban users and 30 percent goes to agricultural users.

SWP makes deliveries to two-thirds of California's population. It provides supplemental water to approximately 25 million Californians and about 750,000 acres of irrigated farmland. SWP is also operated to improve water quality in the Delta, control Feather River flood waters, provide recreation, and enhance fish and wildlife.

DFW provides regulatory oversight to water storage and distribution operators. State law requires DFW to provide technical input and regulatory oversight to the operators of California's water storage and distribution systems. This involves the analysis and synthesis of hydrology and fisheries data to guide the water project's operations to avoid and minimize impacts to sensitive fishes. Participation by the department in long-term technical and management teams will be necessary to conduct adaptive management of water operations and coordinate implementation of all associated mitigation requirements over the longer timeframe required for infrastructure construction and operations.

DFW is currently developing an agreement with DWR to support its existing level of participation and to provide additional funding for staffing needed as part of updated California Endangered Species Act and federal Endangered Species Act authorizations for the State Water Project and to implement the California Water Fix.

Incidental Take Permits. The California Endangered Species Act (CESA) prohibits the take of any species of wildlife designated by the California Fish and Game Commission as endangered, threatened, or candidate species. CDFW may authorize the take of any species listed as endangered, threatened, candidate, or a rare plant, if that take is incidental to otherwise lawful activities and if certain conditions are met. These authorizations are commonly referred to as incidental take permits (ITPs).

In 2008, the U.S. Fish and Wildlife Service (USFWS) issued a biological opinion (BiOp) on the long-term operations of the SWP and determined that the operation is likely to jeopardize the continued existence and adversely modify the critical habitat of federally listed Delta smelt.

In 2009, the National Marine Fisheries Service issued a BiOp on the SWP operations and determined that the SWP operations are likely to jeopardize the continued existence and adversely modify the critical habitat of federally listed Sacramento River winter-run Chinook salmon, Central Valley spring-run Chinook salmon, Central Valley steelhead, and the Southern Distinct Population Segment of North American green sturgeon.

In 2009 DFW issued DWR an ITP for the ongoing and long-term operation of the SWP existing facilities in the Sacramento-San Joaquin Delta for the protection of longfin smelt. CDFW also issued DWR consistency determinations for the NMFS BiOp and USFWS BiOp. The 2009 Incidental Take Permit is set to expire on December 31, 2018. DFW is currently participating in the development and review of the environmental documentation and issuance of a new ITP.

The requested reimbursement authority will provide the department resources to ensure adequate protection of fish species listed under CESA and to participate and oversee multiple regulatory and planning initiatives focused on the Delta, Yolo Bypass and Suisun Marsh in relation to implementation of mitigation requirements for SWP and the Central Valley Project.

Staff Recommendation. Approve as Budgeted.

3860 Department of Water Resources

Overview

The Department of Water Resources (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.

The Governor's 2018-19 budget proposes a total of $475 million from various funds for support of the department. This is a net decrease of $1.5 billion compared to projected current-year expenditures. This year-to-year decrease is primarily due to the way bond funds are accounted for in the annual budget. Specifically, DWR had $1.8 billion in 2017-18 spending authority from bond funds appropriated over the past several years, compared to roughly $310 million proposed for appropriation in 2018-19. (These totals exclude the roughly $1.7 billion in annual payments from water contractors for DWR's work on the State Water Project, as those funds are not appropriated through the annual budget act.)

Issue 6 – Central Valley Flood Protection Board (CVFPB) – General Fund Baseline Increase

Governor's Proposal. The Governor's budget requests $1.4 million in General Fund state operations for FY 2018-19 and FY 2019-20. CVFPB's current funding, The Disaster Preparedness and Flood Protection Bond Act of 2006 (Proposition 1E), will be expended in FY 2017-18. CVFPB is therefore requesting to redirect its funding source so that CVFPB can continue to meet its statutorily mandated functions consistent with the Central Valley Flood Protection Act of 2008.

Background. ***CVFPB Oversees Central Valley Flood Protection System on Behalf of the State.*** Formerly called the State Reclamation Board, the CVFPB was created in 1911 to address flood issues in the Central Valley. Funding for CVFPB is included in DWR's budget, though the board is an independent agency with its own regulatory authority. The board oversees the State Plan of Flood Control (SPFC) on behalf of the state.

The SPFC is a system of flood protection infrastructure along the main stem and certain tributaries of the Sacramento and San Joaquin rivers, consisting of about 1,600 miles of levees and other flood protection structures such as dams and weirs. 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. 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.

The board also oversees state-owned properties within the Sacramento San Joaquin Drainage District (SSJDD), which is a statutorily defined area containing the SPFC that encompasses over 1.7 million acres in 14 counties. Such properties include land holdings as well as flood-related structures like levees. Besides overseeing the flood protection system, as part of its property management role the board also oversees leases for state-owned lands—primarily located within flood bypasses—for farming, natural gas extraction, or other purposes.

Paterno Court Decision Established State Liability for SPFC. In 2003, a state appellate court found the state responsible for a SPFC levee failure along the Yuba River, thereby establishing a new standard for the state's flood liability. The 2003 decision in the *Paterno v. California* case found that the state had failed to properly maintain the Linda Levee (located south of Marysville) and therefore was liable for resulting flood damage when it failed in 1986. Although the levee was both originally constructed and maintained at the time by local entities—not the state—and reportedly had *never* met engineering standards, the court found that the state undertook liability when it assumed control of the SPFC in the 1950s. Specifically, courts found that the state "had ample opportunity to examine" and repair the levee. The decision found that the state was ultimately financially responsible for the failure of SPFC facilities, even when they had been maintained by local entities. The state eventually paid a $464 million settlement to the nearly 3,000 plaintiffs. The *Paterno* decision's precedent makes it possible that the state could ultimately be held responsible for the structural integrity of all SPFC facilities.

SPFC System Needs. The US Army Corps of Engineers identified thousands of non-compliant encroachments and/or deficient maintenance and operations of facilities within the SPFC. They estimate that 90 percent of the state's project levees no longer qualify for the federal Levee Rehabilitation Program. When a state project levee loses this status, it is no longer eligible for federal contribution funding for rehabilitation to return a levee to it pre-flood status. Instead, those rehabilitation costs and any associated liability due to loss of life/property falls on the state and/or local flood agency (*Paterno*).

2017-18 Budget Included Funding and Staffing Augmentation, New Fee Authority. The 2017-18 Budget Act provided an increase in funding and staffing for CVFPB to better accomplish its statutory responsibilities. Specifically, the budget provided an increase of $2.2 million in General Fund and authorized nine new positions. This brought the board's total funding to $9.6 million and total staffing to 47 authorized positions. About half of the new funding was to support the new positions, and the remainder was for the board to contract with DWR to develop a comprehensive database of the property owned by the state within the SSJDD. All of this new funding—including the funding for the positions—was provided on a three-year basis and will expire in 2020-21. Though the workload for these positions is ongoing, the funding was provided on a limited-term basis because the Administration wants the board to develop options for generating additional revenue to support its operations in future years in lieu of General Fund support.

Additionally, the 2017-18 budget package gave CVFPB expanded statutory authority to charge fees to cover the costs of its services, including its costs related to issuing permits for encroachments, inspecting encroachments on SPFC levees, and managing SSJDD property.

Legislative Analyst's Office (LAO). ***Proposes Shifting $1.4 Million for Ten Existing Positions from Bond Funds to General Fund.*** The Governor's budget proposal would increase General Fund support for CVFPB by $1.4 million and reduce funding from Proposition 1E by a like amount. Proposition 1E is a general obligation bond approved by voters in 2006 for flood protection activities. This funding supports personnel costs for ten of the board's existing positions. The Administration proposes this fund shift because Proposition 1E funds are nearly fully expended and will no longer be available for the budget year. Although these positions were previously funded with bond funds, they carry out ongoing, core responsibilities for the board that are not exclusively linked to the bond, including processing permit applications for SPFC projects. Consistent with the approach the Administration used to fund the board in the current year—to provide funding on a limited-term basis while CVFPB pursues options for generating additional revenues—this proposal requests the $1.4 million in General Fund for just two years even though the workload is ongoing.

LAO Recommendations. LAO recommends the Legislature adopt the Governor's proposal. Allowing CVFPB to continue its existing level of oversight of SPFC facilities is an important component of state efforts to maintain flood protection and public safety. LAO also find merit in the Governor's proposal to provide the funding on a two-year basis, as this would allow the board the opportunity to exercise its existing fee authority and begin generating additional revenues to use in lieu of General Fund in the future.

LAO additionally recommends the Legislature adopt supplemental reporting language requiring CVFPB to submit a report to the Legislature by February 1, 2019 that provides an update on its activities to generate additional revenues. This would help prepare the Legislature for how it might approach funding the existing positions whose General Fund is scheduled to expire. Having this information before it faces that 2020-21 budget decision would also allow the Legislature the opportunity to provide additional direction or assistance to CVFPB if the board is encountering barriers or making insufficient progress in implementing new revenue-generating practices. LAO recommends the report address five potential options for generating new revenues: permitting fees, inspection fees, noncompliance penalties, lease and royalty revenues, and a new SSJDD assessment. For each of these options, LAO recommends the report provide the following information: (1) status of implementation, (2) amount of revenue generated thus far, (3) estimated annual revenues in 2020-21 and future years, (4) barriers to implementation, and (5) suggestions for addressing those barriers.

Staff Recommendation. Approve as budgeted and adopt supplemental reporting language as reflected in the LAO recommendation.

Issue 7 – State Water Project Aging Infrastructure Improvements

Governor's Proposal. The Governor's budget requests 74 positions to support the California State Water Project (SWP). Specifically, the requested resources would be used to:

- Meet new and expanded state and federal regulatory requirements.
- Respond timely, safely, and cost-effectively to urgent or emergency work as defined by Public Contract Code §10122 et seq., and other Executive, Legislative or regulatory mandates.
- Implement an asset management program, enhance condition assessment and maintenance programs, and facilitate increased design, construction and inspection projects for an aging SWP infrastructure.
- Provide legal support for the Oroville Dam spillway emergency and recovery.

Background. ***SWP.*** *(Please refer to page 35 for background information regarding SWP.)*

Oroville Incident. Lake Oroville is SWP's largest storage facility with a capacity of approximately 3.5 million acre feet. On February 7, 2017, erosion was discovered on the lower chute of the main flood control spillway at Lake Oroville. With an onslaught of winter storms, releases down the damaged main spillway were unable to prevent the reservoir from overtopping the concrete weir. Water cascaded down the emergency spillway, triggering the evacuation of more than 180,000 people downstream of Lake Oroville on February 11.

This incident highlighted the importance of committing sufficient resources to inspect, assess conditions, set priorities, meet regulatory compliance obligations, and maintain the SWP including its 26 regulated dams and approximately 700 miles of canals and pipelines.

State Division of Safety of Dams (DSOD) and Federal Energy Regulatory Commission (FERC) Regulations. Of the 26 regulated dams, 22 are under the jurisdiction of the DSOD, with 11 of those also under the jurisdiction of the FERC. In compliance with DSOD and FERC regulations, DWR's Dam Safety Branch (DSB) convenes an independent consulting board on five-year cycles to review dam performance data and operation and maintenance records, participate in comprehensive inspections, and produce a report of categorized findings and recommendations. Following each Board meeting, the DSB develops the scope of work, schedule, budget, and resources needed to address each of the findings and recommendations. DSB currently has 90 dam safety projects underway or queued to begin in the near future, which is a progressive increase from the 30 projects planned and scheduled three years ago.

Staff Comments. Most of the requested positions seem reasonable given the increased workload. However, some of the positions may not be needed in the near term. For example, the request for positions to respond to the Settlement Agreement and the FERC relicensing might be premature given the discussions are still underway and the required actions have not yet been determined.

Staff Recommendation. Hold open.

Issue 8 – Infrastructure Repairs and Reimbursement for Flood Control

Proposal. A member letter submitted to the subcommittee requests $100 million General Fund on an annual basis for DWR to perform flood control infrastructure maintenance, repairs, and improvements, as follows:

- $50 million to meet statutory state cost share of federal projects;
- $5 million for State Plan of Flood Control system-wide improvement;
- $22.5 million for the operations and maintenance of state maintained facilities pursuant to Water Code §8361;
- $22.5 million for flood system repair projects and small communities and regional flood management plan implementation.

Background. ***State responsibilities: Flood-related activities.***

- ***DWR.*** DWR is the state's lead agency in flood-related activities. The department's responsibilities include the full cycle of flood-related activities, including preparing for future floods, forecasting imminent floods, and responding to actual floods. Besides providing guidance and assistance to local agencies, DWR also maintains certain SPFC levees and facilities.

- ***Central Valley Flood Protection Board (CVFPB).*** Formerly called the State Reclamation Board, CVFPB was created in 1911 to address flood issues in the Central Valley. The board holds responsibility, on behalf of the state, for overseeing the SPFC. Its activities include collaborating with other agencies to improve the SPFC's flood protection structures, issuing permits for work on the system's levees and structures, enforcing removal of problematic levee encroachments, and serving as the intermediary between USACE and SPFC permit applicants.

- ***Other State Agencies Also Involved.*** Like FEMA, the state's Office of Emergency Services (OES) provides disaster assistance during and after a flood event. The State Water Resources Control Board and regional water boards set and regulate stormwater discharge requirements. The California Department of Fish and Wildlife monitors and regulates the potential impacts of flood management efforts on fish and wildlife, including issuing permits for certain projects. Additionally, the Delta Stewardship Council evaluates flood projects proposed within the Delta to ensure they are consistent with established state goals for the region, and is developing a Delta Levees Investment Strategy to guide the state in prioritizing levee funding.

Member Letter. The letter notes that levees have experienced significant damage that could prevent them from doing well in the next high-water event and that an estimated $800 million in needed repairs for significant levee damage due to high water events. The letter states that if these repairs are not done, not only are communities at risk of devastating floods, but repairs will be far more urgent, costlier, and extensive in the future.

The letter further notes that the need for a consistent and reliable source of funding to address the backlog of operation and maintenance needs.

Finally, the letter notes that the Central Valley Flood Protection Plan estimates up to $21 billion needed over 30 years for upkeep of SPFC system of levees.

Staff Recommendation. Hold open.

3940 State Water Resources Control Board
8570 Department of Food and Agriculture

Issue 9 – Safe and Affordable Drinking Water

Governor's Proposal. The Governor's budget requests a one-time loan of $4.7 million from the Underground Storage Tank Cleanup Fund to fund the initial implementation of this new program, specifically:

- $3.3 million and 23 position for the State Water Resources Control Board to: (1) develop and adopt a fund implementation plan, (2) process charges that would be deposited into SADWF, (3) map areas at high risk for drinking water contamination and process drinking water data provided by local agencies, (4) develop an assessment of the total amount of annual funding needed to assist water systems in the state to provide safe drinking water, and (5) perform accounting and other administrative tasks.

- $1.4 million and seven positions for the Department of Food and Agriculture to collect charges from agricultural entities.

In addition, the Governor's budget proposes trailer bill language (TBL) to establish the Safe and Affordable Drinking Water Program and Safe and Affordable Drinking Water Fund. Among the provisions in the TBL, the proposal:

1) Establishes the Safe and Affordable Drinking Water Program and Fund to be administered by the State Water Resources Control Board for purposes of providing money to provide replacement water, develop & sustain long-term solutions (construction, O&M), outreach, and testing.
2) Provides the Department of Food and Agriculture the authority to impose and collect fees from certain agricultural entities.
3) Exempts agricultural operations from specified enforcement actions related to nitrates for 15 years.
4) Establishes four charges to fund the program:
    a) Confined animal facilities fee:
        i) Beginning January 1, 2021:
            (1) Requires secretary to establish a new confined animal fee, commensurate with the actual risk to groundwater from discharges of nitrate, max $1,000/facility annually until January 1, 2036.
        ii) Convene working group composed of reps of confined animal facilities excluding dairies to determine the actual risk, if any, to groundwater from discharges of nitrate from confined animal facilities excluding dairies.
        iii) Operative January 1, 2034:
            (1) Beginning July 1, 2036, confined animal fee established by secretary, max of $1,000 limit. Authorizes secretary to adjust fee through emergency regulations.
            (2) The confined animal fee and dairy fee shall total $3 million or 30 percent of funding needed for nitrate, whichever is less.
    b) Fertilizer fee:
        i) Establishes a fertilizer fee of six mills ($0.006) per dollar of sales.
            (1) Sunsets January 1, 2034.
        ii) Beginning January 1, 2034, decreases fertilizer fee to two mills ($0.002) per dollar of sales.

iii) After January 1, 2036, authorizes secretary to adjust fee as necessary but not to exceed 70 percent of the anticipated funding need for nitrate or $7 million, whichever is less.

c) Dairy fee:
   i) Beginning January 1, 2021, establishes a dairy fee of $0.01355 per hundredweight of milk.
      (1) Sunsets January 1, 2036.
   ii) Beginning January 1, 2036
      (1) Establishes a dairy fee of $0.00678 per hundredweight of milk.
      (2) Authorizes secretary to adjust fee necessary, but not to exceed 30 percent of the anticipated funding need for nitrate or $3 million, whichever is less.

d) Safe and Affordable Drinking Water Fee
   i) From July 1, 2019 to July 1, 2021, establishes a water fee based on size of water meter.
      (1) $0.95/month for water meter less than or equal to 1" diameter.
      (2) $4/month for water meter greater than 1" and less than or equal to 2"
      (3) $6/month for water meter greater than 2" and less than or equal to 4"
      (4) $10/month for water meter greater than 4"
      (5) $0.95/month for a customer without a water meter.
      (6) $10 or less/month for a customer that has multiple meters serving a single address.
      (7) Exemptions for customers whose household income is equal to or less than 200 percent of the federal poverty level.
   ii) Beginning July 1, 2021, imposes a water fee as established by SWRCB for purposes of the Fund.
   iii) Beginning July 1, 2023, requires fee schedule to be set at an amount that does not result in the total uncommitted amount in the fund exceeding two times the anticipated funding need in the most recent assessment of funding need.

5) Prohibits the Legislature from increasing fees except by an affirmative 2/3 vote.

Background. ***Federal, State, and Local Entities Regulate Drinking Water.*** The federal Safe and Affordable 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 U.S. EPA enforces the federal SDWA at the national level. However, most states, including California, have been granted "primacy" by the U.S. EPA, giving them authority to implement and enforce the federal SDWA at the state level.

Maximum contaminant levels (MCLs) are health-based drinking water standards that public water systems are required to meet. MCLs take into account the health risk, detectability, treatability, and costs of treatment associated with a pollutant. Agencies responsible for regulating water quality enforce these standards.

The SWRCB's Division of Drinking Water (DDW) regulates public water systems 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. (A "service connection" is usually the point of access between a water system's service pipe and a user's piping.) The state does not regulate water systems with less than 15 connections; county health officers oversee them. 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 systems with between 15 and 200 connections within their jurisdiction. For investor-owned water utilities under the jurisdiction of CPUC, the DDW or LPAs share water quality regulatory authority with CPUC.

The DDW regulates approximately 7,500 water systems. About one-third of these systems have between 15 and 200 service connections. The number of smaller systems—specifically, those with 14 or fewer connections—is unknown but estimated to be in the thousands.

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 all public water systems (PWSs) are operated in compliance with the act. If a PWS within a disadvantaged community 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 can generally 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 nitrate 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 nitrate in groundwater, although other sources can be important in certain areas.

Unsafe Drinking Water a Statewide Problem. SWRCB has identified a total of 331 water systems that it or LPAs regulate that are in violation of water quality standards. These water systems serve an estimated 500,000 people throughout the state. The number of water systems with 14 or fewer connections that are currently in violation of water quality standards is unknown, but estimated to be in the thousands by SWRCB. Of the 331 systems identified by SWRCB, 68 have violations associated with nitrates (and in some cases, additional contaminants). In some of these water systems, unsafe contamination levels 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 across whom the costs would need to be spread.

Safe and Affordable Drinking Water a Human Right. In response to concerns about the prevalence of unsafe drinking water in California, AB 685 (Eng), Chapter 524 of 2012, was enacted. 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 clarifies that it does not expand the state's obligations to provide water or require the state to fund water infrastructure.

SWRCB Administers Programs to Provide Safe Drinking Water. The SWRCB administers the Drinking Water State Revolving Fund (DWSRF), which provides continuously appropriated funding for low- and zero-interest loans, debt refinancing, principal forgiveness, and grants to public water systems for infrastructure improvements to correct system deficiencies and improve drinking water quality. Eligible projects include the planning, design, and construction of drinking water projects such as water treatment systems, distribution systems, and consolidation with another water system that has safe drinking water. The program is funded by annual capitalization grants from the U.S. EPA and a federally required 20 percent state match (usually from bond funds). The federal and state funds are then used to provide financial assistance for eligible projects. In FY 2016-17, SWRCB estimates the DWSRF disbursed about $330 million and provided technical assistance to water systems.

SWRCB also administers temporary programs to provide safe and affordable drinking water. For example, SWRCB administers the Clean Drinking Water Program for Disadvantaged Households, which provided one-time funding of $8 million General Fund in FY 2017-18 to disadvantaged households and small water systems to ensure they have adequate access to clean drinking water and adequate sanitation. Eligible projects include capital costs for replacement and repair of existing domestic wells. The board has also administered funds approved by the voters through various bond measures for capital investments, and some operations and maintenance costs aimed at providing safe drinking water. For example, Proposition 1 (2014) authorized $520 million for grants and loans for projects that improve water quality, including to help provide clean, safe, and reliable drinking water to all Californians. Some of this funding supports the DWSRF.

Recent legislation for addressing drinking water system failures. In 2016, the legislature passed and Governor Brown signed two bills to help stop the proliferation of new small water systems and provide greater oversight and assistance to those that are not currently candidates for consolidation.

SB 1263 (Wieckowski, Pavley), Chapter 843, Statutes of 2016, now requires SWRCB to review permit applications for new water systems and authorizes SWRCB to deny a permit if it is found that the service area of the public water system can be served by one or more currently permitted public water systems, as specified.

SB 552 (Wolk), Chapter 773, Statutes of 2016, which, in addition to the consolidation authority provided by SB 88, provides SWRCB another tool to address the systemic issues affecting public water systems serving small, disadvantaged communities, by authorizing SWRCB to identify public water systems that are consistently unable to provide an adequate and affordable supply of safe drinking water and, once funding is available, contract with a competent administrator to provide managerial and technical expertise to that system.

Confined Animal Facilities (CAFs). According to SWRCB and RWQCBs, a CAF "is defined in California regulations as 'any place where cattle, calves, sheep, swine, horses, mules, goats, fowl, or other domestic animals are corralled, penned, tethered, or otherwise enclosed or held and where feeding is by means other than grazing.'" Most of the CAFs in the state are in Region 5 [ ] including about 75 percent of the dairies and most of the poultry facilities. The state has approximately 2,200 dairies with an average size of about 700 milk cows. There are also several hundred feedlots, poultry operations, and other animal feeding operations in the state. There are about 160 dairies and feedlots in Region 8 and about 200 dairies (mostly smaller facilities with less than 300 milk cows) in Regions 1 and 2. There are also a few CAFs in other regions.

Constituents of Concern (COC) at CAFs include any material that can adversely affect the quality of waters of the state. The primary COCs at CAFs are ammonia, nitrates, salts (usually measured as total dissolved solids), and bacteria that are in animal manure. However, other COCs such as sediments and metals can also be concerns at some facilities.

CAFs Impact on Surface Waters. According to SWRCB and RWQCBs, improper collection and storage of manure or improper application of manure to land can result in discharges of COCs to surface waters. The primary concern is ammonia that is toxic to aquatic life in small amounts. High quantities of organic matter can result in depletion of dissolved oxygen. Nutrients such as nitrates and phosphorus can result in algal growth that can adversely affect beneficial uses. Coliform bacteria and other pathogens are a concern if there is human contact with the receiving water or if food is consumed by humans impacted. For example, bacteria from dairies on the coast have impacted oysters in coastal waters north of San Francisco.

CAFs Impact on Groundwater. According to SWRCB and regional water quality control boards (RWQCBs), improper storage of manure or application of manure to land result in discharges to groundwater. The primary concerns are total dissolved solids (TDS) and nitrates. Many dairies do not have sufficient cropland to limit the application of mare to reasonable rates for plant growth. Furthermore, many additional dairies do not have adequate facilities to control the timing of applications to maximize nutrient update by crops and thereby minimize leaching of nitrate to groundwater.

CAFs Are Different Than Other Farming Operations. According to SWRCB and RWQCBs, although other farming operations can and do discharge COCs into surface and groundwater, CAFs such as dairies that land apply manure have features that make them a higher concern. Dairies may apply manure "to get rid of it" rather than apply it in the most efficient manner for crop production (since other farmers pay for their fertilizers, they are less likely to over apply it). Also, dairies may need to empty holding ponds during the rainy season when crops do not need nutrients. Another factor is that manure contains a higher ratio of "unwanted" salts to nutrients than do commercial fertilizers, so that even dairies with well-managed manure handling can contribute a higher salt loading than do other farming operations.

There are several hundred feedlots, poultry operations, and other animal feeding operations in the state. The primary water quality concerns at CAFs are impacts to groundwater from salts and nutrients from sources that include cropland where manure and wastewater is applied as a fertilizer. Even when best management practices are used, it appears that groundwater may be adversely affected at many facilities.

Current SWRCB Funding Programs. SWRCB, Division of Financial Assistance 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. USEPA 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 public water systems (PWS) for infrastructure improvements. Total funding provided to PWS in executed loans and grants to date is over $1.3 billion.
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> *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 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. These 51 projects are distributed among 47 community drinking water systems.
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> *Proposition 50.* The Water Security, Clean Drinking Water, Coastal, and Beach Protection Act of 2002 (Proposition 50) was voter-approved in 2002. $485 million was allocated 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. $300 million was allocated 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 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.

Proposed Proposition 68. SB 5 (de León), Chapter 852, Statutes of 2017, established the Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access for All Act of 2017 (SB 5). SB 5 allocates a total of $4.1 billion – $4 billion of which is new bond authority and the remaining $100 million will be redirected from unsold bonds previously approved as part of Propositions 1, 40, and 84. SB 5 is subject to voter approval and has been placed on the June 2018 ballot as Proposition 68. SB 5 proposes to dedicate $250 million specifically to drinking water and drought preparedness as well as $80 million for groundwater sustainability.

Legislative Analyst's Office (LAO) Comments. ***Governor's Budget Proposal Imposes Various Charges.*** In total, the Administration estimates that the various proposed charges would generate roughly $150 million annually when fully implemented. The charges on agricultural entities would be required to be targeted to water systems affected by nitrate contamination. Specifically, the Administration proposes budget trailer legislation to implement the following charges:

- *Charge on Water System Customers ($130 to $140 million).* Beginning July 2019, the Administration proposes imposing monthly charges on most water system customers ranging from $0.95 to $10 based on the size of the customer's water meter. According to a recent CPUC report, the average water bill across 113 California public water systems was $78 in the summer and $60 in the winter. SWRCB estimates that these charges will generate between $130 million and $140 million annually when fully implemented. Customers would be exempted from this charge if they (1) belong to a water system with fewer than 200 connections or (2) self-certify that their household income is equal to or less than 200 percent of the federal poverty level (The 2018 federal poverty level is $25,100 for a family of four.) Beginning July 2021, SWRCB could reduce these charges. Local water systems would be authorized to retain some of the revenue to cover costs associated with the collection of the charges.

- *Mill Fee ($14 million).* The Administration proposes a mill fee of six "mills" (equal to six-tenths of a cent) per dollar on the sale of all fertilizer. This would be in addition to the current mill fee of three mills. According to the California Department of Food and Agriculture (CDFA), this charge is estimated to generate $14 million per year when fully implemented.

- *Charges on Milk Producers ($5 million).* The Administration proposes to impose charges on milk producers beginning January 2021. In total, these charges are estimated to generate $5 million per year when fully implemented. For context, cash receipts for milk and cream production in California were $6.1 billion in 2016.

- *Charge on Confined Animal Facilities (Amount Not Estimated).* Finally, the Administration proposes to impose a charge on confined animal facilities—excluding dairies—such as egg-production facilities. The charges are capped at $1,000 per facility per year. At the time this analysis was prepared, the Administration did not have revenue estimates available for the confined animal facilities charge.

The Administration has not estimated the total cost associated with bringing drinking water systems that are currently unable to meet water quality standards into compliance on an ongoing basis. However, a private consulting firm recently did a statewide drinking water needs assessment for advocates and stakeholders to determine this amount. According to the assessment, $140 million would be required annually to improve conditions at all drinking water systems and domestic wells with substandard water quality. In LAO discussions with SWRCB staff, they indicated that the methodology used to generate the estimate appeared reasonable, but any estimate in this area is highly uncertain, particularly due to the lack of data on smaller water systems and domestic wells. The assessment estimated the costs to address systems with nitrate problems would be around $30 million annually, and the costs to address all other systems would be $110 million annually.

Requires SWRCB to Administer SADWF. The proposal includes a number of administrative requirements, particularly for SWRCB. In a process that requires a public hearing and opportunities for stakeholder participation, SWRCB would adopt a fund implementation plan and policy handbook with priorities and guidelines for expenditures from SADWF. In addition, SWRCB staff would be required to annually develop and present to the board an assessment of the total annual funding needed to assist water systems in the state to secure the delivery of safe drinking water. By January 1, 2020, SWRCB—in consultation with local health officers—would also have to make available a map of aquifers that are at high risk of containing contaminants that are used or likely to be used as a source of drinking water for certain smaller water systems and domestic wells. This would include identification of water systems potentially in need of assistance to address water contamination issues.

Under the Governor’s proposal, SWRCB may expend up to five percent of revenues from SADWF for costs associated with its administration. In addition, CDFA may retain up to four percent of the monies collected from the charges on agricultural entities for its costs associated with implementation and enforcement, such as to establish a charge collection program and perform outreach to affected agricultural entities. This amount would decrease to two percent beginning July 2021.

LAO: Issues for Legislative Consideration. LAO identifies three issues for the Legislature to consider as it deliberates on the proposal: (1) consistency with the state’s human right to water policy, (2) uncertainty about the estimated revenues that would be generated by the proposal and the amount of funding needed to address the problem, and (3) consistency with the polluter pays principle.

Proposal Is Consistent with Human Right to Water Policy. The Governor’s proposal is consistent with the state’s statutory policy that every human being has the right to safe, clean, affordable, and accessible water adequate for human consumption. The proposal would make safe and affordable drinking water more widely available throughout the state largely by providing funding for operations and maintenance activities for water treatment systems. While the Administration has not conducted its own estimate of the number of people this proposal would help, based on the information available, it would appear that this funding could address a large share of the problem. In particular, the proposal would prioritize additional funding to disadvantaged communities and low-income households served by water systems with less than 14 connections.

Uncertain to the Extent Proposed Revenues Will Fully Address Problems. As described above, a private consulting firm estimated the total annual cost to address contaminated drinking water at $140 million ($30 million for nitrate treatment and $110 million for other contaminants). However, this estimate is highly uncertain given the lack of data about 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. LAO notes that under the proposal, SWRCB would be required to prepare an annual needs assessment, which could provide the Legislature with greater certainty in the future. There is also uncertainty about the amount of revenue that will be generated under this proposal, particularly from the agricultural entities. TBL allows SWRCB to adjust ratepayer charges downward if the funding provided exceeds future demand for the funds. However, if the demand exceeds funding in the future, any increase in charges would require approval by the Legislature.

Might Not Fully Implement the Polluter Pays Principle. The "polluter pays" principle is the concept that those entities that cause an environmental harm should be responsible for the costs associated with cleaning up that contamination and addressing the harm done. The vast majority of nitrate contamination is caused by agricultural activities. As such, the administration's proposal to have agricultural entities pay charges to address the effects of that contamination appears consistent with the polluter pays principle. However, in at least two ways, the proposal might not be entirely consistent with the principle. First, 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. Therefore, it might not be entirely consistent with the polluter pays principle to have current operators pay for contamination caused by previous operators. Second, based on the information available, it appears that the funds raised by charges on agricultural entities might not be sufficient to address the costs related to nitrate contamination. As described above, the assessment performed by the private consulting firm estimated annual total costs of $30 million to address drinking water systems exceeding the nitrate MCL. However, CDFA estimates the charges on dairies and fertilizer combined would total about $19 million per year when fully implemented. (At the time this analysis was prepared, the administration had not completed a revenue estimate for the charge on confined animals.) Consequently, the proposal could result in nitrate-related contamination in drinking water being addressed from revenues generated by the charge on water system customers rather than from agricultural entities. To the extent that occurs, it would be inconsistent with the polluter pays principal.

Staff Comments. ***SB 623 (Monning, 2017).*** Last year, SB 623 was introduced to establish the Safe and Affordable Drinking Water Fund to provide money for grants loans, contracts and services to assist those without access to safe and affordable drinking water with a fund implementation plan adopted annually by SWRCB. SB 623 passed out of the Senate and has been substantially amended since it was voted out of the house of origin. SB 623 is located in the Assembly Rules Committee. As amended August 21, 2017, SB 623 is substantially similar to the Governor's budget proposed TBL. SB 623 has yet to be heard by a policy committee.

Shielding Certain Agricultural Entities from Regulatory Actions. LAO states that SWRCB and regional water quality control boards set objectives for the amount of nitrate contamination in groundwater. Agricultural entities that contribute to levels of nitrate contamination that exceed these objectives are subject to enforcement actions that can include cleanup and abatement orders as well as cease and desist orders. However, under the Governor's proposal, if an agricultural operation meets certain requirements, such as implementing the best practicable treatment control, and pays the charges required by this proposal, the operation would not be subject to these types of regulatory actions for at least fifteen years.

Concern has been raised that by establishing a framework that limits agency and citizen oversight over agricultural discharges, this proposal would create a "safe harbor" from enforcement that could effectively allow agricultural polluters to continue polluting practices. Based on an analysis by the Stanford Law School Environmental Law Clinic of SB 623, which the Governor's budget proposal is significantly similar to, a coalition of opposition states:

> Section 13278 [et seq.] describes considerable changes to the way that the State will regulate agricultural pollution for those growers who are paying into the Safe Drinking Water Fund. Section 13278.1(a) provides immunity from "enforcement by the State Board or a Regional Board under Chapter 5" if an agricultural operation meets specified criteria, including if the operation is "in compliance" with the provisions of an applicable agricultural WDR or waiver order. Chapter 5 contains all of the Water Boards' enforcement tools, including cease and desist orders, cleanup and abatement orders, pollution and nuisance abatement notices, and compliance and civil penalty schedules. By exempting agricultural operations that pay an "applicable fee" and "enroll" under a WDR or waiver, the bill would effectively shield these operations from any realistic possibility of enforcement.

A question arises as to whether prohibiting specified enforcement actions against agricultural operations in exchange for their adherence to requirements provided in this proposal will improve water quality in general or prevent further contamination of sources of drinking water.

Staff Recommendation. Hold open.

Senate Budget and Fiscal Review—Senator Holly J. Mitchell, Chair

SUBCOMMITTEE NO. 2 Agenda

Senator Bob Wieckowski, Chair
Senator Mike McGuire
Senator Jim Nielsen
Senator Henry Stern

Thursday, March 22, 2018
9:30 a.m. or Upon Adjournment of Session
State Capitol - Room 112

Consultant: Joanne Roy

OUTCOMES

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PUBLIC COMMENT

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

3900 Air Resources Board (ARB)

1. **Baseline Support Adjustment.** The Governor's budget proposes 3.0 permanent positions and $622,000 from various funds (including one-year funding for 3.0 temporary positions) in fiscal year (FY) 2018-19 and $417,000 ongoing to support increases in workload and to address audit-identified security deficiencies and meet the information technology needs of the growing agency. This will result in more efficient support for the board's divisions and program staff, as well as quicker response times to various control agencies.

2. **Carl Moyer Program Expansion (AB 1274).** The Governor's budget proposes resources for 3.0 permanent positions to be phased-in between FY 2018-19 and 2020-21 with ongoing costs of $428,000, $10 million in Local Assistance funding in FY 2018-19, and $25 million in Local Assistance funding in FY 2019-20 from the Air Pollution Control Fund (APCF) to align authority with revenue generated after the passage of AB 1274 (O'Donnell), Chapter 633, Statutes of 2017. AB 1274 will generate an increase in revenues each year due to a new smog abatement fee of $25, $21 of which will be directed to APCF and appropriated for the Carl Moyer Program. The new revenues generated by AB 1274 combined with existing fee revenues will sustain the proposed increase in Local Assistance.

3. **Fund Shift for Short-Lived Climate Pollutants.** The Governor's budget proposes to shift 5.0 positions and $1.415 million (including $545,000 in contracts) from APCF to the Cost of Implementation Account for continued support of the FY 2016-17 Short-Lived Climate Pollutant proposal.

   The FY 2016-17 Short-Lived Climate Pollutants proposal was approved and included in the FY 2016-17 enacted budget, however, timing issues with the adoption of this program into the Scoping Plan prompted the Legislature to establish a temporary fund source in APCF. With the inclusion of the Short-Lived Climate Pollutants in the Scoping Plan, this proposal requests to shift these resources to the Cost of Implementation Account on a permanent basis, as originally intended.

4. **Implementation of Low-Income Barriers Study Interagency Task Force (SB 350).** The Governor's budget proposes 2.0 permanent positions and $366,000 from the Cost of Implementation Account to implement transport access recommendations included in the Low-Income Barriers Study and co-lead the SB 350 Task Force. ARB's study identifies priority recommendations to address barriers low-income residents must overcome to access zero-emission and near-zero emission vehicles.

   The Task Force, comprised of 11 state agencies, is responsible for aligning multiple state-led clean transportation and energy programs and striving for ongoing agency action and accountability. ARB requires immediate and sustained staff resources to support the tasks associated with this lead role.

5. **School Bus Fleet Replacement.** The Governor's budget proposes $813,000 in one-time local assistance funding from the Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal

Protection Bond Act (Proposition 40, 2002). This newly-released funding will grant ARB the budget authority necessary to expend its bond allotment which has recently increased due to lower-than-expected bond costs. This request will also provide the authority necessary to complete its Proposition 40 requirements and will benefit Californians by replacing older school bus fleets with cleaner vehicles.

The Legislature has appropriated $48,250,000 of the $49,063,000 that is earmarked in the bond for ARB. ARB used the funds to clean-up the emissions of older school buses through either replacements or retrofits through the Lower-Emission School Bus Program. To date, ARB has used all of its appropriated Proposition 40 funds and has spent over $200,000,000 additional funds from various programs.

Due to lower-than-expected bond costs, there are additional funds remaining in the bond. The amount requested represents the remaining balance of ARB's allotment of Proposition 40 bond funds.

Staff Recommendation. Approve all vote-only items as budgeted.

ISSUES FOR DISCUSSION

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 U.S. 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 ARB and local air pollution control districts. ARB also has the responsibility, in coordination with the Secretary of Environmental Protection, to develop measures to reduce greenhouse gas emissions to 1990 levels by 2020 and at least 40 percent below 1990 levels by 2030, pursuant to AB 32 (Núñez and Pavley), Chapter 488, Statutes of 2006, and SB 32 (Pavley), Chapter 249, Statutes of 2016.

The Governor's budget includes $425.5 million for support of ARB, which is a decrease of $1.16 billion from the current budget year estimate. This reduction is mainly be attributed to two factors:

- *Proposed FY 2018-19 Amount Does Not Include FY 2018-19 Greenhouse Gas Reduction Fund (GGRF) Proposal.* The Administration released its GGRF spending plan a couple of weeks after the release of the Governor's budget. Therefore, the FY 2018-19 amount shown in the table below does not include $792 million in GGRF to ARB that is part of the Governor's cap-and-trade proposal.

- *One-Time Spending for Southern California Lab in FY 2017-18.* The FY 2017-18 spending for ARB includes a one-time appropriation of $413 million for construction of a new testing lab in Southern California.

EXPENDITURES BY PROGRAM

Provides expenditures by each budgeted program area for the past, current, and budget years.

Code	Program	Actual 2016-17*	Estimated 2017-18*	Proposed 2018-19*
3500	Mobile Source	$206,737	$393,837	$288,792
3505	Stationary Source	$27,572	$40,539	$39,976
3510	Climate Change	$390,975	$728,567	$72,010
3515	Subvention	$75,668	$78,793	$10,111
3525	Zero/Near Zero Emission Warehouse Program	$-	$50,000	$-
3530	Community Air Protection	$-	$293,700	$14,604
9900100	Administration	$48,455	$53,938	$54,486
9900200	Administration - Distributed	$-48,455	$-53,938	$-54,486
Total Expenditures (All Programs)		**$700,952**	**$1,585,436**	**$425,493**

Issue 6 – Diesel Regulation Compliance Database

Governor's Proposal. The Governor's budget proposes $600,000 in one-time contract funding from the Motor Vehicle Account in FY 2018-19 to implement the provisions in SB 1 to develop a joint database with the Department of Motor Vehicles containing ARB's information regarding vehicles compliant with its Truck and Bus Regulation and other regulations and DMV's registration information.

Background. SB 1 (Beall), Chapter 5, Statutes of 2017, provides funding for transportation infrastructure. SB 1 also requires ARB to establish programs to reduce emissions from motor vehicles and to work with other state agencies on air quality and greenhouse gas-related elements in the bill. The proposed joint database would allow Department of Motor Vehicles 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.

Staff Recommendation. Approve as budgeted.

Issue 7 – Freight Regulations Reporting System to Improve Security and Increase Efficiency

Governor's Proposal. The Governor's budget proposes $1.08 million one-time Motor Vehicle Account in FY 2018-19 (including $450,000 in contract funding for initial development of an information technology project) to support implementation and enforcement of ARB's freight regulations to protect disadvantaged communities near ports and railyards. These requested resources are needed to develop, maintain, and support a replacement system for the current ARB Freight Equipment Registration Program with added functionality to meet recordkeeping and reporting requirements for a variety of freight regulations. The proposal would also implement efficiencies to offset the unavoidable costs of providing ongoing assistance to California businesses that must comply with those ARB freight regulations. Without a replacement reporting system, any failure of the outdated existing system (based on technology that is neither stable nor secure) would disrupt commerce in one of California's most important economic sectors by preventing some 223,000 drayage trucks that carry cargo from accessing ports and railyards.

Background. ***ARB Adopted Various Regulations to Reduce Air Pollution Near Seaports and Railyards.*** Drayage trucks, transport refrigeration units, cargo handling equipment, commercial harbor craft, and ocean-going vessels that move freight to, from, and throughout California are significant contributors of diesel particulate matter, nitrogen oxides, and other pollutants. In response, ARB adopted a number of regulations to control emissions of these vehicles and equipment.

For example, in 2004, ARB adopted the Transport Refrigeration Unit Air Toxic Control Measure to reduce diesel particulate matter, nitrogen oxide, and other pollutant emissions from transport refrigeration units. These units, powered by small diesel engines, chill and preserve temperature sensitive goods (like produce and pharmaceuticals) transported in trucks, trailers, shipping containers, and railcars. In 2006, ARB adopted the Drayage Truck Regulation to reduce emissions of diesel particulate matter and nitrogen oxide from heavy-duty trucks transporting freight to and from California's ports and intermodal rail yards. ARB has also adopted regulations for cargo handling equipment (cranes and yard trucks, etc.), commercial harbor crafts (tug boats, etc.), and ocean-going vessels (large container ships, bulk cargo ships, oil tankers, etc.)

These regulations all have registration and/or reporting requirements.

ARB Uses the Freight Equipment Registration Program to Automate Certain Information. Port and rail yard authorities and marine terminal operators receive data from incoming trucks on their compliance status of each truck. ARB verifies this information using the Freight Equipment Registration program and noncompliant trucks are denied access.

The Freight Equipment Registration program automates the registration of drayage trucks to monitor compliance, issue labels to trucks that meet the regulatory requirements, and provide information on each truck's compliance status. The system also automates the registration of over 168,000 trucks and trailers with transport refrigeration units operating in California.

The Freight Equipment Registration Program does not provide these functionalities for cargo handling equipment, commercial harbor craft, and ocean-going vessels.

The Freight Equipment Registration Program is on an Out-of-Date Information Technology System. The Freight Equipment Registration Program is a 15-year-old legacy system that utilizes technology that is increasingly becoming obsolete. To date, ARB has been unsuccessful in hiring new staff with the expertise needed to maintain the current program's software and system architecture. ARB contracts out the maintenance and support services at a high cost. Further, as the system continues to age, it is becoming more difficult to find contractors with the necessary skills and knowledge to maintain the system's applications. The breakdown of this system would affect the movement of refrigerated freight and potentially slow down access of ports and rail yards for drayage trucks.

Staff Comments. ARB's efforts to reduce emissions and health risks associated with marine and rail operations require an immense amount of recordkeeping, reporting and monitoring. The requested resources would allow ARB to modernize the existing Freight Equipment Registration Program to improve reliability, efficiently monitor compliance, and support enforcement of its freight regulations.

Staff Recommendation. Approve as budgeted.

Issue 8 – Off-Road Vehicle and Aftermarket Parts Certification and Compliance

Governor's Proposal. The Governor's budget proposes 10 positions and $1.711 million from APCF (including $650,000 in contract funding in FY 2018-19 and $175,000 in ongoing annual contract funding) to strengthen and broaden its mobile source emission oversight program to cover all categories, including off-road, aftermarket parts and components. This Budget Change Proposal requests necessary positions and resources to help achieve emission reductions needed to meet our health-based air quality standards.

The Governor's budget proposal includes trailer bill language, which does the following:

- Authorizes ARB to adopt, by regulation, a process to create an annual schedule of fees for certification, audit, and compliance of off-road engines and equipment, aftermarket parts and emission control components, sold in the state.
- Creates the Certification Fund.

Background. ***Mobile Source Program (MSP).*** ARB is responsible for developing statewide programs and strategies to reduce the emission of smog-forming pollutants and toxics by mobile sources. The MSP operates the programs responsible for certifying engines for compliance with California clean air standards. Vehicles, engines, and components not certified by ARB cannot be sold in California. In addition, the MSP is responsible for ensuring engines, vehicles and components comply with all California clean air standards.

Aftermarket Parts. Specialty manufacturers produce a variety of aftermarket parts that can be added on to a vehicle after purchase to replace existing parts and/or to enhance the performance of the car. These include devices such as catalytic converters, exhaust headers, gas caps, filters, hoses, and others. Existing law requires that any device added to a vehicle or motorcycle must be approved by ARB to certify that it does not unduly reduce the vehicle's emissions controls. Existing law also prohibits tampering with a vehicle's pollution control devices. Therefore, the manufacturer must also obtain approval (an executive order (EO)) from ARB for an exemption to the anti-tampering law before the modification may be installed on any vehicle or motorcycle. Every EO part or modification has an assigned number that can be verified by smog check stations, Bureau of Automotive Repair Referee stations, or ARB.

All aftermarket parts sold in California belong to one of the following four groups:

a) *Replacement Parts.* Replacement parts include things like carburetors, distributers, fuel injection systems, and fuel tanks. Typically, these are parts on a vehicle that wear out with use and must be replaced during the lifetime of the vehicle. When a replacement part does not meet the original factory specifications it requires an Executive Order to be legal for street use.

b) *Legal Add-On or Modified Parts (Executive Order Parts).* These parts alter a vehicle from its original equipment manufacturer configuration and are typically added on for safety or performance enhancement. Safety devices include antitheft devices; performance enhancers include air intake systems that cool an engine to increase horsepower or superchargers that increase air pressure in the engine allowing it to burn more fuel to increase power.

c) *Competition or Racing Use Only Parts*. These parts may only be sold and installed on vehicles that are exclusively used for competition off public highways and roads. These parts replace or otherwise interfere with the operation of an emission control device, such as a catalytic converter or oxygen sensor.

d) *Catalytic Converters*. Catalytic converters, as their name implies, catalyze (i.e., cause or accelerate) the conversion of toxic gases created during the combustion of fuel into less harmful ones. Catalytic converters can decrease the performance of an engine so some people chose to replace the catalytic converter that comes installed on a car with a more expensive one that reduces performance less.

Executive Orders (EOs). ARB currently issues over 3,500 EOs annually. This is an increase from the 2,200 EOs issued by ARB in 2001. The complexity and types of products requiring certification has also expanded. ARB issues EOs for all types of engines, including not just for automobiles and heavy-duty trucks but also for large off-road equipment and small lawn mower engines, evaporative systems, and aftermarket components that are used in automobiles and in trucks. Increasing numbers of vehicles and equipment include complex emissions control systems such as plug-in hybrid technology, diesel particulate filters and selective catalytic reduction.

EO Compliance and Confirmation Testing. ARB verifies the information provided by the manufacturer with pre-sale audits and confirmation emissions testing to validate the product as described is what is sold. Confirmation includes testing vehicles, engines, and components before an EO is issued to confirm test data provided by manufacturers. This confirmation mission testing can include in-use testing using Portable Emission Measurement Systems, and/or using special operating cycles in the lab that replicate road conditions encountered in normal driving to identify defeat devices. After the product is sold, continued compliance with emission standards are double-checked through a variety of in-use programs and real-time monitoring systems. In-use emissions testing and warranty activities help confirm engine durability and emissions after sale meet the limits set in the regulations. In the event any of these activities reveal anomalies or the products fail to meet requirements, ARB may deny the EO or issue a notice of violation.

Staff Comments. In regards to the proposed trailer bill language, providing ARB with fee authority would help offset the cost of certification, audit, and compliance of off-road engines and equipment, aftermarket parts and emission control components. However, these parts vary in complexities and therefore their associated workload. The Subcommittee may wish to consider including language to ensure ARB considers this during the regulatory process. Further, current law includes a fee cap for certification of new on-road vehicle and engines with an annual consumer price index adjustment. The Subcommittee may also wish to include an analogous fee cap for off-road engines and equipment, aftermarket parts and emission control components.

Staff Recommendation. Approve BCP as budgeted. Hold open TBL.

Greenhouse Gas Reduction Fund (GGRF)

Overview

The current year budget allocates an estimated $2.6 billion in cap-and-trade revenues. Consistent with current law, about $1 billion is estimated to be continuously appropriated to certain transportation and housing programs (this amount will likely be higher due to increased auction revenues during the fiscal year).

The budget plan allocates an additional $1.6 billion to various programs, including programs intended to reduce emissions from vehicles and heavy duty equipment, forestry and fire prevention activities, and projects to reduce emissions from agricultural activities.

Background. ***General Background.*** As of February 2018, ARB has conducted eight California-only and 14 Joint California-Québec cap-and trade auctions. The February 2018 auction will generate about $725 million (Although the money has not officially been collected yet, the results of the auction are known). To date, approximately $7.175 billion has been generated by the cap-and-trade auctions and deposited into GGRF.

State law specifies that the auction revenues must be used to facilitate the achievement of measurable greenhouse gas (GHG) emissions reductions and outlines various categories of allowable expenditures. Statute further requires the Department of Finance, 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 GGRF. ARB is required to develop guidance for administering agencies on reporting and quantifying methodologies for programs and projects funded through GGRF to ensure the investments further the regulatory purpose of AB 32 (Núñez and Pavley), Chapter 488, Statutes of 2006, of limiting greenhouse gas (GHG) emissions statewide to 1990 levels by 2020.

Proceeds from cap-and-trade auctions provide an opportunity for the state to invest in projects that help California achieve its climate goals and provide benefits to disadvantaged communities. Several bills in 2012, one in 2014, and one in 2016 provide legislative direction for the expenditure of auction proceeds including SB 535 (de León), Chapter 830, Statutes of 2012, AB 1532 (J. Pérez), Chapter 807, Statutes of 2012, SB 1018 (Committee on Budget and Fiscal Review), Chapter 39, Statutes of 2012, SB 862 (Committee on Budget and Fiscal Review), Chapter 36, Statutes of 2014, and AB 1550 (Gomez), Chapter 369, Statutes of 2016.

These statutes also require a state agency, prior to expending any money appropriated to it by the Legislature from GGRF, to prepare a description of: 1) Proposed expenditures; 2) How they will further the regulatory purposes of AB 32; 3) How they will achieve specified GHG emission reductions; 4) How the agency considered other objectives of that act; and, 5) How the agency will document expenditure results.

Brief Legal History of Cap-And-Trade Auction Revenue. Regulatory fees established prior to 2010 (due to Proposition 26) are subject to the Sinclair Paint test, which helps determine whether a levy is a fee or a tax. The Sinclair Paint test is a two-part test: 1) nexus; and, 2) proportionality. The Sinclair Paint test nexus component requires that a clear nexus must exist between an activity for which a fee is used and the adverse effects related to the activity for which the fee is used and the adverse effects related to the activity on which that fee is levied. The Sinclair Paint test proportionality component requires those burdened with a fee proportionally benefit from the fee.

The FY 2013-14 Budget analysis of cap-and-trade auction revenue by LAO noted that, based on an opinion from the Office of Legislative Counsel, the auction revenues should be considered "mitigation" fee revenues, subject to the Sinclair Paint test. LAO concluded, based on the opinion, that in order for their use to be valid as mitigation fees, revenues from the cap-and-trade auction must be used to mitigate GHG emissions or the harms caused by GHG emissions.

In 2012, the California Chamber of Commerce filed a lawsuit against ARB claiming that cap-and-trade auction revenues constitute an illegal tax revenue. In November 2013, a Sacramento Superior Court declined to hold the auction a tax, concluding that it is more akin to a regulatory fee.

In February 2014, the plaintiffs filed an appeal with the 3rd District Court of Appeal in Sacramento. Arguments were heard before the appellate court in January of 2017. On April 6, 2017, the appellate court issued a ruling that again declined to hold that the cap-and-trade auctions a tax.

The appellate court ruled that ARB did not exceed its authority in creating the cap-and-trade program, stating that "the Legislature gave broad discretion to the Board to design a distribution system, and a system including the auction of some allowances did not exceed the scope of legislative delegation. Further, the Legislature later ratified the auction system by specifying how to use the proceeds derived therefrom."

The appellate court also stated clearly "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 judgements 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."

Going further than the superior court, 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."

Effect of AB 398 on Cap-and-Trade Auction Revenue. On July 25, 2017, Governor Brown signed AB 398 (E. Garcia), Chapter 135, Statutes of 2017, which, among other things, extended authorization for ARB to utilize the cap-and-trade program to reduce GHG emissions after December 31, 2020.

There have been questions about whether or not AB 398, which was passed by a two-thirds vote by the Legislature, had any impact on the current cap-and-trade program set to expire December 31, 2020, and the revenues it generates. In the formal opinion of Legislative Counsel, AB 398 did not immediately change the character of cap-and-trade revenue.

Specifically, Legislative Counsel determined that the revenues generated through December 31, 2020 by the current cap-and-trade program continue to be subject to a trust and, therefore, must continue to be appropriated in a manner that is reasonably related to GHG emissions reductions through December 31, 2020.

The Governor's Budget Proposal on Climate Change: Four Initiatives. The Governor's Budget proposes four initiatives to increase GHG emission reductions as well as a Cap-and-Trade Expenditure Plan (Issue 9). The initiatives are as follows:

1) *Zero-Emission Vehicle Investment Initiative*. The Administration proposes a new eight-year initiative to accelerate sales of zero-emission vehicles (ZEVs) through vehicle rebates and infrastructure investments, and the Governor is issuing Executive Order B-48-18, setting a new ZEV target of five million ZEVs in California by 2030. The new ZEV initiative will provide a total of $2.5 billion over eight years and, when combined with private investment, is proposed to meet and exceed the goal of 1.5 million ZEVs on California roadways by 2025, and provide a foundation for getting to the Governor's goal of five million ZEVs by 2030. This initiative includes:

    - *Expanding Alternative Fuel Infrastructure*: $235 million for the California Energy Commission accelerate investments in the statewide network of hydrogen and electric charging stations.

    - *Continuing Clean Vehicle Rebates*: $200 million of cap-and-trade funding for ARB to provide rebates to California residents for the purchase or lease of new light-duty ZEVs and plug-in hybrids, including $25 million for incentives for low-income consumers.

2) *Sequestration and Resilience Initiative.* The Administration proposes a series of actions to increase carbon sequestration and storage and improve resilience. To define the state's efforts to manage natural and working lands, the Administration proposes the adoption of targets for reduction of GHG emissions from these lands. By September 2018, ARB, working with the Natural Resources Agency and the California Department of Food and Agriculture, will evaluate and present initial targets. The Administration has also convened an expert group to identify how to protect, restore, and maintain California's native plants and biodiversity to protect habitat and contribute to the state's climate goals. In addition, the Administration is developing a Forest Carbon Plan, which will serve as a road map to firmly establish California's forests as a more resilient and reliable long-term carbon sink.

    In recent years, the Administration has invested in landscape-scale healthy forest management projects. The forest health grant program promotes reforestation, fuel reduction, pest management, conservation, and biomass utilization to increase forest health, increase carbon storage in forests, reduce wildfire emissions and protect upper watersheds, where much of the state's water supply originates. The following additional investments are proposed for the budget year:

    - *Healthy and Resilient Forests*: $160 million of cap-and-trade funding for the Department of Forestry and Fire Protection to support forest improvement, fire prevention, and fuel reduction projects. In recognition of tree mortality impacting the state's forestland and climate change continuing to lengthen the wildfire season, this proposal will fund projects to reduce fuel loads, decreasing the intensity of wildfires and potential impacts to watersheds and communities.

    - *Local Fire Response*: $25 million of cap-and-trade funding for the Office of Emergency Services to fund additional fire engines for the statewide mutual aid system. In response to the unprecedented fire conditions and a longer wildfire season, this proposal is proposed to enhance the state's ability to deploy resources to emergency response agencies during a wildfire incident.

3) *California Integrated Climate Investment Program.* Existing financing models are unable to provide capital at the necessary speed and scale to meet the climate challenge. To address this need, the Administration proposes the following additional funding:

- *California Integrated Climate Investment Program*: $20 million of cap-and-trade funding for the California Infrastructure and Economic Development Bank (IBank) to provide seed funding to accelerate private sector investments in California infrastructure projects that reduce GHG emissions and improve climate resilience. With the establishment of the program, the Administration will also convene an advisory group of leading experts to develop advanced funding pathways and a better pipeline of investable projects, creating new markets for California businesses. The program will initially provide financing for innovative infrastructure projects that reduce GHG emissions and improve climate resilience through IBank's California Lending for Energy and Environmental Needs Center.

4) *California Climate Change Technology and Solutions Initiative.* This initiative is meant to help bridge the gap to new technologies, modeling and analysis, leading to deeper GHG emission reductions and greater resilience statewide. Specifically, the Administration proposes additional investments in climate and clean energy research, as follows:

- *California Climate Change Technology and Solutions Initiative*: $35 million of cap-and-trade funding for the Strategic Growth Council for research and development of innovative technologies and other solutions to maximize GHG reductions and prepare the state for a changing climate. This proposal is meant to support these priorities by funding activities to: (1) advance the deployment of transformative technologies to reduce GHG emissions, (2) prepare for a changing climate, (3) integrate the social and equity dimensions of climate policies, and (4) support the development of advanced climate data partnerships and initiatives. This funding will also support a new research initiative focused on climate policy impacts on California's economy. The initiative will include labor market analysis, economic modeling, case studies on just transition, and a toolkit on community re-investment. These investments are meant to assist in easing the transition of workers and communities impacted by economic disruption.

In addition to the four initiatives above, the Administration proposes a Cap-and-Trade Expenditure Plan. *(Please see Issue 9, beginning on the following page, for a more detailed discussion on the Cap-and-Trade Expenditure Plan.)*

Issue 9 – Cap-and-Trade Expenditure Plan

Governor's Proposal. The Governor's budget proposes a total of $2.8 billion in cap-and-trade expenditures for FY 2018-19. This plan includes: 1) $1.4 billion in continuous appropriations; 2) $150 million in other existing spending commitments; and, 3) $1.25 billion in new spending (also known as discretionary spending).

The plan assumes $2.7 billion in auction revenue in FY 2017-18 and $2.4 billion in FY 2018-19. The $370 million difference between the proposed expenditures ($2.8 billion) and estimated revenue ($2.4 billion) in FY 2018-19 would largely be paid from the projected fund balance at the end of FY 2017-18.

Similar to the current year, the Administration takes certain allocations "off the top" before determining continuous appropriations. Specifically, the plan allocates $117 million to AB 398-related actions—$28 million to backfill the State Responsibility Area (SRA) Fire Prevention fee suspension and an estimated $89 million transfer to the General Fund to backfill the manufacturing exemption. (A $50 million fund balance in the SRA Fire Prevention Fund would cover the additional SRA costs on a one-time basis.) The 60 percent total continuous appropriation percentages would be applied to about $2.3 billion—$2.4 billion in annual revenue minus $117 million for AB 398-related actions.

In addition to supporting several of the Administration's climate initiatives, the proposed plan provides additional investments in other programs that are intended to be consistent with the expenditure priorities specified in AB 398 and the statutory requirements regarding allocation of at least 35 percent of expenditures to benefit disadvantaged and low-income communities.

The Cap-and-Trade Expenditure Plan includes the following general categories of spending for the $1.25 billion in discretionary spending:

- *Air Toxic and Criteria Air Pollutants:* $255 million to fund actions to reduce air toxic and criteria pollutants.
- *Low Carbon Transportation:* $460 million to fund programs that will reduce emissions in the transportation sector.
- *Climate Smart Agriculture*: $145 million to fund agricultural equipment upgrades, energy efficiency, and the Healthy Soils Program.
- *Healthy Forests*: $185 million to fund forest management and local fire response.
- *Short-Lived Climate Pollutants*: $119 million to fund methane reduction and waste diversion.
- *Integrated Climate Action: Mitigation & Resilience*: $51 million to fund programs that integrate mitigation actions with resilience benefits, including Transformative Climate Communities and Energy Corps.
- *Climate and Clean Energy Research*: $35 million to fund the California Climate Change Technology and Solutions Initiative.

For a further breakdown of the Cap-and-Trade Expenditure Plan, please refer to the chart on the following page, which also provides a comparison of spending between the current year and budget year.

Cap-and-Trade Expenditure Plan

(In Millions)

Program	Department/Agency	2017-18	Proposed 2018-19
Continuous Appropriations[a]		**$1,572**	**$1,369**
High-speed rail	High-Speed Rail Authority	$655	$571
Affordable housing and sustainable communities	Strategic Growth Council	524	456
Transit and intercity rail capital	Transportation Agency	262	228
Transit operations	Department of Transportation	131	114
Other Existing Spending Commitments		**$153**	**$152**
Manufacturing sales tax exemption backfill	N/A	$43	$89
Various administrative costs	Various agencies	30	35
SRA fee backfill	CalFire/Conservation Corps	80	28
Discretionary Spending		**$1,456**	**$1,250**
Mobile Source Emissions			
Local air district programs to reduce air pollution	Air Resources Board	$250	$250
Clean Vehicle Rebate Project	Air Resources Board	140	175
Freight and heavy-duty vehicle incentives	Air Resources Board	320	160
Low-income, light-duty vehicles and school buses	Air Resources Board	100	100
Low-carbon fuel production	Energy Commission	—	25
Forestry			
Forest health and fire prevention	CalFire	200	160
Local fire prevention grants	Office of Emergency Services	25	25
Urban forestry	CalFire	20	—
Agriculture			
Agricultural equipment	Air Resources Board	85	102
Methane reductions from dairies	Food and Agriculture	99	99
Incentives for food processors	Energy Commission	60	34
Healthy Soils	Food and Agriculture	—	5
Agricultural renewable energy	Energy Commission	6	4
Other programs			
Climate and energy research	Office of Planning and Research	11	35
Transformative Climate Communities	Office of Planning and Research	10	25
Waste diversion	CalRecycle	40	20
Integrated Climate Investment Program	Go-Biz	—	20
Energy Corps	Conservation Corps	—	6
Technical assistance to community groups	Air Resources Board	5	5
Urban greening	Natural Resources Agency	26	—
Natural lands climate adaptation	Wildlife Conservation Board	20	—
Low income weatherization and solar	Community Services and Development	18	—
Wetland restoration	Department of Fish and Wildlife	15	—
Coastal climate adaptation	Various agencies	6	—
Totals		**$3,181**	**$2,771**

[a] Continuous appropriations based on Governor's revenue estimates of $2.7 billion in 2017-18 and $2.4 billion in 2018-19.

SRA = State Responsibility Area; CalFire = California Department of Forestry and Fire Protection; CalRecycle = California Department of Resources Recycling and Recovery; and Go-Biz = Governor's Office of Business and Economic Development.

**Source: Legislative Analyst's Office*

More specifically, the Governor's budget proposal for the Cap-and-Trade expenditure plan includes the following:

1) ***California Infrastructure and Economic Development Bank (IBank): California Integrated Climate Investment Program.*** The Governor's budget proposes that Item 0509-001-3228 be added in the amount of $20 million from GGRF for IBank to provide seed funding to accelerate private sector investments in California infrastructure projects that reduce GHG emissions and improve climate resilience. With the establishment of the program, the administration will also convene an advisory group of leading experts to develop advanced funding pathways and a better pipeline of investment projects, creating new markets for California businesses.

2) ***Strategic Growth Council/Office of Planning and Research:***

    a) ***California Climate Change Technology and Solutions Initiative.*** The Governor's budget proposes that Item 0650-001-3228 be increased by $35 million for research and development of innovative technologies and other solutions to maximize GHG emission reductions and prepare the state for a changing climate. This proposal supports these priorities by funding activities to: (1) Advance the deployment of transformative technologies to reduce GHG emissions; (2) Prepare for a changing climate; (3) Integrate the social and equity dimensions of climate policies; and, (4) Support the development of advanced climate data partnerships and initiatives.

       Additionally, this funding will also support a new research initiative focused on climate policy impacts on California's economy. The initiative will include labor market analysis, economic modeling, case studies on just transition, and a toolkit on community re-investment. These investments will assist in easing the transition of workers and communities impacted by economic disruption.

    b) ***Transformative Climate Communities.*** The Governor's budget proposes that Item 0650-101-3228 be added in the amount of $25 million to support neighborhood-level transformative projects that reduce GHG emissions, increase resilience, and provide local economic and health benefits to disadvantaged communities. This program provides funding for a combination of community driven climate projects, such as transit-oriented development, water-energy efficiency installations, and urban greening, in a single neighborhood.

3) ***Office of Emergency Services (OES):***

    a) ***Local Fire Response.*** The Governor's budget proposes that Item 0650-101-3228 be added in the amount of $25 million to support neighborhood-level transformative projects that reduce GHG emissions, increase resilience, and provide local economic and health benefits to disadvantaged communities. This program provides funding for a combination of community driven climate projects, such as transit-oriented development, water-energy efficiency installations, and urban greening, in a single neighborhood.

       This funding would support the purchase of 110 additional fire engines in 2018-19, and six positions and other resources to maintain and fuel the additional engines in 2018-19 and ongoing.

4) ***California Conservation Corps: Energy Corps.*** The Governor's budget proposes that Item 3340-001-3228 be increased by $6 million and 27 positions to continue the Energy Corps Program, which provides job training and work experience to young adult corps members through the completion of energy and water conservation audits and projects in public buildings. Beginning in FY 2013-14, the Energy Crop was supported by funding from the Clean Energy Jobs Act (Proposition 39), which expires in FY 2018-19.

5) ***California Energy Commission.*** The Governor's budget proposes that Items 3360-001-3228 and 3360-101-3228 be added in the amounts of $25 million and $38 million respectively for the following purposes:

   a) ***Low Carbon Fuel Production.*** $25 million to provide incentives for in-state biofuels production in support of the Low Carbon Fuel Standard. This proposal will invest funds in the construction and demonstration of commercial scale biofuel production facilities, including the production of gasoline substitutes such as ethanol, diesel substitutes such as biodiesel and renewable diesel, and gaseous fuels such as biomethane. These types of projects produce fuels that result in up to 165 percent lower carbon emissions compared to petroleum diesel and gasoline.

   b) ***Agricultural Energy Efficiency Program.*** $34 million for grants that reduce energy costs, increase efficiency, and reduce GHG emissions in the food processing sector. Funded technologies will be reliable, have potential for broad sector adoption and help contribute to meeting the state's energy efficiency and GHG emission reduction goals.

   c) ***Renewable Energy.*** $4 million to provide grants for the installation of cost-effective on-site renewable energy for agricultural operations located in disadvantaged communities.

6) ***Department of Forestry and Fire Protection (CalFire): Healthy and Resilient Forests.*** The Governor's budget proposes that Item 3540-001-3228 be added in the amount of $160 million and 19 positions to support forest improvement, fire prevention, and fuel reduction projects and that Item 3340-001-0318 be increased by $5 million to reflect reimbursements from CalFire to the California Conservation Corps for implementation of forest health projects.

   In recognition of tree mortality impacting the state's forestland and climate change continuing to lengthen the wildfire season, CalFire will fund projects that reduce fuel loads, decreasing the intensity of wildfires and potential impacts to watersheds and communities.

7) ***Air Resources Board (ARB):*** The Governor's budget proposes that Items 3900-101-3228 and 3900-102-3228 be added in the amounts of $592 million and $200 million respectively for the following purposes:

   a) ***Agricultural Diesel Engine Replacement and Upgrades.*** $102 million to provide incentives for farmers and agricultural businesses to replace existing diesel, agricultural vehicles and equipment with the cleanest available diesel or advanced technologies. Emissions from agricultural equipment are a significant source of air pollution, especially in the San Joaquin Valley, and reducing these emissions is critical for meeting federal ozone and particulate matter air quality standards.

b) ***Clean Trucks, Buses, and Off-Road Freight Equipment.*** $160 million to provide incentives for zero emission trucks, transit buses, and zero-emission freight equipment in the early stages of commercialization. These funds will also be available for the Carl Moyer Program, which will offset the redirection of tire fee revenue to support the Department of Fish and Wildlife.

c) ***Enhanced Fleet Modernization and Other Equity Programs.*** $75 million to provide equity-focused investment that increase access to clean transportation for low-income households and disadvantaged communities. Specific projects include voluntary car scrap and replace, car sharing, van pools, and rural school bus replacement.

d) ***AB 617 Community Air Protection.*** $250 million to provide grants for early incentive actions to reduce both stationary and mobile source emissions in communities identified as heavily impacted by air pollution. Pursuant to AB 617 (C. Garcia), Chapter 136, Statutes of 2017, ARB will identify at-risk communities and key measures to reduce neighborhood pollution. This proposal provides funding to strategically reduce both criteria and toxic emissions in the identified communities.

e) ***Technical Assistance to Community Groups.*** $5 million for Community Assistance and Innovative Resources Grants to provide technical assistance grants to community-based organizations to participate in the AB 617 process, including the development of community emission reduction plans.

f) ***Clean Vehicle Rebate Project.*** $200 million to provide rebates to California residents for the purchase or lease of new light-duty zero-emission vehicles (ZEVs) and plug-in hybrids, including $25 million for incentives for low-income consumers. This proposal will provide $200 million annually through 2025, reflecting the state's commitment to achieve its ZEV target. As the number of ZEVs purchased increases over time, ARB will revise the program's income eligibility requirements to target moderate and low-income consumers that are most influenced by the availability of the rebates.

8) ***Department of Resources, Recycling, and Recovery (CalRecycle): Waste Diversion.*** The Governor's budget proposes that Item 3970-101-3228 be added in the amount of $20 million to provide financial incentives for infrastructure facilities that divert waste form landfills, which will reduce methane emissions. Projects include composting, anaerobic digestion, and fiber, plastic, and glass recycling facilities.

9) ***Department of Food and Agriculture.*** The Governor's budget proposes that Item 8570-101-3228 be added in the amount of $104 million for the following purposes:

a) ***Methane Reduction.*** $99 million for the Dairy Digester Research and Development Program and Alternative Manure Management Program to reduce methane emissions. Methane is 25 times more potent as a GHG compared to carbon dioxide. The Dairy Digester Research and Development Program offers grants to dairies to capture methane to be used for transportation fuels and clean energy production. The Alternative Manure Management Program provides financial incentives to dairy farms to implement non-digester manure management programs to reduce methane emissions.

b) ***Healthy Soils Program.*** $5 million to provide financial incentives to farmers to implement conservation agriculture management practices that sequester carbon, reduce GHG emissions, and improve soil health. This program is the first in the world to directly relate agricultural management practices to quantitative GHG emission reductions and promote the development of healthy soils on California's farmlands and ranchlands.

10) ***Control Section 15.14.*** The Governor's budget proposes that Control Section 15.14 be added to:

a) Authorize the Department of Finance to proportionally reduce appropriations from GGRF upon determination that cap-and-trade proceeds are not available to sufficiently support non-exempted appropriations;
b) Exempt new programs from the Administrative Procedure Act; and,
c) Specify that GGRF supporting the manufacturing tax credit is considered "off-the-top" for purposes of calculating the continuous appropriations.

Background. ***State Law Establishes 2020 and 2030 GHG Limits.*** The Global Warming Solutions Act of 2006 (AB 32 (Núñez and Pavley), Chapter 488, Statutes of 2006), established the goal of limiting greenhouse gas (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. ARB is required to develop a Scoping Plan, which identifies the mix of policies that will be used to achieve the emission targets and update the plan periodically.

AB 398 Extended Authority to Implement Cap-and-Trade From 2020 to 2030. One policy the state uses to help ensure it meets these GHG goals is cap-and-trade. AB 32 authorized ARB to implement a market-based mechanism, such as cap-and-trade, through 2020. AB 398 (E. Garcia), Chapter 135, Statutes of 2017, extended ARB's authority to operate cap-and-trade from 2020 to 2030 and provided additional direction regarding certain design features of the post-2020 program.

Cap-and-Trade Designed to Limit Emissions at Lowest Cost. The cap-and-trade regulation places a "cap" on aggregate GHG emissions from large GHG 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.

From a GHG emissions perspective, the primary advantage of a cap-and-trade regulation is that total GHG emissions from the capped sector do not exceed the number of allowances issued. Some entities must reduce their emissions if the total number of allowances available is less than the number of emissions that would otherwise occur. From an economic perspective, the primary advantage of a cap-and-trade program is that the market sets a price for GHG emissions, which creates a financial incentive for businesses and households to implement the least costly emission reduction activities.

Some Allowances Auctioned, Some Given Away for Free. About half of the allowances are allocated for free to certain industries, and most of the remaining allowances are sold by the state at quarterly auctions. Of the allowances given away for free, most are given to utilities and natural gas suppliers. ARB also allocates free allowances to certain energy-intensive, trade-exposed industries based on how much of their goods (not GHG emissions) they produce in California. This strategy is intended to minimize the extent to which emissions are shifted out of state because companies move their production of goods out of California in response to higher costs associated with the cap-and-trade regulation. The allowances offered at auctions are sold for a minimum price—set at $14.53 in 2018—which increases annually at five percent plus inflation.

State Revenue Generally Used to Facilitate GHG Reductions. The state collected about $6.5 billion in cap-and-trade auction revenue from 2012 through 2017. Money generated from the sale of allowances is deposited in GGRF. Various statutes enacted over the last several years direct the use of auction revenue. For example, AB 1532 (Perez), Chapter 807, Statutes of 2012, requires auction revenues be used to further the purposes of AB 32. Under state law, revenues must be used to facilitate GHG emission reductions in California and, to the extent feasible, achieve other goals such as improving local air quality and lessening the effects of climate change on the state (also known as climate adaptation).

Current Law Allocates Over 60 Percent of Annual Revenue to Certain Programs. Under current law, annual revenue is continuously appropriated 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) Five percent for low carbon transit operations. In addition, AB 398 and subsequent budget legislation created the following ongoing GGRF allocations:

- ***Backfill Revenue Loss from Expanded Manufacturing Sales Tax Exemption.*** Assembly Bill 398 extended the sunset date from December 31, 2022 to July 1, 2030 for a partial sales tax exemption for certain types manufacturing and research and development equipment (hereafter referred to as the "manufacturing exemption"). It also expanded the manufacturing exemption to include equipment for other types of activities, such as certain electric power generation and agricultural processing, through July 1, 2030. The bill, as amended by subsequent budget legislation, also directs the Department of Finance (DOF) to annually transfer cap-and-trade revenue to the General Fund to backfill revenue losses associated with these changes.
- ***Intent to Backfill Revenue Loss from Suspension of State Fire Prevention Fee.*** Assembly Bill 398 suspended the state fire prevention fee from July 1, 2017 through 2030. The fee was previously imposed on landowners in State Responsibility Areas (SRAs), and the money was used to fund state fire prevention activities in these areas. The bill also expressed the Legislature's intent to use cap-and-trade revenue to backfill the lost fee revenue and continue fire prevention activities. Subsequently, the FY 2017-18 budget provided $80 million from the GGRF to backfill lost SRA fee revenue.

Past budgets have also allocated about $30 million ongoing to various agencies—primarily ARB—to administer GGRF funds and other air quality activities.

Legislative Analyst's Office (LAO). ***Proposal Similar to FY 2017-18 Spending Plan.*** The FY 2018-19 proposal would fund many of the same programs that received funding in the FY 2017-18 budget. The most significant differences in the FY 2018-19 proposal include:

- ***Less Funding for Freight and Heavy-Duty Vehicle Incentives.*** The proposal includes $160 million for freight and heavy-duty vehicles, or half of what was provided in FY 2017-18. This represents the largest year-over-year decrease in funding for any program.

- ***Provides $20 Million for Integrated Climate Investment Program.*** The plan provides $20 million to the Governor's Office of Business and Economic Development for the Integrated Climate Investment Program, which will provide funding through the existing California Lending for Energy and Environmental Needs Center. This program provides financing for private sector infrastructure projects intended to reduce GHG emission and improve climate resilience, such as energy efficiency and water conservation. The administration also intends to explore ways to develop new financing mechanisms for similar types of projects.

- ***Expands and Modifies Climate Change and Energy Research Program.*** The proposal includes $35 million for the Office of Planning and Research to provide grants for research and development of innovative GHG reduction and climate adaptation technologies. This amount is $24 million more than was provided in FY 2017-18. In addition, the Administration intends to focus on technologies that are in earlier stages of research and development.

- ***Backfills Certain Special Funds That Are Used for Other Activities.*** The plan includes $25 million for CEC to support low-carbon fuel production, which is currently funded through the Alternative and Renewable Fuel Vehicle Technology Fund (ARFVTF). It also provides $26 million to ARB for the Carl Moyer Program (included as part of the grants for local air pollution reductions), which is currently funded through the Air Pollution Control Fund (APCF). These allocations do not reflect a net change in spending for these activities. Instead, they backfill the special funds that previously supported these activities because the administration proposes to redirect these special funds to other purposes. Specifically, the administration proposes to redirect ARFVTF resources to fund additional ZEV infrastructure and APCF resources to address the structural shortfall in the Fish and Game Preservation Fund.

Includes $232 Million in New Multiyear Funding Commitments. Most of the proposed discretionary expenditures are one time, but some programs would receive multiyear funding. These multiyear programs are: (1) $200 million annually over eight years to continue light-duty ZEV rebates, including $175 million for the Clean Vehicle Rebate Project and $25 million for incentives for light-duty vehicles for low-income consumers; (2) about $26 million for the Carl Moyer Program backfill through at least 2023; and (3) $6 million annually to the California Conservation Corps (CCC) to continue energy efficiency activities in the Energy Corps program. The Proposition 39 (2012) revenue transfers to the CCC for the Energy Corps program expire in 2017-18.

Governor's Plan Spends Almost All of Estimated Available Funds. The Governor's plan spends nearly all of the funds it estimates will be available through FY 2018-19, leaving a fund balance of about $20 million at the end of the budget year. To address the risk that actual revenue is lower than estimated and ensure fund solvency, the Administration proposes budget bill language that gives the Department of Finance authority to proportionally reduce most FY 2018-19 discretionary allocations if auction revenues are not sufficient. The proposal also specifies that DOF could not reduce allocations to programs administered by ARB, healthy forests, and the Energy Corps program.

LAO Recommendations. ***Ensure Allocations and Legislative Direction Are Consistent with Legislative Priorities.*** LAO recommends the Legislature allocate funds to programs that are likely to achieve its highest priority policy goals, which could include GHG reductions, as well as such things as local air pollution reductions and/or climate adaptation. The Legislature will also want to ensure the statutory direction for GGRF spending aligns with the primary policy goals of each program. This would help ensure that departments structure programs and prioritize projects that help achieve the Legislature's goals most effectively.

Direct Administration to Report on Key Program Information. LAO recommends the Legislature direct the Administration to report at budget hearings on a variety of issues, including (1) The expected outcomes associated with each program that would receive funding in the budget, such as estimated overall costs and benefits; (2) The outcomes that existing programs have accomplished so far; and (3) How new programs will be structured, including the process and criteria that will be used to select projects. This information would help the Legislature evaluate the extent to which the plan achieves its goals effectively.

Consider Options to Ensure Solvency as Additional Revenue Information Becomes Available. LAO recommends the Legislature re-evaluate the overall amount of cap-and-trade allocations over the next few months as more information about auction revenue becomes available. Although FY 2018-19 revenue will continue to be subject to uncertainty, the Legislature will have additional information about FY 2017-18 revenue and it could adjust its spending plan accordingly. If revenue expectations at that time are consistent with the Governor's estimates (or lower), the spending plan would leave almost no fund balance at the end of FY 2018-19. In this scenario, the Legislature might want to consider options to mitigate against downside revenue risk. For example, the Legislature could allocate less money in FY 2018-19. Alternatively, it could adopt an approach similar to the one proposed by the administration, which designates that certain programs are guaranteed funding, and the amount provided to the remaining programs would depend on whether sufficient revenue is collected. If the Legislature adopts this strategy, it will want to ensure that guaranteed funding goes to programs that are the highest legislative priorities.

OES: Local Fire Response: California's Fire and Rescue Mutual Aid System: Additional Information Should Be Provided to Support Future Requests, If Any. According to LAO, it is unclear if OES' budget year request will fully address the unmet need for fire engines, and, if not, whether the department will request additional resources in the future. To the extent that the department does come forward with future requests, it would be important for the Legislature to have additional information at that time on what the Administration's long-term plan is expanding OES' fire engine fleet, including information such as: (1) What are the state's goals for fire response? For example, is the state's goal to have some/all fire requests filled in the most severe year for wildfires? In the average year?, (2) What role should OES' engines vs. other resources at the local, state, out-of-state, and federal level play in meeting these goals?, (3) What current resources are available at the local, state, out-of-state, and federal level?, (4) What level of additional state resources, if any, are needed to meet the state's goals for fire response?, and (5) What is the administration's long-term plan for requesting those resources? This type of information would be important for the Legislature to have in order to determine how much future funding to allocate to OES fire engines vs. other state priorities.

Staff Recommendation. Hold open.

JOINT INFORMATIONAL HEARING

High Speed Rail: An Overview of the 2018 Draft Business Plan

April 3, 2018 at 1:30 pm
John L. Burton Hearing Room (4203)
State Capitol Building

AGENDA

I. Opening Remarks:

- Senator Beall
- Senator Wieckowski

II. High Speed Rail Authority Business Plan:

- Brian Kelly, Executive Director, High Speed Rail Authority
- Joseph Hedges, Chief Operating Officer, High Speed Rail Authority
- Blake Konczal, Executive Director, Fresno Regional Workforce Development Board

III. High Speed Rail Peer Review Group and Legislative Analyst Office:

- Lou Thompson, Chair, Peer Review Group
- Tom Van Heeke, Fiscal & Policy Analyst, LAO

IV. Local Agencies

- Jim Hartnett, CEO, Caltrain
- Kimberly Yu, Deputy Chief Operating Officer, Metrolink
- Jeanet Owens, Senior Executive Officer for Project Management and Regional Rail, Los Angeles Metropolitan Transportation Authority

V. Public Comment

Brief history of HSRA and prior Business Plans

The HSRA was established in 1996 (SB 1420, Kopp, Chapter 796, Statutes of 1996) for purposes of planning and constructing a high-speed train system to connect the state's major population centers. However, until voters approved Proposition 1A in 2008, authorizing the state to sell up to $9.95 billion in general obligation bonds for the project, HSRA lacked a significant source of funding. Proposition 1A imposes specific requirements on the project as a condition of using the funds, including that it be capable of achieving specified operating speeds and travel times between certain cities. Proposition 1A also limits funding to no more than 50 percent of the construction cost of any corridor or usable segment of the system and further requires that the system operate without a public subsidy. The project has received approximately $3.5 billion in federal funds, including $2.6 billion in federal stimulus funds which had to be expended by September 30, 2017. Additionally, in 2014, the Legislature authorized a portion of the state's annual Cap-and-Trade auction proceeds to be used for the project.

Construction of the project was to begin in the Central Valley with a 119 mile segment, known as the Initial Construction Segment (ICS), running from Madera to an area north of Bakersfield. HSRA intended to construct the remainder of the initial operating segment (IOS) in segments, though high-speed trains would not operate on the system until the entire IOS was complete. In July 2012, the Legislature appropriated $5.85 billion ($2.61 billion from Proposition 1A and $3.24 billion from federal funds) to complete the ICS. At the same time the Legislature also appropriated $1.1 billion for investment in the bookends, including electrification of Caltrain between San Francisco and San Jose and various projects to improve travel times along Metrolink's Antelope Valley corridor between Palmdale and the San Fernando Valley. HSRA originally planned to complete the ICS by 2017. However, due to litigation and other delays, groundbreaking for the ICS did not occur until January 6, 2015. HSRA now expects to complete the ICS in 2022. This segment of the project is being procured using a series of design-build contracts.

HSRA Business Plan

Pursuant to state law, beginning in 2012 and every two years thereafter, HSRA is required to prepare and submit to the Legislature a business plan outlining key elements of the high-speed rail project. At minimum, the plan must include project development information, including a description of the type of service being developed, the timing and sequence of project phases and segments, and estimated capital costs. It must also include estimates and descriptions of the total anticipated federal, state, local, and other funds that HSRA intends to access to construct and operate the system, forecasts of financial scenarios based on projected ridership levels, and maintenance and operations costs. Additionally, it must identify all reasonably foreseeable risks to the project and outline HSRA's strategies for managing those risks.

HSRA has always planned to develop the project in phases, with Phase I connecting San Francisco to Anaheim over a distance of approximately 500 miles. A subsequent Phase II would extend the system to San Diego in the south and add a separate link to Sacramento in the north. When the HSRA adopted its 2012 Business Plan it outlined a framework for development of a Phase I at a cost of approximately $68 billion, including an IOS that would connect the Central Valley with the Los Angeles Basin within 10 years. The 2012 plan proposed to accelerate the benefits of high-speed rail through a "blended approach" which utilizes and upgrades existing rail infrastructure wherever possible, combined with increased early investment in the "bookends," the San Francisco Bay Area and Los Angeles Basin regions. The purpose of this early investment was to enhance regional rail service in two major population centers while simultaneously paving the way for future high-speed rail service. At that time, the primary rationale for a southern-oriented IOS (as opposed to a northern connection to San Francisco) was that the densely populated San Fernando Valley could provide the high levels of ridership needed to operate the system without a subsidy. The intent was to complete the northern connection to San Francisco once the IOS between Anaheim and Fresno was operational and ridership levels could be demonstrated. However, the 2012 plan did not specifically identify funding for this portion of the project.

HSRA's next business plan, presented and adopted in 2014, updated the project's cost estimates and revised HSRA's ridership and revenue forecasts, but did not significantly alter the construction plan. The 2014 plan continued to peg total costs of Phase 1 at $68 billion. It proposed a number of potential revenue sources to fund the project but did not definitively identify any new funds beyond the Proposition 1A and federal resources previously identified.

As previously noted, the 2016 Business Plan was the first provided by HSRA since construction commenced on the ICS. It provided cost and schedule information provided by lessons learned through the work completed to that point in time. Additionally, it proposed significant changes to the construction plan and sequencing originally outlined in the 2012 Business Plan. Key elements of the 2016 plan included:

- Change to northern orientation for IOS;
- Full funding plan for northern IOS;
- Updated Cost and Schedule estimates for Phase 1 (including projected savings);
- Expanded project scope in Burbank to Anaheim Corridor (using projected savings); and,

- Concepts for full funding of Phase 1.

Overall, the 2016 Business Plan pegged the total cost for Phase 1 at an estimated $64.2 billion with a scheduled completion date of 2029. The 2016 further estimated the "Valley to Valley" line (San Jose to north of Bakersfield) would cost approximately $20.6 billion with construction completed in 2024 and service commencing in 2025. Lastly, the estimated cost for the 119 mile Central Valley portion was $7.8 billion.

The Draft 2018 Business Plan

Similar to the 2016 plan, the Draft 2018 Business Plan (plan) continues to focus on completing the northbound Valley to Valley section with final completion to Los Angeles/Anaheim finished after trains are operating between Bakersfield and San Francisco. The plan further identifies three primary categories that have led to project cost increases since the release of the 2016 Business Plan which include: project contingency increases, inflation, and revised Central Valley Segment project costs. Lastly, in order for Valley to Valley to be completed, the plan calls for more certainty in funding and providing a funding framework that allows HSRA the ability to securitize Cap-and-Trade dollars.

<u>Valley to Valley:</u>

The 2018 plan builds on the 2016 Business Plan by redefining the Valley to Valley line to now start from the 4th and King Caltrain station in San Francisco and end in downtown Bakersfield. In switching the IOS construction northbound, the 2016 Business Plan identified the new IOS to provide service between San Jose and a temporary station north of Bakersfield off Poplar Avenue near Shafter. The 2018 plan asserts that redefining the Valley to Valley line from San Francisco to Bakersfield will generate higher revenue due to stronger ridership potential than the previous line identified in the 2016 plan. The 2018 plan claims that with increased ridership, the potential for higher revenue can provide another funding source to assist in completing Phase 1 into Southern California. Based on the plan, the 119 mile Central Valley segment (Madera to Poplar Ave.) is scheduled to be completed in 2022. The plan also diverges from the 2016 plan by proposing to continue construction south to Bakersfield and also expanding electrification of the Caltrain corridor to Gilroy (currently only planned from San Francisco to San Jose Diridon station). This approach will allow for dual operation of express service in both the Central Valley and Silicon Valley by 2027, leaving the connecting tunnel through the Pacheco Pass to be constructed as future funding sources are identified.

Tunnels:

As specified in the 2018 plan, the connecting Pacheco Pass tunnels coupled with the Merced Wye will be the final portions to be constructed and serve as the last critical link to complete the Valley to Valley segment. It's important to note that, on top of significant costs, the 15.2 miles of tunneling through the pass also encompasses a variety of environmental planning, geotechnical, and scheduling challenges. The plan identifies the total estimated cost of the 46 mile segment from Gilroy to Carlucci Road (which includes tunneling) to range anywhere from $8.1 to $13.3 billion as seen in table 3.9 on page 40 of the plan. This range also serves as the approximate funding gap necessary to complete the last portion of the Valley to Valley segment. A key difference between the 2016 and 2018 Business Plans is that the 2018 plan provides detail as to which portions of the Valley to Valley segment will be complete whereas the 2016 plan merely indicated that construction would now be carried out northbound to San Jose rather than southbound to Los Angeles/Anaheim.

Updated cost estimates:

The 2018 plan provides updated project cost estimates for the high-speed rail project. In comparison to the 2016 Business Plan, both the project costs and project schedules have increased and been extended. A notable change from the 2016 plan is that the 2018 plan now displays the project costs for each segment in ranges to reflect uncertainties and various risks. The plan notes that as each segment continues to be developed through the completion of environmental planning and design, right-of-way acquisition, etc., over time, HSRA will be able to provide more accurate estimates of each project segment. Below is a table with the cost ranges and projected completion dates as identified in the 2018 plan.

Cost Range	Completion Date	Segment
$63.2 - $98.1 billion	2033	Phase 1 (S.F. to L.A./Anaheim)
$25.1 - $36.8 billion	2029	Silicon Valley to Central Valley Segment
$10.1 - $12.2 billion	2022	Central Valley Segment (119 miles)

The draft plan acknowledges that the identified Proposition 1A, Federal, and Cap-and-Trade funding will cover most of the Valley to Valley segment leaving only the Pacheco Pass tunnel to require an additional funding source. In order to close the gap, the plan asserts other revenue sources will need to be identified such as ridership concessions and/or future federal funds that can be used to complete both Valley to Valley and Phase 1 construction. Lastly, the plan suggests that future legislation will also be needed to allow HSRA to securitize Cap-and-Trade funding in order to ensure the Authority is able to meet its project schedules.

Long term funding challenges:

While the 2018 plan lays out how existing funds will be used for the Central Valley and overall Valley to Valley segment, HSRA will face significant funding challenges in the near future. For example, while several options are provided, the plan does not identify a definite funding source to complete Phase 1 to Los Angeles/Anaheim. The plan details the challenges with constructing a megaproject of this nature with limited bond funds and "pay-as-you-go" (pay-go) Cap-and-Trade funding. Proposition 1A authorizes approximately $9 billion in general obligation bonds to be used for the entire project while Cap-and-Trade auctions have generated approximately $500 million annually to be used on the project. So far, HSRA has received $1.036 billion in Cap and Trade funds. To put these figures into perspective, the 2018 plan's updated cost estimates of the Central Valley segment alone will cost anywhere between $10.1 to $12.2 billion.

The 2018 plan clearly identifies the existing revenues sources and the amounts of federal, bond, and state dollars that have already been expended. However, to cover some of the funding shortfalls, the plan assumes cap and trade revenue will continue until 2050, which, under existing law, remains in effect until 2030. Furthermore, while the Legislative Analyst has forecasted HSRA Cap-and-Trade allocations ranging from $2 to $4 billion in 2018 to $2 to $7 billion in 2030, overall, Cap-and-Trade revenues have proven to be a volatile source of funding. The abovementioned forecast range would result in HSRA receiving anywhere from $500 million to $1 billion in 2018 alone. For purposes of making financial assumptions and forecasting, in order to establish a reasonable benchmark, HSRA assumes the project will receive somewhere from $500 to $750 million annually from the Cap-and-Trade program. However, the 2018 plan proposes to remedy some of these funding challenges by assuming a mechanism will be in place to allow HSRA to securitize Cap-and-Trade dollars in order to provide a long-term and stable financing plan for the project rather than "pay-go". The plan also calls on the Legislature to enact legislation at some future time to extend the Cap-and-Trade program to 2050 and authorize HSRA to establish this financing framework.

Economic Benefits:

While HSRA funding and project challenges have been well documented, it's important to note that construction of the project has provided noteworthy economic benefits for the Central Valley and Fresno County in particular. The recent reports indicate that between 2006 and 2016, HSRA project spending has generated between $3.5 to $4.1 billion in economic output. In the Central Valley alone, over this 10 year period, project spending has resulted in $1.2 billion in economic activity (HSRA ARRA Report, October 2017). The 2018 plan reports that in March of 2016, 266 certified small businesses statewide were contracted with HSRA. As of December 2017, 427 certified small businesses are now working on the project with 117 of those small businesses located in the Central Valley.

Additionally, the project has created opportunities for many Central Valley residents through pre-apprenticeship programs, providing career-level skills training while working on the project. The 2018 plan highlights the pre-apprenticeship training program established by the Fresno Workforce Investment Board as well as identifying other workforce development programs such as Helmets to Hardhats associated with the project. Overall, on top of providing career development opportunities, project construction has served as a job creator with 1,648 construction labor employees working on the project as of December 2017. Thus, with the Central Valley region suffering one of the worst unemployment rates in the country, high-speed rail project construction is providing much-needed relief to the Central Valley's economy.

Conclusion:

2018 will be a pivotal year for high-speed rail. The Draft 2018 Business Plan attempts to provide a more realistic picture of how the Authority and project intends to move forward. However, despite this attempt, it goes without saying that HSRA and the project will encounter significant funding challenges in the near future. "Lessons learned," as described in the plan, provide clarity on a number of issues HSRA has encountered in the project's early stages. However, even with corrective action, the challenges such as right-of-way acquisition delays continue and as with any significant megaproject, unknown project risks remain. Furthermore, as this project has been a priority for the current administration, another variable to contemplate is whether the project will remain a priority for the next Governor in 2019. Regardless of these challenges, construction is underway, shovels are in the ground, and people are working. As a result, this oversight hearing will provide members with the opportunity to have a candid discussion with HSRA representatives and stakeholders about these funding and other project challenges and how members of this committee envision the project continuing.

Senate Budget and Fiscal Review—Senator Holly J. Mitchell, Chair

SUBCOMMITTEE NO. 2 Agenda

Senator Bob Wieckowski, Chair
Senator Mike McGuire
Senator Jim Nielsen
Senator Henry I. Stern

Thursday, April 5, 2018
9:30 a.m. or upon adjournment of session
State Capitol - Room 112

Consultant: Joanne Roy

OUTCOMES

VOTE-ONLY CALENDAR		
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4	Nonresidential Center, Los Angeles: Acquire and Renovate Existing Nonresidential Center 4-0	4
5	Residential Center, Fortuna: Renovation of Existing Residential Center 4-0	4
6	Residential Center, Ukiah: Replacement of Existing Residential Center 4-0	5
3540	**Department of Forestry and Fire Protection (CalFire)**	
7	Bieber Forest Fire Station/Helitack Base: Relocate Facility 4-0	5
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PUBLIC COMMENT

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

3340 California Conservation Corps

1) **Additional Administrative Resources.** The Governor's budget proposes $321,000 in FY 2018-19 ($177,000 General Fund and $144,000 Collins-Dugan Reimbursement Account (CDRA)) and $316,000 ongoing ($175,000 General Fund and $141,000 CDRA) and three positions in order to provide administrative support to its program and field operations.

2) **Facility Support and Maintenance Resource Needs.** The Governor's budget proposes $1.045 million in FY 2018-19 ($577,000 General Fund and $468,000 CDRA) and $845,000 ongoing ($466,000 General Fund and $379,000 CDRA) to fund six permanent Maintenance Mechanics and one permanent Associate Construction Analyst to provide critical ongoing Facility needs at the residential and non-residential centers and to comply with Executive Order B-18-12 and the Green Building Action Plan, which requires CCC to continually measure, monitor, report and oversee water and energy conservation and sustainability of its facilities in order to reduce greenhouse gas emissions.

3) **Greenwood Center Kitchen/Dining Building Repair.** The Governor's budget proposes $344,000 CDRA in FY 2018-19 to complete a foundation retrofit of the 4,300 square feet kitchen and dining building at the Greenwood Residential Center.

   The Greenwood Center is located in the rural foothills of El Dorado County and was constructed in 1982. The Greenwood Center's facilities include dormitories, a dining hall, classrooms, computer lab, recreational facilities, and outdoor space along with administrative and supply/tool buildings.

   Due to evidence of interior floor subsidence and wall/floor separation at the facility, the CCC requested for a site investigation and evaluation from DGS. On March 20, 2017, a structural engineering firm hired by DGS noted the deterioration of the foundation piers presented a safety issue and needed to be address immediately.

4) **Nonresidential Center, Los Angeles: Acquire and Renovate Existing Nonresidential Center.** The Governor's budget proposes $169,000 General Fund to acquire the existing Los Angeles Nonresidential Center, which is leased from the City of Los Angeles, and to renovate the facility to address functional, structural, and seismic deficiencies.

   CCC is currently leasing this facility from the City of Los Angeles for $1 per month and operates this facility as its non-residential center serving 65 corpsmembers. The facility is in need of various renovations to meet seismic standards Americans with Disabilities Act compliance. The lessor has refused to make any improvements to bring the facility up to building code but has expressed interest in selling the property to the state.

5) **Residential Center, Fortuna: Renovation of Existing Residential Center.** The Governor's budget proposes $1.052 million General Fund for preliminary plans to renovate the existing Fortuna Residential Center (located in Humboldt County), which was constructed in 1992, to address functional and structural deficiencies. Additionally, this project will add a multipurpose facility to meet programmatic needs.

CCC provides young adults aged 18 to 25 (veterans up to age 29) life skills training and hard work in environmental conservation, fire protection, and emergency services. The Fortuna Residential Center is one of eight residential centers, which serve as a hub of CCC service delivery.

6) **Residential Center, Ukiah: Replacement of Existing Residential Center.** The Governor's budget proposes $2.866 million General Fund to fund the preliminary plan phase of this project. Initiated in FY 2015-16 Budget, this proposal would replace the existing Ukiah Residential Center (located in Mendocino County), which was built in the 1930s, to address functional and structural deficiencies.

   The Budget Act of 2015-16 appropriated $200,000 General Fund for a site search for several capital outlay projects, including Ukiah. The Budget Act of 2016-17 appropriated $100,000 General Fund for the site evaluation of Ukiah. The Budget Act of 2017-18 appropriated $1,834,000 General Fund for the acquisition phase. At this time, DGS is working on site selection with an anticipated Public Works Board agenda item within the next few months.

3540 Department of Forestry and Fire Protection

7) **Bieber Forest Fire Station/Helitack Base: Relocate Facility.** The Governor's budget proposes $2.922 in additional lease revenue bond funds for the construction phase of this project to replace the existing Bieber Forest Fire Station/Helitack Base (located in Lassen County) that is more than 50 years old. A new site was chosen, which required additional extensive site work.

   The Budget Act of 2007 appropriated $19,938,000 in lease revenue bond funding to CalFire for this project. The approved scope of work includes relocating the Bieber Fire Station and Helitack Base to a newly acquired site, and construction of a 3-bay apparatus building. The Budget Act of 2014 appropriated an additional $4,258,000 for acquisition, and costs to restart the project after a six-year suspension. This project has experienced significant delays attributed to acquiring land and security bond funding, additional funding is required to complete this project.

8) **Enhanced Industrial Disability Leave (SB 334)**. The Governor's budget proposes $4.2 million General Fund only in FY 2018-19, to be used upon approval by the Department of Finance, for the estimated increase in workers' compensation and overtime costs resulting from SB 334 (Dodd), Chapter 857, Statutes of 2017. Funding to implement SB 334 will annually be one-time until there is data that shows that the incremental increases directly relate to SB 334 and the enhanced industrial disability leave benefit.

9) **Mobile Equipment Replacement**. The Governor's budget proposes one-time funding of $3 million General Fund in FY 2018-19 for mobile equipment replacements, consistent with previous Emergency Drought Action requests approved in the Budget Acts of 2016 and 2017. The fleet is currently 43 percent behind scheduled replacement cycles overall. This one-time funding in FY 2018-19 will allow CalFire to incrementally decrease this percentage and better meet the mission to safeguard and protect the people and resources of the state.

   Background. ***CalFire's Mobile Equipment.*** CalFire has 2,681 vehicles, such as fire engines, emergency crew transports, helitenders, station utility trucks, bulldozers, dozer transports, dozer tenders, dump trucks, water tankers, sedans, and pick-ups. Each of these vehicles has varying costs and an amortization schedule. For example, the cost of a factory delivered fire engine (no light bars, hoses, valves, health and safety equipment, etc.) is approximately $280,000, an emergency crew transport is approximately $222,000, a helitender is approximately $350,000, and a pick-up is approximately $36,000. Most of these vehicles are routinely driven "off-road", which adds to the wear and tear of each vehicle mile driven.

CalFire' sets the vehicle replacement schedule, taking into consideration the replacement criteria outlined by the National Fire Protection Association standard for Automotive Fire and Wildland Fire Apparatus (Code 1901 and 1906), CalFire policy, and the Department of General Services Office of Fleet and Asset Management's Management Memos.

Previous Budget Acts included funding for mobile equipment replacement. The Budget Acts of 2016 and 2017 both provided one-time funding, $6 million General Fund and $3 million General Fund respectively, to enhance the mobile equipment replacement budget due to the increased wear and tear from the extended and severe fire seasons. Despite these augmentations, frontline fire equipment are past due for replacement. For example, 65 percent of Type III fire engines meet or exceed standards for replacement.

10) **Reappropriation: San Mateo/Santa Cruz Unit Headquarters Relocation Automotive Shop and San Luis Obispo Unit Headquarters Replacement.** The Governor's budget proposes reappropriation of funding authority for the construction phase of the San Mateo/Santa Cruz Unit Headquarters Relocation Automotive Shop and the working drawing and construction phases of the San Luis Obispo Unit Headquarters Replacement projects.

11) **Self-Contained Breathing Apparatus Replacement**. The Governor's budget proposes $9.6 million General Fund in FY 2018-19 and in FY 2019-20 to replace all Self-Contained Breathing Apparatus (SCBA) units that have new and significantly improved safety performance requirements. CalFire additionally requests $1 million ongoing for maintenance and repair of SCBA units. This equipment is required to be provided by the employer of firefighters per California Code of Regulations Title 8, Sections 3203 and 5144.

Background. ***CalFire is Required to Provide Their Firefighters with Respiratory Protection.*** Current law requires CalFire to provide its employees with respiratory protection when responding to and working in emergencies involving an environment that is potentially immediately dangerous to life or health. CalFire's current self-contained breathing apparatus units adhere to 2002 National Fire Protection Association (NFPA) specifications.

Updated NFPA SCBA Specifications in 2013. NFPA is a global nonprofit organization that develops codes and standards to minimize the risk and effects of fire by establishing criteria for building, design, processes, and service. The entire fire service follows NFPA codes and standards to ensure interoperability, among other things.

NFPA updated the SCBA specifications in 2013. The newer SCBAs are higher-pressure systems, which extends the length of time a firefighter can spend in certain emergency response situations. The newer systems also have several added safety features, including improved face lens durability, speech communication, emergency-shared breathing supply systems, and end of service and remaining air alarm changes.

12) **Telecommunications Staff**. The Governor's budget proposes $604,000 General Fund and three positions starting in FY 2018-19. This proposal addresses the staff required to meet the increased

workload brought about by the Federal Communications Commission and state mandates related to radio interoperability, frequency management, and coordination required for firefighter and public safety, along with appropriate staffing and expertise to migrate CalFire to next generation telecommunications systems.

13) **Various Minor Projects.** The Governor's budget proposes $3.818 million General Fund to perform five minor projects: (1) Demolish an existing resource management trailer in the Mendocino Unit and design and construct a new administration building; (2) Replace critical infrastructure items at the Hermit Springs and Skull Creek Fire Stations; (3) Replace underground water distribution lines and the telephone/signal conduits at Parlin Fork Conservation Camp; (4) Renovate Existing deteriorated shower and restroom facilities in inmate dormitories at the Met. Bullion and Rainbow Conservation Camps; and, (5) Replace the existing electoral generation system at Wilbur Springs Fire Station.

14) **Trailer Bill Language (TBL): Technical Cleanup: State Responsibility Area Fire Responsibility Fund.** The Governor's budget proposes technical cleanup TBL to correct a fund name and amend Public Resources Code §4213.05, changing "State Responsibility Area Fire *Responsibility* Fund to "State Responsibility Area Fire *Prevention* Fund."

3640 Wildlife Conservation Board

15) **Wildlife Restoration Fund – Minor Capital Outlay (Public Access).** The Governor's budget requests $1 million from the Wildlife Restoration Fund (0447) for the purposes of minor capital outlay projects within the Wildlife Conservation Board's Public Access Program.

3840 Delta Protection Commission

16) **Recreation Chapter Update for Economic Sustainability Plan.** The Governor's budget proposes a one-time appropriation of $200,000 from the ELPF for consultant work to inform the update to the recreation chapter of the Economic Sustainability Plan for the Sacramento-San Joaquin Delta. The proposal includes a one-time new appropriation for a contractor to address emerging trends in Delta recreation, including economic impacts of non-motorized boating (such as kayaking and stand up paddle boarding), Delta visitation information including facility access, and identifying recreation and tourism barriers.

3760 State Coastal Conservancy

17) **Bel Marin Keys Restoration Conservancy Project Development Specialist.** The Governor's budget proposes one new position to support implementation of the Bel Marin Keys Restoration project in Marin County for three years. The propose of this proposal is to provide the SCC with a Conservancy Project Development Specialist to manage a capital outlay project on the state-owned Bel Marin Keys property in Marin County. Starting FY 2018-19, SCC will be constructing a levee at Bel Marin Keys as the first phase of a large wetlands restoration project. SCC will manage the project and anticipates funding the construction with funding from the Habitat Conservation Fund. SCC anticipates that this project will take three years to complete.

18) **Coastal Access Program: Appropriation of $200,000 to SCC for Purposes of Local Assistance and Capital Outlay.** The Governor's budget proposes an increase of $200,000 above the current service level for an annual appropriation of $750,000 from the Coastal Access Account to continue implementation of SCC's public access, education, and related programs. SCC would use the funds to carry out projects that facilitate public access to the coast, including management and maintenance of coastal accessways, and environmental education and docent programs. The proposal includes this increase because there is a surplus of funds available in the Coastal Access Account and the demands for funding for these types of activities currently exceeds current appropriation levels. The Governor's budget proposes $600,000 be appropriated for local assistance and $150,000 be appropriated for state operations as part of SCC's baseline support budget. Local assistance funds are proposed to be made available for encumbrance until June 30, 2021.

19) **Explore the Coast (ETC) Program: Appropriation of $225,000 from Environmental License Plate Fund (ELPF).** The Governor's budget proposes an appropriation of $225,000 from ELPF to fund the continuation of its ETC grant program. The Legislature appropriated $225,000 from ELPF to SCC in FY 2017-18 Budget Act specifically for the ETC program. The Governor's budget proposes continued funding from this source to enable it to continue the program. The proposal includes funding for this purpose from ELPF because the amount of funding available to SCC from the California Beach and Coastal Enhancement Account ("Whale Tail") has been decreasing in recent years and SCC can no longer rely on continued availability of Whale Tail funds to implement the ETC program. The two main goals of the ETC program are supporting activities that allow more people to explore California's coast and enhance visitor's experience while at the coast.

20) **Lower Coastal Accommodations Program (AB 250).** The Governor's budget proposes the appropriation of $293,000 from ELPF in FY 2018-19 through FY 2020-21 for state operations to support the implementation of Chapter 10 of Division 21 of the Public Resources Code, the new Lower Cost Coastal Accommodation Program, created by AB 250 (Gonzalez Fletcher), Chapter 838, Statutes of 2017. The proposal also includes the creation of two additional, permanent, full-time positions: one Conservancy Project Development Specialist and one Conservancy Project Development Analyst 1 to carry out the initial assessment for the program.

21) **State Operations Baseline Adjustment.** The Governor's budget proposes an additional $1 million from ELPF as a new baseline appropriation for its state operation budget. SCC also requests $600,000 from Proposition 50 for state operations. The proposal would reduce two other funds for no net increase. SCC's state operations budget has historically relied on the 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. SCC has already voluntarily reduced its support budget and diversified funding sources paying for its support budget.

3810 Santa Monica Mountains Conservancy

22) **Local Assistance Appropriation of $100,000 from ELPF.** The Governor's budget proposes an appropriation of $100,000 ELPF for Outdoor Environmental Education program funding in FY 2018-19.

The Naturalist Explorer Leadership Program is a comprehensive environmental education and youth leadership program that introduces young adults from disadvantaged communities to the outdoors and trains them as interpretive naturalists. The program focuses on the natural and cultural history of the Santa Monica Mountains and encourages the development of teamwork, leadership, and interpretive skills.

The Budget Act of 2017-18 appropriated $20,000 for this purpose, which help to facilitate three naturalist explorer units, each with 12-15 participants. This request seeks to continue and expand the program.

3855 Sierra Nevada Conservancy

23) **Proposition 84 New Appropriation — Local Assistance and Support Funding.** The Governor's budget proposes Proposition 84 appropriations for the following: (1) $300,000 for local assistance FY 2018-19; (2) $52,000 for Program Delivery for FY 2018-19; and, (3) $40,000 for Planning and Monitoring for FY 2018-19 and FY 2019-20. The proposal includes reversion of the remaining balances for Program Delivery from FY 2016-17 and FY 2017-18.

3125 California Tahoe Conservancy

24) **Aquatic Invasive Species and Forest Health Strategic Leadership and Support**. The Governor's budget proposes $345,000 ($195,000 Proposition 1, $100,000 Federal Trust Fund, and $50,000 Lake Tahoe Science and Lake Improvement Account) annually for three years and two positions. The conservancy will use the requested funding for two senior environmental scientists to continue to lead and provide strategic leadership of the Lake Tahoe West Restoration Partnership (LTW), an interagency, landscape-level, large scale (60,000 acres) forest ecosystem restoration planning and implementation project on the west shore of Lake Tahoe. Funding will also be used to contract for outside planning and monitoring supplemental services and expertise to support the aquatic invasive species and LTW initiatives. The proposal also includes language to revert $585,000 in Proposition 1 planning and monitoring funding from FY 2015-16 to support this request.

The Environmental Improvement Program (EIP) is the Tahoe basin's strategy for protecting and restoring ecosystems and watersheds. The EIP, led by the Tahoe Conservancy, is a partnership between over 50 federal, state, and local agencies and private partners. The Tahoe Conservancy is also the lead entity for the Lake Tahoe West Restoration Partnership, an interagency, landscape-level, large scale (60,000 acres) forest ecosystem restoration planning and implementation project on the west shore of Lake Tahoe.

25) **Conceptual Feasibility Planning.** The Governor's budget proposes a total of $450,000 ($90,000 from Proposition 12, $78,000 from the Habitat Conservation Fund, and $282,000 from funds on deposit in the Federal Trust Fund) for conceptual and feasibility studies. The funds will be used for conceptual development of new conservancy capital outlay project proposals and opportunities. This proposal also includes a reversion of $90,000 from the unencumbered balance of Item 3125-301-0005, Budget Act of 2014.

In 1997, the State of California joined the State of Nevada, the Federal Government, the Tahoe Regional Planning Agency, and other partners in a commitment to fund and implement the Environmental Improvement Program (EIP). The EIP is the Tahoe basin's strategy for protecting and restoring ecosystems and watersheds.

The EIP originally identified $908 million worth of projects in the initial 10-year period. An updated EIP in 2010 identified $2.4 billion worth of projects. California's funding commitment for the second phase of the EIP is identified at an additional $415 million.

26) **Local Assistance Grants for Aquatic Invasive Species and Nearshore Projects.** The Governor's budget proposes an augmentation of $100,000 in local Assistance funding from the Lake Tahoe Science and Lake Improvement Account in FY 2018-19 and FY 2019-20. The augmentation would increase local assistance funding from the account from a current baseline of $350,000 to a total of $450,000 for two years. These funds will be used for control of an aquatic Invasive Species and other nearshore activities.

Aquatic invasive species control is a high priority for the Tahoe basin. In response to this priority, the Conservancy is responsible for coordinating and granting Lake Tahoe Science and Lake Improvement Account funds for nearshore aquatic invasive species projects. The current aquatic invasive species implementation plan has identified over $9.5 million in funding needs.

27) **Minor Capital Outlay.** The Governor's budget proposes $700,000 ($204,000 for the Tahoe Conservancy Fund and $496,000 from funds on deposit in the Federal Trust Fund) for minor capital outlay projects. The funds will generally be used for the design and implementation of minor improvements needed to secure the sites of conservancy acquisitions and allow for their management for open space and water quality protection purposes. This could involve improvements to control erosion, and to protect, restore and enhance natural characteristics. Funds may also be used for upgrades on developed facilities needed to meet Americans with Disabilities Act (ADA) requirements. This proposal also includes a reversion of $204,000 from the unencumbered balance of Item 3125-301-0568, Budget Act of 2014.

28) **Opportunity Acquisitions.** The Governor's budget proposes $200,000 ($111,000 from the Lake Tahoe Acquisitions Fund and $89,000 from funds on deposit in the Federal Trust Fund) for a blanket of funds for pre-acquisition activities and for full fee acquisition or interested therein, of strategic acquisitions in roadless subdivisions, high priority watersheds, lakefront areas, and other environmentally sensitive or significant resource areas in the Lake Tahoe Basin area. This proposal also includes a reversion of $111,000 from the unencumbered balance of Item 3125-301-0720, Budget Act of 2014.

29) **Upper Truckee River and Marsh Restoration Project.** The Governor's budget proposes a total of $9.07 million for the construction phase of the Upper Truckee River and Marsh Restoration Project. The project will restore natural processes and functions of conservancy-owned or

controlled lands within the Upper Truckee River Marsh. Improvements will 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. The proposal also includes a total reversion of $1.709 million from the unencumbered balances of various appropriations from FY 2014-15 through FY 2017-18.

3110 Tahoe Regional Planning Agency (TRPA)

30) **TRPA Salary Merit Review Increases.** The Governor's budget proposes an increase of $74,000 for staff salary merit review increases to match state employee increases. TRPA is not in the California budget system, where compensation changes automatically adjust budgets. California's baseline contribution to TRPA has not increased for staff costs for many years. Staff has not received any general pay increases for four years. The BCP process is the only vehicle to match California-wide compensation changes. This will allow the Agency to increase staff salaries to maintain parity with the California pay schedules.

The recent Nevada budget cycle (two-year budget) added money to TRPA's allocation to cover salary increases for a total of $36,795 for Fiscal Year 2018-19. This increase was conditioned on California contributing in the 2:1 ratio called for in the TRPA Compact. Combined, the California and Nevada funding will provide for merit increases of just under 3 percent for staff paid out of the Environmental License Plate Fund. Grants and user fees will provide increases for the balance of the staff.

3460 Colorado River Board of California

31) **Administrative Unit Office Technician Position.** The Governor's budget proposes to make one (1) permanent, full-time Office Technician (OT) position to address the increasing workload associated with routine and basic clerical functions in the CRB Administrative Unit. This proposal can be absorbed within the existing reimbursement authority. Currently, the CRB's clerical work is absorbed by the Staff Service Manager, Associate Government Program Analyst, and Staff Services Analyst. There is currently no OT position in the CRB Administration Unit.

3100 California Science Center

32) **Increase Reimbursement Authority.** The Governor's budget proposes a $157,000 increase in reimbursement authority; increasing the current authorization from $800,000 to $957,000. This increase is related to higher utility costs and a compounded Consumer Price Index increase to the Joint Operational Agreement between the Science Center and the Los Angeles Unified School District.

33) **Increase Temporary Help.** The Governor's budget proposes an increase of $175,000 in ongoing Exposition Park Improvement Fund to increase CAAM's Temporary Help beginning in 2018-19. CAAM has seen a significant increase in attendance in exhibits and programs that have created

staffing challenges. The galleries need to be supervised at all times to welcome its guests and patrons, to protect CAAM's substantial art collections, and for public safety.

34) **Increase Office of Exposition Park Management Reimbursement Authority.** The Governor's budget proposes an increase of $435,000 in reimbursement authority for Fiscal Years 2018-19 and 2019-20. These funds will be used to provide California Highway Patrol law enforcement services at Exposition Park during National Football League game days.

35) **Amendment to Budget Bill Item 3100-001-0267, Support.** A Spring Finance Letter proposes the following increases in the Exposition Park Improvement Fund:

- **a) Automated Parking Services.** $800,000 to provide for the purchase and installation of automated parking infrastructure in Exposition Park. Automated parking systems would help modernize the park, improve visitor experience, and are projected to increase revenue.
- **b) Portable Light Tower Rental.** $100,000 for portable light tower rentals. This funding would provide increased safety to pedestrian and vehicular traffic in poorly illuminated areas of Exposition Park.
- **c) South Lawn Vehicular Protection.** $60,000 for the acquisition and installation of boulders across the South Lawn of Exposition Park to protect visitors against vehicular assault. The Department of Homeland Security (DHS) conducted an assessment of Exposition Park and identified the South Lawn as being at risk for vehicular assault. The installation of submerged boulders would meet the DHS recommendations to remedy the issue.

Staff Recommendation: Approve all vote-only items as budgeted.

ISSUES FOR DISCUSSION

3340 California Conservation Corps (CCC)

Issue 36 – Corpsmember Counseling, Case Management and Transition to College, Career or Training

Governor's Proposal. The Governor's budget proposes $1.1 million in FY 2018-19 ($600,000 General Fund and $491,000 CDRA) and $1.8 million ongoing ($970,000 General Fund and $794,000 CDRA) to fund 14 Associate Governmental Program Analyst (AGPA) positions and consultant costs to strengthen the career pathway of Corpsmembers to college, career or advanced training by providing case management services and mental health and substance abuse counseling.

Background. ***CCC provides young adults work experience and educational opportunities***. The CCC recruits young people from across the state and from diverse backgrounds. CCC program participants, referred to as corpsmembers, are between the ages of 18 and 25 (and veterans to age 29). Many corpsmembers enter the CCC with limited job skills and experience. Approximately 30 to 40 percent do not have high school diplomas or the equivalent.

Corpsmembers work on projects that conserve and improve the environment. They also provide assistance during natural disasters. Work projects are sponsored by various governmental and nongovernmental agencies that reimburse CCC for the work performed by corpsmembers.

Some corpsmembers live in the residential facilities that serve as a hub of CCC service delivery. Typical activities include academic and technical training, as corpsmembers pursue educational and career development goals. After successfully completing a year, corpsmembers are eligible to receive a scholarship toward continuing education or training. By combining work experience, education, and other training, the CCC's goal is to develop productive citizens ready to enter the workforce. The CCC anticipates serving about 1,450 corpsmembers full-time in 2018-19 at its 14 districts throughout the state.

Corpsmembers Receive Career Development Training (CDT). Corpsmembers are currently required to take a 36-hour career development course that is intended to prepare the corpsmembers for employment or continuing education following their CCC service. The curriculum is designed to teach corpsmembers how to (1) assess their job skills; (2) prepare job applications, resumes, and cover letters; (3) organize their job search; and (4) succeed at interviews and at work. The CCC's goal is to provide CDT training modules three to four times annually to ensure all corpsmembers have the opportunity to complete the curriculum.

Mental Health and Substance Abuse Issues Can Affect Corpsmembers. According to CCC, some risk factors that affect corpsmembers' success in CCC include economic hardships, tumultuous family life, alcoholism, drug addiction, and mental health issues such as depression and anxiety. In 2016-17, 19 percent of corpsmembers were terminated for negative reasons (such as alcohol and drug issues, insubordination, fighting, violence, absence without leave, and a variety of other conduct and mental health issues), and 16 percent cited personal reasons (such as medical issues, family responsibilities, and other family-related issues) as their reason for leaving CCC.

The Governor's proposal seeks to provide additional support to corpsmembers. This proposal seeks to enhance corpsmembers' professional and personal growth by providing transition support services, mental health and substance abuse counseling. The transition support will build on an existing career development course offered at the CCCs. The CCC's also intends to consult with counseling contractors and counseling interns to provide mental health and substance abuse counseling and referral.

LAO Recommendation. LAO recommends the Legislature modify the Governor's proposal to provide three-year funding, rather than ongoing funding, for transition services for corpsmembers and require CCC to prepare a report that will better inform the need for such services on an ongoing basis. LAO also recommends the Legislature approve the proposed funding to improve access to mental health and drug and alcohol dependency counseling.

Staff Comments. CCC provides corpsmembers with work experience and education to enhance their professional horizons and personal growth. Including career pathway services and mental health and substance abuse counseling to corpsmembers' training could additionally enrich their experience and provide a more well-rounded approach to the CCC's mission. However, staff agrees with the LAO's recommendation to provide limited term funding and staff for the transition services and require CCC to report on the efficacy of this service before committing to funding on a permanent basis.

Staff Recommendation. Approve transition services staff on a three-year limited-term basis, adopt placeholder trailer bill language to require CCC to provide the Legislature with an annual report on corpsmember outcomes by 2020, and approve the requested resources for mental health and substance abuse consulting services as proposed.

Issue 37 – New Capital Outlay Proposals

Governor's Proposal. The Governor's budget proposes four new capital outlay projects as follows:

1) **Residential Center, Auberry: New Residential Center.** $4.885 million General Fund to acquire ($2.847 million) and start preliminary plans ($2.038 million) to renovate the existing Auberry Elementary School for a new residential center in the City of Auberry in Fresno County to meet programmatic needs.

2) **Residential Center, Greenwood: New Residential center.** $3.172 million General Fund for preliminary plans to replace the existing Greenwood Residential Center (located in El Dorado County), which was constructed in the 1980s, to address structural and functional deficiencies.

3) **Residential Center, Los Piños: New Residential Center.** $1.725 million General Fund for preliminary plans to renovate the existing Los Piños Residential Center (located in Orange County), which was built in 1966, to address functional and structural deficiencies.

4) **Residential Center, Yountville: New Residential Center.** $200,000 General Fund in FY 2018-19 for the study phase to renovate an existing warehouse at the Veterans Home of California-Yountville (located in Napa County) to meet programmatic needs.

Background. ***CCC Facilities*.** 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.

Proposed Expansion Designed to Achieve Multiple Goals. The Administration argues 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 (such as Napa).

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 FY 2016-17 proposed a major expansion of the CCC's 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 five new residential centers, replace the Ukiah residential center, and fund acquisition and preliminary planning for two more 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.

Staff Recommendation. Hold open.

3540 Department of Forestry and Fire Protection (CalFire)

Issue 38 – Accounting Staffing for Infrastructure Support

Governor's Proposal. The Governor's budget proposes $3.6 million total funds ($2.3 million General Fund, $1.2 million Reimbursements, and $100,000 Special Funds) and 21 positions starting in FY 2018-19 to address CalFire's staffing needs to support workload associated with increased fiscal activity and demands, address control agency audits, reduce backlogs, and to support ongoing departmental operations.

Background. ***CalFire has been experiencing increased fiscal activities due to longer fire seasons and federal requirements.*** CalFire has 21 field units, each with a finance staff of one or two employees. Unit finance staff manages the operation budget of their unit, which requires the staff to review, analyze, and process financial transactions, including contracting, procurement and accounting financial changes. The longer fire seasons have required fire stations and supporting units to be staffed longer, increasing fiscal activity and demands.

Unit finance staff also manages the federal grant activities at the field level. This includes any fires reimbursed by federal funds or involving Cost Share or Assistance-By-Hire with federal agencies. Federal requirements put in place in 2009 with the American Recovery and Reinvestment Act and other related federal regulations requires additional documentation which complicates tie points and reconciliation between timesheets, cost reporting, and programmatic reporting. This has increased the workload of unit finance staff.

Staff Comments. Due to longer fire seasons, fire stations are staffed for longer periods with an increase in financial transactions to support extended and emergency operations. Coupled with increased federal regulations and required documentations, this has resulted in a backlog of paperwork and outstanding accounts receivable and payroll accounts receivable. Continuous late payments will cause delays in incident purchasing and in turn will negatively affect mission-critical emergency operations.

Staff Recommendation. Approve as budgeted.

Issue 39 – CalFire/California Conservation Corps Fire Crews

Governor's Proposal. The Governor's budget proposes a total of $9.6 million General Fund in FY 2018-19, $7.4 million General Fund ongoing, and 11 positions: 1) to make one existing fire crew at the Butte Fire Center available to CalFire and to add an additional training Fire Captain, 2) to make two existing fire crews at the Camarillo Fire Center available to CalFire and to remedy staffing deficiencies, and 3) to make two fire crews at the Placer Center that were temporarily funded from the drought augmentation through December 31, 2017 available to CalFire as fire crews. CalFire, in cooperation with CCC, will provide additional CalFire/CCC fire crews for wildland fire suppression, other emergency incident mitigation, and to perform fire prevention and resource management work that has grown increasingly critical with the 129 million dead and dying trees statewide.

Background. ***Fire Crews.*** Since 1978, CalFire and CCC have staffed fire crews with corpsmembers and fire captains. The CalFire/CCC fire crews help to address strategic resource gaps, reduce response times to emergency incidents and act as a statewide resource during major incidents, and to meet the need for increased local fuel reduction and fire prevention work projects. There are currently two residential center locations that house CalFire/CCC fire crews: Butte Fire Center and Camarillo Fire Center. The Butte Fire Center is a cooperative effort between CalFire and CCC, for which CalFire owns the residential facility in Magalia that houses corpsmembers. Through these cooperative efforts since July 1, 2016, CalFire operates three fire crews year-round at the Butte Fire Center. The Camarillo Fire Center is also a cooperative effort between CalFire and CCC, for which CCC owns the residential facility in Camarillo that houses the corpsmembers. Since July 1, 2009, CalFire operates two fire crews year-round at the Camarillo Fire Center. There was also temporary funding in the calendar year 2017 from FY 2017-18 Emergency Drought Actions BCP to temporarily ensure that two fire crews are available to CalFire at the Placer Center.

Fire crews respond to a variety of emergencies including wildfires, floods, heavy snows, search and rescue operations, and earthquakes. While assigned to wildfire incidents, the fire crews are utilized primarily to construct fire lines by removing vegetation from the path of an advancing wildfire. The fire lines create a pathway for additional fire suppression resources. Fire crews may also assist fire engine crews with deployment of fire hoses over long distances, be assigned to helicopter and bulldozer activities, and be utilized in the logistical operations on major incidents, including establishing the incident base for large fires. Fire crews are also utilized after the fire is contained by working through the fire and extinguishing hot-spots. After the fire is completely extinguished, fire crews are utilized for post-fire restoration work, which includes rehabilitating the burned land, creating water bars to prevent erosion, helping reseed the watershed, and undertaking other erosion control measures. When not responding to emergencies, the fire crews engage in conservation and community service work projects for state, federal, and local government agencies, including fuel reduction work.

Staff Recommendation. Approve as budgeted.

Issue 40 – Emergency Command Center Seasonal Staff

Governor's Proposal. The Governor's budget proposes $9.4 million General Fund starting in FY 2018-19 for the permanent funding of 34.3 seasonal Fire Captain positions that were funded on a two-year limited-term basis in FY 2016-17. The requested funding and positions are needed to prevent a reduction in current staffing levels in CalFire's Emergency Command Centers in order to maintain emergency dispatch and communication services and to address the higher call volume and workload during the busiest time of the year.

Background. ***CalFire Emergency Command Centers (ECCs).*** CalFire has a total of 24 ECCs. Each of CalFire's 21 field units is supported by an ECC. The ECCs are then supported by two regional Operations Coordination Centers (OCC) and, the OCCs are supported by the Sacramento Command Center. ECCs coordinate responses to all types of local incidents such as wildland, structure and vehicle fires, medical aids, traffic collisions, rescues, public assists and regional and statewide incidents.

Personnel assigned to ECCs receive reports of emergencies, allocate resources based on preplanned response criteria, coordinate interagency incident activities, maintain resource and personnel accountability, provide incident support, coordinate movement of resources to ensure operational readiness, provide internal and external information, and document resource and incident activity. The role of ECC personnel during the initial phase of an incident does not cease with the dispatching of resources. ECC personnel continue to serve as the Incident Commander directing the response until field resources arrive on scene.

Staff allocations at ECCs. The current staffing allocation for ECCs was established in 1982. ECCs dispatched resources to 13,345 incidents in 1982. In 2014, ECCs dispatched resources to 64,138 incidents. Compared to 1982, this equates to an increase of 381 percent in CalFire responses to emergency incidents. As a full-service fire department, CalFire responds to wildland fires, structure fires, floods, hazardous material spills, swift water rescues, civil disturbances, earthquakes, and medical emergencies of all kinds.

The Budget Act of 2016 provided CalFire with limited-term funding for 34.3 seasonal fire captain positions to increase ECC staffing and to address the impacts of drought and tree mortality. The additional limited-duration fire captains enables two fire captains to be on duty at a time for all shifts during peak fire season.

Staff Comments. This BCP is consistent with the increased fire needs of the state. Making the temporary positions permanent would continue the current staffing levels in CalFire's Emergency Command Centers, allow them to maintain emergency dispatch and communication services and to address the higher call volume and workload.

Staff Recommendation. Approve as budgeted.

Issue 41 – McClellan Reload Base

Governor's Proposal. The Governor's budget proposes $4 million in General Fund, six permanent positions, and 6.1 ongoing temporary help positions starting in FY 2018-19 to staff and operate the McClellan Reload Base. The McClellan Reload Base provides a centralized location for rapid deployment of Large Air Tankers, Very Large Air Tankers, and the California National Guard Modular Airborne Fire Fighting Systems.

Background. ***McClellan Park historically used as a fuel and retardant reload base.*** Since 2008, CalFire has used the McClellan Park during extreme fire activity and/or multiple major incidents as a retardant and fuel reload base for large air tankers (LATs), very large air tankers (VLATs), and modular airborne firefighting systems (MAFFs). A separate air tanker base was needed because most of CalFire's current air attack bases cannot accommodate aircraft as large as a LAT, VLAT, or MAFFS. McClellan Park was selected because it provides a central location for reloading fuel and retardants.

CalFire historically staffed the McClellan Reload Base with specially trained firefighters brought in on overtime from nearby Units, leaving those Units with fewer personnel available for coverage and surge capacity. Due to the drought and extended fire season, CalFire was provided additional funding to staff the McClellan Reload Base from September 11 to December 31, 2015, from May 1 to June 30, 2016, and again from July 1, 2016 through December 31, 2017.

Staff Comments. Providing CalFire resources to operate McClellan as a reload base nine months a year is consistent with CalFire's historical needs. This proposal also aligns with the extended fire activity resulting from climate change, demographics, and invasive species.

Staff Recommendation. Approve as budgeted.

Issue 42 – Capital Outlay Proposals

Governor's Proposal. The Governor's budget proposal includes the following capital outlay projects:

1) **Alhambra Valley Fire Station: Relocate Facility.** $2.5 million General Fund for the acquisition phase of this project to relocate the existing Steven's Creek Fire Station (located in Santa Clara County) to the Alhambra Valley Fire Station (located in Contra Costa County). The existing Steven's Creek Fire Station, which was built in 1958, is now functionally obsolete and structurally deficient.

2) **Higgins Corner Fire Station: Replace Facility.** $900,000 General Fund for the acquisition phase of this project to replace the existing Higgins Corner Fire Station (located in Nevada County), which was built in 1948 and now has functional, seismic, and structural deficiencies.

3) **Intermountain Conservation Camp: Replace Facility.** $500,000 General Fund for the study phase of this project to replace the existing Intermountain Conservation Camp (located in Lassen County), that was constructed in 1960 and has significant structural deficiencies.

4) **Ishi Conservation Camp: Replace Kitchen.** $383,000 General Fund for the preliminary plans phase of this project to replace the Kitchen/dining facility at the existing state-owned Ishi Conservation Camp (located in Tehama County) that was destroyed by fire in July 2017.

5) **Pardo Helitack Base: Replace Facility.** $1.259 million General Fund for the preliminary plans phase of this project to replace the existing Pardo Helitack Base (located in San Bernardino County), which does not meet CalFire's programmatic needs.

6) **Perris Emergency Command Center: Remodel Facility.** $70,000 General Fund for the preliminary plans and working drawings phases of this project to remodel the Perris Emergency Command Center (located in Riverside county), which has functional deficiencies.

Background. ***Alhambra Valley Fire Station.*** The Alhambra Valley Fire Station was built in 1958 on a 3.5-acre site leased from the Santa Clara Valley Water District in Santa Clara County and houses one fire engine. The Budget Act of 1998 appropriated funds to replace the aged station that was becoming functionally obsolete and structurally deficient. The regulation which determined building setbacks from the lake high-water line was revised by local regulations during the design phase which led to the inability to locate and support a septic system. The project scope was no longer tenable and the authority reverted in 2005.

Higgins Corner Fire Station. The Higgins Corner Fire Station was built in 1948 on leased land in Nevada County and houses two fire engines. In 2008 and again in 2014, the legislature authorized $10.6 million to acquire the existing site and to build a replacement station. The authority reverted in July 2016 when the original project scope changed.

Intermountain Conservation Camp. The Intermountain Conservation Camp is on 80 acres of land owned by the state in Lassen County. CalFire and the California Department of Corrections and Rehabilitation (CDCR) jointly operates the camp, which employs 23 CalFire and CDCR personnel and houses 88 inmates. The camp facility, which began operations in 1961, is currently deteriorating with continual upgrading and repair needs.

The Budget Act of 2006 included $15.7 million in bond funding for the preliminary plans, working drawing and construction to replace the camp. The preliminary plans were nearly completed in 2007, but the project was halted due to necessary scope changes that led to significant cost increases. An additional appropriation of $5.4 million was approved in 2008 to cover the cost increases. However, the bonds were never issued to complete this project as a result of the downturn of the economy in 2009. The appropriations for this project ultimately expired in 2016.

Ishi Conservation Camp. The Ishi Conservation Camp is a year-round 110-person camp located on 80-acres of state-owned land in eastern Tehama County and provides fire protection for over 850,000 acres of CalFire State Responsible Areas. 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 was demolished on August 9, 2017. The Camp currently has a mobile kitchen unit with an operating cost of approximately $2,000 per month.

Prado Helitack Base. The Prado Helitack Base, located in San Bernardino County in the Riverside Unit, is one of ten helitack bases. “Helitack” refers to helicopter delivered fire resources and is a system of using helicopters to perform aerial firefighting. The helicopter and support vehicles at this base are currently stored outdoors since the base does not have a hanger or garage facility. Personnel at the base is using a mobile trailer as office space. Due to space constraints, CalFire has additionally obtained temporary use of the Chino Hills Fire Station.

Perris Emergency Command Center (ECC). The Perris ECC was built in 2000 and is a two-story wood frame structure totaling 10,500 square feet. The Perris ECC is the central dispatch for the Riverside Unit and Riverside County Fire Department and is located at the CalFire Administrative Headquarters in the City of Perris. The County of Riverside has experienced tremendous growth over the last 17 years, increasing from 1.56 million people in 2000 to 2.19 million in 2017. Since 2000, the operations at the Perris ECC have outgrown the facility.

Staff Comments. CalFire has significant 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. Addressing the structural and functional deficiencies of these facilities would help support CalFire’s departmental operations and improve their ability to effectively and efficiently deliver emergency response resources.

Staff Recommendation. Approve as budgeted.

3840 Delta Protection Commission

Issue 43 – Great California Delta Master Plan

Governor's Proposal. The Governor's budget proposes a one-time appropriation of $200,000 from the Environmental License Plate Fund for consultant work to conduct planning for development of the Great California Delta Trail Master Plan, consistent with Public Resources Code §5852 et seq., which requires the commission to develop and adopt a plan for a continuous recreation corridor, including bicycle, hiking and water trails, around the Delta.

The commission also requests trailer bill language to clarify that funding may be provided for the planning and implementation of the trail using a phased approach.

Background. ***The Great California Delta Trail Master Plan***. SB 1556 (Torlakson), Chapter 839, Statutes of 2006, required the commission to plan and adopt the Great California Delta Trail (Delta Trail). The Delta Trail would be an interconnected regional network of land and water trails extending through the Delta, including the shorelines in all five Delta counties, and linking the San Francisco Bay Trail system to the Sacramento River trails in Yolo and Sacramento Counties.

The network will support recreation and tourism; safer access to community centers, parks, schools, neighborhoods, businesses, transportation hubs and tourism facilities for bicyclists, pedestrians, and people with disabilities; healthier lifestyles; appreciation of the Delta heritage, and appreciation of the natural and agriculture resources of the Delta.

The Delta Trail Technical Advisory Committee. In planning the Delta Trail, the statute requires the commission to establish a technical advisory committee, made up of representatives of appropriate regional government associations, local jurisdictions and districts to review trail planning and implementation. Additionally, the commission is to establish a stakeholder advisory committee representing groups concerned with environmental and ecological protection of the Delta, agriculture, and bicycling, walking, boating and other relevant recreational activities to advise the commission on the trail's impacts on and uses for committee member constituencies. According to the commission, there is currently no facilitator on the commission staff at the level which could lead the technical advisory committee required by legislation.

The Delta Trail Blueprint Plan. In 2010, the commission completed a Delta Trail Blueprint Plan for Contra Costa and Solano counties, which reflects the conceptual outreach, feasibility, and planning process in these counties. A Blueprint Plan for Sacramento, Yolo, and San Joaquin counties is currently underway on a part-time basis by one staff person. To date, the commission has designated approximately 50 miles (four segments in four Delta counties) of existing trail as segments of the Delta Trail. According to the commission, staff does not possess the expertise and skill needed to carry out the detailed master planning required for the Delta Trail.

Staff Comments. Much of the Delta is currently only accessible by boat or car. The envisioned Delta Trail would allow for increased access and recreation such as hiking and biking. Creating a trail that connects five counties and integrates with the San Francisco Bay Trail system and the Sacramento River trails is a major undertaking. The requested funds would help the commission hire a consultant to assist with the master planning of the Delta Trail.

The governing statute requires the commission to plan and develop the Delta Trail only if it secures sufficient funds other than the General Fund for the entire cost of the project. Securing all of the funding needed and making an accurate estimate of the total cost is very difficult for any major project. The trailer bill language revises this to instead allow for a phased approach.

Staff Recommendation. Approve BCP and TBL as proposed.

3885 Delta Stewardship Council

Issue 44 – Critical Delta Science Investigation Enhancement

Governor's Proposal. The Governor's budget proposes a total of $2.5 million in FY 2018-19 and $477,000 ongoing (including $2 million one-time from ELPF and $477,000 ongoing General Fund) to fund critical science research and staff that will support science-based management decisions and legal expertise. Specifically, this proposal includes:

a) Critical Science Investigations: $2 million in one-time funds from ELPF for DSC's Science Program (Science Program) to bolster critical science investigations aimed at supporting the state's coequal goals of ensuring a reliable water supply and protecting, restoring, and enhancing the Delta Ecosystem.
b) Adaptive Management Liaisons: $300,000 ongoing General Fund to support the work of three senior environmental scientist positions currently being funded on a limited-term basis (expires June 30, 2018) as adaptive management liaisons in the Science Program; and,
c) Senior Legal Counsel: $177,000 ongoing General Fund for one Attorney IV to provide legal support for DSC related to grants and contracts administration, and compliance with CEQA, and Public Records and Bailey-Keene Acts.

Background. ***The Delta Plan.*** The Delta Reform Act of 2009 created the Delta Stewardship Council and the Delta Independent Science Board. The Council was directed to create the Delta Plan, a long-term management plan for the Delta. The Delta Plan 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. The council coordinates and oversees the Delta Plan's implementation, which was adopted in 2013.

Delta Policies and Management Must Be Based on Science. The Delta Reform Act also established new requirements for the use of science in the development and implementation of all Delta policies and management. The Delta Independent Science Board is charged with reviewing the application of science and the effectiveness of science practices throughout the Delta.

The Delta Science Program (DSP). DSP was established to develop scientific information for the state, Bay-Delta decision-makers, and stakeholders on issues critical for managing the Bay-Delta system. DSP considers funding scientific research to be a critical component in establishing unbiased and authoritative knowledge directly relevant to Bay-Delta actions. To date, DSP has funded 48 research grants totaling more than $27 million.

The Delta Plan adopted in 2013 recommended that the DSP work with others to develop a comprehensive Delta Science Plan "to organize and integrate ongoing scientific research, monitoring, and learning about the Delta as it changes over time." The Delta Science Plan was completed in 2013 and is reviewed at least every five-years to ensure continued relevance. The first review led by DSP, is scheduled to occur in 2018.

Staff Comments. The Delta Plan is central to California's efforts to improve management of the Delta, a region that is at the center of the state's water supply and suffers from various natural resources challenges. The Delta Plan guides hundreds of millions in annual expenditures on water management, ecosystem restoration, emergency preparedness, and other Delta-related objectives. It would be prudent for the state to provide additional resources for the council to ensure these endeavors be informed by the best available science, coordinated effectively, and directed toward objectives with the greatest benefit.

Staff Recommendation. Approve as budgeted.

Senate Budget and Fiscal Review—Holly J. Mitchell, Chair

SUBCOMMITTEE NO. 2 Agenda

Senator Bob Wieckowski, Chair
Senator Mike McGuire
Senator Henry Stern
Senator Jim Nielsen

Thursday, April 12, 2018
9:30 a.m. or upon adjournment of session
State Capitol - Room 112

Consultant: James Hacker

Vote-Only Calendar

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Public Comment

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

2600 – California Transportation Commission

1. **Joint Public Meetings Required by AB 179 (Cervantes), Chapter 737, Statutes of 2017.** The budget requests $35,000 to pay for the cost of two joint meetings between the State Air Resources Board and the Commission that are required by AB.
2. **Accounting and Insurance Cost Adjustment.** The budget requests $38,000 to pay for increases for Contracted Fiscal Services with the Department of General Services ($32,000) and State Compensation Insurance Fund premiums ($6,000).

2660 – California Department of Transportation

1. **Continuation of Proposition 1B Administrative Support.** The budget requests 2018-19 funding for the continuation of 31 positions totaling $6,514,000 and 2019-20 funding for the continuation of 30 positions totaling $5,877,000. The 2018-19 request includes $500,000 in operating expenses for a consultant contract administered by the Division of Budgets. The total funding requested in both fiscal years includes $2,150,000 in operating expenses for a project and program audit contract administered by the Department of Finance. This request reduces the current 2017-18 Proposition 1B staffing level of 36 Positions by five positions in 2018-19, and by six positions in 2019-20.
2. **Facilities Cost Adjustment.** The budget requests a one-time augmentation of $2.1 million in Fiscal Year (FY) 2018-19, a one-time augmentation of $4.4 million in FY 2019-20, and a permanent ongoing augmentation of $6.7 million in FY 2020-21 in State Highway Account funds to address the increased charges from the Department of General Services (DGS) for the maintenance and operation of headquarters and district office buildings. The cost of DGS' maintenance and operation of Caltrans-owned office buildings is projected to increase from $35.2 million in FY 2017-18 to $41.9 million in FY 2020-21.
3. **California High Speed Rail Reimbursement Authority.** The budget requests the extension of 14 existing limited-term positions for two additional years, beginning July 1, 2019 through June 30, 2021, and $2,821,000 annually ($1,692,000 In personal service (PS), $129,000 In operating expense (OE), and an additional $1,000,000 for litigation costs) In State Highway Account Reimbursement authority for services rendered on behalf of the California High-Speed Rail Authority. These resources will provide ongoing legal services to the California High-Speed Rail Authority In real property acquisition and management for the Central Valley Madera to Shafter segment.
4. **Federal Highway Administration Audit Compliance.** The budget requests a permanent increase of seven positions and $835,000 ($771,000 in personal services and $64,000 in operating expenses) in State Highway Account funds to address workload increases resulting from the Federal Highway Administration's (FHWA) clarification of requirements with respect to the State's procurement, management and administration of Architectural and Engineering (A&E) contracts.
5. **Safety Inspections of Highway Tunnels.** The Governor's budget requests a permanent increase of $852,000 and four positions and one-time funding of $30,000 for tunnel management software for federally mandated inspections. The costs for the 53 state-owned tunnels will be fully reimbursed by the FHWA and the inspection costs for the 31 local-agency tunnels will be 88.53 percent FHWA reimbursed and the remainder will be funded with local federal subvention funds.

6. **Strategic Highway Safety Plan.** The Governor's budget requests a $3 million increase ($2.7 million in Federal Funds and $300,000 in SHA matching funds) to develop the Strategic Highway Safety Plan required and mandated by the Fixing America's Surface Transportation Act. Of the total request, $1.5 million ($1.35 million in Federal Funding and $150,000 in state matching funds) is ongoing and $1.5 million ($1.35 million in Federal Funding and $150,000 in state matching funds) is one-time.

2670 – Board of Pilot Commissioners for the Bays of San Francisco, San Pablo and Suisun

1. **Provisional Language for Pilot Trainee Selection Examination Costs.** The budget requests provisional language to allow the augmentation of the Board's budget authority by up to $400,000 to fund additional costs associated with administering a Pilot Trainee Training Program selection examination should the need arise.

2720 - Department of the California Highway Patrol (CHP)

1. **Radio Console Replacement Project II.** The budget requests four limited-term positions and multi-year funding from the Motor Vehicle Account (MVA) to complete the replacement of antiquated and incompatible dispatch consoles in all communications centers statewide. This proposal requests one-time augmentations of $3.9 million in 2018-19, $4.5 million in 2019-20, $4.9 million in 2020-21, and $509,000 in 2021-22.
2. **Vehicle Mounted Radar Units.** The budget requests a one-time augmentation of $600,000 per year for FY 2018-19 and 2019-20 from the Motor Vehicle Account to purchase vehicle-mounted radar units. This funding will be used to continue the replacement of radar on marked enforcement vehicles and begin the scheduled replacement of aging radar equipment to ensure maximum effectiveness of radar as a speed enforcement tool.
3. **Conversion of Contract Positions to Permanent Positions.** The budget requests three permanent positions to convert three professional service contract positions currently tasked with supporting the expanded Computer Aided Dispatch (CAD) system to full-time state employees, and $133,000 decrease in reimbursement authority. This proposal will result in annual cost savings of approximately $133,000 and will provide continued user and system support to the CAD system.
4. **Vehicle Insurance Premium Augmentation (April Finance Letter).** The Administration requests $7.5 million in 2018-19 and 2019-20 to fund the increase in the vehicle insurance premium assessment paid to the Department of General Services, Office of Risk and Insurance Management. For 2018-19, DGS has communicated that the vehicle insurance premium assessment for CHP is $20.9 million based on expected large settlement claims. It is expected that these claims will also affect premium rates for 2019-20 as the yearly assessments are calculated based on five-year average of claims paid. The need for a permanent increase in baseline funding for vehicle insurance premium will be reassessed in 2020-21.

2740 – Department of Motor Vehicles

1. **Five Year Infrastructure Plan – Arleta, Lincoln Park, and Mission Hills Investigations Consolidation.** The Governor's budget requests $50,000 one-time from the MVA for Department of General Services planning fees; $457,000 MVA in 2019-20; and $692,000 MVA ongoing starting in 2020-21 to relocate the Mission Hills Investigations Office and consolidate it with the Lincoln Park and Arleta Investigation offices in a new leased facility.
2. **SB 611 – Disabled Placards (April Finance Letter).** The Administration requests in an April Finance Letter three permanent positions and $568,000 from the Motor Vehicle Account in

2018-19 and $238,000 from the MVA in 2019-20 to implement SB 611 (Hill), Chapter 485, Statutes of 2017.

Staff Recommendation:
Approve as budgeted.

2660 CALIFORNIA DEPARTMENT OF TRANSPORTATION

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 $13.6 billion to support 19,500 positions at Caltrans. This is an increase of nearly $2.3 billion, mostly due to the allocation of funds provided by the Governor's Transportation Package. The budget includes $2.8 billion in SB 1 funding for a variety of transportation programs at Caltrans. This includes $1.2 billion for highway maintenance and repairs, $400 million for the repair of state-owned bridges and culverts, $330 million for local transit projects, $250 million for congestion relief on commuter corridors, $200 million in matching funds for the Local Partnership Program, $100 million for active transportation projects, $25 million for freeway service patrols, and $25 million for local planning grants, as well as associated support costs.

3-YR EXPENDITURES AND POSITIONS

		Positions			Expenditures		
		2016-17	2017-18	2018-19	2016-17*	2017-18*	2018-19*
1830019	Aeronautics	23.1	24.0	24.0	$7,710	$7,226	$7,299
1835010	Capital Outlay Support	7,188.5	8,029.6	8,029.6	1,665,594	1,853,814	1,859,641
1835019	Capital Outlay Projects	-	-	-	3,370,041	3,263,445	4,600,380
1835020	Local Assistance	246.4	269.5	268.5	1,714,935	2,727,700	3,392,979
1835029	Program Development	188.4	224.2	223.2	61,421	79,498	81,938
1835038	Legal	251.3	276.6	276.6	122,312	130,381	141,100
1835047	Operations	1,065.0	1,091.2	1,091.2	251,601	257,554	271,106
1835056	Maintenance	6,890.3	6,117.5	6,521.5	1,445,856	1,993,189	2,188,089
1840019	State and Federal Mass Transit	59.7	62.7	62.7	151,388	277,624	200,862
1840028	Intercity Rail Passenger Program	44.1	43.7	43.7	212,207	451,457	578,292
1845013	Statewide Planning	650.5	703.9	702.9	131,848	153,220	160,859
1845022	Regional Planning	41.5	38.5	38.5	16,586	126,915	127,037
1850010	Equipment Service Program	698.6	634.6	634.6	206,270	205,441	207,276
1850019	Equipment Service Program - Distributed	-	-	-	-206,270	-205,441	-207,276
1870	Office of Inspector General	-	58.0	64.0	-	9,761	11,375
9900100	Administration	1,519.5	1,535.5	1,536.5	374,646	392,277	423,228
9900200	Administration - Distributed	-	-	-	-374,646	-392,277	-423,228
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		**18,866.9**	**19,109.5**	**19,517.5**	**$9,151,499**	**$11,331,784**	**$13,620,957**

Issue 1: Road Repair and Accountability Act Implementation

Governor's Proposal: The budget requests $1.82 billion from the Road Repair and Maintenance Account funding ($863 million in capital outlay, $633 million in state operations, and $324 million in local assistance) for transportation projects under SB 1 (Beall), Chapter 5, Statutes of 2017, also known as the Road Repair and Accountability Act of 2017, as well as 400 new Maintenance positions.

Background: Through a mix of new fees and taxes, SB 1 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 programs as well.

The Department of Finance expects $53.8 billion in SB 1 revenue over the next ten years which will provide $15 billion for highway repair and maintenance, $4 billion for bridge repair, $3.3 billion in the state's trade corridors, and $2.5 billion for the state's most congested commute corridors. Local roads will receive more than $15 billion for maintenance and repairs and $2 billion in matching funds for local partnership projects. Transit and intercity rail will receive $7.6 billion in additional funding, and local governments will have access to $1 billion for active transportation projects.

The 2018-19 budget proposes $994 million for the State Highway Operations and Protection Program (SHOPP) or highway rehabilitation projects in 2018-19. (Staffing adjustments for SHOPP architects and engineers will be proposed later in the budget process). For the maintenance program, the budget proposes $576 million in 2018-19. $53.6 million of this amount is for 400 new positions. 300 of the new positions will perform routine maintenance (such as filling potholes and crack sealing), while the remaining 100 positions are to oversee construction contracts for major maintenance. This funding is summarized below.

Program	Estimated 2017-18	Proposed 2018-19	Change	
			Amount	Percent
SHOPP[a]	$424	$994	$570	134%
Highway Maintenance Program	421	576	154	37
Transit/intercity rail capital	330	330	—	—
Trade corridors	153	306	153	100
Congested corridors	250	250	—	—
Local partnerships	200	200	—	—
Active transportation	100	100	—	—
Local planning grants	25	25	—	—
Freeway service patrols	25	25	—	—
Totals	**$1,929**	**$2,807**	**$878**	**46%**

[a] Includes $75 million each year from a General Fund loan repayment. Senate Bill 1 dedicates this funding specifically to SHOPP.
SHOPP = State Highway Operations and Protection Program.

LAO Comments: Under the Governor's proposal, the LAO estimates that Caltrans would still have near-term annual funding shortfalls of about $1.6 billion for maintenance and at least $600 million for SHOPP due to the significant backlog of projects. The LAO finds that the Legislature may want to allocate more funding toward major maintenance and less funding toward SHOPP, because major maintenance projects are critical for achieving long-term savings on the state highway system.

Additionally, the LAO notes that the Governor's proposal funds some routine maintenance activities on highway assets—such as guardrails, lighting, and signs—that are not specifically addressed in SB 1. Given SB 1 focused on pavement, bridges, culverts, and transportation management systems, the Legislature could consider if this is consistent with its immediate priorities for repairing California's highways.

Staff Comments: Neither Caltrans' SHOPP nor highway maintenance programs have been fully funded for many years and the unmet needs in both programs is large. According to Caltrans of the 50,000 lanes of pavement in the state, approximately 26,000 are appropriate for highway maintenance projects and 23,000 are appropriate for SHOPP projects. In some ways it makes sense to address the larger road rehabilitation and improvement or SHOPP projects first because these are most likely to cause serious issues on the roadways. Once a SHOPP project is complete, highway maintenance will be used to preserve the asset. Caltrans expects that as the backlog of SHOPP projects is addressed the need for highway maintenance will increase.

Questions:

- How did Caltrans determine the split between SHOPP and maintenance funding?
- How will this funding split change over the coming years?

Staff Recommendation: Hold Open.

Issue 2: Personal Services Adjustment

Governor's Proposal: The Governor's budget requests a permanent increase of $58 million from the State Highway Account to correctly align resources to fund all currently authorized positons.

Background: The Governor's budget annually includes adjustments for department's budgets to account for changes in compensation costs from collective bargaining agreements and employer retirement rates. These adjustments are based on the number of *permanent* positions authorized for each department. The budget does not provide such compensation adjustments for *temporary* positions. In 2017−18, Caltrans has about 500 temporary positions. According to Caltrans, this has resulted in it having insufficient funding for all its permanently authorized positions. In addition, the conversion to FI$CAL (the state's accounting system) also created funding shortfalls for its positions.

The proposed augmentation would fully fund about 340 positions that Caltrans otherwise would have to hold vacant. Caltrans plans to allocate the augmentation across its programs based on their historical compensation expenditures and position history. Most of the increase would go to the Highway Maintenance Program ($20.5 million) and administration ($16.1 million).

LAO Comments: The LAO finds the proposal does not document the effects of using temporary positions over time to justify its need for additional funding.

Staff Comments: In the past, Caltrans was able to cover shortfalls in funding for positions because workload was declining and it was able to hold numerous positions vacant. However, with SB 1 funding, workload is increasing and Caltrans needs to fill the vacancies that resulted in salary savings which were used to cover funding shortfalls. The department has indicated that this augmentation will allow Caltrans to fully fund authorized positions to meet the needs of maintenance and project delivery workloads and supporting administrative activities.

Questions:

- What was the genesis of this issue? When did the disconnect begin?
- Does this proposal represent a permanent solution to the misalignment?

Staff Recommendation:
Hold Open.

Issue 3: Road Usage Charge Pilot Program Continuation

Governor's Proposal: The budget requests proposes $3.2 million ($1.4 million State Highway Account and $1.8 million federal funds) for a two year extension of five positions and $2.5 million for a demonstration project of a pay-at-the-pump charging station alternative.

Background: SB 1077 (DeSaulnier), Chapter 835, Statutes of 2014, was enacted to study the feasibility of a "road usage charge"—an amount charged to individuals for each mile they drive—as an alternative to raising revenue for roads through fuel taxes. SB 1077 required a pilot program be conducted to analyze various methods for collecting road usage data and a report by June 2018 on the feasibility of implementing a road charge on a statewide basis.

The pilot program enrolled 5,000 vehicles from volunteer participants to test several options for collecting revenues, including: (1) prepurchased time and mileage permits, (2) manual odometer readings, (3) vehicle plug‑ in devices, (4) smart phone applications, and (5) a specific built‑ in technology found in newer vehicles. The pilot program concluded in March 2017 and found that a road usage charge is viable, but identified obstacles that would need to be addressed for each of the methods tested. For example, the two permit options could be difficult to enforce and costly to administer, while the vehicle plug‑ in devices tested could be obsolete by the time a road usage charge is implemented.

The initial pilot program did not test collecting road usage charges when drivers pay for fuel purchases at the pump. This is because Caltrans determined that cost−effective technology did not exist to transmit mileage data from vehicles to fuel pumps to include in the price of fuel purchases. However, the 2017 Budget Act provided funding to initiate planning for a new pay−at−the−pump pilot program and required the department to report on its progress in studying a pay−at−the−pump pilot program by July 1, 2018. In early January 2018, Caltrans issued a request for information to gauge market conditions for implementing a pay−at−the−pump pilot program, and received numerous responses which it is currently reviewing. This proposal would allow Caltrans to implement the new pilot program.

LAO Comments: The LAO recommends the Legislature ask Caltrans to provide information summarizing the results of its request for information at spring budget hearings. Once the Legislature has this information, it would be better positioned to evaluate whether to fund the new pilot program.

Staff Comments: The Administration released an Executive Order to increase zero emission vehicles to five million by 2030 and funding is currently being proposed to support this effort. Achieving these goals would result in less gasoline and diesel fuel purchases, which will result in a reduction in the tax revenues that are currently used to maintain the state's roadways. This proposal would continue the RUC pilot to explore the feasibility of alternative revenue generation options.

Questions:
- How will this pilot differ from other pilots performed in California and Oregon?
- How will Caltrans evaluate the outcomes of the pilot?

Staff Recommendation: Hold Open.

Issue 4: Information Technology Infrastructure Replacement

Governor's Proposal: The Governor's budget requests a one-time increase of $2 million in State Highway Account (SHA) funds to develop an Information Technology Applications Roadmap. Additionally, the Governor proposes budget bill language authorizing up to $12 million (one-time SHA) to continue replacement of outdated IT infrastructure, contingent upon approval of the Roadmap by the California State Transportation Agency (CalSTA), the California Department of Technology (CDT), and the Department of Finance (DOF).

Background: As of June 2016, Caltrans had 10,938 IT infrastructure devices worth approximately $60 million. The 2017 Budget Act provided Caltrans $12 million on a one-time basis to replace its most outdated IT infrastructure that was at greatest risk of failure. Caltrans is on track to complete the replacement of 1,081 devices by June 30, 2018.

In the spring of 2017, Caltrans released an "IT Infrastructure Roadmap." This roadmap outlines short- and long-term goals for Caltrans' IT program (such as creating operational efficiencies). It also sets forth 46 specific initiatives to help the department meet its goals (such as by reducing printing costs).

LAO Comments: The LAO recommends the Legislature approve the proposed $2 million to develop the roadmap. However, the LAO finds the proposed budget bill language puts the Legislature in the position of approving funds to start implementing the Roadmap without providing the Legislature an opportunity to first review it. Therefore, the LAO recommends the Legislature reject the proposed budget bill language and adopt language that requires Caltrans to submit a copy of the roadmap to the Legislature, and then Caltrans could submit a 2019-20 budget request after the Legislature has had an opportunity to review the roadmap.

Staff Comments: Caltrans has previously developed an IT Roadmap identifying critical devices that need replacement. This year it is developing a Roadmap for its IT Applications. The two road maps inform each other. Caltrans has been working closely with CDT and expects to complete the IT Application Roadmap during 2018-19. At that time, the department would like to begin replacing outdated infrastructure and not have to wait another budget cycle to do so. Caltrans would not make any purchases until the Roadmap is approved by CalSTA, CDT, and DOF.

Questions:

- Why is the proposed budget bill language a better approach than simply completing the roadmap this year and returning for additional funding as part of the next budget year?

Staff Recommendation: Hold Open.

Issue 5: Privacy and Enterprise Security Enhancements

Governor's Proposal: The budget requests four positions and a one-time increase of $10.4 million in State Highway Account (SHA) funds ($699,000 for consulting services and $9.2 million for software and hardware purchases) in 2018-19 and an ongoing increase of $2.1 million SHA (for the 4.0 positions, $60,000 for consulting services, and $1.6 million for software and hardware purchases) to improve the Information Technology Cybersecurity Program, address Payment Card Industry compliance gaps and to develop an Enterprise Privacy Office.

Background: In the 2017 Budget Act, Caltrans received funding for six permanent positions and $4.0 million for Cybersecurity Roadmap Wave 1 activities. The Wave 1 activities were intended to establish the foundation of a Cybersecurity program and assess what was needed to develop a privacy program, and address Payment Card Industry and cybersecurity gaps. As this work has progressed, Caltrans has identified specific Payment Card Industry gaps that need to be addressed for Caltrans to effectively handle credit card transactions with vendors, as well as further improvements to both the privacy and cybersecurity functions.

In fall 2017, Caltrans released a "Cybersecurity Roadmap" that identifies activities to elevate the strength of its cybersecurity from "weak" to "optimized." This roadmap calls for three separate waves of activities, with the first wave of activities being implemented with the funding provided in the current year.

LAO Comments: The LAO recommends the Legislature approve Caltrans' request for funding for IT security and privacy, given the department already has completed its cybersecurity roadmap that outlines how it intends to improve its cybersecurity through specific courses of action.

Staff Comments: The department has indicated that this request is part of ongoing efforts to reform, improve, and enhance many aspects of the Department's Information Technology program. In the Cybersecurity Program area, the focus is on establishing new functions and addressing cybersecurity risks, threats, and compliance gaps. In addition, the Security Services Division is continuing to build on previous years' efforts in meeting minimum target levels in fundamental Cybersecurity domains, as stated by the State Information Security Office. Lastly, the law imposes requirements on Caltrans regarding the preservation, production and review of electronically-stored information, particularly in the litigation, or "e-Discovery" context. Currently, Caltrans relies on various manual methods and repurposed software tools and because of this, there are inefficiencies that can hinder the effective prosecution of litigation, increases the risk of claims of spoliation, and exposes the Department to potential sanctions. This request includes the implementation of modern Electronic-Discovery tools to help mitigate these concerns.

Questions:

- Will Caltrans have additional cybersecurity requests in coming years?
- To what extent can Caltrans leverage the expertise of CDT in assessing and improving cybersecurity within existing resource levels?

Staff Recommendation:
Hold Open.

Issue 6: Liability Issues: Tort Fund Augmentation and Vehicle Insurance Increase

Governor's Proposal: The budget requests a permanent increase of $7.0 million SHA funds for Caltrans' tort litigation costs and settlement awards. Additionally, the Administration requests budget bill language allowing the Department of Finance the ability to increase funding by up to an additional $20 million following notification to the Legislature.

The budget also requests a two-year increase of $4.9 million in SHA funds for fleet insurance costs.

Background: Caltrans must pay for its tort costs and vehicle insurance premium—meaning these operational costs are not discretionary. Caltrans can be held financially liable for personal and property damages where the cause is due to the design or condition of the state highway system. The department's base budget to pay for these damages—known as torts—is $68.6 million. Tort costs have increased sharply in recent years, growing from $45 million in 2014-15 to $93.6 million in 2016-17, mainly due to some exceptionally high judgments against the state. To cover the cost increases above its base funding level, the department has redirected funding from other program areas in recent years. For instance, Caltrans covered the cost increase for 2016-17 by redirecting funding from the Highway Maintenance Program as well as other programs.

To insure itself against damages to other individuals and their property caused by Caltrans drivers, the department participates in the State Motor Vehicle Liability Self-Insurance Program, which is administered by the Department of General Services (DGS). Caltrans pays DGS a premium each year in order to be insured under the program. This premium is primarily based on the average annual cost of the previous five years of Caltrans' collision claims. Caltrans' premium more than tripled from 2014-15 to 2017-18, growing from $4.2 million to $14.6 million, due to a handful of exceptionally costly claims. The department's ongoing base budget to pay for claims is $4.2 million, though it received a one-time augmentation of $5.1 million in 2017-18. The department indicates it has been paying for the cost increases in recent years by redirecting funding from other activities, such as replacing vehicles.

For the last three fiscal years, Caltrans has lacked adequate funding to cover the cost of its annual insurance premium. In the 2018 Budget Act, Caltrans received a one-time augmentation of $5.5 million SHA to partially cover the cost of the deficiency. In past years, the deficiency was paid for by Caltrans redirecting funding from other activities.

LAO Comments: The LAO has indicated that these proposals raise two issues for consideration:

Options to Reduce Costs. The recent cost increases for Caltrans' tort payments and vehicle insurance premium both appear to be due to a few exceptionally large legal settlements and judgments. For example, in early 2017, Caltrans incurred two tort judgments totaling $86 million, whereas the largest judgment two years earlier was $9.5 million. The LAO also found that three multimillion dollar vehicle insurance claims accounted for virtually all of the recent increase in Caltrans' vehicle insurance premiums. The Legislature could consider establishing a state liability limit as one way to reduce costs, as many other states have done. Additionally, Caltrans could explore ways to reduce vehicle collisions and improve highway conditions to reduce its legal exposure.

Funding Redirections. Each of the Governor's two proposals address cost increases that began several years ago. Because the costs are not discretionary, the department has been paying for them by redirecting funding from other activities. For instance, Caltrans has been paying for its increased vehicle insurance premium by redirecting funding originally budgeted for replacing vehicles (such as snow plows and pick-up trucks). Thus, if the Legislature were to approve the Governor's proposals, the additional funding would allow the department to send the redirected funds back to their original purpose—for example, from paying for the vehicle insurance premium back to paying for vehicle replacements.

Staff Comments: Given the large and variable nature of tort payments, and the lack of control Caltrans has over insurance premiums, staff finds these requests generally reasonable. However, Legislature may want to consider the issues raised by the LAO, particularly the lack of a state liability limit.

Questions:

- What actions is Caltrans taking to limit vehicle premium increases in the future?
- How have the identified funding redirections impacted other Caltrans programs?

Staff Recommendation:
Approve as Budgeted.

Issue 7: Road Repair and Accountability Act –Inspector General

Background: SB 1 (Beall), Chapter 5, Statutes of 2017, created the Independent Office of Audits and Investigations, including an Inspector General, appointed by the Governor, who will serve as the director of the Audits and Investigations Office. The individual will serve a six-year term, and must be confirmed by the Senate. The Inspector General may not be removed from office during that term, except for good cause. The Inspector General is vested with the full authority to exercise all responsibility for maintaining a full scope, independent, and objective audit and investigation program. The Inspector General shall report all audit and confidential investigation findings and recommendations made under his or her jurisdiction to the Secretary of Transportation and Caltrans director and chief deputy director on an ongoing and current basis. Additionally, SB 1 created an annual report by the Inspector General to the Governor, the Legislature, and the California Transportation Commission with a summary of investigation and audit findings, recommendations, and implementation status of previous recommendations.

The Inspector General was sworn in and began work in the Independent Office of Audits and Investigations on January 2. The process of filling positions authorized through the 2017-18 budget is underway, and the department has indicated that they plan to have the positions filled by April.

The Office is working on a risk assessment to identify areas of focus for the 2018-19 audit plan. Additionally, the OIG plans to convene a meeting in April with representatives of the Legislature, the California State Transportation Agency, California Transportation Commission, Federal Highway Administration, and others to provide feedback on the risk assessment and to assist in identifying emerging and significant risks to Caltrans' success in implementing SB1.

SB1 requires a report to the Legislature, Governor, and California Transportation Commission at least annually. The Inspector General will issue an annual report in mid-November of each year that will cover activity from the prior fiscal year.

Questions:

- What is the current staffing level in the office? Is the office currently fully staffed?
- How does the office plan on identifying and executing audits?
- What is the work plan to develop the annual report to the legislature? What will that report include?
- Has the office identified any risks or issues with SB1 implementation to date?

Staff Recommendation:
Informational item, no action required.

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 $1.1 billion for the High-Speed Rail project in 2017-18. This is an increase of roughly $800 million from 2016-17, mostly due to increases in expenditures for blended system projects.

3-YR EXPENDITURES AND POSITIONS

		Positions			Expenditures		
		2016-17	2017-18	2018-19	2016-17*	2017-18*	2018-19*
1970	High-Speed Rail Authority Administration	199.1	229.0	229.0	$34,429	$41,116	$41,142
1975	Program Management and Oversight Contracts	-	-	-	-	1	1
1980	Public Information and Communications Contracts	-	-	-	423	500	500
1985	Fiscal and Other External Contracts	-	-	-	54	3,750	3,750
1990	Blended System Projects	-	-	-	-	73,739	190,374
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		**199.1**	**229.0**	**229.0**	**$34,906**	**$119,106**	**$235,767**

FUNDING	2016-17*	2017-18*	2018-19*
3228 Greenhouse Gas Reduction Fund	$-	$103	$103
6043 High - Speed Passenger Train Bond Fund	34,906	118,253	234,914
9331 High-Speed Rail Property Fund	-	750	750
TOTALS, EXPENDITURES, ALL FUNDS	**$34,906**	**$119,106**	**$235,767**

SUMMARY OF PROJECTS

	State Building Program Expenditures	2016-17*	2017-18*	2018-19*
1995	**CAPITAL OUTLAY**			
	Projects			
0000131	CA High Speed Train System Planning	292,160	77,105	-
	Performance Criteria	292,160	77,105	-
0000132	Initial Operating Segment, Section 1	33,060	87,573	147,569
	Acquisition	135,663	46,313	-
	Design Build	-102,603	41,260	147,569
0000727	Phase 1 Blended System	372,821	-	749,379
	Design Build	372,821	-	749,379
TOTALS, EXPENDITURES, ALL PROJECTS		**$698,041**	**$164,678**	**$896,948**

FUNDING	2016-17*	2017-18*	2018-19*
0890 Federal Trust Fund	$99,889	$77,105	$-
3228 Greenhouse Gas Reduction Fund	405,529	18,397	749,379
6043 High - Speed Passenger Train Bond Fund	192,623	69,176	147,569
TOTALS, EXPENDITURES, ALL FUNDS	**$698,041**	**$164,678**	**$896,948**

Issues Proposed for Discussion

Issue 1: Initial Operating Segment, Phase 1 / Blended System Early Improvements Reappropriation

Governor's Proposal: The Governor's budget requests a reappropriation of $1.6 billion through June 30, 2022 and extends the liquidation period through June 30, 2024. The request is comprised of:

- $528.4 million [$380.8 million fiscal year 2010 federal funds and $147.6 million High-Speed Passenger Train Bond Fund (Proposition 1A)] for the Initial Construction Segment (ICS) of the high-speed train, and,
- $1.0 billion Proposition 1A for the early improvements within the Bay Area and greater Los Angeles regions, also known as the "bookends".

Background: The Budget Act of 2012 appropriated $5.8 billion ($2.6 billion Proposition 1A and $3.2 billion federal funds) for the acquisition of land and construction of the ICS, as well as $1.1 billion Proposition 1A for Bookend projects. This authority expires on June 30, 2018. Due to the complicated nature of these projects additional time is needed encumber and liquidate these funds.

The Authority fully expended approximately $2.5 billion federal funds through 2016-17 and is required to spend approximately $2.5 billion in matching state funds prior to any liquidation of $929 million in federal fiscal year 2010 funds per the terms of the Authority's agreement with the Federal Railroad Administration. The Authority is funding current progress of the ICS with Prop 1A funds; however at its current rate of expenditure, the Authority will not meet the full state match obligation by June 30, 2018.

To date, two Bookend projects have been approved for Proposition 1A funding: the San Francisco Bay Area Caltrain funding plan was approved for $600 million, and the Southern California Rosecrans-Marquardt rail grade separation project was approved for $77 million. A total of $423 million remains available for additional Southern California Bookend Projects. Without a reappropriation, it is currently estimated that over $1.0 billion of bookend funding will remain unencumbered as of June 30, 2018.

Staff Comments: The bookend projects are critical to making improvements in some of the state's most congested areas. These projects will deliver multiple benefits by reducing greenhouse gas emissions and congestion, and increasing safety. However, given the ongoing conversations about the 2018 Business Plan and the future direction of the project, it is premature to reappropriate these funds at this time.

Staff Recommendation: Hold Open.

2720 Department of the 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 $2.4 billion and 10,856 positions for 2017-18. This is an increase of $4 million and seven positions, mostly related to requests for funding related to technology replacements and cybersecurity.

The CHP, along with the Department of Motor Vehicles (DMV), is primarily funded by the Motor Vehicle Account (MVA), which is primarily funded by vehicle registration fees. The Legislature increased the vehicle registration fee as part of the 2016-17 budget to prevent the MVA from becoming insolvent. The 2018-19 budget includes several proposals designed to reduce the short-term pressures on the MVA by shifting certain capital outlay proposals from a "pay-as-you-go" approach to the use of lease revenue bonds. The Department of Finance's five-year projections (2018-19 through 2021−22) estimate there will be sufficient funding available in the MVA to pay for projected expenditures. However, over the next few years, the MVA would be barely balanced.

3-YR EXPENDITURES AND POSITIONS

		Positions			Expenditures		
		2016-17	2017-18	2018-19	2016-17*	2017-18*	2018-19*
2050	Traffic Management	8,338.0	8,398.8	8,405.8	$2,022,854	$2,101,129	$2,104,533
2055	Regulation and Inspection	1,079.8	1,047.0	1,047.0	227,037	248,956	248,980
2060	Vehicle Ownership Security	232.3	222.4	222.4	49,927	54,658	54,700
9900100	Administration	1,149.9	1,181.0	1,181.0	159,322	208,101	208,207
9900200	Administration - Distributed	-	-	-	-159,322	-208,101	-208,207
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		**10,800.0**	**10,849.2**	**10,856.2**	**$2,299,818**	**$2,404,743**	**$2,408,213**

FUNDING	**2016-17***	**2017-18***	**2018-19***
0042 State Highway Account, State Transportation Fund	$75,332	$77,732	$77,778
0044 Motor Vehicle Account, State Transportation Fund	2,085,845	2,177,225	2,183,927
0293 Motor Carriers Safety Improvement Fund	2,138	1,750	1,752
0840 California Motorcyclist Safety Fund	2,601	3,191	3,191
0890 Federal Trust Fund	13,308	21,117	20,953
0942 Special Deposit Fund	34	2,336	2,336
0974 California Peace Officer Memorial Foundation Fund	146	300	300
0995 Reimbursements	120,414	118,092	117,976
3288 Cannabis Control Fund	-	3,000	-
TOTALS, EXPENDITURES, ALL FUNDS	**$2,299,818**	**$2,404,743**	**$2,408,213**

Issue 1: Vehicle Fleet Replacement

Governor's Proposal: The Governor's budget proposes an ongoing augmentation of $4.5 million MVA for the replacement of its ground fleet, and provisional language to allow a two-year period for encumbrance or expenditure of up to $20 million for the purchase of replacement vehicles. The Administration also requests the deletion of the existing budget language for advance authority for the CHP to incur automotive equipment purchase obligations in an amount not to exceed $5.0 million during the current fiscal year, for delivery in the following fiscal year, payable from the MVA.

Background: The CHP maintains a fleet of 4,311 automotive assets. The fleet is composed of 2,869 distinctively marked enforcement vehicles, 571 unmarked enforcement vehicles, 15 command post vehicles specially equipped for deployment to large-scale emergencies, and 856 support vehicles that are used to maintain essential services, such as radio communication towers. Enforcement vehicles, both marked and unmarked, are specially equipped (up-fitting) with lights, siren, weapons and weapons retention systems, and communications equipment.

According to the Department of General Services' vehicle replacement standards, law enforcement vehicles are to be replaced when they reach 100,000 miles. The CHP estimates it must purchase 1,027 enforcement vehicles annually to meet the DGS recommended vehicle mileage threshold. Historically, through 2006-07, CHP purchased in excess of 1,000 fleet assets each fiscal year. However, during the fiscal crises of 2007-08, CHP deferred purchases of replacement vehicles resulting in an unprecedented number of vehicles operating with over 100,000 miles. Between 2008-09 and 2016-17, the CHP purchased an average of 610 enforcement vehicles annually resulting in an average annual shortfall of 417 enforcement vehicles.

Staff Comments: The department has indicated that the estimated cost of each enforcement vehicle is $25,599. The CHP can purchase and equip up to 1,105 new enforcement vehicles each year at a cost of $28.3 million. The existing budget for vehicle replacement is $23.8 million, and the requested permanent augmentation of $4.5 million will help cover the gap in funding.

Staff Recommendation:
Approve as Budgeted.

Issue 2: Capital Outlay Proposals

Governor's Proposal: The Governor's budget requests $7.2 million in MVA funding in 2018-19 for several capital outlay projects. Specifically, it requests:

- A reappropriation of $876,000 MVA funding for the working drawings phase of two sites of the CHPERS Phase 1 Replace Towers and Vaults project: Leviathan Peak and Sawtooth Ridge.
- A reappropriation of $6.0 million MVA funding ($4.1 million from 2011-12 and $1.9 million from 2017-18) for the construction phase of two sites of the CHPERS Phase II Replace Towers and Vaults project: Crestview Peak and Silver Peak.
- $281,000 MVA for the working drawings phase of the Keller Peak Tower Replacement project.

Background: Since the previous reappropriation in 2015-16, the United States Forest Service amended its forest management plan (Plan) to prohibit the use of overhead power at the Leviathan Peak site. As a result, power must be provided by a solar array. Upon learning of the amended Plan requirements in June 2017, the Department of General Services has worked on modification of the site layout and additional design to incorporate the solar array.

For Sawtooth Ridge, a new site was selected when negotiations failed at Sacramento Mountain which delayed the project by approximately two years. Currently, easement negotiations with the Bureau of Land Management (BLM) are progressing for the new site, but are not expected to be approved until April 2018. These easements are necessary to allow CHP to cross BLM property and access the Sawtooth Ridge site. Development of preliminary plans is stalled until the State can acquire the site.

It is unlikely that preliminary plans will be completed in the current year for either site, thereby necessitating the need to reappropriate the working drawings phase. Consistent with the approach in 2015-16, CHP seeks to extend the availability of these funds through June 30, 2021 due to the complicated nature of these projects. Construction is anticipated to be completed in July 2022.

The Crestview Peak and Silver Peak sites were previously delayed because they are on United States Forest Service (USFS) land, and the USFS must complete the National Environmental Protection Act (NEPA) review process prior to the state entering into the long-term lease agreement with the USFS that is needed to preserve state access to the site. While NEPA was completed in 2015, the USFS recently mandated redesigns to mitigate the impacts of the tower and vault replacements at Crestview Peak and Silver Peak. For Crestview, the USFS is requiring the addition of retaining walls for erosion control and for preserving a large rock outcropping at the site. For Silver Peak, the USFS is requiring extended retaining walls in order to preserve the ridgeline and peak. These requirements have extended the working drawings phase. It is anticipated that a construction contract will be awarded in the fall of 2018.

A fully-operational 100-foot communication tower at Keller Peak provides radio coverage in western San Bernardino and Riverside counties for the CHP, as well as three other emergency services agencies. In January 2016, the 28 year-old CHP radio communications tower collapsed due to metal deterioration and weight from inclement weather. The tower was not salvageable. Currently, wooden poles are being installed on a temporary basis and will need replacement. The estimated total cost of a new tower is $2.3 million and it is anticipated the project would be completed in the fall of 2020. This request funds the preliminary plans phase. Last year's budget provided $223,000 MVA for the preliminary plans and construction costs are expected to be $1.8 million in 2019-20.

Staff Comments: These three projects have all been identified as high-priority for CHP, and have been previously approved. The project delays that have necessitated the reappropriations for the CHPERS projects, while concerning, are understandable. As such, staff finds these proposals generally reasonable. However, given the precarious fund balance in the MVA and the major financing decisions to be made elsewhere in the fund, these proposals should be considered as part of an overall conversation regarding the MVA fund balance.

Staff Recommendation:
Hold Open.

Issue 3: Capital Outlay Proposals – Lease Revenue Bonds

Governor's Proposal: The budget proposes to shift five area office replacement projects at CHP from a direct "pay-as-you-go" approach to financing using lease revenue bonds. This would result in the reversion to the MVA of $138.7 million in previously authorized funds. The Governor's budget requests $174.2 million in lease revenue bond authority from the Public Buildings Construction Fund.

The Governor's budget also requests a reversion of the unexpended authority appropriated for the Santa Barbara Area Office Replacement Facility capital outlay project in 2014-15 and 2015-16, trailer bill language to authorize a lease-purchase agreement, or a lease with an option to purchase as options for the build-to-suit lease.

April Finance Letter Updates. An April Finance Letter proposes changes to CHP's January capital outlay requests. First, it increases by a total of $30.3 million the lease revenue bonds authority requested in January due to project cost increases as follows:

- Quincy: Replacement Facility- $4.2 million
- El Centro: Area Office Replacement- $10.0 million
- Hayward: Area Office Replacement- $10.0 million
- San Bernardino: Area Office Replacement- $6.2 million

Second, the Administration requests to increase MVA expenditures by $3.7 million and decrease lease revenue bonds by $38.4 million to reflect the following actions:

- Santa Barbara: Area Office Replacement- Withdraw the trailer bill language proposed as part of the Governor's January budget proposal.
- Ventura: Area Office Replacement- Withdraw the Governor's budget request for $38.4 million in lease revenue bonds for the design-build phase of this project.
- Santa Fe Springs: Area Office Replacement- Add $1.9 million MVA for the performance criteria phase of this project.
- Baldwin Park: Area Office Replacement- Add $1.7 million MVA for the performance criteria phase of this 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 shown below, under the Governor's proposal, $138.7 million in previously authorized funds would revert to the MVA. Including the proposal to build a new office in Quincy financed by lease revenue bonds, the budget proposes $174.2 million in lease revenue bond authority. The proposal will relieve pressure on the MVA in the near-term, but assuming 25-year lease revenue bonds, CHP estimates that the total cost of the amount of funding financed--$174.2 million—will be $278.2 million.

Financing Projects Saves Money Now, But Costs More Over Time
(In Millions)

	Amount Proposed to Revert to MVA	Lease Revenue Bond Authority	Cost Including Debt Service
El Centro	$30.3	$30.4	$48.7
Hayward	$38.1	$38.1	$61.0
Ventura	$37.1	$38.4	$61.5
San Bernardino	$33.2	$34.2	$54.7
Quincy	*	$32.7	$52.3
Total**	**$138.7**	**$173.8**	**$278.2**
*Funding reverted in 2015-16 due to challenges with acquiring a site. ** An April Finance Letter that withdraws the Venture project and increases the lease revenue bond authority by $30.3 million for other capital outlay projects is not reflected in this table.			

LAO Comments: The LAO has indicated that the Governor's proposal to shift from a pay-as-you-go approach to lease revenue bond financing for the design-build phase of the five previously approved office replacement projects would reduce MVA expenditures in 2018-19 for these projects by roughly $174 million and help ensure that the MVA maintains a reasonable level of reserve over the next several years. Under the Governor's plan, the MVA would maintain a reserve for economic uncertainties of approximately 11 percent of projected expenditures in 2018-19 and about 8 percent in the following four years—equivalent to slightly more than one month of MVA expenditures. While adopting the Governor's lease revenue bond approach would lock in some future MVA costs, funding the projects using a pay-as-you-go approach would significantly reduce the above reserve levels.

Staff Comments: If the proposed CHP projects were cash-funded, instead of financed as proposed by the Administration, the MVA reserves could be under $150 million for several years. The proposed change reduces the immediate fiscal pressure on the MVA, but over the long term, because of the costs associated with borrowing, making this shift will consume more of the available MVA funding over time.

The CHP notes that not making this change would drop the MVA reserve below a prudent level and could result in some projects being delayed due to a lack of cash funding. However, it is likely that some projects will be delayed on the natural. For example, the Administration withdrew the Ventura project in early April due to the inability to find a suitable site. Also, not funding the Department of Fish and Wildlife from the MVA as the Administration proposed would reduce fiscal pressure on the MVA. The Subcommittee may wish to have the CHP provide an update on the progress of each of these projects at the time of the May Revision to identify potential delays and cost savings to the MVA in 2018-19.

Questions:

- Has the state utilized lease-revenue bonds for similar projects in the past?
- What is the rationale for shifting from pay-as-you-go to lease revenue bonds? Is this an approach CHP plans to replicate for future projects?

- What does CHP expect to pay in annual debt service for these bonds?

Staff Recommendation:
Hold Open.

2740 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.

Budget Overview: The budget requests $1.16 billion and 8,308 positions for 2017-18. This is an increase of roughly $36.5 million and 37 positions.

The DMV, along with the Department of the California Highway Patrol (CHP), is primarily funded by the Motor Vehicle Account (MVA), which is primarily funded by vehicle registration fees. The Legislature increased the vehicle registration fee as part of the 2016-17 budget to prevent the MVA from becoming insolvent. The Department of Finance's five-year projections (2018-19 through 2021−22) estimate there will be sufficient funding available in the MVA to pay for projected expenditures. However, over the next few years, the MVA would be narrowly balanced.

3-YR EXPENDITURES AND POSITIONS

		Positions			Expenditures		
		2016-17	2017-18	2018-19	2016-17*	2017-18*	2018-19*
2130	Vehicle/Vessel Identification and Compliance	3,579.6	3,880.4	3,903.9	$566,602	$590,535	$612,287
2135	Driver Licensing and Personal Identification	2,612.5	2,171.0	2,183.0	303,159	335,484	350,477
2140	Driver Safety	1,088.9	1,182.7	1,184.7	128,258	133,025	133,422
2145	Occupational Licensing and Investigative Services	415.0	448.8	448.8	55,430	57,137	57,373
2150	New Motor Vehicle Board	9.8	13.0	13.0	1,468	1,704	1,707
9900100	Administration	531.1	574.3	574.3	93,174	109,112	111,612
9900200	Administration - Distributed	-	-	-	-93,174	-109,112	-111,612
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		**8,236.9**	**8,270.2**	**8,307.7**	**$1,054,917**	**$1,117,885**	**$1,155,266**

FUNDING		**2016-17***	**2017-18***	**2018-19***
0001	General Fund	$3,888	$1,750	$3,188
0042	State Highway Account, State Transportation Fund	11,522	6,565	7,314
0044	Motor Vehicle Account, State Transportation Fund	1,008,004	1,065,017	1,096,257
0054	New Motor Vehicle Board Account	1,468	1,696	1,707
0064	Motor Vehicle License Fee Account, Transportation Tax Fund	13,723	16,421	18,876
0516	Harbors and Watercraft Revolving Fund	2,434	5,317	2,764
0890	Federal Trust Fund	28	2,810	2,780
0995	Reimbursements	13,850	14,549	14,549
3290	Road Maintenance and Rehabilitation Account, State Transportation Fund	-	3,760	7,831
TOTALS, EXPENDITURES, ALL FUNDS		**$1,054,917**	**$1,117,885**	**$1,155,266**

Issue 1: Front End Sustainability Project

Governor's Proposal: The budget requests $15 million MVA in 2018-19 to support the implementation of the Front End Applications Sustainability (FES) project. The annual amount requested over each of the next four years will fluctuate and total $89 million. The proposal includes funding for three permanent positions beginning in 2018-19 and funding for seven limited-term positions from 2018-19 through 2022-23. The budget also proposes $14.9 million annually beginning in 2023-24 for system maintenance and operation.

In addition, the Governor proposes trailer bill language to authorize DMV to charge an additional $1 fee per transaction to the private industry partners that work with the department to collect registration fees. The revenue from the fee would fund the business partner's portion of the project.

Background: Each year, the DMV issues about seven million drivers licenses and registers roughly 35 million vehicles, and collects $3.5 billion in associated fees. In addition, the department collects and distributes various fees (such as unpaid parking penalties) on behalf of local authorities and other state agencies. According to DMV, its current vehicle registration and fee collection system, referred to as the legacy system, is dependent on approximately 45-year old technology, which is inflexible and fragmented leading to significant challenges.

Following the termination of the project, DMV and CDT initiated efforts to complete the unfinished upgrades to DMV's legacy system. This project, the Front End Applications Sustainability (FES) project, is currently proceeding through the state's IT project approval process and its four stages—known as the Project Approval Lifecycle (PAL). DMV completed Stage 1 for the FES project in 2016 and Stage 2 at the end of 2017. The department is currently entering Stage 3 and expects to complete Stage 4 in January 2019. As part of the 2017-18 budget, the Legislature approved up to $3.4 million to support pre project activities related to Stage 3, including the preparation of a Request for Procurement.

LAO Comments: The LAO finds it is premature to approve funding for the remainder of the project prior to completion of the planning process, specifically Stage 4, which DMV currently expects to complete in January 2019. The LAO recommends the Legislature adopt supplemental reporting language requiring that DMV provide a status report on the FES project to the Legislature within 45 days following CDT's approval of Stage 4. At a minimum, this report should include (1) an updated project cost and completion date; (2) terms of the vendor contract (such as key vendor responsibilities, what options are available should the vendor fail to perform, and first year project milestones); and (3) how the department plans to prepare employees for use of the new system. This report would provide the Legislature with the necessary baseline information to hold DMV accountable as the project progresses.

Staff Comments: According to CDT moving forward with this request would not circumvent its review process. The intent of providing funding in 2018-19 is to ensure that the procurement for this project is not delayed assuming it clears Stage 4 mid-year.

The proposed trailer bill language allows DMV to charge a $1 transaction fee to recoup a portion (25 percent) of the estimated one-time project costs that benefit private industry business partners. DMV estimates the business partners' share of costs would be approximately $19.2 million, and with a $1 fee this would be recouped in about three years. Currently this language does not have a sunset. According to DMV, this flexibility permits DMV to collect the appropriate share of the project's cost from business partners should project cost change.

Questions:

- How confident is DMV about the overall project cost, and about the distribution of those costs over time? Why does DMV need approval of these costs now, instead of in coming fiscal years?
- What happens if overall project costs change?
- Why is DMV requesting ongoing funding for system maintenance and operation prior to the completion of the project? How confident is DMV about the ongoing cost estimates?
- Why did DMV not include a sunset date for the requested fee authority?

Staff Recommendation

Hold Open.

Issue 2: Capital Outlay Proposals (January Budget and April Finance Letter Proposals)

Governor's Proposal: The Governor's budget requests $4.8 million from the MVA for various field office capital outlay projects. The Governor's budget also requests $200,000 from the MVA Motor Vehicle Account to perform advanced planning and analysis for two reconfigurations/renovations proposed for the 2020-21 fiscal year.

An April Finance Letter requests $15.7 million from the MVA for two reappropriations of funding provided in previous years for field office replacements.

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 for the next several years.

The January budget and April Finance Letters request the following for DMV field office capital outlay projects, as well as funding to plan for two additional sites.

DMV Capital Outlay Proposals for Field Office Projects (In Millions)

Field Office	**2018-19 Request**	**Total Project Cost**
Delano Reappropriation (working drawings)	$0.8	$12.6
Delano Reappropriation (acquisition phase)	$0.6	(see above)
San Diego (Normal Street) Reappropriation	$1.5	$22.3
Santa Maria Reappropriation	$0.9	17.0
Oxnard Reconfiguration	$0.4	$6.6
Reedley Replacement	$1.1	$20.6
Inglewood Reappropriation (construction phase)	$15.1	$17.2
Statewide Planning	$0.2	NA
Total Proposed Capital Costs	**$20.6**	**$96.3**

Staff Comments: Staff finds these requests generally reasonable. However, approving MVA funding for DMV's capital outlay projects should be considered as part of the overall approach to maintaining the solvency of the MVA.

Staff Recommendation:
Hold Open.

Issue 3: Perimeter Fencing

Governor's Proposal: The Governor's budget requests $6.1 million MVA, for the second year of funding for the design and construction of perimeter fences at state-owned DMV field office locations.

Background: 66 DMV field offices (of 170) report regular problems with afterhours trespassing, and 20 of those offices report serious and ongoing health and safety concerns resulting from these activities.

Nine fencing projects were funded in 2017-18 at $4.0 million MVA; however, because the estimates overlooked certain overhead costs the funding was only sufficient for seven fencing projects. As a result, the remaining two fencing projects need to be funded in 2018-19. Also, since the approval of the 2017-18 proposal, an additional office was determined to be in critical need of fencing and an office for which a replacement was proposed in the 2017-18 five year plan is now eligible and in need of perimeter fencing. In total, 13 projects are proposed in the 2018-19 request. Upon completion, the 2017-18 and 2018-19 appropriations are expected to fund fencing projects at 20 offices.

Staff Comments: Staff notes that this is the second year of a two-year proposal first raised as part of the 2017-18 budget. While unauthorized after-hours access to DMV offices is a serious and growing problem, the subcommittee stated that permanent, unwelcoming perimeter fencing is not an appropriate solution. As such, the subcommittee voted to fund overnight security guards and regular cleaning services at the impacted sites. While this proposal did not make it into the final budget, staff notes that the underlying issues have not changed.

Questions:

- Why are perimeter fences a more appropriate solution than security guards or regular cleaning contracts?
- Has DMV sought to cooperate with any local law enforcement of homelessness services agencies to address this issue?

Staff Recommendation:
Hold Open.

Issue 4: High-Occupancy Vehicles (AB 544) and Revised AB 544 Request (April Finance Letter)

Governor's Proposal: The Governor's budget requests $2.7 million from the Motor Vehicle Account (MVA) for 18.0 positions for one year and three permanent positions in 2018-19 and funding for postage and printing necessary to implement AB 544 (Bloom), Chapter 630, Statutes of 2017. The ongoing cost of the three permanent positions would be $675,000 annually.

An April Finance Letter reduces the January budget request by $1.2 million MVA and 18 temporary help positions and proposes trailer bill language that would reduce DMV's workload by not requiring a new decal be issued to applicants issued a decal between March 1, 2018 and January 1, 2019 as required by current statute. New decals would still be required for applicants between January 1, 2017 and March 1, 2018. The revised total request is $1.4 million MVA and three permanent positions ongoing.

Background: Existing federal law authorizes, until September 30, 2019, a state to allow low-emission and energy-efficient vehicles, as specified, to use lanes designated for high-occupancy vehicles (HOVs). Existing federal law also authorizes, until September 30, 2025, a state to allow alternative fuel vehicles and new qualified plug-in electric drive motor vehicles, as defined to use those HOV lanes.

Existing law requires the department to make available for issuance by application, two distinctive clean air vehicle decals to identify eligible zero-emission, low-emission, and alternative fuel vehicles. These decals allow these vehicles to operate in high-occupancy vehicle lanes without having the required number of passengers, and grant these vehicles a toll-free or reduced-rate passage in high-occupancy toll lanes.

AB 544 requires DMV upon expiration of the current Clean Air Decal (CAD) program to create a new program to grant super ultra-low emission vehicles and transitional zero-emission vehicles access to high-occupancy vehicle (HOV) lanes for an approximately four-year period, regardless of vehicle occupancy level. It also would prohibit the issuance of more than one clean air decal per vehicle. AB 544 provides for a repeal date of September 30, 2025.

Current statute requires DMV, on or after January 1, 2019, to issue a new distinctive decal for decals issued between January 1, 2017 and January 1, 2019 and this new decal will be valid until January 1, 2022. The requested trailer bill language authorizes decals issued by DMV between March 1, 2018 and January 1, 2019 to be valid until January 1, 2022.

Staff Comments: The department has indicated that the proposed bill language will reduce workload to the department by not requiring a decal to be reissued to applicants that are issued a decal between March 1, 2018 and January 1, 2019 as currently required in statute. The DMV will only have to reissue decals for the decals that were issued between January 1, 2017 and March 1, 2018. If the proposed bill language is not enacted, the department has indicated that they will be required to reissue a new distinctive decal to customers that were originally issued a decal between January 1, 2017 and January 1, 2019, significantly increasing short-term workload.

Staff Recommendation:
Approve as Budgeted.

Senate Budget and Fiscal Review—Holly J. Mitchell, Chair

SUBCOMMITTEE NO. 2 Agenda

Senator Bob Wieckowski, Chair
Senator Mike McGuire
Senator Henry Stern
Senator Jim Nielsen

Thursday, April 12, 2018
9:30 a.m. or upon adjournment of session
State Capitol - Room 112

Consultant: James Hacker

Vote-Only Calendar

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Public Comment

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.*

Senate Budget and Fiscal Review—Senator Holly J. Mitchell, Chair

SUBCOMMITTEE NO. 2 Agenda

Senator Bob Wieckowski, Chair
Senator Mike McGuire
Senator Jim Nielsen
Senator Henry I. Stern

Thursday, April 19, 2018
9:30 a.m. or upon adjournment of session
State Capitol - Room 112

Consultant: Joanne Roy

OUTCOMES

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3125	**California Tahoe Conservancy**	
34	Conceptual Feasibility Planning (AFL) – Nielsen No	13
35	Lake Tahoe Basin Forest Management Program Support (AFL) 4-0	13
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37	Opportunity Acquisitions (AFL) – Nielsen No	13
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PUBLIC COMMENT

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VOTE-ONLY CALENDAR

0555 California Environmental Protection Agency (CalEPA)

1) **Environmental Justice Small Grants.** The Governor's budget proposes a total of $1,500,000 one-time ($375,000 each from the Air Pollution Control Fund, the California Beverage Container Recycling Fund, the Waste Discharge Permit Fund, and the Toxic Substance Control Account) to implement the Environmental justice Small Grants Program. The grant program will award grants to non-profit entities and federally recognized tribes located in areas adversely affected by environmental pollution and hazards.

   Background. The Environmental Justice Small Grants Program. AB 2312 (Chu), Chapter 994, Statutes of 2002, established an Environmental Justice Small Grants Program under the CalEPA for the purpose of providing small grants to community-based, grassroots, nonprofit organizations located in areas adversely affected by environmental pollution and hazards that are involved in work to address environmental justice issues. The grants may be used for the following purposes:

   - Resolve environmental problems through distribution of information.
   - Identify improvements in communication and coordination among agencies and stakeholders in order to address the most significant exposure to pollution.
   - Expand the understanding of a community about the environmental issues that affect their community.
   - Develop guidance on the relative significance of various environmental risks.
   - Promote community involvement in the decision making process that affects the environment of the community.
   - Present environmental data for the purposes of enhancing community understanding of environmental information systems and environmental information.

3930 Department of Pesticide Regulation (DPR)

2) **Senior Toxicologists for Human Health Assessment Review.** The Governor's budget proposes $539,000 from the Department of Pesticide Regulation Fund (DPRF) and three permanent positions to meet the department's risk assessment workload.

   A risk characterization presents qualitative or quantitative estimates of the likelihood that any of the hazards associated with the pesticide will occur in exposed people. It examines how well the data support conclusions about the nature and presence or absence of risks, and describes how the risk was assessed and where assumptions and uncertainties exist.

   DPR uses risk assessments to estimate quantitatively the nature and likelihood of adverse health effects in humans and to provide health-protective estimates of risks to specific subpopulations exposed under certain conditions. As a regulatory agency, DPR uses risk assessments to provide the scientific basis for decisions about new regulations, use restrictions, and mitigation activities to lower the risk of adverse effects from pesticide exposure.

The science of risk and exposure analysis has also evolved in the last five years to include sophisticated computational and quantitative analyses.

3) **Surface Water Protection Program (SWPP) Wastewater.** The Governor's budget proposes $717,000 from DPRF in FY 2018-19, $677,000 ongoing from the DPRF, and two permanent positions to address increased workload in the Surface Water Protection Program.

   Background. SWPP operates to prevent pesticides from adversely affecting California's surface waters. The program is divided into prevention, monitoring, assessment, mitigation, regulation, and outreach. Before any pesticide products can be sold or used in California, it must be registered with DPR. Before DPR registers a pesticide, DPR scientists evaluate the pesticide's potential hazard and exposure to people and the environment. Through the SWPP, DPR evaluates the likelihood of the off-site movement and possible impacts of pesticide products on the aquatic environment. DPR also reviews and evaluates proposed pesticide labeling and data to support registration and give special attention to the potential for environmental damage, including interference with the attainment of environmental standards and toxicity to aquatic biota.

3970 Department of Resources Recycling and Recovery (CalRecycle)

4) **Funding Alignment for Local Conservation Corps (LCC) Grant Staff.** The Governor's budget proposes to proportionally adjust the funding for LCC grant administration. The proposal includes decreased expenditure authority in Beverage Container Recycling Fund of $380,000 and increased expenditure authority of $211,000 Electronic Waste Recovery and Recycling Account. These adjustments are intended to properly align the staff's funding with LCC Grant program's diverse funding appropriations.

5) **Education and the Environment Initiative (EEI) Curriculum Printing and Fulfillment.** The Governor's budget proposes one-time $1.1 million, various funds, to address ongoing demand for the EEI Curriculum. In the absence of state-adopted instructional materials to take its place, teacher demand for the curriculum remains robust, and this proposal will enable CalRecycle to fulfill its mission to facilitate use of the curriculum and foster environmental literacy among all California students.

6) **Information Technology (IT) Services Help Center Permanent Staffing.** The Governor's budget proposes $57,000 Distributed Administration, to convert current blanket-funded positions to permanent positions. No position authority is requested, as CalRecycle will use existing vacant position authority. CalRecycle currently has 2.25 positions and four student assistants performing most of the day-to-day IT Help Center support. It is anticipated that this proposal will fill an ongoing need for a wide variety of less complex technological duties, supporting IT systems, and day-to-day IT support for the department.

7) **Reappropriation: Greenhouse Gas Reduction Fund (GGRF).** The Governor's budget proposes the extension of unexpended GGRF program administration spending authority until FY 2019-20, as originally authorized via AB 1613 (Committee on Budget), Chapter 370, Statutes of 2016.

8) **Reappropriation: Bonzi Sanitary Landfill Closure Funding. (April Finance Letter (AFL))** An AFL requests a reappropriation of up to $4.2 million in support funding from the Integrated Waste Management Account. This funding was originally approved in the Budget Act of 2017 to

implement the requirements for the closure and post-closure maintenance of the inactive Bonzi Landfill. The closure project requires the construction to occur only during dry months. Due to the time required to complete the environmental review and design work necessary to support the contract for construction, the construction will not be carried out until FY 2018-19.

3980 Office of Environmental Health Hazard Assessment (OEHHA)

9) Informational Staffing and Funding. The Governor’s budget proposes $194,000 in FY 2018-19 ($52,000 General Fund and $142,000 from various special funds), $172,000 ongoing ($46,000 General Fund and $126,000 from various special funds) to fund the reclassification of two existing OEHHA positions being redirected to OEHHA's IT branch and upgrade three existing IT positions to support OEHHA's web-based technologies and remediate IT security audit findings.

OEHHA has expanded its reliance on web-based technologies and supporting infrastructure that were developed and maintained by external contracted resources at an annual cost of over $400,000. This proposal will enable OEHHA to support the newly implemented web-based technologies internally and to address recent IT Security Audit findings, establish the required Information Security Program and IT Risk Management Program and improve website access management and IT Assets Management programs.

10) Shift Funding Source for Indicators of Climate Change in California. The Governor’s budget proposes the permanent redirection of $301,000 from the Used Oil Recycling Fund to the Cost of Implementation Account to support 1.5 positions to develop and present indicators of climate change and its impacts on California in technical reports and to expand the dissemination of this information through interactive web pages, plain language summary reports, and fact sheets.

Climate change indicators describe observed trends in the many aspects of climate change, from emissions of greenhouse gases to changes in air and ocean temperatures. Examples of climate change indictors are Sierra Nevada snowmelt runoff, incidence of large wildfires, and changes in forest vegetation distribution and animal migration patterns. Current law designates OEHHA as the lead agency for the development of environmental indicators on behalf of CalEPA. Funding for this purpose was provided through a series of interagency agreements (IAA), beginning in FY 2007-08. The Budget Act of 2017 provided one position funded by the IAA. Previously, OEHHA redirected the equivalent of 2.7 existing positions funded from the Used Oil Recycling Fund.

11) Position Authority for Librarian. (AFL) An AFL proposes that one Senior Librarian position be authorized to perform systematic searches of the scientific literature regarding the health effects of chemicals and related subjects. The University of California Berkeley notified OEHHA that it will no longer be able to provide library services at the same level as the in the past beginning July 1, 2017, and will phase out services completely as of June 2018. OEHHA will redirect existing funding to support the new position.

3900 Air Resources Board

12) **Heavy Duty In-Use Program. (AFL)** An AFL requests to restore $1.234 million Motor Vehicle Account as a technical adjustment to expand heavy-duty testing capability and improve heavy-duty inspection programs. The FY 2017-18 Governor's budget included $2.243 million Motor Vehicle Account, State Transportation Fund to expand heavy-duty vehicle programs, of which $1 million was for local assistance grants. During the FY 2017-18 Conference Committee process, funding for support was removed with the expectation that it would be included in the Cap-and-Trade trailer bill; however, it was not included in any enacted FY 2017-18 trailer bills. This adjustment restores that funding.

13) **Portable Equipment Registration Program Regulation Amendments. (AFL)** An AFL requests $182,000 Air Pollution Control Fund and a total of three new positions (add nine permanent positions and decrease six temporary positions) to support the implementation of updated regulations for the Portable Equipment Registration Program that address compliance challenges, improve enforceability, and increase fees.

14) **Proposition 1B Goods Movement Emissions Reduction Program. (AFL)** An AFL requests $11.308 million of reverted bond funds to continue to fund cleaner freight vehicles and equipment through the Goods Movement Emission Reduction Program. It is also requested that provisional language be added to provide an extended encumbrance period until June 30, 2020.

15) **Reappropriation for Monitoring Airborne Agricultural Pesticides. (AFL)** An AFL requests to reappropriate unencumbered balances from Air Pollution Control Fund provided for the expansion of the Air Monitoring Network in the Budget Acts of 2016 and 2017 to complete a two-year pilot project that expands the pesticide air monitoring network. Sampling and monitoring did not begin until March 2018 due to procurement delays. An extended encumbrance period of until June 30, 2020, is requested to provide additional time to complete the monitoring of the network sites.

3940 State Water Resources Control Board

16) **Settlement Costs for the Santa Monica Bay Restoration Commission. (AFL)** An AFL requests that Item 3940-001-0001 be increased by $15,000 to cover the costs of a recent settlement in a case involving the Santa Monica Bay Restoration Commission. To reduce the state's exposure to future liability, it is also requested that provisional language be added to require the commission to update its Memoranda of Agreement with The Bay Foundation to better define roles and responsibilities of the two parties.

17) **Reappropriations. (AFL)** An AFL requests to reappropriate $2 million in support funding from Proposition 1 with funding available for encumbrance or expenditure until June 30, 2019. The AFL proposes to reappropriate funding from Proposition 1 and Proposition 84 with funding available for encumbrance or expenditure until June 30, 2021. The AFL also requests to reappropriate funding from various special funds with funding available for encumbrance or expenditure until June 30, 2021, and extend the liquidation period to June 30, 2024.

18) **Extensions of Liquidation. (AFL)** An AFL requests to extend the liquidation period to June 30, 2021 for various bonds and special funds. It is also requested to extend the liquidation period to June 30, 2022 for previously encumbered local assistance grants. These extensions are intended to provide additional time for final accounting and payments to be completed.

19) **Reversions. (AFL)** An AFL requests to revert various unexpended bond funds to prevent any bond allocations from being over-committed.

8570 California Department of Food and Agriculture (CDFA)

20) **Certified Farmers' Market (CFM) Program.** The Governor's budget proposes $265,000 Department of Food and Agriculture Fund in FY 2018-19; $215,000 in FY 2019-20; and $190,000 annually thereafter. The proposed funding will allow the CFM Program to create a database and to enhance and maintain robust county and market manager training programs to ensure uniform enforcement of CFMs across the state.

21) **Development of Pesticide Alternatives.** The Governor's budget proposes $529,000 General Fund and one position in FY 2018-19 and ongoing for the Office of Pesticide Consultation and Analysis, to support the scientific development and testing of alternates for pesticides being considered for deregistration in California and for biocontrol efforts. The proposed funding will support extensive scientific research and one permanent Senior Environmental Scientist position for the development of reduced risk pest management techniques and biological controls. This funding is critical as there is a significant lack of pesticide alternates for those being considered for restricted use through regulations, as well as a lack of development of biological controls for insect pests and low-risk pest management options, for California specialty crops. The biological control program will target insect pests that have become established in the state and those with a high likelihood of becoming established.

22) **Farmer Equity Act of 2017 (AB 1348).** The Governor's budget proposes $139,000 General Fund and one position beginning in FY 2018-19 to support the activities mandated by AB 1348 (Aguiar-Curry), Chapter 620, Statutes of 2017.

    Background. General. According to the 2012 USDA National Agriculture Statistics Survey, less than 20 percent of California farms are operated by women. In addition, 12 percent of California farm operators are Spanish, Hispanic, or Latino; two percent are American Indian or Alaska Native; six percent are Asian; 0.6 percent are Black or African American; and 0.4 percent are Native Hawaiian or other Pacific Islander. The 2012 census also shows that farmers of color tend to farm smaller farms, earn less money on average, and receive 36 percent less in government funding than their white counterparts.

    AB 1348 (Aguiar-Curry). AB 1348 requires CDFA to ensure the inclusion of socially disadvantaged farmers and ranchers (SDF) in the development, adoption, implementation, and enforcement of food and agriculture laws, regulations, and policies and programs.

23) **Feed Safety Rule Implementation.** The Governor's budget proposes $716,000 ($68,000 one-time) in federal fund authority and four positions beginning FY 2018-19 to enhance the existing Feed Inspection Program (FIP) to meet the expanded scope of work in grants from the United States Food and Drug Administration (FDA) related to recent federal animal food safety rules. The

proposed resources will allow FIP to continue to conduct Bovine Spongiform Encephalopathy (BSE) inspections, and add inspections for Veterinary Feed Directive (VFD), Preventive Controls for Animal Food (PCAF) rules, Current Good Manufacturing Practices (CGMP) for the Food Safety Modernization Act (FSMA), and Medicated Feed Current Good Manufacturing Practices (MFCGMP) for the FDA. FIP does not have the required capacity to absorb the personnel costs of the new FDA FSMA-mandated activities into FIP. In past grant years, FIP has historically conducted BSE inspections and MFCGMP inspections. However, the FDA has expanded the scope of work within the current grant to include inspections for the new FSMA CGMP, VFD, and PCAF rules. Future FDA grants have an increase in the scope of work, and the type and number of inspections in order to take into account newly mandated FSMA activities.

24) Food Labeling (AB 954). The Governor's budget proposes $294,000 General Fund in FY 2018-19, decreasing to $25,000 in FY 2019-20, to implement AB 954 (Chiu), Chapter 787, Statutes of 2017, to promote consistent terminology and use of quality and safety dates on food products reaching California consumers.

Background. General. In California, milk products, eggs, and shellfish are required by law to include a "sell-by" date. CDFA regulates milk and eggs, and California Department of Public Health (DPH) regulates shellfish. Federal law only requires infant formula to provide a "use-by" date to ensure the product's safety. However, most food manufacturers choose to include dates on food products to indicate when a product should be consumed to ensure optimal quality. Thus, meat, poultry, and eggs are common products that (nationwide) voluntarily include quality dates. These products are regulated by the Food Safety and Inspection Service of the United States Department of Agriculture (USDA) to ensure that the label dates are truthful, not misleading, and are accompanied by a phrase such as "best if used by." However, discretion is left to the manufacturer to decide the length of time and temperature at which the food is held to determine the product's best quality.

The Sherman Food, Drug, and Cosmetic Law requires DPH to regulate the manufacture, production, processing, packing, labeling, sale, and advertising of any food, drug, device, or cosmetic. The Sherman Act also specifies labeling requirements for individual food products and defines food as misbranded if its label is false or misleading. Although CDFA regulates label dates on milk and eggs, DPH and local environmental health officers ensure retail food safety through local inspection programs.

According to USDA, food waste in the U.S. is estimated to approach 40 percent of the food supply. In 2010, this equated to 133 billion pounds and $161 billion worth of food. To mitigate this loss, USDA and the US Environmental Protection Agency (US EPA) announced a campaign to cut food waste in half by 2030. On the state level, CalRecycle finds that food is projected to be the third-largest waste material disposed of in 2020 and that this waste would be better managed through source reduction, diversion of edible food products to feed people or animals, industrial uses, or composting.

AB 954 (Chiu). AB 954 requires CDFA, in consultation with DPH, to publish information that encourages food manufacturers, processors, and retailers responsible for the labeling of food products to voluntarily use specified "best by" and "use by" labels that communicate quality and safety dates, respectively.

25) **Office of Farm to Fork.** The Governor's budget proposes $429,000 General Fund on a two-year limited-term basis beginning FY 2018-19 to continue funding for 2.4 existing positions in the Office of Farm to Fork. This will allow CDFA to administer remaining federal Food Insecurity Nutrition Incentive Program grant funding. This proposal is General Fund neutral because CDFA will achieve savings of $858,000 in FY 2017-18 from its $2.5 million General Fund budget, which was appropriated to leverage matching federal funding through the Food Insecurity Nutrition Incentive Grant Program.

26) **Pet Lover's Specialized License Plate Grant Program (SB 673).** The Governor's budget proposes $440,000 Pet Lover's Fund, within the Specialized License Plate Fund, on a three-year limited-term basis. Of this amount, $110,000 is requested for administrative costs, as follows: $53,000 for a 0.5 Associate Governmental Program Analyst position beginning in FY 2018-19 to implement and administer the program pursuant to SB 673 (Newman), Chapter 813, Statutes of 2017, which transfers administration of the Pet Lover's specialized license plate grant program from the Veterinary Medical Board to CDFA; $2,000 for review committee travel associated with promotional activities associated with encouraging application and renewal of plates; $330,000 for grants to qualifying spay and neuter facilities that result in low- or no-cost animal sterilization services.

Background. SB 673 (Newman). SB 673 allocates the revenue raised from the sale of the Pet Lover's license plate to CDFA upon appropriation and requires CDFA to establish a grant program to eligible veterinary facilities that offer low-cost or no-cost animal sterilization services.

Currently, there are approximately 8,100 assigned Pet Lover's specialized license plates, which is only 600 above the required 7,500 plates to maintain the specialized license plate. If the number of assigned plates drops below 7,500 for more than one year, the Department of Motor Vehicles will stop issuing the plate. Because the number of assigned plates is close to the minimum threshold, CDFA will be utilizing marketing and promotional activities to encourage plate renewals, as well as new applicants.

27) **State Organic Program Enforcement and Outreach.** The Governor's budget proposes $671,000 ($87,000 one-time) Department of Food and Agriculture Fund and three positions beginning in FY 2018-19 for the State Organic Program (SOP) to promulgate regulations, modify the SOP Database, conduct new inspections, provide training for SOP constituents on protocols for new registration and enforcement processes as authorized by the California Organic Food and Farming Act, and identified by the California Organic Products Advisory Committee and the Organic Stakeholder Work Group.

Background. SOP. Federal, state, and local agencies are all participants in the regulation of organic products. California's SOP was created under the California Organic Foods Production Act of 1990. The federal Organic Foods Production Act of 1990 authorized the USDA to establish the National Organic Program (NOP). Once NOP was fully implemented in 2002, California renamed and revised the act to the California Organic Products Act of 2003 to incorporate NOP standards and regulations in conjunction with SOP.

California is the only state with its own organic program. SOP requires organic producers, processors, handlers, retailers, wholesalers, and brokers to register with CDFA to verify SOP compliance throughout the production and supply chain.

AB 1826 (Stone), Chapter 403, Statutes of 2016, revised and recast the California Organic Products Act; revised the composition of the California Organic Products Advisory Committee; revised registration fee payment tiers based on gross product sales; and revised required information provided during registration and for recordkeeping.

28) **Relocation: Yermo Agriculture Inspection Station Project. (AFL)** An AFL requests to reappropriate the construction phase of the Yermo Agriculture Inspection Station Relocation Project, located in Mountain Pass. A total of $47.5 million lease revenue bond authority was authorized for this project. This project is comprised of a new agriculture station and demolition of the existing station. The new station is anticipated to be complete in June 2018; however, the demolition will not be complete until December 2018. Therefore, reappropriation is requested so that the entirety of the project can be completed without further delays.

Background. The project was originally going to be designed and bid together with the adjacent California Highway Patrol (CHP) truck safety inspection station (TSIS) project to facilitate construction of both under one contract. However, due to delays acquiring the land for the relocated border protection station (BPS), construction on the CHP TSIS began first. Due to this change in plan, the design documents had to be updated to comply with recent building code changes and to separate the BPS project from the CHP TSIS project. Caltrans initially estimated that completing the necessary updates to the design documents would take up to one year. However, the process took three years due to additional building code changes and the time needed to complete Caltrans' final approval process. As a result, construction on the project began in September 2017 and is anticipated to be complete in December 2018.

The new BPS is intended to improve CDFA's ability to properly perform its objectives through the use of modern technology and create a safer environment by increasing lane size and the number of lanes, as well as using crash barriers. The upgraded infrastructure is also intended to enhance efficiency for employees working at the BPS and expedite the inspection and movement of trucks and passenger vehicles entering the state.

29) **California Health and Food Safety Laboratory System: Increases in Salaries and Benefit Rates for Employees. (AFL)** An AFL requests $317,000 General Fund to provide funding for ratified increases in salaries and benefit rates for employees in the California Health and Food Safety Laboratory System. While these employees are University of California employees governed by its bargaining contracts, salaries and benefits are funded by CDFA via contract.

3480 Department of Conservation (DOC)

30) **Leasing Cost Increase.** The Governor's budget proposes $831,000 ongoing from the Oil, Gas, and Geothermal Administrative Fund to pay the increased leasing costs for the new facilities in Long Beach.

The Division of Oil, Gas, and Geothermal Resources (DOGGR) regulates onshore and offshore oil, gas, and geothermal well operations throughout the State by enforcing laws for the conservation of petroleum and geothermal resources. DOGGR's mission is to prevent damage to life, health, property, the environment, and natural resources by ensuring that wells are properly drilled, operated for production and injection purposes, repaired, and plugged and abandoned.

The Division has increased by 109 positions over the past eight years, which led to additional facility space needs. DOGGR, working with the Department of General Services, selected a location in Long Beach last year and entered into a lease agreement.

31) **Proposition 40: California Farmland Conservancy Program. (AFL)** An AFL requests the following:

- $1.956 one-time from Proposition 40 for local assistance.
- A decrease of $1.202 million in the Current Proposition 40 support appropriation from $488,000 to $250,000 from FY 2018-19 through FY 2020-21 and reduce $488,000 support funds to $0 in FY 2021-22 (a decrease of $1.202 million).

This shift in funding is intended to allow DOC to provide additional grants to local governments and non-profits to purchase agricultural conservation easements that protect farmland.

32) **Soil Conservation Fund: Trailer Bill Language (TBL). (AFL)** An AFL requests to increase the reserve limit of the Soil Conservation Fund from $2.536 million to $5 million. This adjustment would help insulate the department's farmland conservation programs from volatility in the Soil Conservation Fund's source of revenue – Williamson Act contract cancellation fees – by enabling the department to capture excess revenue in good years to develop a reserve for lean years.

33) **Tsunami Hazard Mapping.** The Governor's budget proposes $495,000 one-time from the Strong-Motion Instrumentation and Seismic Hazards Mapping Fund to initiate the tsunami hazard zone delineation tasks legislatively mandated by the Seismic Hazard Mapping Act of 1990, and prepare probabilistic tsunami hazard inundation maps for utilization in the 2019 update of the California Building Code in the design of critical and essential facilities.

Background. The California Geological Survey. The California Geological Survey (CGS) serves as a primary source of geologic information for California. CGS maps and analyzes data about the state's diverse geologic settings and features, earthquakes, other geologic hazards and mineral resources.

The Seismic Hazard Mapping Act of 1990 Includes Hazards Related to Tsunamis. In response to the 1989 Loma Prieta earthquake, the California Legislature enacted the Seismic Hazard Mapping (SHM) Act of 1990. The purpose of the SHM Act is to assist cities, counties and state agencies to protect the public health and safety from the effects of seismic hazards caused by earthquakes. This is accomplished by identifying potentially hazardous areas so that state and local governments can require site-specific investigations that lead to mitigation measures. The initial language of the SHM Act included hazards from soil liquefaction, earthquake-triggered landslides, and amplified ground shaking. Following the 1992 Cape Mendocino earthquake, which caused a tsunami along California's north coast, language was added to the SHM Act to address hazards related to tsunamis.

CGS Tsunami Hazard program is primarily support by Federal Funds. CGS serves as the scientific representative for California on the National Tsunami Hazard Mitigation Program Coordinating Committee, a state and federal cooperative responsible for developing policies and standards for tsunami mitigation efforts in the United States and its territories.

The CGS Tsunami Hazard program also work closely with the California Governor's Office of Emergency Services (Cal OES) Earthquake and Tsunami Program, and the Tsunami Research Center at the University of Southern California to produce statewide tsunami inundation maps and preparedness information for California.

For the past decade, the CGS Tsunami Hazard program has received all of its funding from federal government sources. Federal funding agencies, primarily the National Oceanic and Atmospheric Administration and the Federal Emergency Management Agency, have supported both CGS and CalOES staff in tsunami hazard mapping for evacuation and response planning. These agencies have also supported contracts with the University of Southern California and the California Coastal Commission to perform specialized modeling, map development, and product implementation. In recent years, federal funding has resulted in initiation of probabilistic tsunami hazard analysis (PTHA) maps in California and initiation of a detailed technical review of the PTHA methodology. These products are still in its early stages.

3125 California Tahoe Conservancy

34) **Conceptual Feasibility Planning. (AFL)** An AFL requests a fund shift to increase Proposition 40 by $282,000 and decrease Federal Trust Fund by the same amount due to less than anticipated federal funds.

35) **Lake Tahoe Basin Forest Management Program Support. (AFL)** An AFL requests $225,000 ($150,000 Federal Trust Fund and $75,000 in reimbursement authority) annually for three years and two positions to support the Lake Tahoe Basin's Forest Management Program and increase the pace and scale of forest restoration work in the region to reduce the risks associated with catastrophic wildfires, drought, climate change, and the bark beetle epidemic.

36) **Minor Capital Outlay. (AFL)** An AFL requests a fund shift from the proposal to increase Proposition 50 by $496,000 and decrease Federal Trust Fund by the same amount due to less than anticipated federal funds.

37) **Opportunity Acquisitions. (AFL)** An AFL requests an additional $85,000 from Proposition 12 in anticipation of cost increases in pre-acquisition activities and the strategic acquisition of environmentally sensitive or significant resource areas. A fund shift is also requested to increase Proposition 50 by $89,000 and decrease Federal Trust Fund by the same amount due to less than anticipated federal funds.

38) **Proposition 1 Planning and Monitoring. (AFL)** An AFL requests $420,000 Proposition 1 in FY 2018-19 to support the conservancy in undertaking planning and monitoring activities for Proposition 1 local assistance grants. It is further requested to revert $810,000 in unencumbered Proposition 1 local assistance funding appropriated in FY 2015-16, which will provide the conservancy with three years of funding for planning and monitoring.

39) **South Tahoe Greenway Shared Use Trail Phase 1B. (AFL)** An AFL requests to revert the capital appropriation for this project as the conservancy has since determined that granting local assistance funds to El Dorado County for the completion of this project will create efficiencies and result in savings to the state.

40) **South Tahoe Greenway Shared Use Trail Phases 1B and 2. (AFL).** An AFL requests $2.523 Proposition 12 to provide local assistance funding to El Dorado County to complete the working drawings and construction of the South Tahoe Greenway Shared Use Trail. The AFL also requests $650,000 in reimbursements to reflect funding that the conservancy will receive from the Lake Tahoe Community College, which will be granted as local assistance to support the project.

The conservancy was scheduled to complete the project through the state capital outlay process, but has since determined that administering a grant to El Dorado County for completion of the project will create efficiencies and result in savings for the state. This proposal relies on reversions of previous capital outlay appropriations.

41) **Tahoe Pines Restoration Project. (AFL)** An AFL requests $693,000 for the construction phase of the Tahoe Pines Restoration Project. This proposal also requests a reversion of the unencumbered balances of approximately $323,000 from Item 3125-301-0262, Budget Act of 2017, and $200,000 from Item 3125-301-0286, Budget Act of 2017. This is a net reversion of $523,000 and a net funding increase of $693,000. The additional funds are requested to account for an error in the initial construction cost estimate and increased labor costs as there is a lack of contractors available during Tahoe's limited construction season. This proposal also requests to change the project title and identification number to clarify the intent of the project.

3760 State Coastal Conservancy

42) **Proposition 84 Local Assistance Grants. (AFL)** An AFL requests an increase of $12.439 million in Proposition 84 funding for local assistance. As the Conservancy nears the end of its allocation from Proposition 84, most of the funds included in this proposal would be used for the completion of ongoing efforts which were initiated using funds from Proposition 84 and the implementation of completed plans, many of which were completed using funds from Proposition 84. The funds are needed to ensure that progress on several major ongoing efforts is not interrupted or halted, which would slow or even prevent the achievement of several major goals contained in the Conservancy's Strategic Plan and the purposes of Proposition 84. The funds are needed to implement priority actions of several statewide plans and priorities, including restoration of coastal resources, construction of regional trails and preparation for the impacts of climate change.

3855 Sierra Nevada Conservancy

43) **Proposition 1 Support and Local Assistance. (AFL)** An AFL requests $100,000 one-time in Proposition 1 funds for planning and monitoring, and $4.7 million one-time in Proposition 1 for local assistance. The funding request is currently scheduled for appropriation in 2019-20. This request seeks to accelerate this Proposition 1 allocation. This proposal additional requests budget bill language to make the local assistance funding available for encumbrance or expenditure until June 30, 2020 and for liquidation until June 30, 2023.

3875 Sacramento-San Joaquin Delta Conservancy

44) Federal Trust Fund Augmentation. (AFL) An AFL requests a one-time increase of $490,000 to its existing Federal Trust Fund appropriation to support a previously awarded grant from the United States Bureau of Reclamation and a new grant from US EPA.

45) Office Space Expansion. (AFL) An AFL requests $201,000 from the Environmental License Plate Fund in FY 2018-19 ($104,000 for one-time expenses to expand its office space, and $97,000 for lease expenses). Specifically, the ongoing lease expenses requested beginning in FY 2019-20 are as follows:

- FY 2019- 20: $103,000;
- FY 2020- 21: $110,000;
- FY 2021- 22: $117,000; and,
- FY 2022- 23 and annually thereafter: $68,000.

Staff Recommendation: Approve all vote-only items (January BCPs, and AFLs).

ISSUES FOR DISCUSSION

3930 Department of Pesticide Regulation

Overview

The Pesticide Program protects California residents and the environment from adverse pesticide impacts with particular emphasis on the protection of children, vulnerable populations, and communities. Specific activities include:

- Scientific evaluation of whether to register pesticide products for sale or use in California.
- Assessing human health and environmental (air, water quality, and wildlife) risks from pesticides.
- Examination, licensing, and certification of individuals and businesses that recommend, perform, or supervise pest control.
- Collecting pesticide use data and evaluating use trends.
- Monitoring pesticide residues in fresh produce, air, and water, as well as occupational settings.
- Protecting surface and groundwater from pesticide movement through evaluation, prevention, and mitigation.
- Protecting non-target wildlife from pesticide risks.
- Reevaluating and mitigating human health and environmental hazards from pesticides.
- Overseeing local enforcement of pesticide laws and regulations by County Agricultural Commissioners.
- Ensuring pesticide products sold in the marketplace are registered and meet state health, environmental, and safety standards, and that sellers comply with mill assessment responsibilities.
- Promoting the development and adoption of reduced risk pest management practices through outreach, incentives, and grants.

DPR's proposed budget is $104.769 million, as follows:

3-YR EXPENDITURES AND POSITIONS †

		Positions			Expenditures		
		2016-17	2017-18	2018-19	2016-17*	2017-18*	2018-19*
3540	Pesticide Programs	288.5	283.0	366.3	$96,338	$104,648	$104,769
9900100	Administration	77.8	78.3	-	11,937	12,316	-
9900200	Administration - Distributed	-	-	-	-11,937	-12,316	-
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		**366.3**	**361.3**	**366.3**	**$96,338**	**$104,648**	**$104,769**

FUNDING		2016-17*	2017-18*	2018-19*
0001	General Fund	$750	$-	$-
0106	Department of Pesticide Regulation Fund	92,535	99,924	99,036
0140	California Environmental License Plate Fund	447	485	485
0890	Federal Trust Fund	2,006	2,366	2,375
0995	Reimbursements	600	600	600
3288	Cannabis Control Fund	-	1,273	2,273
TOTALS, EXPENDITURES, ALL FUNDS		**$96,338**	**$104,648**	**$104,769**

Issue 46 – Support: Information Security Officer (ISO). (AFL)

Governor's Proposal. An AFL requests $159,000 Department of Pesticide Regulation Fund ongoing to establish a new ISO to remediate deficiencies identified in various security survey and assessment reports. The requested position will coordinate, prioritize, and oversee the completion to security remediation issues and will lead the department's information security program.

Background. State entities are required to comply with the information security and privacy policies, standards, and procedures issued by the California Information Security Office (Government Code §11549.3). Entities must also ensure compliance with all security and privacy laws, regulations, rules, and standards specific to governing the administration of their programs. The Statewide Administrative Manual and Statewide Information Management Manual also detail security requirements for entity conformance.

Currently, DPR's information security duties are scattered across DPR's Information Technology Branch staff. Resources are pulled from different projects on a piece-meal basis to address critical mandated activities. DPR's current ISO role is performed by the Lead Database Administrator, resulting in impacts to all DPR application development activities.

Over the past three years, DPR has conducted both independent and internal audits and evaluations that have determined that the information security program is lacking adequate staffing resources, putting the department at risk. For example, in May 2015 and June 2017, the California State Auditor conducted a survey regarding DPR's information systems general security controls – via the survey, DPR identified the lack of sufficient staffing resources to meet the workload demands of information security and competing priorities of supporting day-to-day business operations as barriers to full compliance.

This proposal would provide position authority and funding for an Information Technology Specialist II to serve as DPR's dedicated ISO.

Staff Recommendation. Adopt AFL.

3970 Department of Resources Recycling and Recovery (CalRecycle)

Overview

CalRecycle's mission is to protect public health, safety, and the environment by regulating solid waste facilities and promoting source reduction, recycling, composting, and reuse. Additional departmental activities include research, permitting, inspection, enforcement, public education, market development to promote recycling industries and technical assistance to local agencies. Also, CalRecycle administers the Education and the Environment Initiative, a statewide effort promoting environmental education in the state.

An estimated 35 million tons of waste are disposed of in California landfills annually, of which 32 percent is compostable materials, 29 percent is construction and demolition debris, and 17 percent is paper. CalRecycle is tasked with diverting from landfills at least 75 percent of solid waste statewide by 2020 through source reduction, recycling and composting. Source reduction, or waste prevention, is designing products to reduce the amount of waste that will later need to be thrown away and also to make the resulting waste less toxic. Recycling is the recovery of useful materials, such as paper, glass, plastic, and metals, from trash to use to make new products reducing the amount of virgin materials needed. Composting involves collecting organic waste, such as food scraps and yard trimmings, and storing it under conditions designed to help it break down naturally. The resulting compost can then be used as a natural fertilizer/soil amendment. Also, CalRecycle is charged with implementing Strategic Directive 6.1, which calls for reducing organic waste disposal by 50 percent by 2020. According to CalRecycle, significant gains in organic waste diversion (through recycling technologies of organic waste, including composting and anaerobic digestion) are necessary to meet the 75 percent goal and to implement Strategic Directive 6.1.

The majority of the department's programs, with the exception of the Beverage Container Recycling Program, are funded through 23 special funds and no General Fund.

CalRecycle's proposed budget is $1.525 billion, with the California Beverage Container Recycling Fund making up a significant majority of the total, as follows:

3-YR EXPENDITURES AND POSITIONS

		Positions			Expenditures		
		2016-17	2017-18	2018-19	2016-17*	2017-18*	2018-19*
3700	Waste Reduction and Management	334.9	352.1	343.9	$228,820	$355,015	$230,666
3705	Loan Repayments	-	-	-	-3,562	-4,962	-3,940
3710	Education and Environment Initiative	11.2	10.1	10.1	3,275	2,700	3,802
3715	Beverage Container Recycling and Litter Reduction	242.3	224.1	226.0	1,307,208	1,312,516	1,294,753
9900100	Administration	103.9	109.0	109.0	13,299	16,806	16,860
9900200	Administration - Distributed	-	-	-	-13,299	-16,806	-16,860
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		**692.3**	**695.3**	**689.0**	**$1,535,741**	**$1,665,269**	**$1,525,281**

Issue 47 – Improving Recycling Redemption Opportunities (SB 458)

Governor's Proposal. The Governor's budget proposes $216,000 Beverage Container Recycling Fund to implement SB 458 (Wiener), Chapter 648, Statutes of 2017, until it sunsets on January 1, 2022. SB 458 amended the California Beverage Container Recycling and Litter Reduction Act (Bottle Bill) to authorize up to five recycling pilot projects that are designed to improve redemption opportunities in unserved convenience zones, as well as relieve dealer requirements to redeem beverage containers in-store within the pilot boundaries.

Background. The Bottle Bill was created to establish a financial incentive for recycling and to decrease the beverage container component of the solid waste stream by making recycling more convenient for consumers. The CRV is the centerpiece of the Bottle Bill. Retailers collect a small deposit, the CRV, on each beverage container purchased. The dealer retains a small percentage of the deposit for administration and remits the remainder to the distributor, who also retains a small portion for administration before remitting the balance to CalRecycle. When consumers return their empty beverage containers to a recycler (or donate them to a curbside or other program), the deposit is paid back as a refund.

A "convenience zone" is typically the half-mile radius surrounding a supermarket that: 1) is identified in the Progressive Grocer Marketing Guidebook; 2) has gross annual sales of $2 million or more; and, 3) is considered a "full-line" store that sells a line of dry groceries, canned goods, or non-food items and perishable items. In some instances, such as certain rural areas, a convenience zone may be larger than a half mile. Convenience zones are intended to provide consumers opportunities to redeem containers near where beverages are purchased.

Staff Comments. SB 458 was prompted by recent and widespread recycling center closures across San Francisco. Last year, over 93 percent of San Francisco was located more than one half-mile from a recycling center, the highest percentage of any major city in the state. This means that 579 corner stores and small supermarkets lacking a recycling center within their half-mile convenience zone must redeem large volumes of cans and bottles for cash, regardless of capacity or cleanliness, or be subject to in-lieu fees totaling nearly $40,000 per year location. These types of closures have occurred statewide, including in rural areas.

SB 458 allows for new recycling options in California that have shown success in other states, including mobile collection centers, reverse vending machines, and beverage container drop off programs, which allow consumers to drop off a bag of beverage containers and redeem their deposit electronically.

Staff recommendation. Approve as budgeted.

8570 California Department of Food and Agriculture (CDFA)

Overview

CDFA is charged with protecting and promoting agriculture. The department manages programs in the areas of: 1) animal health and food safety; 2) crop inspection; 3) agricultural marketing; 4) enforcement of weights and measures laws and regulations for various commodities and goods; and, 5) plant health and pest prevention. Many of the department's activities are conducted in partnership with county agricultural commissioners and county sealers of weights and measures.

California is a major agricultural producer. In 2015, California's farms and ranches received $47 billion for their output, and the state exported almost $21 billion worth of its agricultural production. California was the leading state in the nation in terms of cash farm receipts with combined commodities representing nearly 13 percent of total U.S. production. California's leading crops in 2015 were fruits, nuts, and vegetables. Over one-third of the nation's vegetables and two-thirds of its fruits and nuts are grown in California.

The goals of CDFA are to:

- Promote and protect the diverse local and global marketability of the California agricultural brand which represents superior quality, value, and safety.
- Optimize resources through collaboration, innovation, and process improvements.
- Connect rural and urban communities by supporting and participating in educational programs that emphasize a mutual appreciation of the value of diverse food and agricultural production systems.
- Improve regulatory efficiency through proactive coordination with stakeholders.
- Invest in employee development and succession planning efforts.

According to the Legislative Analyst's Office (LAO), the Governor's budget proposes $463 million from various funds for support of CDFA in FY 2018-19. This is a net decrease of $139 million (23 percent) from the estimated current-year spending level. This year-over-year decrease in spending is mainly explained by $158 million from GGRF included on a one-time basis in the current-year budget.

In addition, under the Governor's 2018-19 cap-and-trade expenditure plan—which was issued after the release of the Governor's proposed budget—CDFA requests $104 million from the GGRF to facilitate greenhouse gas emission reductions through the Dairy Digester Research and Development Program ($73 million), Alternative Manure Management Program ($26 million), and Healthy Soils Program ($5 million).

Issue 48 – Bee Safe Program

Governor's Proposal. The Governor's budget proposes $1.853 General Fund and two positions in FY 2018-19 and ongoing to develop and manage the Bee Safe Program to promote and protect a safe and healthy food supply through the protection of bees. The request has two major components: 1) funds to counties for local enforcement of existing laws and implementation of new activities; and, 2) state staff to manage the Bee Safe Program.

> ***Funding for Local Enforcement ($1.5 Million).*** The proposal would provide $1.5 million in annual funding for CDFA to contract with counties to enforce existing laws on hive registration and other laws intended to prevent apiary thefts. In addition, under the proposal, counties would: 1) develop an annual list of apiaries that have received a CDFA-issued brand (under current law, apiary owners may apply to CDFA for a serial number brand for use on apiary equipment); 2) perform one annual compliance visit to each branded apiary to ensure apiaries and apiary equipment are being handled by the lawful owners; 3) submit monthly activity reports and an annual accomplishment report to CDFA; and, 4) participate in developing antitheft training for beekeepers and county staff.
>
> ***Funding for CDFA to Perform Statewide Functions ($353,000).*** The proposal would provide $353,000 and two CDFA staff to act as statewide experts to provide outreach and education to counties and stakeholders regarding best management practices, as well as pesticides and the safe movement of colonies. CDFA staff would coordinate with counties, landowners, and stakeholders to identify and track safe locations from pesticides when hives must be temporarily relocated. The staff would also produce information that would allow registered and qualified beekeepers to identify private and public lands where foraging and safety from pesticides can be found. Land owners and land managers, including public land managers, would register parcels as bee foraging/safe harbor sites for honey bees before and after crop bloom. This would help beekeepers to move their apiaries to places with adequate forage when they are informed that a pesticide application will occur nearby.

Background. ***Bees Perform a Critical Function.*** Many crops in California are dependent on the state's estimated 740,000 domestic bee colonies (excludes wild bees) for pollination. In addition to domestic colonies, beehives are transported from out-of-state into California in order to ensure there are enough bees to pollinate certain crops. For example, in order to pollinate over 900,000 acres of almonds grown in California every year (with a value of about $5 billion in 2016), about 650,000 beehives are temporarily transported into California. In addition to pollinating commercial crops such as almonds, bees pollinate ornamental plants, fruits, and vegetables grown at private residences and in public spaces such as parks.

Multiple Factors Affect Bees' Health. The overall health of bees is related to complex interactions among multiple factors including nutrition, pesticide applications, and disease. Honey bees need access to foraging habitat within a few miles of a hive in order to have a nutritious diet. The application of pesticides can seriously affect honey bee health and in some cases prove fatal to bees. Factors that determine the impact of pesticide applications on bees include the proximity of apiaries (a collection of hives) to the application of pesticides, the toxicity of the pesticide to bees, and the ability of beekeepers to move apiaries a safe distance away. Honey bee health can also be affected by pests (such as the Varroa mite), pathogens (such as American foulbrood, an incurable bacterial disease), and viruses. When shipments of bees arrive from out-of-state, they are typically inspected at CDFA-operated border inspection stations to try to prevent hives carrying pests, pathogens, and viruses from entering the state.

US EPA Recommends States Develop Pollinator Protection Plans. US EPA recommends that states develop managed pollinator protection plans (MP3) and adopt best management practices to protect bees from harmful pesticides. MP3 are intended to ensure that growers, pesticide applicators, beekeepers, and other agricultural stakeholders take a collaborative approach to ensuring the health of managed bees. As part of the FY 2016-17 budget, the Legislature approved a request by DPR for two positions and $308,000 ongoing to implement an MP3 in California. Under the proposal DPR was required to: 1) develop the MP3; 2) evaluate the effects of certain pesticides on bees in collaboration with the U.S. EPA; 3) organize onsite field events for growers and beekeepers; 4) disseminate brochures and educational materials; and, 5) investigate incidents where pesticides had damaged bees.

State and Counties Regulate Bees to Promote Health. State law establishes CDFA's authority to regulate bees in conjunction with DPR and CACs. Apiary owners or beekeepers are required by law to register the number of colonies and the location of each apiary with the CAC (or CDFA in the absence of a CAC). Regulations require any person intending to apply any pesticide labeled "toxic to bees" to a blossoming plant to ask the local CAC, or designee, whether there are registered beekeepers with colonies located within a one-mile radius of the application site. The CAC provides the pesticide applicator with the contact information of registered beekeepers who wish to be notified in the affected areas. The applicator must give these beekeepers 48 hours notification before the intended application. This notification period is intended to give beekeepers an opportunity to take action to protect their colonies, such as temporarily moving them.

Statute generally:

- ***Gives CACs Enforcement Authority.*** CACs have the authority to enforce laws relating to bees, assess penalties, inspect apiaries, and take specified actions when pests or disease are found.
- ***Requires Apiary Owners to Pay a Registration Fee.*** Apiary owners are required to: 1) pay an annual registration fee of $10 to the CAC of the county where the bees reside to cover the cost of apiary registration (CDFA has authority to periodically update this fee through regulation); and, 2) notify CACs when apiaries are moved from one county to another.
- ***Allows for Regional Coordination of Pesticide Application Notifications.*** State law allows the director of DPR to: 1) establish regions to facilitate the efficient notification of apiary owners of pesticide applications; 2) designate one of the CACs within the region as the regional coordinator; and, 3) establish fees on pesticide applicators and beekeepers to establish a program to notify beekeepers when pesticides will be applied. The director of DPR has established fees for the region including Butte, Glenn, and Tehama Counties. Pest control operators are required to pay an annual fee of $75 at the time they register with any of the CACs in the region. Beekeepers who have filed a request with CACs for notification of pesticide usage pay an annual fee ranging from $10 (for 1 to 100 beehives) to $100 (for over 2,000 hives).
- ***Regulates Importation of Bees.*** Statute also prohibits, with certain exceptions, the importation into California of any apiaries unless accompanied by a valid certificate signed by an authority in the state of origin testifying that the apiary is free from pests and disease. The certificate must be delivered to the CAC within 72 hours of the arrival of the bee shipment.

Local Regulation Primarily Relies on County General Fund. As previously reported to the Legislature, in FY 2016-17 all counties combined expended $1.1 million on apiary programs. Of these expenditures, over 90 percent was from the General Fund of counties, and less than 10 percent was from a combination of apiary registration fees and other charges CACs are authorized to charge for specified bee-related activities. According to CDFA, CACs do not have sufficient resources for enforcement, resulting in beekeeper compliance with the registration requirement that is often low. Based on survey data, the CAC for Tehama County indicated that 26 of the state's 58 counties have an active apiary program.

Recent Legislation to Improve Bee Foraging Opportunities. In addition to statute establishing CDFA's authority to regulate bees, AB 1259 (Levine), Chapter 380, Statutes of 2015, requires the Department of Fish and Wildlife to consider authorizing placing apiaries on department-managed wildlife areas for bee foraging opportunities. This is intended to provide beekeepers with more opportunities to move their apiaries to safe locations when pesticide applications are scheduled near the location of their hives.

LAO Assessment. ***Bee Safe Program Would Provide Benefits to Farmers and the Public.*** Because managed bees provide a public benefit, LAO finds it is reasonable that some state General Fund resources be used to support the state and local government activities that would be performed under the Bee Safe Program. While the program is targeted towards improving the regulation and health of managed bees that mainly pollinate farmers' crops, the general public would benefit from the proposal as well. Bees placed in locations to facilitate pollination of commercial crops also pollinate ornamental plants, fruits, and vegetables that grow at nearby private residences and public areas. For example, bees from an apiary located in an almond orchard bordering an urban area may pollinate ornamental plants at nearby parks, schools, and private residences.

General Fund Proposed for Some Functions That Could Be Funded Through Fees. The Administration proposes to use General Fund to contract with CACs to perform certain bee-related regulatory functions. However, there is already an established policy of funding certain bee-related regulatory functions through a fee mechanism. As described earlier in this analysis, CAC's have authority to charge $10 per apiary to cover the costs of CAC's apiary registration program, and DPR has imposed bee-related fees in one region.

According to CDFA staff, counties have indicated that the current $10 per apiary registration fee is insufficient to support apiary registration workload. In addition, under the current scheme, CACs are dependent on beekeepers coming to the CAC to register their hives, and the fee is insufficient to support the use of CAC staff to patrol the county looking for unregistered apiary sites. Moreover, this fee is not intended to support other bee-related activities, such as inspections and training.

Options Exist to Increase Fee Revenue, but Difficult to Determine Appropriate Fee Levels. The Legislature has options to generate additional fee revenue to more fully support apiary registration and enforcement workload, as well as expanding CAC activities as proposed by the Governor. This includes increasing and expanding the use of the existing apiary registration fee. Alternatively, the existing $10 per apiary registration fee could be shifted to a per hive fee. Apiaries generally consist of from one to a few dozen hives. By charging on a per-hive basis, the registration fees would reflect the benefit to beekeepers based upon the number of bee hives they manage. There is precedent in state law for charging a fee on a per-hive basis. In 1987, the Legislature established an annual assessment fee of $0.03 per bee colony for the purpose of research on Africanized bees. (This fee sunset on July 1, 1992.) A third option would be to establish a fee on imported hives, which are also subject to inspection and oversight by CACs.

One challenge, however, to modifying the current fee structure is that there is insufficient data to determine the appropriate fee levels that would have to be assessed in order to fully implement a more robust program envisioned by the Administration. It is currently unknown: 1) how many registered and unregistered apiaries are operated in the state; and, 2) the extent and costs of current CAC registration and enforcement activities. LAO notes that costs for apiary programs could vary widely based on the amount and types of agricultural production in a county and the need for managed bee pollination.

LAO Recommendations. ***Approve One-Year Funding for Bee Safe Program.*** LAO recommends the Legislature approve one year of funding to establish the Bee Safe Program in order to better ensure the health of California's bee population. The Bee Safe program would help CACs address a number of threats to the state's bee population including die-offs from contact with pesticides that are toxic to bees and early identification of pests and diseases that can affect bees. Representatives for the CACs have indicated that counties need additional training for their inspectors and access to state-level expertise to address an increasing number of bee-related issues. The Bee Safe Program would help to address these issues.

Consider Expanding Fee-Based Funding Options. LAO recommends the Legislature consider its options regarding how to fund the Bee Safe Program before approving ongoing General Fund support as proposed by the Governor. On the one hand, LAO believes it is appropriate to fund the program with General Fund given its broad benefit to the public. On the other hand, it is also appropriate to fund the program using fee revenues from regulated beekeepers, who would be the program's main beneficiaries. Fee-based funding could be accomplished by establishing a new fee on beekeepers or expanding the scope of the existing apiary registration fee. Ultimately, it is a policy decision for the Legislature whether to fund the Bee Safe Program with: 1) General fund as proposed by the administration; 2) a mix of General Fund and fees on beekeepers; or, 3) entirely through fees on beekeepers.

Adopt Reporting Requirement to Inform Future Funding Decisions. LAO recommends the Legislature adopt budget bill language requiring CDFA to provide a report to the Legislature by January 10, 2019 on the following: 1) annual revenues collected by counties under the current apiary registration fee; 2) county costs to administer the apiary registration program; and, 3) options to align fee revenues with county costs and responsibilities. This analysis should further look at costs and responsibilities associated with domestic and imported hives. This report would provide the Legislature with key information needed to decide the extent to which the Bee Safe Program could be funded with fee revenues in lieu of General Fund.

Staff recommendation. Approve funding for CDFA as follows: ongoing funding of $353,000 General Fund and two positions to perform statewide functions; $1.5 million one-year General Fund for local enforcement; and adopt budget bill language requiring CDFA to provide a report to the Legislature by January 10, 2019 per LAO's recommendation regarding future funding.

Issue 49 – Blythe Border Protection Station Replacement

Governor's Proposal. The Governor's budget proposes $9.348 General Fund for the acquisition of land to replace the Blythe Border Protection Station (BPS) in Riverside County, which currently has inadequate capacity to meet increased traffic flows. The new station will be located west of the current location and will include: two office buildings with restrooms (one building for autos and one for trucks); separate, ventilated canopied areas for autos and trucks; and will have a total of eight inspection booths with air conditioning, facility lighting; and emergency generator (30KW); Department of Transportation approved signs, and frangible cartridge type safety barriers (seven each). The existing BPS would be demolished and the roadway patched and re-striped. The new BPS will be approximately 19,000 square feet. The estimated total project cost is $60.3 million.

Background. ***General.*** CDFA maintains a system of 16 BPSs on the major roadways from Oregon, Nevada, and Arizona into California to prevent invasive species from entering the state. Invasive species are economically and environmentally devastating to California agriculture and natural habitats. Approximately 95 percent of all invasive species that have become established in California have been introduced as hitchhikers on materials brought by people.

Blythe BPS. The Blythe BPS is a critical infrastructure deficiency for the state. Constructed on Interstate 10 in 1961, vehicle traffic at the BPS has since increased and now exceeds capacity the BPS was designed to accommodate. Two routes now exist making it possible to bypass the BPS, enabling vehicles to avoid agricultural inspection. In addition, the current facility cannot handle the large volume of truck traffic, creating a public safety hazard – When long queues develop, the line of sight approaching the station is limited and vehicles can be back up on the bridge crossing the California/Arizona state line approximately ¼ mile from the Blythe BPS.

In its first full year of operation, 1962, total traffic was measured at 747,250 vehicles. Traffic measured 5,383,750 in 2015 – nine times the volume the station was designed to accommodate. With this level of traffic, thorough inspections inevitably result in traffic back up and there is not enough room to park commercial vehicles. In addition, the 500 square foot office building is too small to accommodate a crew of 24 and the equipment and storage necessary to perform regulatory duties.

Staff recommendation. Approve as budgeted.

Issue 50 – Citrus Pest and Disease Prevention Program

Governor's Proposal. The Governor's budget proposes $2.5 million General Fund and $2.5 million Department of Food and Agriculture Fund authority in FY 2018-19 and ongoing to enhance Asian Citrus Psyllid (ACP) and Huanglongbing (HLB) suppression activities in newly detected areas and to augment quarantine regulation enforcement activities in existing and newly detected areas.

Background. ***California Partners With Federal and Local Agencies on Pest Prevention.*** State law requires CDFA to prevent the introduction and spread of injurious insects or animal pests, plant diseases, and noxious weeds. CDFA works in partnership with many government and private organizations to implement the state's pest prevention system because invasive species concerns cut across many different jurisdictions. For example, USDA focuses its pest prevention efforts on pests of nationwide concern and preventing pests from entering from foreign countries. CDFA's Plant Health and Pest Prevention Services and CACs focus on state and local pest prevention efforts. Agricultural industry groups primarily focus on pests of concern to a specific commodity group. For example, in recent years the citrus industry has provided funding for the state's efforts to detect and eradicate Asian Citrus Psyllid (ACP), an insect that is the vector for Huanglongbing (HLB), a disease fatal to citrus trees.

The Plant Health and Pest Prevention Services division investigates the existence of pests, determines the probability of its spread, and determines the feasibility of its control or eradication. The division may establish, maintain, and enforce quarantines; eradication efforts; and other measures to protect the agricultural industry and other plants from the introduction and spread of exotic pests.

Citrus Is a Major Crop in California. According to CDFA, in 2015, California accounted for over 40 percent of the U.S. citrus production. In that year, the total value of California's oranges, grapefruit, lemons, and mandarins was estimated at $1.7 billion. About 90 percent of California's citrus industry is located in five counties (Fresno, Kern, Tulare, Ventura, and Riverside). In addition to commercial citrus crops, CDFA estimates over 50 percent of residential properties have at least one citrus tree.

HLB Is Fatal for Citrus Trees. ACP is a non-native insect pest that serves as the vector for HLB. When the ACP feeds, it injects a toxin that causes citrus tree leaves to twist and die. More importantly, ACP is the vector of the bacterium that causes HLB, an incurable disease that eventually causes trees to die. Infected trees must be removed and destroyed to ensure they do not serve as a reservoir for the bacteria. The first HLB-infected tree in California was confirmed in Hacienda Heights in 2012. HLB can have a significant effect on citrus production. According to a study by the University of Florida, from 2006-07 through 2013-14 the state's orange production declined by an estimated 24 percent due to HLB. The economic impacts of HLB in Florida over the eight-year period were estimated to be losses of $7.8 billion in cumulative industry output, or an annual average loss of $975 million.

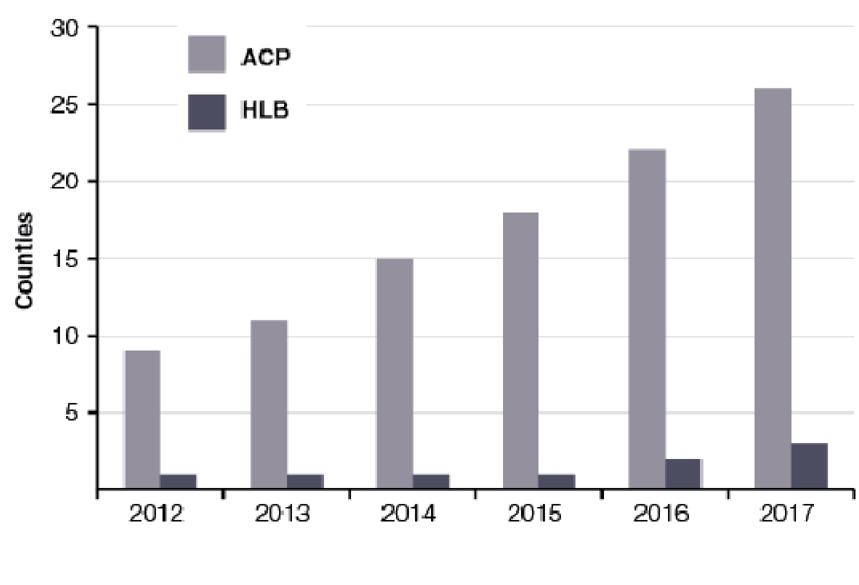
State Performs Suppression and Enforcement Activities. Upon detection of ACP or HLB in a new area, quarantine boundaries are created by CDFA. Hold notices are then placed on all businesses or properties where citrus nursery stock, host plants, or citrus fruit is grown, processed, or stored. After an emergency quarantine becomes effective, agreements are signed with these entities to allow the movement of fruit and nursery trees within and out of the quarantine area under specific conditions, such as passing an inspection. Ongoing enforcement and oversight visits occur (no less than monthly) to ensure the entities are adhering to the compliance agreement conditions.

Industry Funds Suppression Activities. The industry provides funding for ACP and HLB suppression activities through a self-assessment of up to $0.12 per carton (equivalent to 40 pounds of citrus fruit). Funds raised through the industry self-assessment—over $20 million annually in recent years—are deposited into the Citrus Disease Management Account in the Food and Agriculture Fund. Industry also provides about $500,000 per year to reimburse CDFA for citrus grove surveys that involve trapping insects and analyzing the results of trapping efforts. In addition, the state and federal governments have provided funding for these purposes in prior years. In FY 2017-18, the state is estimated to spend a total of $49.1 million on suppression activities. This amount includes $10 million in one-time General Fund support and $24.2 million from the Food and Agriculture Fund (including industry contributions).

LAO Assessment. ***ACP and HLB Spreading.*** Data indicates that the area affected by ACP and HLB has increased substantially in California in recent years. Figure 1 shows that from 2012 through 2017 the number of counties where ACP has been detected increased from 9 to 26, or by 188 percent, and the number of counties with an HLB infected tree grew from one to three. Over this period, the number of square miles under quarantine for ACP more than doubled from 25,813 to 63,647. Similarly, between 2014 and 2017 the number of square miles under quarantine for HLB increased more than six-fold, from 92 to 617, and the number of trees identified as infected with HLB grew from 1 to 302.

Figure 1

Counties Affected by ACP and HLB



ACP = Asian Citrus Psyllid and HLB = Huanglongbing.

Funding for Suppression of ACP and HLB Would Decrease. Figure 2 summarizes annual funding for ACP and HLB suppression from FY 2012-13 through FY 2018-19 (as proposed by the Governor). As illustrated in the figure, funding would decrease by $10.5 million (or 21 percent) from FY 2017-18 to FY 2018-19. The bulk of this decrease is due to a $7.5 million year-over-year reduction in General Fund support because the current-year budget includes a one-time $10 million appropriation. In addition, spending from the Food and Agriculture Fund is projected to decline by about $4 million, which mainly reflects one-time funding available in FY 2017-18 that carried over from the prior year, partly offset by an increase in state contributions of $2.5 million. Given the proposed decrease in total spending, it is unclear the degree to which the department will be able to address the continuing spread of ACP and HLB.

Figure 2

Spending on Suppression of Asian Citrus Psyllid and Huanglongbing

Program Budget	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19[a]
Authorized Expenditures (In Millions)							
General Fund	—	$1.0	—	—	—	$10.0	$2.5
Reimbursements	$0.2	0.5	$0.4	$0.5	$0.4	0.5	0.5
Food and Agriculture Fund	15.7	8.9	16.2	16.1	21.3	24.2	20.2[b]
Federal Fund	17.6	8.1	8.2	13.3	11.6	14.4	15.5
Totals	**$33.5**	**$18.5**	**$24.8**	**$29.9**	**$33.3**	**$49.1**	**$38.6**

[a]*May not total due to rounding*

[b]*Includes $2.5 million in funding proposed by the administration.*

LAO Recommendations. ***Approve Governor's Proposal.*** At a minimum, LAO recommends the Legislature approve the Governor's request for funding to suppress ACP and HLB. Given the recent increases in the square miles under quarantine for both ACP and HLB, the growing number of trees infected with HLB over the past few years, and the threat ACP and HLB post to the state's citrus industry, LAO believes the request is reasonable.

Require CDFA Report at Budget Hearings on Need for Additional Resources. LAO recommends the Legislature require CDFA to report at budget hearings on whether the proposed resources are sufficient to address the threat posed by ACP and HLB to the state's citrus crops. Specifically, the department should report on: 1) whether the measures it is currently implementing are sufficient to suppress ACP and HLB; 2) whether there are additional measures that the state should implement to suppress ACP and HLB; and 3) what would be the costs of implementing any such measures. This information would help the Legislature to assess all of the available options for improving suppression of ACP and HLB, and the costs associated with implementing these options.

Staff Recommendation. Hold open.

Issue 51 – Use of Antimicrobial Drugs on Livestock (SB 27)

Governor's Proposal. The Governor's budget proposes $2.668 million ($121,000 one-time) General Fund and 11 positions in FY 2018-19 and ongoing for the Animal Health and Food Safety Services and Inspection Services Divisions to fully implement SB 27 (Hill), Chapter 758, Statutes of 2015.

Background. ***SB 27 (Hill).*** SB 27 prohibits the use of medically important antimicrobial drugs (MIAMs) for the treatment of livestock animals, except pursuant to a prescription of feed directive from a licensed veterinarian and when, in the professional judgment of a licensed veterinarian, the MIAMs are necessary: 1) to treat a disease or infection; 2) to control the spread of disease or infection; or, 3) in relation to surgery or a medical procedure. SB 27 also requires CDFA, in coordination with federal programs and agencies, to develop a program to track antimicrobial drug use in livestock and the emergence of antimicrobial-resistant bacteria; and requires CDFA to develop antimicrobial stewardship guidelines and best management practices on the proper use of these drugs.

Funding History. Funding has been phased in over three years as new parts of the law come into effect and gaps are better identified through the implementation process. Initial start-up funding was provided in the 2016 Budget Act, which included $1.4 General Fund and eight positions in FY 2016-17 and ongoing – This established the Antimicrobial use and Stewardship Services Program. The 2017 Budget Act included the second phase of funding, for $2.046 General Fund and 8.5 positions in FY 2017-18 and ongoing, to increase outreach and data gathering capacity, prepare to enforce antimicrobial use restrictions, fund initial studies to better understand farm practices and resistance patterns and initiate stewardship and best practices development.

This proposal is intended to address the full implementation of SB 27 related to the January 1, 2018 effective date and is based on information gained during the first two phases of implementation of this new program. CDFA's original requests were underestimated and based on many unknowns. With the initial efforts and observations made by staff, it was found that additional funding was needed for the gaps in CDFA's ability to adequately implement the mandates set forth in SB 27. This proposal includes additional support staff and field staff to reach adequate numbers of producers and veterinarians and funding to address the gaps in inspection services regulatory enforcement areas and the complexity and cost of monitoring and surveillance studies.

Staff Comments. A coalition of various agricultural organizations submitted a letter of support for this proposal. The coalition indicates that they worked closely with the author of the legislation during its consideration and SB 27 was crafted to ensure a balance between the judicious use of antibiotics without placing unnecessary burdens on veterinarians that could lead to animals being denied proper care. The coalition believes that the resources requested in this BCP are necessary to ensure proper implementation of the monitoring, stewardship, and oversight roles of CDFA.

Opposition concerns. A coalition of opposition has raised concerns regarding CDFA's implementation of SB 27, stating that CDFA has not issued clear guidance or regulations on preventative (prophylactic) use of antibiotics or taken steps to collect representative antibiotics sales and use data. Opposition states that CDFA has failed to delineate prohibited uses of antibiotics and to ensure that the prohibition is understood and applied to achieve the laws objectives. More specifically, concern has been raised that by CDFA proposing to let veterinarians determine for themselves whether antibiotic use is "regular," without any additional guidance, that this will likely lead to wide divergence in practices, with the potential for practitioners using antibiotics in ways the law prohibits and contrary to the Legislature's intent. In addition, opposition states that CDFA has failed to collect any data on antibiotic sales and usage in California, contrary to SB 27's mandate to monitor this information, which is essential to implement the law and identify better stewardship practices.

In response, CDFA states, "CDFA and the members of our Antimicrobial Use and Stewardship (AUS) advisory committee have been working together over the phases of implementation…This process has included extensive input from all stakeholders and diverse experts in the field…CDFA has performed extensive outreach to educate and engage the public through a variety of forums including website, publications, presentations, and in-person visits…CDFA believes antimicrobial stewardship must be a coordinated effort that combines promoting [Best Management Practices] to minimize the occurrence of disease and decrease the overuse of antibiotics. The required stewardship and BMPs did not previously exist as described in the law therefore CDFA has been working to develop the framework that will inform future use of antibiotics."

Staff Recommendation. Hold open.

3480 Department of Conservation (DOC)

Overview

DOC is charged with the development and management of the state's land, energy, and mineral resources. The department manages programs in the areas of:

1) Geology, seismology, and mineral resources;
2) Oil, gas, and geothermal resources; and
3) Agricultural and open-space land.

The Governor's budget proposes $126 million for DOC in FY 2018-19, a decrease of about $16 million (11 percent) from estimated expenditures in the current year. The year-over-year decrease is mainly explained by a reduction in GGRF spending of $15.8 million.

Issue 52 – Deserted Well/Facility Plugging and Remediation Program

Governor's Proposal. The Governor's budget proposes $1.65 million in FY 2018-19, $1.6 million annually from FY 2019-20 until FY 2021-22, and $598,000 FY 2022-23 and ongoing from the Oil, Gas, and Geothermal Administrative Fund to develop and implement a Deserted Well/Facility Plugging and Remediation Program and to carry out additional deserted well and production facility work required in SB 724 (Lara), Chapter 652, Statutes of 2017.

Background. ***General Background.*** Since 1976, the Legislature has tasked DOGGR with remediating deserted oil and gas wells to "mitigate, minimize, or eliminate their danger to life, health, and natural resources" (Public Resources Code §3520).

Current estimates suggest that approximately 29,000 idle wells exist in the state. (For context, there are about 90,000 active or idle oil and gas wells in the state.) As much as one-third of these wells have been idle for more than 15 years and some will be deserted by insolvent operators in the future, adding to the estimated total of more than 1,500 deserted wells, including buried-idle wells, existing in California. As these wells deteriorate with age, they may become hazardous and lead to contamination of groundwater, methane or hydrogen sulfide emissions, oil or contaminated fluid leaks, and, in some instances, may present a fire hazard.

According to DOGGR, plugging and abandonment costs on deserted wells are highly variable and can be difficult to predict. Costs per well can range from as low as $10,000 to $1 million when all associated costs are included. The average cost to properly plug and abandon a deserted well has increased from approximately $35,000 per well to $55,000 in just the last three years.

SB 724 (Lara). SB 724 substantially revised the Division of Oil, Gas, and Geothermal Resources' (DOGGR) processes for addressing hazardous and deserted wells and facilities, and temporarily increased the annual cap on expenditures for plugging and abandoning wells such as these from $1 million to $3 million annually through FY 2021-22. SB 724 also clarified that DOGGR may decommission the production facilities associated with a hazardous well, or deem a specific portion of the production facility itself hazardous, even if the well is properly plugged and abandoned. This enables DOGGR to order the removal of equipment such as tanks, flowlines, and injection equipment. In addition, SB 274 required DOGGR to establish criteria for prioritizing deserted wells and facilities for remediation.

Deserted Well/Facility Plugging and Remediation Program. This proposal initiates a comprehensive Deserted Well/Facility Plugging and Remediation Program. DOC's anticipates the outcome of creating this program, and the metrics that may be used, include, but are not limited to:

- Consistency – Reports, methods, and forms utilized by staff in each district will be standardized.
- Improved efficiency – Increase the number of wells/facilities plugged and/or remediated by DOGGR each year and a reduction in response time between headquarters and district offices.
- Reduction in the threats to natural resources – Increase the number of remediation and threats to the environment.
- Improved contract work – More coordination to increase the use of contract dollars to get the biggest "bang for the buck."

Staff Recommendation. Approve as budgeted.

Issue 53 – Enforcement Program

Governor's Proposal. The Governor's budget proposes $1.2 million ongoing from the Oil, Gas, and Geothermal Administrative Fund and six permanent positions to develop the new Centralized Statewide Enforcement Program.

Background. ***Division of Oil, Gas, and Geothermal Resources (DOGGR).*** California is one of the largest oil producers in the nation. DOGGR regulates these oil extraction operations and administers laws for the conservation of petroleum and geothermal resources. One of the DOGGR's missions is to prevent damage to life, health, property, and natural resources by ensuring that wells are properly drilled, operated for production and injection purposes, repaired, and plugged and abandoned. DOGGR is also mandated to collect production and injection data, well histories and summaries, and all surveys and logs run on wells.

Enforcement Actions Lack Consistency. There are over 55,000 active production and injections wells and approximately 29,000 idle production and injection wells in the state. The operation of these wells could pose financial risk and cause harm to life, health, property, and natural resources if not operated properly.

DOGGR issues Notice of Violations (NOVs) to operators that are non-compliant with state law. Field inspectors or engineers typically issue these notices, which have occurred to varying degrees of consistency and standard across the district offices. Furthermore, although statutes have established the criteria and maximum civil penalty amounts, DOGGR has yet to develop a comprehensive methodology to determine consistent and appropriate civil penalty amounts for individual cases.

Enforcement Actions Ineffective at Enforcing Compliance. DOGGR issues NOVs to operators that are non-compliant with state law. Continued non-compliance by those operator triggers DOGGR to issue an Order to Comply. In many cases, these operators continue to be non-compliant and DOGGR lacks the resources and expertise to force compliance.

In 2010, DOGGR requested an independent US EPA audit, and in 2011 that audit identified shortcomings in the Underground Injection Control Program. These findings prompted DOGGR to develop a Renewal Plan to conduct regulatory overhaul, new regulations, modernizing data management, and ensuring a high-quality workforce.

To implement the Renewal Plan and to enforce compliance with state law, DOGGR proposes a centralized enforcement program to initiate, track, and follow-up on enforcement actions to ensure compliance and statewide consistency.

Staff Recommendation. Approve as budgeted.

Issue 54 – Mineral Resource Classification

Governor's Proposal. The Governor's budget proposes $509,000 in FY 2018-19, $951,000 in FY 2019-20 and ongoing from the Mine Reclamation Account, and four positions (two in FY 2018-19 and two in FY 2019-20) for increased mineral and land classification activities.

Background. ***Surface Mining and Reclamation Act of 1975 (SMARA).*** SMARA addresses the need for a continuing supply of mineral resources, and to prevent or minimize the negative impacts of surface mining to public health, property, and the environment. The process of reclamation includes maintaining water and air quality, minimizing flooding, erosion and damage to wildlife and aquatic habitats caused by surface mining. SMARA applies to anyone engaged in surface mining operations in California that disturb more than one acre or remove more than 1,000 cubic yards of material. Examples include prospecting and exploratory activities, dredging and quarrying, streambed skimming, borrow pitting, and the stockpiling of mined materials.

SMARA requires that the State Geologist to classify mineral resource deposits throughout the state (Public Resources Code §2761) so as to provide both the Legislature and local land-use permitting agencies information on the amounts and quantities of regionally available mineral resources. To date, the State Geologist has classified approximately 43 million acres of non-fuel mineral lands including approximately 29 million acres for construction-grade aggregate, which must be continuously reviewed and updated.

Classifying Mineral Resource Deposits. The Mineral Land Classification Project (MLCP), within the Mineral Resources Program, collects and disseminates information about the state's mineral resources including their location, estimated economic value, and annual production amounts. The objective of the mineral land classification is to ensure that mineral materials will be available when needed for community development and do not become inaccessible as a result of inadequate information during the land-use decision-making process. Mineral resource maps and reports generated by MLCP are provided to local lead agencies for use in their long-range land-use planning to protect access to mineral resources in the future.

During the past four decades, the classification has covered approximately 40 percent of the State's lands for significant mineral resources, including about 28 percent of the state for construction-grade aggregate resources that impact about 80 percent of the State's population.

Classification studies are updated approximately every 10 years to provide the most current information to land use planners and decision makers. However, some previously classified regions have not been updated for over 20 years due to reduced funding and staffing levels since the early 2000s.

Staff Comments. Although California Geologic Survey has taken it upon itself to post much, if not all, of this type of classification information on its website, the public display of this information on its website is not statutorily required. Public Resources Code §2761 et seq. are the operative statutes for mineral classifications and designations but do not reflect any requirements to post this information via the internet. In order to ensure that this information remains available electronically, the Legislature may wish to consider requiring in statute that mineral land classification and designation be posted via the internet.

Furthermore, to improve transparency and for the purposes of SMARA to prevent or minimize the negative impacts of surface mining to public health, property, and the environment, it would be prudent to provide surface mining information online, including, but not limited to, approved reclamation plans and amendments, comprehensive inspection and enforcement actions (e.g. notices of violations or penalties issued), and financial assurance cost estimates and mechanisms, utilizing the Surface Mining and Reclamation Account (Fund #0035).

Amendments to the Public Resources Code to provide information online would help to ensure greater transparency and public access. There is value to members and the public to be able to access information online as opposed to having to make a request to the department.

Staff Recommendation. Approve the Governor's proposal as budgeted. In addition, staff recommends that the subcommittee adopt placeholder trailer bill language to require the department to post information on its website as noted in staff comments.

Issue 55 – Regulatory Field Inspection

Governor's Proposal. The Governor's budget proposes $4.252 million in FY 2018-19, $3.664 million in FY 2019-20 and ongoing from the Oil, Gas, and Geothermal Administrative Fund and 21 positions to increase inspections and enforcement, assess and mitigate the risk of urban encroachment on oil and gas fields, and work with local agencies to assist with the protection of water resources.

Background. ***Increasing Number of "Critical" Wells***. There are over 55,000 active production and injections wells and approximately 29,000 idle production and injection wells in California. If a well is within a certain distance from a building intended for human occupancy, the well is deemed "critical." Many wells that were not deemed critical when they were drilled are now being considered critical due to urban encroachment. For example, Los Angeles, was sparsely populated when oil was first discovered in the region in the mid-19th century. Today, it is the second most populous city in the nation. Los Angeles also has 50 percent of the state's critical wells, the most urbanized oil and gas province in the world, with drilling and production activities within feet of residential and commercial structures, schools, streets, parks, and airports.

While urbanization of oil properties is less in the Inland and Coastal Districts, new developments are increasingly on the periphery or within active and abandoned oil producing properties. These two districts combined have 41 percent of the Critical Wells in the State.

District	Well Count	% Critical	# Critical	% Of Critical Wells in CA
Southern	32,751	82%	26,856	50%
Inland	94,788	16%	15,166	28%
Coastal	25,069	28%	7,019	13%
Northern	10,979	43%	4,721	9%

Inadequate Field Inspections. Currently law requires DOGGR to conduct field inspections, including random periodic spot check inspections, to ensure oil and gas production facilities are compliant with regulations. Typical regulatory field duties include witnessing plugging and abandonment operations, cementing, environmental lease inspections, pipeline and tank tests, blowout prevention equipment tests, mechanical integrity tests, and underground injection control tests.

Currently, DOGGR is unable to inspect 100 percent of operations mandated by statute, regulation and/or agreements with other agencies. The current level of field staffing only allow for inspections to take place in the Inland and Southern Districts at the rate of 30 percent of oil and gas leases, and 15 percent of wells annually. Inspecting pipeline and tank integrity testing occurs even less frequently and generally relegated to testing after pipelines and tanks have ruptured or leaked. Because of lack of resources, some wells, pipelines, and tanks have not been inspected in years.

Further, DOGGR does not regularly track the number of inspections it conducted in 2016 and 2017 that were performed on critical wells

DOGGR Field Inspection Workload Can Vary Due To a Number of Factors. The amount of annual inspection workload is somewhat uncertain from year to year. There are a number of factors that can affect DOGGR's field inspection workload. These factors include:

- *Market Forces That Impact Amount of Oil and Natural Gas Production.* The amount of oil and natural gas produced in California varies from year to year depending on market factors. Generally, significant production slowdowns in California's oil and natural gas industry result in a decrease in enforcement-related workload for the division.

- *Travel Time to Field.* In the Inland and Coastal districts, the amount of time it takes to witness oil and natural gas operations and testing varies depending on the distance the inspector has to travel to get to the field. In the Southern district, travel time may vary due to traffic congestion in the Los Angeles metro area. As a result, the amount of time it takes for an inspector to witness an operation can vary significantly from observation to observation. Due to the factors described above, it is difficult to determine the precise number of field inspectors necessary to ensure that the division complies with its mandate to observe all shall-witness operations and has the capacity to observe may-witness operations deemed critical.

LAO Comments. ***Approve Three-Year Funding.*** LAO recommends the Legislature approve the Governor's proposal on a three-year, limited-term basis, rather than on an ongoing basis. In the LAO's view, the amount of annual inspection workload is uncertain because: 1) the department has not tracked the number of unobserved critical may-witness operations and testing activities, and, 2) variability in workload due to market conditions and other factors. By approving funding for the positions for three years, the department would need to report back to the Legislature on its progress towards improving its oversight of oil and natural gas field operations if it requests ongoing resources in the future.

Require Annual Reporting on Completion of Mandated Oversight Activities. LAO recommends the Legislature enact budget trailer legislation to require the department to annually report the following information statewide by district: 1) number of shall-witness and may-witness operations performed; 2) number of shall-witness and may-witness operations observed by DOGGR; 3) number of critical may-witness operations performed; and, 4) number of critical may-witness operations observed. This information would help the Legislature to monitor the division's progress towards complying with mandated inspection requirements. The department could fulfill this reporting requirement by posting the information to their website or preparing a written report for the Legislature. The information would also help inform the Legislature's decision about the level of permanent resources needed for the division to perform inspection and enforcement activities.

Staff Recommendation. Approve funding for three years and adopt placeholder TBL to require annual reporting on completion of mandated oversight activities as proposed by LAO.

Issue 56 – Well Statewide Tracking and Reporting (WellSTAR)

Governor's Proposal. The Governor's budget proposes $15.012 million in FY 2018-19, $5.545 in FY 2019-20, $2.540 million in FY 2020-21, and $1.327 ongoing from the Oil, Gas, and Geothermal Administrative Fund to continue the development and implementation of Well Statewide Tracking and Reporting (WellSTAR), a centralized database system to help run operations and meet the requirements of recent legislation.

Background. ***Various Enacted Legislation Imposes Reporting Requirements on 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, including:

- *SB 4 Requires Data Collection on Oil and Gas Wells.* SB 4 (Pavley), Chapter 313, Statutes of 2013, provided 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.

- *SB 1281 Requires 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.

- *SB 855 Requires 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 Imperils 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 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, Including Ongoing Funding, for WellSTAR. The Legislature approved 10 million in FY 2015-16, $10 million in FY 2016-17, $21 million in FY 2017-18, $15 million in FY 2018-19, $5.5 million in FY 2019-20, $2.5 million in FY 2020-21, and $1.3 million ongoing for the development and operation 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.

LAO Comments. ***Approve Only Budget-Year Funding***. LAO recommends that the Legislature only approve the request for $15 million in FY 2018-19 to fund the next year of WellSTAR design, development, and implementation. By taking this year-by-year approach to funding, the Legislature would ensure that the administration would have to return with an additional funding request annually as part of the Governor's budget proposal until the project has reached the maintenance and operations stage in FY 2020-21. This would trigger a review of WellSTAR's development and implementation as part of the annual state budget process, thereby ensuring an opportunity for the Legislature to exercise further oversight of the project.

Staff Recommendation. Approve the requested amount for FY 2018-19.

Senate Budget and Fiscal Review—Senator Holly J. Mitchell, Chair

SUBCOMMITTEE NO. 2 Agenda

Senator Bob Wieckowski, Chair
Senator Mike McGuire
Senator Jim Nielsen
Senator Henry I. Stern

Thursday, April 26, 2018
9:30 a.m. or upon adjournment of session
State Capitol - Room 112

Consultant: Joanne Roy

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PUBLIC COMMENT

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

3560 State Lands Commission (SLC)

1) **Bolsa Chica Lowlands Restoration Project.** The Governor's budget proposes $2 million from the Environmental License Plate Fund (ELPF) for FY 2018-19 and FY 2019-20 to continue operations and management responsibilities for the Bolsa Chica Lowlands Restoration Project in Orange County.

   Operations and management costs average $1.5–2 million annually, including required dredging, on-site staff, repairs, and other operational costs. The project does not have a dedicated funding source and without additional funding, the account balance will be depleted before the end of FY 2018-19.

   ***Background*.** The Bolsa Chica Lowlands is the largest coastal wetland restoration project in the history of southern California, with a total investment of over $150 million dollars. SLC has been searching for alternative funding sources for several years without success. This proposal would provide continued operational funding and funding to initiate a study of alternatives and recommendations to reduce the long-term operational costs of the wetlands.

   If funds are exhausted, management operations would cease, and the tidal inlet will close. That could cause catastrophic negative impacts to the wetland system and endangered species habitat, resulting in a significant loss to coastal wetlands; as well as cause flooding in the adjacent residential areas and oil fields. Additionally, if the inlet closes, the wetlands cannot drain and the basin water levels will rise. This would expose the state to significant liability for potential damages to adjacent residential areas from groundwater intrusion, and to the oil field operator that shares the wetland site for lost production or oil spill cleanup costs caused by flooding.

2) **Records Digitalization.** The Governor's budget proposes $340,000 from ELPF from FY 2018-19 and FY 2019-20 for records digitalization and long-term digital records preservation. SLC maintains a rich repository of California's sovereign and land trust records. These records define the state's historical boundaries and are the basis for California's ownership in lands granted to California when it became a state in 1850. This proposal seeks to digitize and preserve two of SLC's most high risk, high value, and high use historical records sets, which include swamp and overflowed location files and maps.

3) **Selby Slag Site Remediation.** The Governor's budget proposes $3.045 million to fund the state's obligation to pay a proportionate share of certain ongoing hazardous waste remediation costs in Selby, California. SLC's share of these costs, pursuant to a 1989 Consent Judgment, is 38 percent. The activities identified for FY 2018-19 funding according to the Project Budget Forecast are estimated to cost $7.883 million. SLC's portion is $2.995 million. In addition to the cost of the activities shown on the Project Budget Forecast, SLC must contribute an estimated $50,000 to the Department of Toxic Substances Control (DTSC) for its share of DTSC's staff oversight costs, which include direct and indirect labor costs attributable to the remediation effort and overseeing development of the environmental impact report. This request is consistent with the Governor's budget policy for new projects because it is critical to the health and safety of the public and the environment and is a court-ordered project.

4) **Spatially Indexed Records Management System (SIRMS) Information Technology Project.** The Governor's budget proposes $2.039 million General Fund for FY 2018-19 to fund the first part of a three-phased effort to protect and preserve historic state sovereign land ownership records. It is anticipated there will be subsequent funding requests for future project activities along with ongoing maintenance and operations. SIRMS project is intended to provide geo-referenced, digital accessibility to these land ownership records and improve leasing and permitting workflow processes associated with them. The digitization and preservation of these historic, one-of-a-kind records, is ongoing and while not a part of this request, will provide the content that will be ingested into it. The project will assist staff in more efficiently issuing leases and permits, identifying jurisdictional ownership, improving workflows, and eventually allowing the public to access the historical records electronically.

   Background. SIRMS project is an Agency Information officer approved reportable project that is moving through the California Department of Technology Project Approval Lifecycle process. For FY 2016-17, SLC received $225,000 in one-time funding for planning work and Stage 2, Alternative Analysis, project approval in October 2017.

3720 California Coastal Commission

5) **Whale Tail License Plate Marketing.** The Governor's budget proposes $55,000 one-time ELPF to enhance marketing and increase revenue of the Whale Tail license plate.

6) **Increased Leasing Costs. (AFL)** An AFL requests $1.409 million baseline General Fund increase for increased leasing costs at its combined Headquarters and North Central Coast District office in located in San Francisco.

   Background. By statute, CCC's headquarters is required to be in a coastal county. The commission has been in its current location for 28 years and is seeking to renew its lease which expires October 31, 2018. The Department of General Services is continuing to negotiate with the lessor and search for other viable locations in the area. The lease agreement may not be finalized in time for the Budget Act; therefore, the provisional language is included that will ensure any savings are returned to the General Fund.

3820 San Francisco Bay Conservation and Development Commission (BCDC)

7) **Regulation Enforcement in the San Francisco Bay.** The Governor's budget proposes two positions and $211,000 Bay Fill Cleanup and Abatement Fund in FY 2018-19, and $421,000 ongoing beginning FY 2019-2020 to implement and support BCDC's new data-driven enforcement strategy which will create efficiencies in resolving permit violations and modernize BCDC's regulatory laws, policies, and regulations.

   Background. BCDC is responsible for managing the protection and use of the San Francisco Bay and its shoreline and the Suisun Marsh under the provisions of the McAteer-Petris Act, the polices of the *San Francisco Bay Plan*, the Suisun Marsh Preservation Act, the *Suisun Marsh*

Protection Plan, and the Suisun Marsh Local Protection Program. BCDC's authorization is required for nearly all development in and around the Bay (within 100 feet of high tide).

BCDC's enforcement unit is comprised of one Coastal Program Analyst III and two Coastal Program Analyst IIs. BCDC's legal team is comprised of two attorneys and one legal secretary. This three-person legal team supports the entire agency. The enforcement unit attempts to resolve dozens of enforcement cases every year, but faces a growing backlog of approximately 200 cases. The relatively large number of permit applications and enforcement cases exposes staffing inadequacies causing delays.

3790 Department of Parks and Recreation (Parks)

8) **Anza-Borrego Desert State Park: Inholding Acquisitions.** The Governor's budget proposes $1.656 million in Federal Trust Fund authority to acquire approximately 17,000 acres of private inholdings from the Anza-Borrego Foundation (Foundation). The Foundation, established at the request of the California State Parks Commission in 1967, has acquired more than 54,000 acres to be incorporated in to Anza-Borrego Desert State Park, and currently hold more than 17,000 acres ready for transfer to Parks. The total amount for these acquisitions is anticipated to be $4.817 million. Parks will spend $3.161 million in currently available Habitat Conservation Funds authorized for acquisitions in addition to this request to provide authority to spend $1.656 in federal money obtained through a Land and Water Conservation grant.

9) **Calaveras Big Trees State Park: Campsite Relocation.** The Governor's budget proposes $100,000 reimbursement authority for the working drawings phase to relocate five existing campsites to a new location within the park, which will include leach field replacement, as needed. The total estimated project cost is $2.028 million.

10) **Community Outreach and California History Interpretation Programs.** The Governor's budget proposes $519,000 in one-time funding for FY 2018-19 from the State Parks Protection Fund to continue efforts in establishing the Community Outreach and California History Interpretation pilot programs.

11) **El Capitan State Beach: New Lifeguard Headquarters.** The Governor's budget proposes reversion of the existing Capital Outlay appropriations (Fund 6051 – Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Fund) for this project. Upon completion of initial design and studies, it has been found the necessary potable water supply and waste water capacity do not meet the water and wastewater needs for this type of facility. The costs to upgrade these systems exceed available resources at this time causing Parks to terminate the existing project for the time being.

12) **Hungry Valley State Vehicular Recreation Area (SVRA): 4x4 Obstacle Course Improvements.** The Governor's budget proposes $42,000 for working drawings from the Off-Highway Vehicle (OHV) Trust Fund to upgrade and enhance an existing 4x4 obstacle course at Hungry Valley SVRA. Improvements to the facility are intended to broaden the relevance of Hungry Valley SVRA and provide a variety of experiences and challenges to meet the growing demand of the OHV community. The existing facility is aged and outdated, making it increasingly difficult to maintain with existing resources. An enhanced facility may encourage

OHV enthusiasts to use the designated obstacle course instead of searching for more challenging terrain, possibly off limits to OHV use, resulting in excessive resource damage.

Hungry Valley SVRA: 4x4 Obstacle Course Improvements project (AFL). An AFL requests reappropriation of the funds from the Off-Highway Vehicle Trust Fund for the preliminary plans phase so that all project expenses can be properly applied and to prevent further delays. The project is currently in preliminary plans with approval anticipated in the winter of FY 2018-19. Parks experienced administrative delays in contracts that impacted the start of design for this project.

13) **Increase in Reimbursement Authority – Harbors and Watercraft Revolving Fund.** The Governor's budget proposes a one-time augmentation of $400,000 to increase its support reimbursement authority to a total of $600,000 for the Harbors and Watercraft Revolving Fund in FY 2018-19. This increase is needed to cover a contract with the Department of Water Resources for Enhanced Control of Aquatic Weeds for the Delta Smelt Resiliency Strategy.

14) **Lake Del Valle State Recreational Area (SRA): Boat Ramp Replacement.** The Governor's budget proposes $132,000 from the Harbors and Watercraft Revolving Fund for working drawings to replace a boat ramp at the Lake Del Valle SRA. The existing boat ramp is over 40 years old and deteriorating to a condition where it poses a public safety risk. The surface is extremely slippery year-round, with an increased probability for visitors to easily slip and fall or have their vehicles and trailers slide out of control. To improve safety and convenience for users, this project would completely reconstruct the failing boat launching ramp at this location.

Lake del Valle SRA: Boat Ramp Replacement project (AFL). An AFL proposes reappropriation of funds from the Harbors and Watercraft Revolving Fund so that all project expenses can be properly applied and to prevent further delays to this project. The project is currently in preliminary plans with approval anticipated in the winter of FY 2018-19. Parks experienced administrative delays in contracts that impacted the start of design for this project.

15) **Lake Oroville SRA: Gold Flat Campground Upgrades.** The Governor's budget proposes $91,000 for working drawings from available Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Fund of 2006 (Proposition 84) bond funds to upgrade the aged and failing infrastructure in Gold Flat Campground. This project will replace the outdated electrical and water distribution systems, install data conduit for future use, and overlay campground roads and campsite spurs at this popular campground. As per the Americans with Disabilities Act, accessible campsites will be created, along with accessible paths of travel and accessibility upgrades to the existing combination building.

Lake Oroville SRA: Bidwell Canyon Gold Flat Campground project (AFL). An AFL requests reappropriation of the preliminary plans and working drawings phases so that all project expenses can be properly applied and to prevent further delays to this project. The project is currently in preliminary plans and approval is anticipated in June 2018.

16) **Los Angeles State Historic Park: Soil Remediation.** The Governor's budget proposes $3.470 million funding from available California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection (Proposition 40) bond funds for the preliminary plans, working drawings, and construction phases of this project. This project will perform remediation of the arsenic and lead contamination in the soil remaining after initial clean-up through the Phase I

Build-Out project completed in 2017. The remaining contaminated soil has been secluded and fenced off to the public in the northern portion of the site. Upon completion of this project, this area will be open to the public as an extension of the existing park, as originally planned.

17) **Malibu Creek State Park: New Stokes Creek Bridge.** The Governor's budget proposes a supplemental appropriation of $375,000 from available Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Fund of 2006 (Proposition 84) bond funds for the working drawings phase of this project. This continuing project will replace an existing, undersized arch culvert with a bridge to restore a secondary escape route for park visitors in the event of fire or other emergencies, reduce deferred maintenance costs and disruption to campers, and restore the creek to its natural configuration.

Additional funding is necessary due to unforeseen costs related to obtaining a coastal development permit required by the Santa Monica Mountains Local Coastal Program, in accordance with the California Coastal Act. The permit is required because the project is in an area categorized as a habitat with the highest biological significance, rarity, and sensitivity. Conditions of the permit will require additional oak tree and oak woodland mitigation and long-term monitoring that have increased total project costs. Parks is seeking grant funds to cover the construction phase of this project (not yet appropriated). The estimated total cost of this project is $4.556 million.

18) **McArthur-Burney Falls Memorial State Park: Group Camp Development.** The Governor's budget proposes a supplemental appropriation of $276,000 from available California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Fund (Proposition 40) bond funds for the working drawings phase to develop two adjoining group camps at McArthur-Burney Falls Memorial State Park as identified in the June 1997 General Plan. Development of the group camps is expected to increase the park's group camping capacity by a total of 100 campers.

This proposal is separate and in addition to the mitigation funds received from Pacific Gas & Electric (PG&E), an existing reimbursement appropriation for this project. Additional funds are necessary due to the change in project costs resulting from the need to redistribute workload within the department. Estimated total project cost in the Governor's January budget proposal was $1.206 million.

McArthur-Burney Falls Memorial State Park: Group Camp Development (AFL). An AFL requests to amend Item 3790-496 to revert the balance of the existing appropriations for working drawings ($23,000) and construction ($868,000) for this project.

The AFL also proposes that Item 3790-301-0392 be amended by increasing reimbursements by $891,000 ($23,000 for the working drawings and $868,000 for construction phases of this project), and that Item 3970-301-6029 be increased by $268,000 (Proposition 40) to provide the balance of the funding necessary to construct this project.

The net increase between the reversion and a new appropriation is $268,000. The increased project costs are a result of additional leach field modifications, alterations to the electrical trenching route to avoid cultural and natural resources. Project completion is anticipated in December 2019. The accompanying BCP to this AFL estimates total project cost of $1.333 million.

19) **Mendocino Headlands State Park: Big River Boat Launch.** The Governor's budget proposes $155,000 from the Harbors and Watercraft Revolving Fund for working drawings to improve the existing beach launch at Mendocino Headlands State Park by constructing a concrete boat ramp, paving the dirt boat launch parking lot, repaving the park road connecting the highway with the boat launch parking lot, constructing accessible parking spaces, and adding required signage and pavement markings. Estimated total project cost is $1.737 million.

    Mendocino Headlands State Park: Big River Boat Launch project (AFL). An AFL requests reappropriation of the funds for the preliminary plans phase so that all project expenses can be properly applied and to prevent further delays to this project. The project is currently in preliminary plans with approval anticipated in the fall of 2018. Parks experienced administrative delays in contracts that impacted the start of design for this project.

20) **Oceano Dunes SVRA: Grand Avenue Lifeguard Tower.** $146,000 from the Off-Highway Vehicle Trust Fund for working drawings to develop a lifeguard tower headquarters at Oceano Dunes State Vehicular Recreation Area. The project would provide a full-time, permanent observation tower throughout the year. The tower would provide preventative and responsive aquatic public safety response, medical and first aid to park visitors, an information center for visitors, an office location for lifeguards to perform administrative functions, and would satisfy mandatory training functions and activities required of the classification. Estimated total project cost is $1.256 million.

    Oceano Dunes SVRA: Grand Avenue Lifeguard Tower Project (AFL). An AFL requests reappropriation of the funds from the Off-Highway Vehicle Trust Fund for the preliminary plans phase so that all project expenses can be properly applied and to prevent further delays. The project is currently in preliminary plans with approval anticipated in the winter of FY 2018-19. Parks experienced administrative delays in contracts that impacted the start of design for this project.

21) **Oceano Dunes SVRA: Le Sage Bridge Replacement.** The Governor's budget proposes $108,000 from the Off-Highway Vehicle Trust Fund for the preliminary plans phase of this project. This project will rehabilitate the Le Sage Bridge to provide critical structural improvements and enhanced design features for combined vehicle and pedestrian use. Estimated total project cost is $1.186 million.

22) **Ocotillo Wells SVRA: Auto Shop Addition.** The Governor's budget proposes $106,000 from the Off-Highway Vehicle Trust Fund for the preliminary plans and working drawings phases to convert this existing minor capital outlay Ocotillo Wells SVRA project to a major capital outlay project. During the preliminary plans phase, it has become evident that this project will require additional funding (a net increase of $739,000) and an extended schedule due to the fire suppression system needs, which require the addition of a fire pump building and water storage tank. This critical project will expand the existing auto shop repair facilities by constructing an additional and larger repair bay and storage space immediately adjacent to the existing building to accommodate the items in the current fleet. The unexpended balance of existing minor funding for this project (approximately $678,000) is also proposed for reversion. Currently, Ocotillo Wells SVRA staff complete maintenance and repairs to vehicles outdoors, unsheltered in the extreme weather conditions found at this desert park. Estimated total project cost is $1.527 million.

23) **Ocotillo Wells SVRA: Holmes Camp Water System Upgrade.** The Governor's budget proposes $109,000 from the Off-Highway Vehicle Trust Fund for the working drawings phase of the Ocotillo Wells SVRA project to provide for the construction of a new water treatment and distribution system to meet current demand and health department standards, to comply with the California Department of Health Services – Drinking Water Field Operations Branch Check List of Security Measures for Water Utilities, and provide storage and protection from the desert environment. Estimated total project cost is $1.407 million.

Ocotillo Wells SVRA: Holmes Camp Water System Upgrade project (AFL). An AFL requests reappropriation of the funds from the Off-Highway Vehicle Trust Fund for the preliminary plans phase so that all project expenses can be properly applied and to prevent further delays. The project is currently in preliminary plans with approval anticipated in the winter of FY 2018-19. Parks experienced administrative delays in contracts that impacted the start of design for this project.

24) **Off-Highway Motor Vehicle Recreation (SB 249).** The Governor's budget proposes a one-time increase of $2.845 million in FY 2018-19 and an ongoing increase of $2.681 million from the Off-Highway Vehicle Trust Fund and 17.5 positions to meet the requirements of SB 249 (Allen), Chapter 459, Statutes of 2017, which extended the OHV program indefinitely and made various other changes to the Off-Highway Motor Vehicle Recreation Act.

25) **Off-Highway Vehicle and Beach Erosion Control Local Assistance Grants.** The Governor's budget proposes one-time funding of $36.3 million and ongoing funding of $2 million for a total of $38.3 million in spending authority for FY 2018-19 from special and federal funds for various local assistance programs, including $35 million from the Off-Highway Vehicle Trust Fund, $2 million from the Recreational Trust Fund, and $1.3 million from the Public Beach Restoration Fund.

Background. The Off-Highway Vehicle Trust Recreation Act of 1988 provides for well-managed OHV recreation in the state by providing financial assistance to cities, counties, districts, federal agencies, state agencies, educational institutions, federally recognized Native American Tribes, and nonprofit entities.

26) **Pfeiffer Big Sur State Park: Low-Cost Alternative Coastal Lodging. (AFL)** An AFL requests $190,000 from the State Park Contingent Fund for the preliminary plans phase of the Pfeiffer Big Sur State Park: Low-Cost Alternative Coastal Lodging project to develop up to fifteen new, low-cost camping cabins and a combo building at Pfeifer Big Sur State Park. (A combo building is a structure with toilets and showers.)This project is intended to allow Parks to create new, low-cost alternative lodging along the coast to enhance visitor experience and increase visitation within Pfeiffer Big Sur State Park. Funds for this project will be received from the California Coastal Commission as payment for in-lieu of mitigation fees paid by developers for coastal permits, totaling $3.462 million over the next several years.

Background. Coastal state parks cover 339 miles of Pacific coastline. Pfeiffer Big Sur State Park is located at 47225 Highway 1, Big Sur, California. On the western slope of the Santa Lucia Mountains, peaks of the park tower high above the Big Sur River Gorge, where the Big Sur River enters the park. A campground accommodates hikers, bikers, car campers, and RVs.

Many campsites are located along the Big Sur River. Big Sur Lodge is located in the park, which has 61 guest rooms, a conference center, café, and a grocery store.

The California Coastal Commission is providing funding for the planning, development, construction, operation, and maintenance of new lower cost overnight accommodations within the coastal area of Monterey County. A low-cost camping cabin would include a basic structure, two to four beds (elevated wooden flats to place sleeping bags), and a spigot for running water.

27) **Picacho State Recreation Area (SRA): Park Power System Upgrade.** The Governor's budget proposes $200,000 from available California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Fund (Proposition 40) bond funds for the study phase of this project. This project will evaluate the park's current and future electrical power needs, including redundant backup, and determine sustainable options for providing reliable and cost effective electrical power at this remote location. Options to be considered include, but are not limited to, photovoltaic panels on existing buildings and/or new shade structures, replacing existing diesel generators, or other mixes of conventional and renewable electrical sources.

Although total project cost is currently estimated at $3.791 million, this estimate remains conceptual as this project will allow Parks to better refine the project scope and achieve a more accurate cost estimate upon completion of this study.

Background. Picacho SRA. Picacho SRA is located along the California-Arizona border approximately 26 miles north of Yuma, Arizona in Imperial County. With eight miles of the lower Colorado River on the park's eastern boundary, Picacho SRA offers year-round opportunities for boaters, hikers, anglers and campers, as well as wildlife such as wild burros, bighorn sheep, and migratory waterfowl travelling along the Pacific Flyway.

Picacho SRA's remote location and extreme climate, which can range from a low of 20 degrees in the winter to 120 degrees in the summer, places heavy demand on the park's power generation and distribution equipment. Currently, all electrical power in the park comes from two diesel-powered generators. However, given the age of the generators, location in a harsh desert environment, and the power needs of the park, the current system is insufficient, as evidenced by regular reports of electrical spikes in the park office, which is extremely hard on office electronics. In addition, the diesel generators are costly to operate and emit large amounts of greenhouse gases.

The purpose of this project is to evaluate the park's current and future electrical power needs, including redundant backup, and determine sustainable options for providing reliable and cost effective electrical power in this remote location. This project is also intended to aid in refining the project scope, which should provide a more accurate cost estimate.

28) **Pismo State Beach: Entrance Kiosk Replacement.** The Governor's budget proposes $136,000 funding from the Off-Highway Vehicle Trust Fund for the working drawings phase of the Pismo Beach State Beach: Entrance Kiosk Replacement project to replace an entrance station kiosk in the North Beach Campground at Pismo State Beach. This project aims to reduce deferred maintenance by removing and replacing an entrance kiosk that is rapidly deteriorating and burdening maintenance staff due to seasonal flooding. The entrance kiosk

will be relocated to a higher elevation to prevent flood damage and ensure continued operation. Estimated total project cost is $1.039 million.

Pismo State Beach: Entrance Kiosk Replacement (AFL). An AFL requests reappropriation of the funds from the Off-Highway Vehicle Trust Fund for the preliminary plans phase so that all project expenses can be properly applied and to prevent further delays. The project is currently in preliminary plans with approval anticipated in the winter of FY 2018-19. Parks experienced administrative delays in contracts that impacted the start of design for this project.

29) **Prairie City SVRA: Initial Erosion Control.** The Governor's budget proposes $298,000 from the Off-Highway Vehicle Trust Fund for the working drawings phase of the Prairie City SVRA: Initial Erosion Control project to address erosion issues caused by stormwater runoff at the park, as required by the Federal Clean Water Act. Work will include the installation of sediment basins, stormwater spray fields, drainage crossings, and riparian areas. In addition, there will be drainage control measures including culverts, diversion ditches, and swales. The project will meet Best Management Practices for stormwater management pursuant to the Federal Clean Water Act. A comprehensive Watershed Assessment Study, performed through a separate effort, will be used as a detailed guide in implementing this project. Estimated total project cost is $5.832 million.

30) **R.H. Meyer Memorial State Beach: El Matador Parking Lot Grading and Expansion.** The Governor's budget proposes $320,000 from available California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection (Proposition 40) bond funds for preliminary plans phase of this project. This project will increase available parking, install permanent vault toilets, repair the beach trail, and reduce beach trail erosion through parking lot grading and the use of more durable yet permeable surfaces. The expanded parking lot will reduce the need for visitors to park along the eastbound (inland) side of the Pacific Coast Highway, which is also intended to help reduce the number of pedestrian versus vehicle accidents caused as visitors cross the Pacific Coast Highway to enter the park. Estimated total project cost is $3.658 million.

31) **Revenue Generation Program: Reservation System (AFL).** An AFL requests a one-time increase of $1.136 million and from the State Parks and Recreation Fund and nine permanent positions to support the newly implemented online reservation system, ReserveCalifornia. This funding is intended to provide support services within the department and to park visitors, as well as provide for the installation and maintenance of point of sale systems in park units across the state.

Background. Reserve America, the legacy system for creating reservations within the State Parks System, provided services such as issuing refunds to customers and providing revenue reports to both internal and external stakeholders. The long-standing contract with Reserve America expired and Parks has assumed all previous responsibilities of Reserve America through the introduction of its own reservation system, ReserveCalifornia. The new system allows customers to create their reservations online with expanded park options previously not available under Reserve America. The accessibility of ReserveCalifornia is intended to increase annual reservations across the state parks system, thereby leading to a growth in revenue for the department, and consequently fund the requested positions and additional operating expenses and equipment. Supporting documentation shows that the proposal in this

AFL will likely need an ongoing increase of $1.185 million from the State Parks and Recreation Fund for out-years.

32) **San Luis Reservoir SRA: San Luis Creek Ramp Replacement and Parking Improvements.** The Governor's budget proposes $135,000 from the Harbors and Watercraft Revolving Fund for working drawings to improve visitor throughput at the San Luis Reservoir State Recreation Area by widening the existing two-lane boat ramp by two lanes, adding a third boarding float, and reconfiguring the parking lot. The project will also upgrade outdated fish cleaning and parking lot lighting systems. Estimated total project cost is $2.042 million.

    San Luis Reservoir SRA: San Luis Creek Ramp Replacement and Park project (AFL). An AFL requests reappropriation of the funds for the preliminary plans phase so that all project expenses can be properly applied and to prevent further delays to this project. The project is currently in preliminary plans with approval anticipated in the winter of 2018-19. Parks experienced administrative delays in contracts that impacted the start of design for this project.

33) **State Coastal Conservancy: Lower Cost Coastal Accommodations Program.** The Governor's budget proposes $189,000 in FY 2018-19 and $138,000 in FY 2019-20 from the ELPF and one position to conduct the coastal assessment necessary to identify potential locations for additional lower cost accommodations within the State Park System pursuant to AB 250 (Gonzalez Fletcher), Chapter 838, Statutes of 2017.

34) **Technical Adjustment to Re-Establish Positions.** The Governor's budget proposes a technical adjustment to re-establish 115.2 positions erroneously abolished due to Government Code §12439 in order to accurately reflect what is currently displaced in Parks' annual budget.

    Background. Government Code (GC) §12439 established authority for the State Controller's Office (SCO) to identify and abolish positions that remained vacant for at least six consecutive monthly pay periods, either during the fiscal year or between two consecutive fiscal years. GC §12439 was repealed on June 24, 2015. Parks submitted Change in Established Positions, Standard Form 607s to re-establish 115.2 positions in FY 2014-15, however, the 607s were not received by SCO and the positions were abolished pursuant to GC §12439. It is unclear why these forms were not received by SCO.

    Parks' budget has continued to display the accurate count of the department's authorized positions. The re-establishment of Parks' 115.2 positions is a technical adjustment that is intended to ensure Parks' authorized position count with SCO reflects what is displayed in the annual budget.

35) **Topanga State Park: Rehabilitate Trippet Ranch Parking Lot.** The Governor's budget proposes $3.202 million for the construction phase from available Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Fund of 2006 (Proposition 84) bond funds to rehabilitate the Trippet Ranch parking lot and surrounding area, which have been damaged by erosion and stormwater. This project is intended to reduce the safety risk to the public, reduce maintenance costs and better support interpretive uses of the historic zone. Estimated total project cost is $3.737 million.

36) **Statewide: Volunteer Enhancement Program (VEP) Minor Capital Outlay Program.** The Governor's budget proposes $643,000 from available Safe Drinking Water, Water Quality and

Supply, Flood Control, River and Coastal Protection Fund of 2006 (Proposition 84) funds for the VEP Minor Capital Outlay Program. These minor projects are intended to enhancements or improvements to address critical issues, including park operations, public recreation/access, energy efficiency and resource protection/restoration. Estimated total project cost is $643 million.

Statewide: Volunteer Enhancement Minor Program (AFL). Parks experienced administrative delays in contracts that impacted the start design for this project. Reappropriation is requested so that the project can proceed without further delay.

37) **Conservancy Administrative Services Consolidation.** The Governor's budget proposes an ongoing increase of $902,000 in reimbursement authority for the State Parks and Recreation Fund and seven permanent positions beginning FY 2018-19, and ongoing, for the consolidation of administrative services work for six state conservancies that are currently under the Department of General Services' Contracted Fiscal Services Unit.

Withdrawal of Conservancy Administrative Services Consolidation (AFL). An AFL requests a decrease of $902,000 ongoing reimbursement authority and seven positions in FY 2018-19. The Governor's budget requested these resources to consolidate the administrative services work for six state conservancies currently receiving these services from the Department of General Services Contracted Fiscal Services Unit. However, upon further review, Parks is in a period of transition and it has been determined the department is not currently positioned well to absorb the additional workload associated with that proposal. The Administration remains supportive of the concept and anticipates resubmitting the proposal in the future.

38) **Reversions: Capital Outlay Program (AFL).** An AFL requests that Item 3790-496 be amended to revert the unencumbered balance of funding for the following projects:

- *0263 – Off-Highway Vehicle Trust Fund*
  - *Hungry Valley SVRA: Vehicle Wash Station*. The project is indefinitely delayed until Parks can develop a workable design to facilitate their vehicle wash station needs at this SVRA.
  - *Carnegie SVRA: Vehicle Wash Station*. The project is indefinitely delayed until Parks can develop a workable design to facilitate their vehicle wash station needs at this SVRA.
  - *Oceano Dunes SVRA: Pismo State Beach Sediment Track-Out Prevention*. The project is indefinitely delayed until issues with stakeholders and regulatory agencies are resolved.
- *0516 – Harbors and Watercraft Revolving Fund*
  - *Angel Island State Park: East Garrison Mooring Field project.* The project has been cancelled due to an impasse in lease negotiations with the County of San Francisco.

- *6051 – Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Fund of 2006*

    - *MacKerricher State Park: Replace Water Treatment System project.* Parks reported a revised schedule for this project that indicates construction funds will not be expended during FY 2018-19.

    - *Torrey Pines State Natural Reserve: Sewer and Utility Modernization project.* Parks reported a revised schedule for this project that indicates construction funds will not be expended during FY 2018-19.

39) **Reappropriations: Capital Outlay Program (AFL).** An AFL requests that Item 3790-491 be added to reappropriate funding for the following projects:

- *0001 – General Fund*

    - *Angel Island State Park: Immigration Station Hospital Rehabilitation project.* The project is currently out to bid with construction anticipated to start in the spring of 2018 and finish in the winter of FY 2018-19. This reappropriation is being proposed to complete construction without delays.

    - *Malakoff Diggins State Historic Park: Solar Panel Generator project.* The project is pending final State Fire Marshal and Division of State Architect approvals. It is anticipated that these approvals will be received and this project will proceed to bid in the spring of 2018. Working drawings phase is complete; however reappropriation of both the working drawings and construction phases is requested so that all expenses have been captured and for construction to continue without delay.

- *0005 – Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Bond Fund*

    - *San Elijo State Beach: Replace Main Lifeguard Tower project.* The construction contract has been awarded and construction is anticipated to begin soon. It is anticipated that the contract will be encumbered prior to the end of FY 2018-19; however, this reappropriation is proposed as a precaution in case the construction and equipment funds cannot be fully encumbered prior to the end of the fiscal year.

- *0263 – Off-Highway Vehicle Trust Fund*

    - *Carnegie SVRA: Road Reconstruction project.* The project is currently in working drawings. A scope change was recently approved to make modifications necessary for pending permits. It is anticipated that this project will proceed to bid in the spring of 2018. Reappropriation is proposed to prevent any further delays.

    - *Hollister Hills SVRA: Waterline Expansion project.* The project is currently in working drawings with proceed to bid approval anticipated in fall 2018. Parks experienced administrative delays in contracts that impacted the start of design for this project. Reappropriation of the funds for the working drawings and construction phases is requested so that all project expenses can be properly applied and to prevent further delays.

  - *Heber Dunes SVRA: Water System Upgrades project.* The project is currently in working drawings with proceed to bid approval anticipated in the summer of 2018. Parks experienced administrative delays in contracts that impacted the start of design for this project. Reappropriation of the working drawings and construction phases is requested so that all project expenses can be properly applied and to prevent further delays.

- *0392 – State Parks and Recreation Fund*

  - *Calaveras Big Trees State Park: Mitigation Campsite Relocation project.* The project was approved for a scope change in November 2017. The project is currently in preliminary plans and request for approval is anticipated in June 2018. However, in case there are delays in finalizing permits and/or approvals, reappropriation is requested so that all project expenses can be properly applied and to prevent further delays.

- *0516 – Harbors and Watercraft Revolving Fund*

  - *McArthur-Burney Falls Memorial State Park: Ramp and Boarding Float Replacement project.* The project is currently in preliminary plans and request for approval is anticipated in April 2018, with proceed to bid approval anticipated in June 2018. Completion of preliminary plans has been delayed because additional permitting requirements were identified during the California Environmental Quality Act (CEQA) review process. Reappropriation of working drawings and construction funds is requested to keep the project moving forward without further delays.

  - *Statewide: Department of Boating and Waterways Minor Program project.* Parks experienced administrative delays in contracts that impacted the start of design for this project. Reappropriation is requested so that the project can proceed without further delay.

- *0890 – Federal Trust Fund*

  - *Leo Carillo State Park: Steelhead Trout Barrier Removal project.* Construction of this project is complete and mitigation efforts are now underway to comply with permitting agency requirements. Reappropriation is requested so that these efforts are completed without further delay.

  - *South Yuba River State Park: Historic Cover Bridge project.* The project is anticipated to proceed to bid approval in May 2018. Reappropriation of the construction phase is requested so that all project expenses can be properly applied and to prevent further delays.

- *6029 – California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Fund*

  - *California Indian Museum project.* The acquisition process has created delays for this project and renovation has yet to begin. The preliminary plans phase will start once the acquisition is finalized. Reappropriation is requested so that the project can start design without further delays.

- *Statewide: State Park System Acquisition Program project.* Acquisitions funded through this program are in progress. Some of the acquisitions pending finalization are: California Indian Museum, Vierra North Peak, Save the Redwoods League/Otis Reagan Westing properties, and Bureau of Land Management/Red Rock Canyon. Reappropriation is requested so that all acquisitions can progress without delay and all project expenses can be properly applied.

- *6051 – Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Fund of 2006*

    - *Fort Ord Dunes State Park: New Campground and Beach Access project.* The project is currently in working drawings and has faced delays due to the coastal permitting process. The project team is working with the Coastal Commission to obtain the required coastal permit approvals. Proceed to bid is anticipated in August 2018. Reappropriation of the working drawings and construction phases is requested so that construction funds remain available to keep the project moving forward without further delays.

    - *Gaviota State Park: Main Water Supply Upgrades project.* The project is in preliminary plans and approval is anticipated in the fall of 2018. The project experienced administrative delays in transferring funds, contract negotiations, as well as delays due to environmental constraints. Reappropriation is requested to keep project moving forward and to prevent further delays.

    - *MacKerricher State Park: Replace Water Treatment System project.* The project is in preliminary plans with completion delayed due to environmental issues and exploratory well drillings. Design revisions are in process and preliminary plans approval is anticipated for the summer of 2018. Reappropriation of preliminary plans and working drawings phases is requested so that all project expenses can be properly applied and keep the project moving forward without delay.

    - *Malibu Creek SB: New Stokes Creek Bridge project.* The project is in preliminary plans and approval is anticipated in the fall of 2018. Due to habitat classification and coastal development permit requirements, the project experienced delays and necessitated an augmentation, which was approved in January 2018. Reappropriation of the preliminary plans and working drawings phases is requested so that all project expenses can be properly applied and to prevent further delays.

    - *Old Sacramento SHP: Boiler Shop Renovation project.* The Railyards acquisition closed in January 2018 and preliminary plans have begun. It is anticipated preliminary plans will be completed in spring 2019. Reappropriation is requested so that all project expenses can be properly applied and to prevent further delays to this project.

    - *Old Town San Diego SHP: Building Demolition and Immediate Public Use project*. The project is currently in the bidding process. It is anticipated that the construction contract will be awarded in May 2018, with project completion in the summer of 2019.

Reappropriation of construction funds is requested to keep the project moving forward without delay.

- *Silverwood Lake SRA: Nature Center Exhibits project.* The project is in construction and project completion is anticipated in December 2018. Reappropriation is requested so that funds area available to complete the construction phase of this project.

- *South Yuba River State Park: Historic Covered Bridge project.* The project is anticipated to proceed to bid in May 2018. Reappropriation of the construction phase is requested so that all project expenses can be properly applied and to prevent further delays.

- *Torrey Pines State Natural Reserve: Sewer and Utility Modernization project.* The project is in preliminary plans and approval is anticipated for the fall of 2019. During the preliminary plans phase, significant impacts to surrounding resources were identified. The project has thus experienced delays, and a subsequent shift of funds from working drawings to preliminary plans was approved. Reappropriation of the preliminary plans and working drawings phases is requested so that all project expenses can be properly applied and to prevent further delays to this project.

0540 California Natural Resources Agency

40) **Implementation of AB 707 – Clear Lake. (AFL)** An AFL requests $250,000 ELPF to provide funding necessary to implement the provisions of AB 707 (Aguiar-Curry), Chapter 842, Statutes of 2017, which requires the Natural Resources Agency to establish a Blue Ribbon Committee for planning and oversight for the rehabilitation of Clear Lake. AB 707 requires the committee to meet quarterly for discussion, review research, plan, and provide oversight regarding the environmental health of Clear Lake. The committee is required to provide an annual report to the Governor and the Legislature on its activities.

41) **Various Technical Adjustments for Departments within the Natural Resources Agency. (AFL)** An AFL requests various technical reappropriations, reversions, reversions with associated new appropriations, and baseline appropriation adjustments to continue implementation of previously authorized programs, as follows:

Department Name	Title	Amount	Proposition/ Fund	Item of Appropriation	Reason
Natural Resources Agency	Reappropriation		6076 California Ocean Protection Trust Fund 6083 Proposition 1	0540-001-6076 0540-101-6076 0540-101-6083	Allow additional time to encumber funds.
Natural Resources Agency	Reappropriations	$500,000	6029 Prop 40 - $500,000 residual funds	0540-101-6029	Appropriate the remaining Proposition 40 funds for the California River

					Parkways Program.
Office of Exposition Park Management	Deferred Maintenance Reappropriation		0001 General Fund	3100-001-0001	Allow additional time to encumber funds.
Energy Commission	Reimbursement Authority for Transmission Siting Cases	$1.25 million	0465 Energy Resources Programs Account	3360-001-0465 3360-501-0995	Allow the Energy Resources Conservation and Development Commission (Energy Commission) to invoice the California Public Utilities Commission (PUC) for work performed by Energy Commission staff under an Interagency Agreement supporting the PUC's electric transmission siting cases and other proceedings requiring electricity system studies.
Energy Commission	Energy End-Use Survey Funding Reappropriation	Up to $5.825 million of unexpended balances from Item 3360-001-0853, Budget Act of 2017	0853 Petroleum Violation Escrow Account	3360-490	Allow additional time to encumber funds
Conservation	WellSTAR Reappropriation		3046 Oil, Gas, and Geothermal Administrative Fund	3480-001-3046	Allow additional time to encumber funds.
Department of Forestry and Fire Protection	Local Government Cash Flow Loan Repayment Extension		0001 General Fund	3540-001-0001	Extend the repayment date for the General Fund cash flow loan from September 30 to November 15 of the fiscal year following the one in which the loan is made. This request is needed to align the repayment date with current operational practices.

Department of Forestry and Fire Protection	Yolo County Bridge Extended Liquidation	$800,000	0001 General Fund	3540-101-0001	Enable the County to complete all phases of the project based on its current project schedule.
Coastal Conservancy	Net Zero Shift in Reimbursement Authority		0140 Environmental License Plate Fund 0565 State Coastal Conservancy Fund	3760-001-0140 3760-001-0565	State Coastal Conservancy requests a net zero shift of $467,000 in reimbursement authority between 3760-001-0565 and 3760-001-0140 based on recent changes to its operating budget.
Coastal Conservancy	Proposition 50 Reversions		6031 Prop 50	3760-101-6031	True up remaining allocations from Proposition 50 consistent with point in time decisions included in the Governor's budget.
State Parks	2016 Deferred Maintenance Funds Reappropriation		0001 General Fund	3790-001-0001	Allow additional time to encumber funds.
State Parks	Reappropriation for Administrative Delays	Up to $19,225,000	0392 State Parks and Recreation Fund	3790-001-0392	Allow additional time to encumber funds.
State Parks	Harbors and Watercraft Revolving Fund Revision	$400,000	0516 Harbors and Watercraft Revolving Fund	3790-001-0516	The Department of Parks and Recreation requests that 3790-001-0516 be increased by $400,000 for the Division of Boating and Waterways and that this item be amended to decrease reimbursements by $400,000 to align the Department of Parks and Recreation’s and the Department of Water Resources’ Governor’s Budget requests related to implementation of the Delta Smelt Resiliency Strategy.

Santa Monica Mountains Conservancy	Technical Adjustments	$(5,000)	6029 Prop 40 6031 Prop 50 6051 Prop 84	3810-001-6051 3810-301-6029 3810-301-6031 3810-301-6051	Reappropriate these funds due to project delays which result in a need for extended authority.
San Francisco Bay Conservation and Development Commission	Bay Fill Clean-Up and Abatement Technical Adjustment	$(180,000) and $(219,000) on-going	0914 Bay Fill Clean-Up and Abatement Fund	3820-001-0914	Align the appropriation with corrected costs for increased regulation enforcement in the San Francisco Bay.
Baldwin Hills Conservancy	Proposition 84 Reversions		6051 Prop 84	3835-001-6051	Align appropriated authority with the Conservancy's remaining allocation balances based on updated point-in-time information.
San Diego River Conservancy	Reappropriation Prop 1		6083 Prop 1	3845-101-6083	Allow additional time to encumber funds.

3340 California Conservation Corps

42) **Auburn Campus: Kitchen, Multipurpose Room and Dorm Replacement. (AFL)** An AFL requests an additional $4.746 million General Fund for the working drawings ($256,000) and construction ($4.49 million) phases of this project to construct a new kitchen, multipurpose building and dormitory at the Auburn-Placer Residential Center located in Placer County. For construction, the request reverts the existing appropriation of $19.666 million and newly appropriates $24.156 million.

The Auburn facility was constructed in the 1950s and has functional and structural deficiencies. Additional working drawing funding is needed to redesign portions of the project to incorporate value engineering options and rebid the project. Additional construction funding is needed because of project delays associated with obtaining a utility easement, additional time to review design documents, constraints on fire water tank installations, a more challenging site than previously anticipated, and market conditions.

3600 Department of Fish and Wildlife

43) **Dedicated Fish and Game Preservation Fund (FGPF) Realignment. (AFL)** An AFL requests a one-time increase of $1.007 million and a decrease of $688,000 ongoing to better align the program expenditures of 11 dedicated accounts within FGPF with associated revenues to maintain stability and structural balance. Each dedicated account with proposed increases have sufficient balances and any proposed decrease is intended to ensure the applicable dedicated account maintains solvency.

The FGPF dedicated accounts comprise 29 accounts dedicated to specific revenue sources such as tag sales, application fees, donations, and violation fines. Various FGPF dedicated accounts require realignment due to a number of factors that impact revenues and expenditures. These adjustments will not shift authority from the non-dedicated FGPF to increase the dedicated accounts.

3540 Department of Forestry and Fire Protection (CalFire)

44) **Ishi Conservation Camp: Replace Kitchen. (AFL)** An AFL requests $383,000 General Fund for the working drawings phase of this project to replace the kitchen/dining facility that was destroyed by fire at the existing state-owned Ishi Conservation Camp located in Tehama County. The department examined the project schedule and determined that working drawings can also be initiated in FY 2018-19.

45) **Howard Forest Helitack Base: Acquisition. (AFL)** An AFL requests $400,000 General Fund for the acquisition of a 29-acre parcel from a private party to serve as buffer land for the existing Howard Forest Helitack Base located in Mendocino County. The opportunity to acquire this parcel is intended to provide the department with additional security for the public, the helitack base, and its helicopters.

46) **Westwood Fire Station: Replace Facility. (AFL)** An AFL requests $2.072 million Public Buildings Construction Fund for the working drawings ($50,000) and construction ($2.022 million) phases of this project to replace the existing Westwood Fire Station located in Lassen County, which was constructed in 1973 and has structural and operational deficiencies. The construction contract for this project went out to bid in January 2018, but the lowest bid exceeded the budgeted amount. Additional funds are needed to rebid and construct this project.

47) **Statewide: Replace Communications Facilities, Phase V. (AFL)** An AFL requests to revert the balance of the working drawings appropriation of $1.755 million for this project and increase $2.249 million General Fund for the preliminary plans and working drawings phases of this project. The net increase between the reversion and the new appropriation is $494,000 for this project. Additional funding is needed for labor and design fee increases, increased costs for real estate due diligence, and additional inspection fees to assess the Phase V projects to prevent issues recently found at one of the Phase III towers and vaults projects.

48) **Aviation Parts and Logistics Contract Funding. (AFL)** An AFL requests $1.651 million General Fund to fund increased costs associated with CalFire's aviation parts and logistics contract. This action is requested to provide the department with additional resources to meet the requirements of the new contract, which will go into effect in FY 2018-19. This proposal is intended to ensure continuity of service from the vendor, which is integral to the operation and maintenance of the department's aviation assets.

49) **Increased Workers' Compensation Costs. (AFL)** An AFL requests an increase of $4.1 million ($4.019 million General Fund and $115,000 various special funds) to provide additional resources to reflect the department's rising workers' compensation costs.

50) **Board of Forestry and Fire Protection Effectiveness Monitoring. (AFL)** An AFL requests $425,000 Timber Regulation and Forest Restoration Fund to enable the Board of Forestry and Fire Protection to continue to engage academic institutions, governmental agencies, and consultants to monitor the effectiveness of the state's forest practice laws, rules, and regulations.

51) **Safe Energy Infrastructure and Excavation Fund Loan Repayment Extension and Trailer Bill Language. (AFL)** An AFL requests to extend the repayment date for the $7.406 million loan from the California High-Cost Fund-B Administrative Committee Fund to the Safe Energy Infrastructure and Excavation Fund by two years, from July 1, 2019 to July 1, 2021. Budget Bill language is also requested to authorize earlier repayment of the loan under specified conditions.

    Additionally it is requested that trailer bill language be adopted to: 1) clarify that the California Underground Facilities Safe Excavation Board cannot take enforcement actions before July 1, 2020; and, 2) enable the Board to conduct investigations prior to July 1, 2020.

3860 Department of Water Resources

52) **Proposition 1 Salmon Studies. (AFL)** An AFL requests increasing reimbursements by $1.589 million to support a study on how water exports affect salmon survival and a study on juvenile salmon use of and benefits from various habitat types. These studies will be supported by previously appropriated Proposition 1 grant funding from Department of Fish and Wildlife.

53) **Proposition 13 San Joaquin River Fish Population Enhancement. (AFL)** An AFL requests $43.318 million Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection Act (Proposition 13) to support work to improve fish populations in the San Joaquin River Watershed. The work will include construction of facilities such as physical habitat structures that have been modified to provide water delivery of flood water routing, and may involve the bed, banks, and floodways of the San Joaquin River and its tributaries. The AFL also requests that provisional language be added to make the funds available for encumbrance or expenditure until June 30, 2021.

54) **Proposition 50 Water Use Efficiency Technical Assistance. (AFL)** An AFL requests $2.7 million to support implementation of the Water Use Efficiency Technical Assistance Program. Funding will be used to upgrade and expand the California Irrigation Management Information System network and to provide financial assistance for emerging and innovative water efficiency technologies.

55) **Extensions of Liquidation Periods, Reappropriations, Reversions, and Technical Adjustments.** An AFL requests A Spring Fiscal Letter requests reappropriations, extensions of liquidation periods, reversions, and technical adjustments for various funds. These technical changes are critical to various projects, which cannot be completed by June 30, 2018.

Staff Recommendation: Approve all vote-only items.

ISSUES FOR DISCUSSION

3560 State Lands Commission (SLC)

Issue 56 – Coastal Hazard Removal Program (SB 44)

Governor's Proposal. The Governor's budget proposes $2 million transfer from tideland oil and gas revenues into SLC's Land Bank Fund to implement the coastal hazard and legacy oil and gas well removal and remediation program associated with SB 44 (Jackson), Chapter 645, Statutes of 2017.

Background. ***SB 44 (Jackson).*** SB 44 allows SLC, upon appropriation, to transfer $2 million from tideland oil and gas revenues to the Land Bank Fund to implement its coastal hazard and legacy oil and gas well removal and remediation program. SB 44 also allows SLC, upon appropriation, to transfer an amount sufficient to bring the unencumbered balance of the Land Bank Fund to $2 million for each fiscal year from FY 2019-20 to FY 2027-28 to implement this program.

The first year of work is to complete an inventory of legacy oil and gas wells in the coastal zone, remove previously-identified coastal hazards, identify new coastal hazards, and prepare a Programmatic Environmental Impact Report (EIR) to use for legacy well removal and remediation.

Coastal Hazards. Coastal hazards are abandoned human-made structures that pose a potential threat to public health, safety, and the environment. Coastal hazards are legacy oil and gas wells and human-made structures that have been orphaned, including piers, jetties, seawalls, and facilities associated with past oil extraction and other operations. Coastal hazards include wood or steel piles or piling, sheet metal pilings, H piles and H beams, well casings, well caissons, railroad irons, cables, angle bars, pipes, pipeline, rip rap, and wood beams and structures. SLC coordinates the planning and field activities for removing hazards.

In the mid-1980's, SLC inventoried coastal hazards and identified over 400 individual hazards, many of which are located on state and local beaches and in coastal areas that the public uses. SLC has a coastal hazards removal program, but lacks funding. In recent decades, SLC has identified and removed coastal hazards primarily from the Santa Barbara Channel area of Santa Barbara and Ventura Counties. Hazard removal typically occurs during the winter. After removal, SLC continues to observe and monitor sites in case previously undiscovered hazards become exposed.

The commission estimates that an additional $200,000 annually over the next several years will be required to remove hazards from the known locations and to remove new hazards.

Staff recommendation. Approve as budgeted.

Issue 57 – Oil and Gas Plug Abandonment

Governor's Proposal. The Governor's budget proposes $58 million General Fund in FY 2018-19, $40 million General Fund in FY 2019-20, and $10.5 million General Fund in FY 2020-21, to permanently secure, plug and abandon, and decommission oil wells and facilities, located onshore and offshore, in Santa Barbara and Ventura Counties. Total project cost for these activities at Platform Holly and Rincon Island are estimated to be $108.5 million over three years.

The lessees of the two facilities, Venoco LLC and Rincon Island Limited Partnership, recently filed for bankruptcy and rejected their lease obligations to plug and abandon the oil and gas wells and decommission and remove the oil production facilities. In the absence of a lessee to assume responsibility and protect public health and safety and the coastal marine environment from an accidental release of oil, the commission must undertake actions to staff Platform Holly and a related onshore facility, plug and abandon 32 oil wells on the platform and adjacent piers, and permanently secure, decommission, and abandon 49 wells and oil infrastructure on Rincon Island.

Background. ***SLC is Responsible for State's Coastal Oil and Gas Resources***. Many of California's most productive oil and gas resources are located along its coastline. In 1921, the Legislature created the first program to permit oil and gas development in the state's coastal waters. According to SLC, between 1921 and 1929 the state issued approximately 100 permits and leases, and over 850 wells were drilled in Santa Barbara and Ventura counties. Environmental concerns regarding offshore drilling have, however, led to various limitations on such development in the ensuing years. Following a large oil spill off the coast of Santa Barbara in 1969, the commission enacted a moratorium on new offshore leases, and in 1994, the Legislature enacted the California Coastal Sanctuary Act, which prohibited the state from entering into new leases for oil and gas development in the state's coastal waters. Many of the preexisting leases and facilities remain in operation and under SLC's jurisdiction. Specifically, SLC oversees leases for four offshore oil platforms in state waters: platforms Holly in Santa Barbara County, Eva and Emmy in Huntington Beach, and Esther off Seal Beach. The commission also has some jurisdiction over five artificial islands built for oil and gas drilling—four in the Long Beach Harbor, and Rincon Island in Ventura County.

State Recently Assumed Control of Two Facilities After Lessees Declared Insolvency. In two separate instances, SLC recently had to take control of offshore oil and gas drilling and production facilities. In both cases, the holders of the leases declared fiscal insolvency, failed to meet their lease obligations to remove the facilities and restore the land to its natural condition, and relinquished the facilities back to the state, resulting in the state having to assume responsibility for protecting against the release of oil into the marine environment. The two sites of these facilities are:

- ***Platform Holly.*** Venoco LLC held the lease for Platform Holly (and its associated processing facilities) from 1997 to 2017. ExxonMobil Corporation was a prior lessee of these facilities. The oil produced from the offshore platform flows through subsea pipelines and is processed and stored at the Ellwood Onshore Facility, which also incinerates the hydrogen sulfide gas produced at the platform. No production has taken place at Platform Holly since 2015, when the pipeline that transported the oil produced from these facilities ruptured, causing the Refugio oil spill. That pipeline, which is owned by another entity, is still not operational. In April 2017, Venoco filed for bankruptcy and quitclaimed its oil and gas leases back to SLC. Since that time, SLC has been staffing and operating Platform Holly, the associated 32 wells, and the Elwood Onshore Facility.

- ***Rincon Island.*** The Rincon Island Limited Partnership (RILP) held the lease for Rincon Island from 1995 to 2017. The Atlantic Richfield Company (ARCO) was a prior lessee of these facilities. This artificial island, which is connected to the shore by a causeway, has 49 wells and contains various other processing equipment and facilities. Rincon Island has not produced oil or gas since 2008, due in part to damage to the causeway that connects the island to shore. RILP failed to meet regulatory and contractual terms for several years, resulting in significant deterioration of the facilities and leading SLC to initiate termination of the lease in 2016. That termination was preempted by RILP declaring bankruptcy, and the bankruptcy court granted SLC a quitclaim of the lease in December 2017.

Currently, SLC is undertaking the initial steps to permanently plug the wells and prepare the facilities at these two sites for safe abandonment.

Legislative Analyst's Office (LAO) Comments. ***Immediate Action Needed to Address Environmental and Public Health Risks.*** LAO concurs with the Administration that commencing work to plug and abandon Platform Holly and Rincon Island immediately would be prudent. The potential for an oil spill or gas leak from these active facilities poses a dangerous environmental and public health risk that should be addressed as quickly as possible. State action requires a General Fund appropriation because payouts from ExxonMobil and the RILP performance bond are uncertain and could take years to be paid. Moreover, the state is already incurring the costs of staffing, monitoring these facilities in the interim, and these costs will continue to accrue until the plugging, and abandonment activities are completed.

State Costs Could Ultimately Be Significantly Lower. While the Governor's proposal represents a significant multiyear General Fund expenditure, the ultimate cost to the state is likely to be less than the $108.5 million that is requested. In particular, SLC is negotiating with ExxonMobil to cover a considerable portion of costs to plug and abandon Platform Holly. The commission believes that under the terms of its prior lease, ExxonMobil retains significant liability to plug, abandon, and decommission Platform Holly since the subsequent lessee is unable to do so. While ExxonMobil acknowledges these terms, it disputes the extent of that liability, and the state could pursue future litigation to resolve the dispute.

SLC Taking Steps to Protect State from Future Liability. In addition to Platform Holly and Rincon Island, the state has leased out three other offshore platforms and four artificial islands that are still operational. While SLC indicates that the lessees of those sites appear to maintain healthy fiscal solvency, the commission is taking steps to revise those lease terms to protect the state's liability and prevent a recurrence of the Venoco and RILP outcomes. Specifically, SLC is negotiating to build in conditions such as: 1) increasing the amount of the performance bonds the lessees must hold; 2) requiring the lessees to begin plugging and abandoning idle wells now, rather than delaying until the leases expire; 3) placing liens on other properties the lessees own; and, 4) establishing terms that name SLC as a priority claimant if bankruptcy were to be declared.

State Will Face Future Decisions Regarding Decommissioned Facilities. The amount of funding requested by the Governor will not cover the full costs of decommissioning Platform Holly and Rincon Island. The proposed $108 .5 million is to undertake the plugging and abandoning activities that will render the facilities safe and stable, but is not sufficient to fully remove the platform and island. SLC indicates that once the initial abandonment activities are completed, it will undertake a California Environmental Quality Act review—in collaboration with input from local residents and stakeholders—to identify the implications of removing, partially removing, or retaining and repurposing the remaining infrastructure. The Legislature should expect future budget requests for the planning and implementation of the final decommissioning phases for these sites.

LAO Recommendation. ***Adopt Governor's Proposals*.** Because Platform Holly and Rincon Island (and their associated wells and facilities) continue to pose risks to the environment and public health until they are fully plugged and secured, the LAO recommends the Legislature adopt the Governor's proposed funding request so that work can begin immediately.

Require SLC to Provide Funding Update in 2019. Given the uncertainty surrounding how much funding SLC may ultimately receive from ExxonMobil, LAO recommends that the Legislature require the commission to provide an update to inform the 2019-20 budget process and the need for General Fund support. This would also be a good opportunity for the Legislature to monitor the work in progress and the status of other offshore leases. Specifically, LAO recommends the Legislature adopt supplemental reporting language requiring SLC to provide a report by January 10, 2019 that includes an update on the following:

- The status of negotiations with and amount of funding received from ExxonMobil for the Platform Holly project and the amount ultimately received from the RILP performance bond.
- The project status and work accomplished, timelines for completion, and latest project cost estimates for both Platform Holly and Rincon Island.
- The status of lease renegotiations with existing offshore platform and island lessees and the specific protections put in place to limit future state liability.

Staff Comments. Failure to secure and properly plug and abandon the Venoco and RILP wells could result in significant harms to public health and safety, and damage to the marine and coastal environment. The state would be financially liable for some degree of the remediation costs, including of the coastline and marine environment, and legally liable for any emergency event at the facilities.

Staff recommendation. Approve as budgeted and adopt supplemental reporting language as proposed by LAO.

3780 Native American Heritage Commission (NAHC)
3560 State Lands Commission (SLC)

Issue 58 –Expansion of NAHC (AFL)

Governor's Proposal. An AFL requests for NAHC $643,000 General Fund and 10 positions in FY 2018-19 and full year costs of $1.286 General Fund ongoing, thereafter, to implement state and federal statutes governing Native American tribal rights

In addition, the AFL proposes for SLC $241,000 General Fund and two positions to accommodate the increased accounting, contracting, budgeting, and personnel services it provides to the Native American Heritage Commission.

Background. AB 52 (Gatto), Chapter 532, Statutes of 2014, required NAHC to create a geotechnical database of tribal territories and the governmental agencies that overlap these areas for purposes of the California Environmental Quality Act (CEQA) tribal consultation process. The Budget Act of 2015 provided $1.6 million General Fund and five permanent positions for these activities. The Budget Act of 2017 provided $254,000 General Fund and three positions to support increased workload associated with Sacred Lands Inventory research and consultation and authorized NAHC to establish fees to recover the costs for providing Sacred Lands File searches.

Since it was established in 1976, NAHC's mission and statutory obligations have increased over the years. Staff workload has become more challenging with additional statutory obligations and an overall increase in demand for NAHC training, mediation, Sacred Lands Inventory searches, and technical expertise provided to tribes and CEQA lead agencies.

Staff Comments. The accompanying BCP to the AFL states that NAHC requests 10 positions to meet current workload backlog demands as well as to address the corresponding long-standing workload problems of fulfilling statutory obligations including enforcement, compliance, and mediation.

Statutory Authority to Charge a Fee for SLF But Not Charging Yet. According to NAHC, "the rulemaking process to implement Sacred Land File (SLF) fees has not begun because of the increased demands for enforcement and compliance actions to protect cultural resources and a lack of legal staff to oversee rulemaking (the NAHC has one attorney). Additional positions will provide the needed resources to complete the rulemaking process by November 2018 and begin collecting fees by December of 2018. The anticipated amount of fees to be collected during the 2018-19 fiscal year is $1,500,000."

The following chart shows the increase in requests over the past few years as well as the potential revenue generated by SLF:

Native American Heritage Commission Sacred Lands File Search Requests

Fiscal Year	Search Requests
2014/15	2,903
2015/16	4,873
2016/17	12,667
2017/18*	19,766

* Number is projected total for FY 2017/2018 based upon 9,883 SLF requests received for the first six months of FY.

Potential Missed Revenue for FY 2017/2018
Sacred Lands Inventory Searches
19,766*
Cost/ Search ($150) = $150
19,766 x $150 = $2,964,900
*Sacred Lands Inventory searches are projected total for FY 2017/2018

Source: Department of Finance

NAHC anticipates the tentative fee of $150 will be the actual fee once the rulemaking is complete. NAHC has determined this to be reasonable based on the cost of staff time, the cost of SLF software and file maintenance, and fees charged for similar inventory searches at another state agency.

Increase in SLF requests. NAHC notes that because of AB 52, the commission has seen a drastic increase in requests for assistance, particularly for searches of SLF. Based on current numbers, NAHC states that it appears this increase is a continuing trend. Also, NAHC states that an additional but unquantified consideration in the increase in SLF searches is due to cannabis regulations.

Proposal Consistent with LAO Recommendation. Department of Finance provides clarification to the proposal, stating, “The proposal before the [L]egislature currently is consistent and aligns with the LAO’s Recommendation. The Commission has only one appropriation (General Fund), and does not have any special funds. The fees collected will be deposited into the General Fund to cover the costs associated with the NAHC Sacred Lands Inventory Searches and the [L]egislature would appropriate funds out of the General Fund to the Commission. The proposal currently before the [L]egislature does use fee revenue to offset costs identified in the BCP in the out years, it is just all through the General Fund.”

Staff Recommendation. Approve as budgeted.

3790 Department of Parks and Recreation (Parks)

Overview

The state park system, administered by the Department of Parks and Recreation (DPR), contains 280 parks and serves about 75 million visitors per year. State parks vary widely by type and features, including state beaches, museums, historical sites, and rare ecological reserves. The size of each park also varies, ranging from less than one acre to 600,000 acres. In addition, parks offer a wide range of amenities—including campsites, golf courses, ski runs, visitor information centers, tours, trails, fishing and boating opportunities, restaurants, and stores. Parks also vary in the types of infrastructure they maintain, including buildings, roads, power generation facilities, and water and wastewater systems.

For 2018-19, the Governor's budget proposes $1.1 billion in total expenditures for the department. This includes $480 million for state park operations, $601 million for local assistance grant programs, and $11 million for capital projects.

The following tables show the department's expenditures and positions by each budgeted program area for the past, current, and budget years:

3-YR EXPENDITURES AND POSITIONS

		Positions			Expenditures		
		2016-17	2017-18	2018-19	2016-17*	2017-18*	2018-19*
2840	Support of the Department of Parks and Recreation	3,780.4	1,751.1	2,274.7	$440,395	$606,611	$511,316
2850	Division of Boating and Waterways	60.8	29.5	29.5	22,660	29,862	30,025
2855	Local Assistance Grants	-	-	-	79,802	270,457	633,529
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		**3,841.2**	**1,780.6**	**2,304.2**	**$542,857**	**$906,930**	**$1,174,870**

The proposed budget total represents an increase of $224 million, or 20 percent, above the estimated level of current-year spending for state parks. This increase largely reflects a proposal for $468 million from SB 5 bond funds in FY 2018-19, as well as a proposal to increase spending on various park services using revenue from a recent fuel tax increase. These increases are partially offset by the carryover of one-time funds in the FY 2017-18 budget.

Issue 59 – Fix Our Parks: Facility, Access, and Visitor Service Enhancement and Improvements

Governor's Proposal. The Governor's budget proposes $61.5 million ongoing from the State Parks and Recreation Fund beginning in FY 2018-19 and 364 full-time positions to improve the State Park System, deliver critical services that will address facilities and other infrastructure, and increase access to the State Park units. The resources for this proposal have been informed by Park's Service-Based Budgeting (SBB) efforts.

This proposal includes an investment of $41.448 million to address critical needs in the State Parks System focused on improving Parks units and enhancing services provided to the public, $1 million to further efforts towards improving its recruitment and training program, $500,000 to improve access to State Park units, $16.552 million to right size Parks' appropriation consistent with one-time increases, $1 million to support off-highway vehicle recreation through the Local Assistance grant program, and $1 million to reduce boating hazards through the Abandoned Watercraft Abatement Fund program.

Background. ***Parks Forward Commission and Transformation Team Initiated Service-Based Budgeting.*** The California State Parks Stewardship Act of 2012 (AB 1589 (Huffman), Chapter 533, Statutes of 2012, and AB 1478 (Blumenfield), Chapter 530, Statutes of 2012) called for the formation of an advisory council to conduct an independent assessment of the state parks system. One of the results was the design and implementation of SBB, which was first used in 2017. This new tool uses estimates of the number of staff hours and other costs necessary to carry out different tasks (such as public safety patrols and specific facility maintenance tasks). These estimates are then used to calculate the amount of services parks can provide at varying levels of funding. The department has used its SBB tool to compare current service levels across parks, as well as to estimate the level of resources necessary for each park to achieve its "optimum service level" based on its mission, facilities, and other factors. DPR then identified both across the parks system and for various types of services where there were the largest gaps between the current and optimum service levels.

LAO Comments. ***SBB Provides Reasonable Tool for Determining Priorities.*** LAO states that the new SBB system appears provides the department an improved approach to evaluating its current resources and estimating the largest gaps between those resources and what increases would be necessary to achieve the goals of park administrators. However, the allocation of resources among needs still reflects the Administration's prioritization of different state park functions. While LAO has no specific concerns with the activities and position authority proposed, LAO thinks the Legislature should evaluate whether the proposed mix of activities reflects its top priorities for the department. To the extent the Legislature preferred a different mix, it could dedicate a greater share of the funding towards particular services.

LAO finds, for example, that the Administration's proposed funding for increased maintenance makes sense given the department's history of deferred maintenance and because properly maintaining facilities can reduce costs in the long term if costly repairs are avoided in the future. LAO also notes that several areas of proposed spending could encourage visitorship and enhance the public's enjoyment of state parks, including efforts to maintain trails and facilities, increase public engagement, and provide more educational services. Lastly, the Administration's proposal includes $2.7 million for revenue generation efforts. LAO notes that this is consistent with existing statutory direction that directs Parks to increase park-generated revenue. If these or other services are a higher priority for the Legislature than what is reflected in the Governor's proposal, the Legislature could increase funding for those particular services. However, doing so would require a commensurate reduction in funding for other services and/or the amount of funds going towards the fund balance.

The Governor's proposal is mostly for additional staffing for the functions described above. The Legislature could also consider using the proposed funding in other ways. For example, the funds could be used to fund specific projects, such as building more campsites or implementing deferred maintenance projects.

LAO Recommendation. ***Ensure That Needs Identified by SBB Align With Legislative Priorities.*** LAO states that to the extent that the Legislature's priorities differ from the Administration's, the Legislature could request additional information on current service levels throughout the state, the cost associated with reaching its desired service levels for certain functions, or what services are not included for funding in the proposal. Ultimately, LAO recommends that the Legislature utilize this information to adopt a budget package that reflects its priorities.

Staff recommendation. Approve as budgeted.

Issue 60 – Regional Infrastructure Projects

Governor's Proposal. The Governor's budget proposes $7.5 million General Fund in FY 2018-19 for one-time local assistance grants for regional infrastructure projects with Anaheim Family YMCA and the City of Fullerton.

The Governor's budget includes $7.5 million from the General Fund for one-time local assistance grants for the construction of a Young Men's Christian Association (YMCA) Active Living Center in Anaheim and to the restoration of the Fox Fullerton Theatre.

> ***Anaheim YMCA Active Living Center ($5 Million).*** The Administration proposes to provide this funding to the Anaheim Family YMCA to construct a new four-acre, 16,800 square foot indoor and outdoor facility that would include outdoor soccer arenas, an indoor gymnasium, a teaching kitchen, and community gathering spaces. Total costs are estimated to be $10 million, with the difference between the proposed state funding and the cost to be made up by fundraising efforts. Proponents estimate that more than 3,000 residents would visit each week.
>
> ***Fox Fullerton Theater ($2.5 Million).*** The Administration proposes funding to the City of Fullerton to support the restoration of the Fox Fullerton Theatre, which was built in 1925 and is listed in the National Register of Historic Places. Renovation of the theater is already underway, and is expected to cost at least $15 million, with the funds coming mostly from grants, donated supplies, and volunteer hours.

Background. ***Existing Parks Local Assistance Programs.*** Parks has historically administered several local assistance programs, including grants to build, maintain, or restore local parks and outdoor spaces, recreational facilities, historical structures, trail systems, and museums. The department has administered approximately $3 billion in grant funding throughout California since 2000—mostly federal and bond funds, including grants from Propositions 84 (2006), 40 (2002), and 12 (2000). The types of projects funded by these bond programs include the development of new youth sports recreation facilities, as well as restoration and rehabilitation of historic buildings. Most of funds—over 90 percent—authorized in these bonds for local parks have been spent or are now committed to projects. Additionally, Parks' Office of Historic Preservation administers grants from the federal Certified Local Government program, which encourages the direct participation of local governments in the identification, evaluation, registration, and preservation of historic properties. Four cities received a total of $160,000 under this program in 2017-18.

Local Assistance Funds Generally Awarded as Per Capita or Competitive Grants. Typically, Parks awards funds to local jurisdictions on either a per capita basis or through competitive grant awards based on the requirements of the bond. Cities, counties, and districts are eligible to apply for per capita grants and are frequently used by local agencies to address high priority maintenance items, but generally are not enough for larger projects. Parks develops guidelines for each competitive grant program that are based on statewide priorities as determined by its Statewide Comprehensive Outdoor Recreation Plan or statutory direction.

In addition, in some cases, the Legislature has appropriated funds for specific local park projects. For example, the 2017-18 budget included a $4 million grant to the San Mateo County Resource Conservation District for its Butano Channel Restoration and Resiliency project and $3.5 million was provided for the restoration of the Geneva Car Barn and Powerhouse, an art center and event space in San Francisco. Both grants were supported from the General Fund.

LAO Comments. ***Unclear Why These Projects Selected for General Fund Support.*** While there are a few exceptions, the state generally funds local projects through grant programs, often through a competitive application process. At the time of this analysis, the Administration had not provided an explanation as to why these proposed projects were selected for General Fund support, such as by identifying a statewide benefit that would be achieved. Additionally, assessment of the potential merits of these proposals is difficult to evaluate because the Administration has not provided many details, such as why they were selected for funding over other projects, how they contribute to achieving state goals, or detailed cost and revenue information.

Projects Potentially Could Apply for Traditional Grant Programs Should Voters Approve Proposition 68. State voters will have the chance to consider Proposition 68 on the June 2018 ballot. (Proposition 68 was put on the ballot by SB 5, de León), Chapter 852, Statutes of 2017. This measure, if approved, would provide about $1 billion to Parks for local assistance, including $725 million for the competitive grant program established by the Statewide Park Development and Community Revitalization Act of 2008 for park-poor neighborhoods, as well as $215 million for per capita block grants. The Governor’s budget includes $460.3 million from Proposition 68 in FY 2018-19 for Parks local assistance. Accordingly, the jurisdictions in which these two proposed projects are located would have access to two new pots of funding for local park projects. The per capita block grants would be awarded to all jurisdictions for local park rehabilitation, creation, and improvements, and these projects could also compete for the competitive grants. While Parks has not yet drafted its guidelines for the grant programs that would be funded by Proposition 68, LAO thinks it seems possible that these projects could be eligible. Even if the projects are ultimately not eligible for Proposition 68, the cities will still receive per capita grants and other projects in their jurisdiction could be awarded competitive funds. This could free up funds in the cities’ park and recreation budgets for these projects.

Staff recommendation. Approve as budgeted.

Issue 61 – Revenue Generation Program

Governor's Proposal. The Governor's budget proposes $4.935 million ongoing from the State Parks and Recreation Fund to continue its established revenue generation program, and to support ongoing costs associated with implementation of successful Revenue Generation projects. This proposal includes $595,000 for five revenue-generating projects.

The Governor's budget also requests trailer bill language (TBL) to amend and extend the Revenue Generation Program, and to revise how money is deposited into the State Parks Revenue Incentive Subaccount. Specifically, the proposed trailer bill language:

1) Removes the annual transfer of $4.34 million from SPRF to the State Parks Revenue Incentive Subaccount.
2) Remove the inoperative and repeal dates for the subaccount, thereby extending these provisions indefinitely.
3) Make funds in the subaccount available indefinitely for encumbrance, expenditure, and liquidation.
4) Authorize DPR to transfer to the subaccount and allocate up to 50 percent of the total amount of revenues generated by park districts that exceed their revenue targets to these districts, and to transfer to the subaccount and allocate up to 50 percent of these excess revenues for specified purposes.
5) Make the revenue in the California State Park Enterprise Fund available for encumbrance and expenditure until June 30, 2021, and for liquidation until June 30, 2023.

Background. ***Revenue Generation Program.*** Pursuant to PRC §5010.6 and §5010.7, Parks has established a Revenue Generation Program to bolster a long-term sustainable funding strategy. Through implementation of Revenue Generation projects, Parks has incurred new ongoing costs to support these newly established, revenue-generating operations (such as tours, expanded campgrounds, etc.). Since 2012, the program has invested in a wide variety of projects and support functions to increase Parks revenue and improve visitor service. Upon successful completion of these projects, Parks evaluates the ongoing viability of these respective revenue contributions and refines the ongoing costs associated with operating these new assets and programs. An ongoing augmentation of new operational levels is required to sustain these revenue-generating ventures.

Parks received funding in FY 2017-18 for five revenue generating projects at: 1) Hearst San Simeon State Historic Monument; 2) Morro Strand State Beach; 3) South Carlsbad State Beach; 4) San Elijo State Beach; and, 5) Two projects in the Central Valley District. These projects were originally approved with one-time funding from SPRF in FY 2017-18.

PRC §5010.6 contains sunset language that would cease Revenue Generation Incentive Subaccount expenditure and encumbrance availability on June 30, 2019. This proposal would provide continuation of expenditure and encumbrance availability in perpetuity. Such availability would allow Parks to continue the incentivization effort that provides those state parks districts that have created revenue in excess of projected targets a portion of that revenue, including incentive payments for meeting revenue goals.

Staff recommendation. Approve BCP and TBL.

3810 Santa Monica Mountains Conservancy

Issue 62 – Triangle Ranch Acquisition (AFL)

Governor's Proposal. An AFL requests $300,000 for support and $25 million for local assistance from Proposition 68 and $2.275 million for local assistance from Proposition 1 to provide funding for the acquisition of Triangle Ranch, a 321-acre property. The property consists of primarily open space habitat largely in its natural, undisturbed conditions.

These funds will be used for the acquisition of a 321-acre property known as Triangle Ranch consistent with the Santa Monica Mountains Comprehensive Plan, the Rim of the Valley Trails Corridor Master Plan, the Los Angeles County River master Plan, the San Gabriel and Los Angeles Rivers Watershed and Open Space Plan, and to further cooperation with local governments in the region to secure open space and parkland, to expand efforts to integrate nature into the urban environment and to expand education, public access, and resource stewardship components in a manner that best serves the public, protects habitat, and provides recreational opportunities.

Background. The Santa Monica Mountains Conservancy was allocated $30 million in Proposition 1. Of the $30 million, all but $5.38 million remains unencumbered. This request is intended to allow a portion of the remaining unencumbered funds to be available for projects.

Currently, these funds are the only potential funding source for a major acquisition in the conservancy zone known as Triangle Ranch. The acquisition is currently set up in phases. Phase one is in the works and is funded by Conservancy Proposition 1 funds, LA County, and Agoura Hills. Phase 2-3 are expected to this summer with the total amount estimated to be around $35 million. If not all of these funds are used for the acquisition, the conservancy would use the funds for implementation of a grant program in accordance with the authorizing bond sections.

Staff Comments. At Subcommittee 2 hearing on March 15, 2018, all SB 5-related proposals were held open. To be consistent, this proposal should be held open as well so that it may be considered with all of the other SB 5 items proposed in the Governor's January budget.

Staff Recommendation. Hold open.

3540 Department of Forestry and Fire Protection (CalFire)

Issue 63 – Helicopter Acquisition and Support (AFL)

Governor's Proposal. An AFL requests $3.588 million in General Fund for FY 2018-19; $11.868 million and 15 positions in FY 2019-20; $10.535 million in FY 2020-21; $15.009 million in FY 2021-22; $14.589 million in FY 2022-23; and $13.789 million in FY 2023-24. The requested resources are for the acquisition of 11 helicopters to replace the existing Super Huey helicopters with the competitively procured Sikorsky S-70i.

The FY 2018-19 Governor's budget includes $24.4 million in FY 2017-18 for the purchase of one helicopter; $97.6 million in FY 2018-19 for the purchase of four helicopters; $97.6 million in FY 2019-20 for the purchase of four helicopters; and $75.3 million in FY 2020-21 for the purchase of three helicopters.

In addition to the support costs included in this request, future infrastructure costs of $26.5 million have been identified. These costs are incremental to the overall costs of planned future capital outlay projects and will be requested as part of those future capital outlay projects.

Intent to Purchase First Helicopter. On April 13, 2018, the Department of Finance submitted a letter to the Joint Legislative Budget Committee as notification for an augmentation of $12.687 million to complete the purchase order for the first helicopter for a total of $24.687 million that it intends to approve no sooner than 30 days from the date of this letter.

Background. ***Current Helicopter Fleet.*** When fighting wildland fires, CalFire uses helicopters to deliver fire crews and to perform water or retardant drops that slow the fires' spread. Helicopters are also used for other firefighting and fire prevention operations, medical evacuations, cargo transport, mapping, rescues, and other missions. CalFire currently has 12 Super Huey helicopters that were acquired in 1990 through the Federal Excess Personal Property Program at no cost to the state. The U.S. Army originally owned them from 1963 to 1975 for troop and cargo transport. Once acquired by CalFire, these helicopters were modified for wildland firefighting at a cost of about $500,000 per aircraft.

Clear Need to Replace Current Fleet. The Governor's Blue Ribbon Fire Commission Report, in 2003, recommended replacement and diversification of the aging CalFire helicopter fleet and establishment of a helicopter replacement planning cycle. The Governor made replacing helicopters a top priority in the California Fire Prevention and Suppression Action Plan of 2004. The Legislature followed the next year with AB 287 (Negrete McLeod), Chapter 290, Statutes of 2005, which directed the state to replace the CalFire's aging helicopter fleet with aircraft that can meet the future needs of CalFire. The act includes non-codified language stating the Legislature's intent to have the resources necessary to meet the future needs of CalFire and to ensure that in the event of a major disaster, such as the 2003 Southern California fire siege, adequate resources would be available to deploy quickly and efficiently.

Helicopter Procurement Process. CalFire and the Department of General Services (DGS) initiated a helicopter procurement process in February 2015 by drafting a Request for Information (RFI), which was released to the bidding community on April 15, 2015. An RFI is used to solicit additional information from potential vendors on what goods and/or services might be purchased in the future. The responses were due to DGS on May 1, 2015. DGS and CalFire worked through the summer and fall of 2015 to prepare helicopter specifications for a bid solicitation based on the information received. The helicopter specifications are the equivalent of the business needs of the helicopter in that they describe what the helicopter must be capable of doing so CalFire can fully meet its operational needs.

On January 18, 2016, DGS released an Invitation for Bid (IFB), with bids due to DGS on February 22, 2016. Based on this procurement schedule, the Department of Finance included a placeholder of $100 million General Fund in the FY 2016-17 Governor's budget, anticipating at the time that a spring budget request would be made. It was the intention that the spring proposal would include a funding request for FY 2016-17, and detail the multi-year acquisition, support, and capital outlay costs associated with replacement helicopters.

On February 22, 2016, at the request of several helicopter vendors, DGS extended the closing date for bids to March 8, 2016. On that date, DGS conducted a public opening of vendor bids. DGS decided to cancel the IFB on March 21, 2016 because of ambiguities in the helicopter specifications language. DGS and CalFire then drafted more refined and precise language for the helicopter specifications to address the vendor concerns identified from the canceled IFB. DGS and CalFire both agreed to a project schedule that would allow the state to begin another competitive procurement process.

A Request for Proposal (RFP) was issued by DGS in March 2017 with a due date in April 2017. All bids were determined to be non-compliant and deemed drafts. In May 2017, DGS re-released the RFP to the vendor community with a due date in June 2017. DGS and CalFire reviewed the proposals and determined that two vendors offered three helicopter models that were potential candidates. After the administrative and technical reviews were completed on each helicopter make and model, it was further determined that one was non-compliant with the administrative and technical components of the request. The remaining two makes and models were determined to be compliant.

On August 2, 2017, DGS posted an Intent to Award to Air Methods/United Rotorcraft, with the technically and administratively compliant Sikorsky S-70i. The unsuccessful bidder, AgustaWestland Philadelphia Corporation, filed a protest on August 15, 2017. The Office of Administrative Hearings assigned an Administrative Law Judge (ALJ) to act as an arbitrator to hear the protest. On December 6, 2017, the ALJ ruled and found that various points assigned to the bidders in the bid evaluations needed to be adjusted based on testimony received at the hearing. However, the ALJ found that the Intent to Award was correctly offered to Air Methods/United Rotorcraft and denied the bid protest. DGS and CalFire were advised of the ALJ's decision on December 11, 2017.

The Two Competing Helicopters. To better understand the costs associated with each helicopter, CalFire has provided the chart below:

HELICOPTER COMPARISONS

Tanked Helicopter Costs

Costs	AgustaWestland AW-189	Sikorsky S70i
Base cost	$16,209,717	$18,064,251
Equipment	$1,033,270	$4,352,613
Training	Included in base cost	$210,652
Subtotal	$17,242,987	$22,627,516
Tax (7.75%)	$1,336,332	$1,753,632
DGS Fees (1.35%)	$232,781	$305,471
Grand Total	$18,812,100	$24,686,620

Bucketed Helicopter Costs

Specifications	AgustaWestland AW-189	Sikorsky S70i
Base cost	$16,209,717	$18,064,251
Equipment	$165,673	$2,661,776
Training	Included in base cost	$210,652
Subtotal	$16,375,390	$20,936,679
Tax (7.75%)	$1,269,093	$1,622,593
DGS Fees (1.35%)	$221,068	$282,645
Grand Total	$17,865,551	$22,841,917

* Costs are based on like items using respective vendor contract price sheets. **AgustaWestland costs do not include the costs associated with simulator training required and located in Sesto Calende, Italy. *** Training costs are based on (2) pilots and (2) mechanic staff per helicopter purchased.

Examples of items included under the “equipment” category are hoists, tanks, communications equipment, and extended landing gear.

Future Capital Outlay Budget Impacts. CalFire helicopters are located at 10 helitack bases spread across the state. Nine of these helitack bases will need future capital improvements to accommodate the new helicopters. In total, CalFire estimates future incremental infrastructure costs of $26 million to accommodate the new helicopters and the transition to night flight. These costs include: nine new hangars estimated at $2.5 million per hangar, for a total of $22.5 million, and five permanent barracks for the bases that will support night flight at $800,000 per barracks, for a total of $4 million. Five of the ten helitack bases have been included in the state’s 2018 Five-Year Infrastructure Plan and are currently in various stages of the capital outlay process.

Staff Comments. When CalFire first acquired the current fleet of Vietnam-era helicopters from federal military, the plan was to use them for 20 years based on the projected availability of parts to support operations. Use of these helicopters has been about 30 years. Since then, the Federal Aviation Administration guidelines have evolved; and replacement parts have been more difficult to find and at times need to be fabricated.

The process to replace these helicopters has been a three-year ordeal with multiple hiccups along the way. However, while there has been controversy over the bidding process, ALJ found that the intent to award was offered to the appropriate bidder.

The higher cost of these helicopters is a result of several factors. For example, the chart above shows that the tax for a single helicopter is over $1 million. According to DOF, the amount cited in the original BCP was a placeholder and was not intended to be the ceiling. In addition, these helicopters are tailored for specific use by CalFire, which demands certain add-ons and retrofits.

The current fleet of helicopters has served the state well, but replacement helicopters are needed. However, when considering the somewhat turbulent procurement process, the individual cost of each helicopter for purchase is over double the amount of the original placeholder, and that the overall cost of these helicopters, including infrastructure, amounts to over $300 million, it is certainly understandable for this proposal to give the Senate pause as to whether the state is getting its money's worth or buying more than what it actually needs.

Staff Recommendation. Hold open.

Senate Budget and Fiscal Review—Holly J. Mitchell, Chair

SUBCOMMITTEE NO. 2 Agenda

Senator Bob Wieckowski, Chair
Senator Mike McGuire
Senator Henry Stern
Senator Jim Nielsen

Thursday, May 3, 2018
9:30 a.m. or upon adjournment of session
State Capitol - Room 112

Consultants: James Hacker and Joanne Roy

OUTCOMES

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Public Comment

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

Issue 1 – Legislative Requests

The following requests have been submitted by member offices:

Natural Resources and Environmental Protection:

1) **Watershed Protection/Midpeninsula Regional Open Space District.** $10 million Habitat Conservation Fund to help facilitate the sale of San Jose Water Company's land holdings in the Upper Guadalupe, Los Gatos Creek, and Saratoga Creek to the district.

2) **Reconstruction of the City of San Fernando's Reservoir 4.** $5 million for major reconstruction of the city's reservoir, which was originally constructed in 1965 and is located in Sylmar. The reservoir suffered cracking during the Northridge earthquake, no longer meets modern seismic design codes, and leaks. As a result, the reservoir cannot be filled to full capacity.

3) **State Lands Commission (SLC): Martins Beach Subaccount.** Creation of the Martins Beach Subaccount within SLC's Kapiloff Fund to accept moneys from public, private, and nonprofit sources. This request also authorizes SLC to transfer up to $1 million into the subaccount from the Kapiloff Fund. The purpose of the subaccount and funding is to acquire a right-of-way or easement at Martins beach to provide public access to the beach and to offset costs associated with the acquisition such as environmental studies, analyses, and assessments.

4) **Coastal and Bay Flood Prevention Funding.** $18 million Proposition 1 funding for coastal and San Francisco Bay flood protection. Last year, $27 million was proposed to address this issue, of which $9 million was allocated. The $18 million would serve to fill the remainder of the $27 million for Bay Area for funding repairs and prevention.

5) **Tunitas Creek Beach.** $5 million for necessary improvements to property adjacent to Tunitas Creek Beach, to provide safe, responsible, and managed public access to a state-owned beach. The proposed funding would be used by San Mateo County and its local partners to do the following: 1) Construct emergency access improvements as first priority within the first year; 2) Complete feasible infrastructure for ranger facilities, restrooms, parking, trails, and other public access improvements; and, 3) Initiate environmental restoration activities concurrently or as conditions allow as the county opens Tunitas Creek Beach County Park within the next three years.

6) **Ellwood Mesa Habitat Management Plan and Restoration.** $3.9 million General Fund to the State Coastal Conservancy to cover costs associated with restoration of the Ellwood Mesa Monarch Butterfly Grove in the City of Goleta. The funding would help facilitate the development of an Ellwood Mesa Habitat Management Plan and for remediation of the mesa site. This proposal represents costs of approximately $50,000 per acre for restoration of $73.6 acre of eucalyptus, $200,000 for plan development and implementation costs, a coastal permit, and public recreational features such as trail markers, benches, and signage.

7) **City of Downey: Infrastructure for Parks.** A total of $350,000 for infrastructure improvements at three local parks in the City of Downey, as follows:

    a) **Rio San Gabriel Park.** $50,000 for Americans with Disabilities Act compliance resurfacing.

    b) **Apollo Park.** $165,000 for new playground equipment and drinking fountains.

    c) **Independence Park.** $135,000 for new playground equipment and drinking water fountains.

8) **California Science Center.** Extension of a lease agreement with the California Science Center Foundation for an annual lease payment of $2.43 million for 30 years beginning in 2022.

9) **California African American Museum (CAAM).** $6.45 million for deferred maintenance and $325,000 ongoing for an increase in staff. Over the past two years, CAAM's attendance and visibility have dramatically increased due to a radical change in exhibition and education programming, outreach efforts and rebranding. The attendance increase requires CAAM to address needs related to security, staffing, and deferred maintenance issues that will prepare the museum for formal accreditation in the future and avoid potential code violations and ensure safety and security.

10) **Maritime Museum of San Diego**. $1.5 million to the California Coastal Conservancy for purpose of design, engineering, and preliminary permitting for redevelopment of the Maritime Museum site in the San Diego Harbor.

11) **Museum of Tolerance, Los Angeles.** $10 million to help refurbish the Museum of Tolerance in Los Angeles, which is the educational arm of the Simon Wiesenthal Center. The estimated cost to rebuild and update the museum is $20 million, of which the center intends to raise $10 million from the private sector.

12) **Italian American Museum of Los Angeles.** $250,000 General Fund for the Italian American Museum of Los Angeles. The museum is located in the Italian Hall, which was constructed in 1908 and is listed on the National Register of Historic Places. The museum opened in 2016 and is jointly operated by the Historic Italian Hall Foundation and the City of Los Angeles.

13) **Museum of Lesbian, Gay, Bisexual, Transgender, and Queer (LGBTQ) History and Culture.** $2 million Proposition 68 for a proposed Museum of LGBTQ History and Culture in San Francisco for exhibitions, archives, and programs where stories and cultures of LGBTQ communities can be gathered, preserved, studied, and made widely available.

14) **Stories: The AIDS Monument.** $250,000 for Stories: The AIDS Monument, a permanent installation that will be built to symbolize the past, present, and future of the fight against AIDS and HIV, and memorialize and honor those who have died since the crisis began. The monument is proposed to be built on San Vicente Boulevard in West Hollywood Park on a 12,000 square foot parcel of land donated by the City of West Hollywood. The $5.2 million campaign goal is 80 percent complete.

15) **San Francisco Seawall.** An initial $50 million for the San Francisco Seawall Earthquake Safety and Disaster Prevention Program. The program will invest $2 to $5 billion over the next two

decades to protect the San Francisco waterfront from imminent seismic risk and increasing flood risk due to sea level rise. The initial $50 million is intended to help enable San Francisco to fund estimated initial project design, environmental clearance, and permitting, which is projected to cost $100 million.

16) **California Mutual Aid Funding: CalFire Emergency Response Engines.** $84 million to purchase 31 CalFire engines and hire personnel to staff the emergency response rigs; and $65 million ongoing for staffing costs of the engines. Since 1975, due to a number of budget reductions, CalFire has had a gradual decrease in the number of fire engines, totaling 31 engines. In 1975, CalFire had 374 engines, compared to 343 engines today. This request is part of an umbrella request for California Mutual Aid System. The other part will be heard in Senate Budget Subcommittee 4, which requests $100 million as follows: $87 million ongoing for reimbursements to local governments for costs to pre-position resources in high-risk areas prior to the onset of extreme weather conditions; and, $13 million ongoing for modernizing and improving communication and dispatch technologies and to hire additional trained personnel to allow for more efficient and effective resource deployment.

17) **Bee Safe Program**. Unspecified augmentation of the Governor's budget proposal implementing the Bee Safe Program to support a comprehensive approach to maintaining the health of honeybees across the state. The request for additional funding include: an increase in funding for: the Rural Rimes Task Force; bee habitat on state and federal lands; an increase in in efficiencies at the state and local border inspection stations; and support for additional research on the Africanized Honey Bee, which continues to be a threat to the European Honeybee throughout the state.

18) **Citrus Pest and Disease Prevention Program.** At least $10 million for CDFA for the purpose of preventing the spread of the invasive insect, Asian citrus psyllid (ACP), and Huanglongbing (HLB), an incurable plant disease that eventually causes trees to die The Governor's budget proposes $2.5 million General Fund and $2.5 million CDFA authority in FY 2018-19 and ongoing to enhance ACP and HLB suppression activities.

19) **Food Dye Study.** $485,000 to the Office of Environmental Health Hazard Assessment (OEHHA) to conduct a literature review and risk assessment on the potential impacts of synthetic food dyes on children.

20) **Emergency Pipeline and Barge to Ensure Drinking Water Supply.** $3.1 million to the State Water Resources Control Board and the Department of Water Resources for the purpose of administering emergency drinking water supply funds to Santa Barbara County water agencies. In addition to remaining in a severe to extreme drought, Santa Barbara County has since experienced unprecedented wildfires and debris flows that have damaged critical water infrastructure, and that significantly threaten the integrity of current water supplies.

21) **Stormwater Quality Objectives.** Unspecified amount of state funding for the State Water Resources Control Board to consider opportunities to convey stormwater to a regional site within the watershed in which the stormwater originated for capture and infiltration for the purposes of improving water quality and enhancing local water supply in multi-objective projects.

22) **Site Remediation Task Force.** $5 million to provide additional staff for the Los Angeles Regional Water Quality Control Board to conduct a focused effort, over a three-year period, to identify contaminated sites within a specified region, and to take measures to require the cleanup of such sites.

23) **Consolidation of Climate Adaptation Funding.** Currently, funding is spread amongst a multitude of state entities. Consolidation would provide applicants a "one-stop shop" for funding opportunities, while also creating synergy amongst both applicants and agencies. A centralized portal would increase cross-collaboration and promote regional efforts throughout the state. Language would declare, "the Natural Resources Agency, in coordination with the Office of Planning and Research, shall develop and implement the Safeguarding California grant program to support the development and implementation of innovative climate beneficial projects that provide California with the ability to adapt and be resilient in the face of unavoidable climate change…"

24) **Greenhouse Gas Reduction Fund (GGRF): Hydrofluorocarbon (HFC) Emission Reductions and Woodstove Replacements.** $45 million GGRF for the HFC reduction incentive program and $30 million GGRF for Woodstove incentive program. An incentive program for low-global warming potential (GWP) was identified and recommended as a key strategy for achieving emission reduction goals in the Air Resources Board's Short-Lived Climate Pollutants Strategy and the Cap-and-Trade Auction Proceeds Second Three-Year Investment Plan for Short-Lived Climate Pollutants.

25) **GGRF: Low Carbon Transportation.** Unspecified increase in the amount of GGRF proposed in the Governor's budget for low carbon transportation programs that phase out diesel engines, promote clean trucks and buses, and expand access to electric vehicles for middle- and low-income families. Last year, the Legislature passed the Clean Air Initiative, which provided approximately $900 million towards programs to reduce air pollution from mobile sources; among the allocations included: $250 million to the Carl Moyer program, $140 million to incentivize cleaner emissions vehicles at ports, and $180 million towards the Clean Bus and Truck program.

26) **GGRF: Clean Technology Innovation Park.** This proposal would help create the Clean Technology Innovation Park in the Riverside region. The purpose of the park is to combine UC Riverside's air quality research group with the Air Resources Board's field testing site. The park would consist of a multi-floor building housing a comprehensive set of specialized laboratories and a central space to meet and engage, co-located across from the Air Resources Board facilities. The park would also include testbeds throughout the Riverside region and the mobility facility located on the Center for Environmental Research & Technology (CE-CERT) campus at the University of California, Riverside. This request includes a total of $100-102 million GGRF as follows:

    a) $10-12 million GGRF to fund a needs assessment study for the relocation and projected expansion of the Clean Technology Innovation facility, and an upgrade of the CE-CERT Vehicle dynamometer training facilities for preparation of the local workforce including Air Resources Board contractors and employees.

    b) $50 million GGRF for field testing and the creation of testbeds in disadvantaged regions of Riverside and San Bernardino.

c) $40 million GGRF for multi-functional laboratories for research, workforce development, and private sector investment.

27) **GGRF: Migrant and Seasonal Farmworker Agencies.** Unspecified amount GGRF to the California Association of Migrant and Seasonal Farmworker agencies and other organizations that have a track record serving migrant and seasonal farmworkers to insure that farmworkers continue to receive the benefits provided by these organizations.

28) **GGRF: Regional Climate Resilience Program.** Creation of the Regional Climate Resilience Program, which would be implemented by the ten state conservancies and Wildlife Conservation Board. The program would provide for planning, adaptation, and mitigation for regional climate resiliency in accordance with Executive Order B-30-15, Safeguarding California – California's Climate Adaptation Strategy and the 2017 Climate Change Scoping Plan.

29) **GGRF: Alternative Fuel Infrastructure.** 20 percent of the allocation for the Alternative Fuel Infrastructure to fund DC fast chargers in highly congested traffic corridors with a Level of Service of "F" or heavier.

30) **GGRF: Clean Vehicle Rebate Project (CVRP).** Within the CVRP, authorize ARB to prioritize people with high Vehicle Miles Traveled.

31) **GGRF: Healthy Soils.** $10 million for the Healthy Soils Program. The Governor's budget proposes $5 million GGRF for Healthy Soils Program.

32) **Los Angeles Cleantech Incubator (LACI).** $2 million to fund LACI for workforce development training to increase access to environmental technology jobs and increase access to zero emissions mobility for disadvantaged communities in the Los Angeles area.

Energy:

33) **Funding for Disability Access Prioritization within the Public Utilities Commission**. $200,000 for two positions within the California Public Utilities Commission to evaluate disability access concerns in transportation services under PUC jurisdiction, particularly Transportation Network Companies (TNCs).

Transportation:

34) **North Coast Rail Agency Restructuring.** $4.1 million over two years to fund planning and construction activities necessary to complete the dissolution of the North Coast Rail Authority and the transfer of the Authority's right-of-way to the California Department of Transportation (Caltrans) and a successor agency as called for in SB 1029 (McGuire).

35) **Marin Sonoma Narrows: Marin Section Design Work.** $3 million in one-time funds for design, right of way, and permitting work on the Marin section of the Marin Sonoma Narrows project.

36) **Sabercat Trail Bridge.** $5 million in one-time funds for a scoping report for the Sabercat Trail Bridge in Fremont. The I-680 currently divides the Sabercat Creek open space from the East Bay Greenway and future Irvington BART station. The proposed pedestrian and cycling bridge over I-680 in Fremont will forge a critical link in both the city and region-wide active transportation network.

37) **Shinn Station Feasibility Study.** $5 million in one-time funding for a feasibility study, to be completed by the Metropolitan Transportation Commission (MTC), on the potential for an intermodal transit station connecting BART, ACE, and AC Transit in the Shinn Park region of Fremont.

38) **Del Amo Bridge Replacement.** $2.75 million in one-time funds for planning activities related to the Del Amo Bridge Replacement project in the city of Cerritos. The bridge was constructed in 1965 and was taken off the National Highway System in 1998. It is currently listed on the Eligible Bridge List of the Local Federal Highway Bridge Replacement and Rehabilitation program.

39) **ECO-Rapid Transit.** $3 million in one-time funds for land use planning and related matters in (and around) transit stations by nine cities between Artesia and Los Angeles Union Station.

40) **Transit-Oriented Development.** $3.5 million to create the foundation to assist in the funding of a transit line/build a 20 mile sustainable corridor TOD form Artesia to Union Station. Will be used for predevelopment and planning a multi-jurisdictional corridor with 13 stations. This includes $200,000 to integrate access projects that will provide First/Last Mile planning for the upcoming Eco-Rapid Transit (West Santa Ana Branch Corridor under Measures R and M), and $300,000 study the feasibility of capping I-105 to provide enhanced station access, a superior bus/rail interface opportunity and community oriented green space as well as possible bike-share facility."

Staff Recommendation: Hold open.

VOTE-ONLY CALENDAR

2660 – California Department of Transportation

1. **Road Repair and Accountability Act Implementation.** The budget requests $1.82 billion from the Road Repair and Maintenance Account funding ($863 million in capital outlay, $633 million in state operations, and $324 million in local assistance) for transportation projects under SB 1 (Beall), Chapter 5, Statutes of 2017, also known as the Road Repair and Accountability Act of 2017, as well as 400 new Maintenance positions
2. **Personal Services Adjustment.** The Governor's budget requests a permanent increase of $58 million from the State Highway Account to correctly align resources to fund all currently authorized positons. The proposed augmentation would fully fund about 340 positions that Caltrans otherwise would have to hold vacant. Caltrans plans to allocate the augmentation across its programs based on their historical compensation expenditures and position history. Most of the increase would go to the Highway Maintenance Program ($20.5 million) and administration ($16.1 million).
3. **Privacy and Enterprise Security Enhancements.** The budget requests four positions and a one-time increase of $10.4 million in State Highway Account (SHA) funds ($699,000 for consulting services and $9.2 million for software and hardware purchases) in 2018-19 and an ongoing increase of $2.1 million SHA (for the four positions, $60,000 for consulting services, and $1.6 million for software and hardware purchases) to improve the Information Technology Cybersecurity Program, address Payment Card Industry compliance gaps and to develop an Enterprise Privacy Office.
4. **Tort Fund Augmentation.** The Governor's budget requests a permanent increase of $7.0 million SHA funds for Caltrans' tort litigation costs and settlement awards. Additionally, the Administration requests budget bill language allowing the Department of Finance the ability to increase funding by up to an additional $20 million following notification to the Legislature.
5. **Vehicle Insurance Increase.** The Governor's budget requests a two-year increase of $4.9 million in SHA funds for fleet insurance costs. For the last three fiscal years, Caltrans has lacked adequate funding to cover the cost of its annual insurance premium. In the 2018 Budget Act, Caltrans received a one-time augmentation of $5.5 million SHA to partially cover the cost of the deficiency. In past years, the deficiency was paid for by Caltrans redirecting funding from other activities. This request would cover the shortfall for two years and Caltrans would no longer need to redirect funding from other activities.
6. **Bay Area Stormwater Permit Violation.** 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. While Caltrans has not disputed that it is in violation, it still has not provided a plan or identified funding to implement compliance actions. Staff proposes supplemental reporting language requiring Caltrans to report on the development of a workplan to address these issues, and to identify other stormwater issues that exist elsewhere in the state.

3360 – California Energy Commission

1. **On-Call Delegate Chief Building Official Contract Funding.** The budget requests $1,000,000 in increased expenditure authority from the Energy Facility License and Compliance Fund (EFLCF) to provide contract funding for an On-Call Delegate Chief Building Official (DCBO). This contract will provide DCBO support for modifications to jurisdictional power plants resulting from project owner filed amendments, emergency responses, such as power plant fires, and other small modifications. The Energy Commission has indicated that they seek to change from the current MOU approach to a contracted approach to eliminate potential conflicts of interest between the selected DCBO firms and the project owners. This approach requires additional contract authority to execute.
2. **Title 20 Appliance Energy Efficiency Standards – Compliance Assistance and Enforcement Program Contract Funding.** The budget requests a $100,000 increase in expenditure authority for baseline contract funding from the Appliance Efficiency Enforcement Subaccount (AEES) to support the Title 20 appliance efficiency enforcement testing contract. This requested $100,000 augmentation in additional contract authority will increase the testing capacity at the contracted test laboratory and its contract funding from $200,000 per fiscal year to $300,000 per fiscal year.

8660 – California Public Utilities Commission

1. **Communications Licensing and Compliance Program.** The budget requests $295,000, PUC Utilities Reimbursement Account (0462), ongoing, for two permanent positions for the Licensing and Compliance Program (L&C) to address expanded work obligations that have resulted in work backlog issues.
2. **Supporting Statewide Presence.** The budget requests $1,004,000 in 2018-19, with additional ongoing costs, from various funds, to lease two additional office spaces in Sacramento County for the placement of new PUC staff and the relocation of existing employees. The budget requested $1,056,000 in January, which was subsequently modified by an April Finance Letter that reduced the request by $52,000 in 2018-19 and $124,000 ongoing. The savings come from the expiration of an existing PUC office lease.
3. **Water and Utility Program Audit Compliance.** The budget requests $929,000 per year from the Public Utility Commission Utilities Reimbursement Account (0462) to convert seven limited term positions to permanent positions. These positions were originally provided on a limited-term basis to address gaps in PUC's oversight of utilities through a State Auditor report. The workload to ensure the PUC continues to address the audit findings is likely permanent. As such, it is appropriate to extend these positions.
4. **Water Affordability for Low-Income Communities.** The budget requests $294,000 from the Public Utilities Commission Utilities Reimbursement Account (Fund 0462) for two two-year limited-term positions to analyze and identify potential solutions to the growing water affordability issue in rate-setting proceedings as part of the PUC's recently-opened rulemaking R. 17-06-024.
5. **Gas and Electric Service Disconnections.** The budget requests $336,000 (Public Utilities Commission Utilities Reimbursement Account) per year for two permanent positions to implement the requirements of SB 598 (Hueso), Chapter 362, Statutes of 2017. These positions will support the development and administration of decisions and a rulemaking proceeding on disconnections, as well as ongoing work to incorporate potential impact on disconnections into

all future General Rate Case (GRC) proceedings. These are new tasks for the PUC that cannot be absorbed by existing staff, and will continue into the foreseeable future.

6. **Residential Solar Energy Storage System Consumer Protection (AB 1070).** The budget requests $592,000 (Public Utilities Commission Utilities Reimbursement Account) for one two-year limited-term position to implement the requirements of AB 1070 (Gonzalez Fletcher), Chapter 662, Statutes of 2017. This request includes $450,000 in contractor funding. AB 1070 directs the PUC to develop and adjust, on an ongoing basis, a methodology that estimates electric utility bill savings for residential customers who install solar energy systems, and to create a uniform disclosure document the solar industry is required to present to residential customers before the purchase or lease of a solar energy system. Developing this new methodology and disclosure requirement is new, limited-term workload that the PUC cannot absorb with current resources.
7. **Safety and Enforcement Division: Fortify Gas Safety Reliability, Rail Crossings and Engineering, and Rail Operations Branches.** PUC requests $2,205,000 from the State Transportation Fund (0042) and the Public Utilities Commission Utilities Reimbursement Account (Fund 0462) for additional operational support and field staff in the Safety and Enforcement Division (SED). Specifically, the request includes 12 new permanent full-time positions, classification upgrade of five existing permanent full-time positions, and equipment, training, and travel necessary to facilitate inspections and audits, and to ensure staff safety.
8. **California Advanced Services Fund – Internet for All Now Act (AB 1665).** The budget requests $76,554,000 from the California Advanced Services Fund (3141) for the following:
   - Permanent funding for two Senior Telecommunications Engineers to address staffing shortfalls in the program.
   - The conversion of five limited-term positions set to expire on December 31, 2020, to permanent positions.
   - The addition of five new, permanent positions; one new permanent half-time position; and two new limited-term positions to implement the mandates of Chapter 851.
   - Funding of $2.5 million per year for consultant services for the statutorily required California Environmental Quality Act (CEQA) review of projects in the program.
   - Ongoing funding of $72,611,000 for local assistance for the CASF program—an additional seven years beyond the last approval, or until 2029.
   - Budget bill language authorizing a three-year encumbrance period and two-year liquidation period for local assistance funding prospectively and extension of liquidation for current appropriations.
9. **California Advanced Services Fund – Spring Finance Letters.** The Administration further proposed budget bill language via a Spring Finance Letter to extend the liquidation period of appropriations made in 2015, 2016, and 2017 for this program to ensure uninterrupted operations.
10. **Building Administrative Infrastructure Core.** The budget requests $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.
11. **Electric Vehicle Charging Infrastructure at Public Parks, Public Beaches, and Schools (AB 1082 and AB 1083).** The budget requests $546,000 (Public Utilities Commission Utilities Reimbursement Account) for three one-year limited-term positions to implement the

requirements of AB 1082 (Burke), Chapter 637, Statutes of 2017, and AB 1083 (Burke), Chapter 638, Statutes of 2017. These bills created an expedited review process for applications to install charging stations at certain public properties that requires additional work at the PUC.

12. **Loan Repayment Extension.** The Administration requests the creation of a new budget item to reflect the extension of a loan repayment from the Regional Railroad Accident Preparedness Immediate Response Fund (Fund 3260) to the California High-Cost Fund-B Administrative Committee Fund (Fund 0470). The Governor’s budget reflected a loan extension for two loans between these funds, but the proposed budget bill language only reflected one loan. This is a technical correction to address this oversight.

8660 – California Public Utilities Commission Office of Ratepayer Advocates

1. **Electric Safety Analysis.** The Office of Ratepayer Advocates requests $334,000 from Public Utilities Commission Office of Ratepayer Advocates Account (PUCORA) and two positions, one Public Utilities Regulatory Analyst (PURA) III and one Senior Utilities Engineer, to address utility safety-related workload arising from expansion of existing and new PUC proceedings. The PURA III will provide technical support and assistance to an existing PURA V on federal and state safety regulations and project coordination. The PURA III also will work with the existing engineering staff to provide further policy, technical, and economic insights into electric safety work. The Senior Utilities Engineer will be the technical lead for ORA on safety-related issues, particularly for electric safety and also be ORA's lead on the risk accountability reports and risk spending reports. The ORA is adequately staffed to review and integrate findings into natural gas reports, but not electric safety reports. Increased staff in electric safety will help inform safety model assessment proceeding and assess the accuracy of the utilities’ risk management. As a result, ORA will be able to mitigate safety risk as much as possible without compromising cost-effectiveness (lowest service rate).
2. **Analysis of Community Choice Aggregation and Other Departing Load Programs.** The budget requests $167,000 per year from the Public Utilities Commission Office of Ratepayer Advocates Account (PUCORA) for one permanent Public Utilities Regulatory Analyst (PURA) V position to perform expanding workload associated with the recent increase in departing load programs, specifically the Community Choice Aggregation (CCA) program. The CCA program enables cities and counties to pool resources to develop or purchase power—with an emphasis on renewable energy. Customers are beginning to depart investor owned utilities (IOUs) for CCAs. SB 350 (de León), Chapter 547, Statutes of 2015, mandates new requirements that support the state's goals to increase renewable resources, reduce GHG emissions, and enhance system reliability in the most cost effective manner apply to all load serving entities (LSEs). Both IOUs and CCAs are defined as LSEs. The CCA-related requirements of SB 350 have a direct and significant impact on all residential customers' rates and ultimately their monthly bills. As CCAs grow, workload associated with reviewing CCAs' compliance with SB 350 requirements increases. Participation by various cities and counties throughout the state is estimated to grow significantly. The PURA V will provide complex technical analyses on how to ensure that cost allocation is fair and nondiscriminatory, prepare written reports and testimony, and testify in evidentiary hearings. The PURA V also will lead CCA project teams and coordinate with other ORA staff regarding ORA's positions on issues involving CCA-related issues.
3. **Electric Resource Modeling.** The budget requests two Public Utilities Regulatory Analyst (PURA) IV positions and $307,000 from the Public Utilities Commission Office of Ratepayer

Advocates Account, to perform mission critical work associated with new complex computer simulation and modeling efforts required by the PUC's implementation of the integrated resource planning mandates contained in SB 350 (de León), Chapter 547, Statutes of 2015. Two new PURA IV positions are necessary for ORA to participate in the development and implementation of the computer simulations and models needed to identify the optimal portfolios of resources for the state's load-serving entities to procure, in light of the environmental, cost, and reliability requirements established in SB 350.

4. **Geographical Information Systems Analysis.** The budget requests a Research Program Specialist III (Geographic Information Systems) position and $142,000 from the Public Utilities Commission Office of Ratepayer Advocate Account (PUCORA) to perform geographical spatial analysis work associated with evaluating investor-owned utility (IOU) applications and programs across industry areas, and measure program outcomes that impact disadvantaged communities and low-income households.
5. **Trailer Bill Proposal: Public Advocate's Office.** The Office has requested that the Legislature update and rename the Office as the "Public Advocate's Office" so that its name more accurately conveys its public interest mission. The Office has indicated that there will be no budget impact related to this name change.

Extensions of Liquidation: Local Park Projects.

1. **Extensions of Liquidation: Local Park Projects.** Requests have been made by various local entities for liquidation extensions of state funding they have received for individual park projects as follows:

    a. **Fall River Mills Community Center Park.** Extend liquidation date to June 30, 2020, for $273,984 Proposition 84 Statewide Park Program (SPP) to grantee, Fall River Community Service District.

    b. **New Park – Western/Gage.** Extend liquidation date to June 30, 2020, for $422,323 Proposition 84 SPP to grantee, Los Angeles Neighborhood Initiative.

    c. **Earth & Space Sciences Center.** Extend liquidation date to June 30, 2021, for $6.245 million Proposition 84 SPP to grantee, Powerhouse Science Center.

    d. **Slausen Wall Park.** Extend liquidation date to June 30, 2022, for $5 million Proposition 84 SPP to grantee, City of Los Angeles, Department of Recreation and Parks.

    e. **Ord & Yale Park.** Extend liquidation date to June 30, 2020, for $5 million Proposition 84 SPP to grantee, City of Los Angeles, Department of Recreation and Parks.

    f. **Nevin Avenue Elementary School Park.** Extend liquidation date to June 30, 2020, for $2.898 million Proposition 84 SPP to grantee, City of Los Angeles, Department of Recreation and Parks.

g. **West Lakeside Street Park.** Extend liquidation date to June 30, 2020, for $4.961 million Proposition 84 SPP to grantee, City of Los Angeles, Department of Recreation and Parks.

h. **WAYS Reading and Fitness Park.** Extend liquidation date to June 30, 2020, for $842,472 Proposition 84 SPP to grantee, Heal the Bay.

i. **Rainbow Recreation Center Expansion.** Extend liquidation date to June 30, 2019, for $2.501 million Proposition 84 SPP to grantee, City of Oakland, Public Works Department.

j. **California Trail.** Extend liquidation date to June 30, 2019, for $1.4 million Proposition 84 Nature Education Facilities (NEF) to grantee, East Bay Zoological Society.

k. **Looking Into Nature.** Extend liquidation date to June 30, 2019, for $197,713 Proposition 84 NEF to grantee, City of Torrance.

l. **Jackie Robinson YMCA Teen and Family Recreation Center.** Extend liquidation date to June 30, 2019, for $997,987 Proposition 84 NEF to grantee, YMCA of San Diego County.

Staff Comment. It seems that requests for liquidation extensions happen frequently, however causes for delay are not always clear. Staff proposes approving these requests and requiring the Department of Parks and Recreation to provide information regarding the status of each of the projects listed above, any further causes for delay, and estimated time of completion for phase when the current appropriation will be expended.

Staff Recommendation:
Approve as proposed.

Issues Proposed for Discussion

2660 CALIFORNIA DEPARTMENT OF TRANSPORTATION

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 $13.6 billion to support 19,500 positions at Caltrans. This is an increase of nearly $2.3 billion, mostly due to the allocation of funds provided by the Governor's Transportation Package. The budget includes $2.8 billion in SB 1 funding for a variety of transportation programs at Caltrans. This includes $1.2 billion for highway maintenance and repairs, $400 million for the repair of state-owned bridges and culverts, $330 million for local transit projects, $250 million for congestion relief on commuter corridors, $200 million in matching funds for the Local Partnership Program, $100 million for active transportation projects, $25 million for freeway service patrols, and $25 million for local planning grants, as well as associated support costs.

3-YR EXPENDITURES AND POSITIONS

		Positions			Expenditures		
		2016-17	**2017-18**	**2018-19**	**2016-17***	**2017-18***	**2018-19***
1830019	Aeronautics	23.1	24.0	24.0	$7,710	$7,226	$7,299
1835010	Capital Outlay Support	7,188.5	8,029.6	8,029.6	1,665,594	1,853,814	1,859,641
1835019	Capital Outlay Projects	-	-	-	3,370,041	3,263,445	4,600,380
1835020	Local Assistance	246.4	269.5	268.5	1,714,935	2,727,700	3,392,979
1835029	Program Development	188.4	224.2	223.2	61,421	79,498	81,938
1835038	Legal	251.3	276.6	276.6	122,312	130,381	141,100
1835047	Operations	1,065.0	1,091.2	1,091.2	251,601	257,554	271,106
1835056	Maintenance	6,890.3	6,117.5	6,521.5	1,445,856	1,993,189	2,188,089
1840019	State and Federal Mass Transit	59.7	62.7	62.7	151,388	277,624	200,862
1840028	Intercity Rail Passenger Program	44.1	43.7	43.7	212,207	451,457	578,292
1845013	Statewide Planning	650.5	703.9	702.9	131,848	153,220	160,859
1845022	Regional Planning	41.5	38.5	38.5	16,586	126,915	127,037
1850010	Equipment Service Program	698.6	634.6	634.6	206,270	205,441	207,276
1850019	Equipment Service Program - Distributed	-	-	-	-206,270	-205,441	-207,276
1870	Office of Inspector General	-	58.0	64.0	-	9,761	11,375
9900100	Administration	1,519.5	1,535.5	1,536.5	374,646	392,277	423,228
9900200	Administration - Distributed	-	-	-	-374,646	-392,277	-423,228
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		**18,866.9**	**19,109.5**	**19,517.5**	**$9,151,499**	**$11,331,784**	**$13,620,957**

Issue 1: Information Technology Infrastructure Replacement

Governor's Proposal: The Governor's budget requests a one-time increase of $2 million in State Highway Account (SHA) funds to develop an Information Technology Applications Roadmap. Additionally, the Governor proposes budget bill language authorizing up to $12 million (one-time SHA) to continue replacement of outdated IT infrastructure, contingent upon approval of the Roadmap by the California State Transportation Agency (CalSTA), the California Department of Technology (CDT), and the Department of Finance (DOF).

This request was first heard in subcommittee on April 11, 2018.

Background: The 2017 Budget Act provided Caltrans $12 million on a one-time basis to replace its most outdated IT infrastructure that was at greatest risk of failure. Caltrans is on track to complete the replacement of 1,081 devices by June 30, 2018.

LAO Comments: The LAO recommends the Legislature approve the proposed $2 million to develop the roadmap. However, the LAO finds the proposed budget bill language puts the Legislature in the position of approving funds to start implementing the Roadmap without providing the Legislature an opportunity to first review it. Therefore, the LAO recommends the Legislature reject the proposed budget bill language and adopt language that requires Caltrans to submit a copy of the roadmap to the Legislature, and then Caltrans could submit a 2019-20 budget request after the Legislature has had an opportunity to review the roadmap.

Staff Comments: Caltrans has previously developed an IT Roadmap identifying critical devices that need replacement. This year it is developing a roadmap for its IT Applications. Caltrans has been working closely with CDT and expects to complete the IT Application Roadmap during 2018-19. Caltrans would not make any purchases until the roadmap is approved by CalSTA, CDT, and DOF.

Staff Recommendation: Approve as Budgeted. Adopt budget bill language requiring JLBC notification prior to any budget augmentation for the replacement of IT infrastructure.

Issue 2: Indirect Cost Rate Proposal (ICRP)

Proposal: The Self-Help Counties are seeking an exemption from full cost recovery by Caltrans for work that Caltrans does on their behalf and instead have Caltrans only charge Self-Help counties for direct costs or functional overhead.

Background: Caltrans does work on behalf of Self-Help Counties who develop projects on the state highway system, in addition to cities, regional transit and transportation agencies, certain state agencies, and private entities. Caltrans recovers the cost of these services and charges these entities a rate that covers the cost of both administrative and program functional rates.

Several external entities have been exempt from full cost recovery for various reasons. These include the Bay Area Toll Bridge Seismic Retrofit, project initiation documents funded by local agencies (part of a compromise when local agencies were given funding for this work), and work done for the High-Speed Rail Authority.

The Self-Help Counties are 24 local county transportation agencies that have passed a countywide sales tax measure to fund transportation projects. These counties are seeking an exemption from full cost recovery for the Caltrans' services they receive, and are requesting to only pay the direct costs. According to Caltrans, an exemption from the administrative portion of the indirect costs would reduce Caltrans' cost recoveries by $15.2 million. This would be a loss of funding for the State Highway Account that funds the State Highway Operation and Protection Program, which provides funding for major rehabilitation of the State Highway System.

Staff Comments: Partnerships with local transportation agencies are necessary for the success of maintaining and developing the state highway system. It is important to ensure that the entities that partner with the state are fairly charged for the services Caltrans provides. Staff recommends the Subcommittee adopt Supplemental Reporting Language directing the LAO to examine and make recommendations regarding the ICRP rates charged, the basis for charging these rates, the appropriateness of these rates, and the rationale for exemptions.

Staff Recommendation:
Adopt Supplemental Reporting Language.

2740 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.

Budget Overview: The budget requests $1.16 billion and 8,308 positions for 2017-18. This is an increase of roughly $36.5 million and 37 positions.

The DMV, along with the Department of the California Highway Patrol (CHP), is primarily funded by the Motor Vehicle Account (MVA), which is primarily funded by vehicle registration fees. The Legislature increased the vehicle registration fee as part of the 2016-17 budget to prevent the MVA from becoming insolvent. The Department of Finance's five-year projections (2018-19 through 2021−22) estimate there will be sufficient funding available in the MVA to pay for projected expenditures. However, over the next few years, the MVA would be narrowly balanced.

3-YR EXPENDITURES AND POSITIONS

		Positions			Expenditures		
		2016-17	2017-18	2018-19	2016-17*	2017-18*	2018-19*
2130	Vehicle/Vessel Identification and Compliance	3,579.6	3,880.4	3,903.9	$566,602	$590,535	$612,287
2135	Driver Licensing and Personal Identification	2,612.5	2,171.0	2,183.0	303,159	335,484	350,477
2140	Driver Safety	1,088.9	1,182.7	1,184.7	128,258	133,025	133,422
2145	Occupational Licensing and Investigative Services	415.0	448.8	448.8	55,430	57,137	57,373
2150	New Motor Vehicle Board	9.8	13.0	13.0	1,468	1,704	1,707
9900100	Administration	531.1	574.3	574.3	93,174	109,112	111,612
9900200	Administration - Distributed	-	-	-	-93,174	-109,112	-111,612
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		**8,236.9**	**8,270.2**	**8,307.7**	**$1,054,917**	**$1,117,885**	**$1,155,266**

FUNDING		2016-17*	2017-18*	2018-19*
0001	General Fund	$3,888	$1,750	$3,188
0042	State Highway Account, State Transportation Fund	11,522	6,565	7,314
0044	Motor Vehicle Account, State Transportation Fund	1,008,004	1,065,017	1,096,257
0054	New Motor Vehicle Board Account	1,468	1,696	1,707
0064	Motor Vehicle License Fee Account, Transportation Tax Fund	13,723	16,421	18,876
0516	Harbors and Watercraft Revolving Fund	2,434	5,317	2,764
0890	Federal Trust Fund	28	2,810	2,780
0995	Reimbursements	13,850	14,549	14,549
3290	Road Maintenance and Rehabilitation Account, State Transportation Fund	-	3,760	7,831
TOTALS, EXPENDITURES, ALL FUNDS		**$1,054,917**	**$1,117,885**	**$1,155,266**

Issue 1: Front End Sustainability Project

Governor's Proposal: The budget requests $15 million MVA in 2018-19 to support the implementation of the Front End Applications Sustainability (FES) project. The annual amount requested over each of the next four years will fluctuate and total $89 million, which includes funding for three permanent positions beginning in 2018-19 and funding for seven limited-term positions from 2018-19 through 2022-23. The budget also proposes $14.9 million annually beginning in 2023-24 for system maintenance and operation.

In addition, the Governor proposes trailer bill language to authorize DMV to charge an additional $1 fee per transaction to the private industry partners that work with the department to collect registration fees. The revenue from the fee would fund the business partner's portion of the project.

This proposal was first heard in subcommittee on April 11, 2018.

Background: Each year, the DMV issues about seven million drivers licenses and registers roughly 35 million vehicles, and collects $3.5 billion in associated fees. In addition, the department collects and distributes various fees (such as unpaid parking penalties) on behalf of local authorities and other state agencies. According to DMV, its current vehicle registration and fee collection system, referred to as the legacy system, is dependent on approximately 45-year old technology, which is inflexible and fragmented leading to significant challenges.

Following the termination of the project, DMV and CDT initiated efforts to complete the unfinished upgrades to DMV's legacy system. This project, the Front End Applications Sustainability (FES) project, is currently proceeding through the state's IT project approval process and its four stages—known as the Project Approval Lifecycle (PAL). DMV completed Stage 1 for the FES project in 2016 and Stage 2 at the end of 2017. The department is currently entering Stage 3 and expects to complete Stage 4 in January 2019. As part of the 2017-18 budget, the Legislature approved up to $3.4 million to support pre project activities related to Stage 3, including the preparation of a Request for Procurement.

LAO Comments: The LAO finds it is premature to approve funding for the remainder of the project prior to completion of the planning process, specifically Stage 4, which DMV currently expects to complete in January 2019. The LAO recommends the Legislature adopt supplemental reporting language requiring that DMV provide a status report on the FES project to the Legislature within 45 days following CDT's approval of Stage 4. At a minimum, this report should include (1) an updated project cost and completion date; (2) terms of the vendor contract (such as key vendor responsibilities, what options are available should the vendor fail to perform, and first year project milestones); and (3) how the department plans to prepare employees for use of the new system. This report would provide the Legislature with the necessary baseline information to hold DMV accountable as the project progresses.

Staff Comments: According to CDT moving forward with this request would not circumvent its review process. The intent of providing funding in 2018-19 is to ensure that the procurement for this project is not delayed assuming it clears Stage 4 mid-year.

The proposed trailer bill language allows DMV to charge a $1 transaction fee to recoup a portion (25 percent) of the estimated one-time project costs that benefit private industry business partners. DMV estimates the business partners' share of costs would be approximately $19.2 million, and with a $1 fee this would be recouped in about three years. Currently this language does not have a sunset. According to DMV, this flexibility permits DMV to collect the appropriate share of the project's cost from business partners should project cost change.

Staff Recommendation

Approve the requested funding and positions through 20-21-22. Reject the $14.9 million ongoing beginning in 2022-23. Adopt trailer bill language with a sunset date of 12/31/2023 for the private industry partner transaction fee.

Issue 2: Information Technology Infrastructure Refresh

Governor's Proposal: The Governor's budget requests a one-time operating expense increase of $3.1 million MVA funding for the replacement of outdated critical information technology (IT) infrastructure equipment that has reached its end of life (EOL) and has been identified as a priority to ensure continuity of business operations.

Background: DMV has a 2016-21 IT Strategic Plan that emphasizes the importance of replacing IT to keep pace with ever-evolving technology. This request supports IT asset management through routine replacement of EOL equipment, promotes most effective use and maintenance of assets throughout the lifecycle, and ensures their proper upgrading, replacement and disposal. This funding is expected to replace 113 network, servers, and storage devices. The DMV will also have a vendor complete an analysis (estimated cost of $250,000 using existing budget authority) of all the IT infrastructure components and develop a replacement plan that DMV will use to submit a request in 2018-19 for a permanent augmentation for the ongoing replacement needs of IT infrastructure equipment.

Staff Comments: The department has indicated that IT hardware assets lifecycle is about five years. As devices on the network, server, or appliance age, refresh expenditures will be needed. Many of DMV's assets were deployed over five years ago and have accommodated significant growth. The department has also indicated that this request will enable DMV to continue replacement of its most critical aging infrastructure. DMV has prioritized the replacements to mitigate the risk of failure for the most critical and aged devices included in the current backlog of EOL network, server and storage infrastructure. The department has indicated that there will likely be future funding requests as additional IT hardware reaches EOL.

Staff Recommendation:
Approve as Budgeted.

Issue 3: Perimeter Fencing

Governor's Proposal: The Governor's budget requests $6.1 million MVA, for the second year of funding for the design and construction of perimeter fences at state-owned DMV field office locations.

This item was first heard in subcommittee on April 11, 2018.

Background: 66 DMV field offices (of 170) report regular problems with afterhours trespassing, and 20 of those offices report serious and ongoing health and safety concerns resulting from these activities.

Nine fencing projects were funded in 2017-18 at $4.0 million MVA; however, because the estimates overlooked certain overhead costs the funding was only sufficient for seven fencing projects. As a result, the remaining two fencing projects need to be funded in 2018-19. Also, since the approval of the 2017-18 proposal, an additional office was determined to be in critical need of fencing and an office for which a replacement was proposed in the 2017-18 five year plan is now eligible and in need of perimeter fencing. In total, 13 projects are proposed in the 2018-19 request. Upon completion, the 2017-18 and 2018-19 appropriations are expected to fund fencing projects at 20 offices.

Staff Comments: While unauthorized after-hours access to DMV offices is a serious and growing problem, staff believes that permanent, unwelcoming perimeter fencing is not an appropriate solution. In subsequent discussions, the department has agreed to hire overnight security guards and provide regular cleaning services at the impacted sites over the next two years, at which point the issue will be revisited.

Staff Recommendation:
Approve $2.3 million ongoing for a security contract at the identified office locations.

3360 CALIFORNIA ENERGY 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 $384 million for support of the CEC, a decrease of approximately $300 million from the enacted 2017-18 budget, predominantly due to a decline in funding for the Electric Program Investment Charge Fund.

3-YR EXPENDITURES AND POSITIONS

		Positions			Expenditures		
		2016-17	2017-18	2018-19	2016-17*	2017-18*	2018-19*
2380	Regulatory and Planning	139.2	131.0	131.0	$30,996	$38,543	$37,864
2385	Energy Resources Conservation	125.9	164.3	164.3	42,742	52,941	48,491
2390	Development	171.7	193.1	193.1	324,266	592,398	297,722
9900100	Administration	180.9	180.9	180.9	27,235	28,259	-
9900200	Administration - Distributed	-	-	-	-27,235	-28,259	-
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		**617.7**	**669.3**	**669.3**	**$398,004**	**$683,882**	**$384,077**

FUNDING		2016-17*	2017-18*	2018-19*
0001	General Fund	$-	$18,000	$-
0033	State Energy Conservation Assistance Account	-6,261	-616	359
0044	Motor Vehicle Account, State Transportation Fund	150	161	162
0115	Air Pollution Control Fund	1,405	-	-
0381	Public Interest Research, Development, and Demonstration Fund	1,233	1,257	751
0382	Renewable Resource Trust Fund	23,119	25,750	4,748
0465	Energy Resources Programs Account	74,180	79,924	79,021
0497	Local Government Geothermal Resources Revolving Subaccount, Geothermal Resources Development Account	5,067	1,606	1,548
0853	Petroleum Violation Escrow Account	183	5,825	-
0890	Federal Trust Fund	15,271	13,497	13,464
0942	Special Deposit Fund	301	58	-
0995	Reimbursements	42	2,050	800
3062	Energy Facility License and Compliance Fund	3,527	3,576	4,577
3109	Natural Gas Subaccount, Public Interest Research, Development, and Demonstration Fund	32,076	45,769	24,000
3117	Alternative and Renewable Fuel and Vehicle Technology Fund	102,456	177,512	107,858
3205	Appliance Efficiency Enforcement Subaccount, Energy Resources Programs Account	125	1,402	1,497
3211	Electric Program Investment Charge Fund	143,234	234,735	136,021
3228	Greenhouse Gas Reduction Fund	-	66,000	-
3237	Cost of Implementation Account, Air Pollution Control Fund	-	9,286	9,271
9330	Clean and Renewable Energy Business Financing Revolving Loan Fund	1,896	-1,910	-
TOTALS, EXPENDITURES, ALL FUNDS		**$398,004**	**$683,882**	**$384,077**

Issue 1: Implementation of the School Bus Retrofit and Replacement Program (SB 110)

Governor's Proposal: The budget requests authority for three-year funding of $900,000 annually for six temporary positions from the Alternative and Renewable Fuel and Vehicle Technology Fund to develop and implement the new school bus retrofit and replacement activities under the Clean Energy Job Creation Program.

This item was first heard in subcommittee on March 8, 2018.

Background: The California Clean Energy Jobs Act, an initiative approved by the voters as Proposition 39 at the November 6, 2012, statewide general election, made changes to corporate income taxes and, except as specified, provides for the transfer of $550,000,000 annually from the General Fund to the Clean Energy Job Creation Fund for five fiscal years beginning with the 2013-14 fiscal year. Moneys in the fund are available, upon appropriation by the Legislature, for purposes of funding eligible projects that create jobs in California improving energy efficiency and expanding clean energy generation.

SB 110 (Committee on Budget and Fiscal Review), Chapter 55, Statutes of 2017, established the Clean Energy Job Creation Program with the purpose of funding specified projects in public schools and community colleges that create jobs in California improving energy efficiency and expanding clean energy generation. The bill provides $75 million to the Energy Commission to provide grants or loans to school districts and county offices of education for school bus retrofit or replacement.

Staff Comments: The state has aggressive policies for expediting the development of clean, alternative, and renewable fuels and vehicle technologies to help in meeting the state's environmental goals. Cleaner school buses are a top priority for the state. Exposure to diesel particulate matter is a health hazard, particularly to children whose lungs are still developing and the elderly, who may have other serious health concerns.

CEC has indicated that existing staff resources are not currently sufficient to effectively implement both ongoing responsibilities and new school bus retrofit and replacement activities. CEC has also indicated that school districts (especially small school districts and school districts within disadvantaged communities) lack the resources and expertise necessary to effectively apply for, administer and implement school bus retrofit and replacement activities.

Staff Recommendation:
Approve as Budgeted.

Issue 2: Zero Emission Vehicle Infrastructure Initiative Trailer Bill Language

Governor's Proposal: The Administration has proposed trailer bill language transferring $88 million in one-time funds from the New Solar Homes Partnership funding source for the ZEV initiative, bringing the total available funding for the program to $235 million. The proposed trailer bill language also makes a number of substantive changes to the Alternative and Renewable Fuel and Vehicle Technology Program (ARFVTP).

The proposal for the remainder of funds for the program was first heard in subcommittee on March 8, 2018.

Background: AB 118 (Núñez), Chapter 750, Statutes of 2007, created the California Energy Commission's Alternative and Renewable Fuel and Vehicle Technology Program. The statute, subsequently amended by Assembly Bill 109 (Núñez), Chapter 313, Statutes of 2008, and Assembly Bill 8 (Perea), Chapter 401, Statutes of 2013, authorizes the Energy Commission to develop and deploy alternative and renewable fuels and advanced transportation technologies to help attain the state's climate change policies.

Executive Order B-16-12, issued in 2012, directed state government to help accelerate the market for zero-emission vehicles (ZEVs) in California by calling for 1.5 million ZEVs in California by 2025 and establishes several milestones on the pathway toward this target. Executive Order B-48-18 updated these goals, calling for five million ZEVs by 2030, as well as 250,000 vehicle charging stations and 200 hydrogen charging stations by 2025.

CEC administers the New Solar Homes Partnership (NHSP) program, which provides financial incentive rebates for the installation of solar energy systems in new homes. SB 1 (Murray), Chapter 132 of 2006, authorized $400 million for the NSHP program with the goal of achieving 360 megawatts (MW) of solar capacity installed by 2016. According to the Administration, the state has not yet met the 360 MW goal established in Chapter 132. Current law authorizes CEC to spend the NSHP funds through June 2018. The Administration estimates that there will be roughly $88 million available to the program when the program's authorization expires.

Staff Comments: The current ARFVTP includes a wide range of activities, including low carbon fuel production, workforce training, and alternative fuel vehicles, among other uses. The proposed trailer bill language would remove many of these activities in favor of a tighter focus on ZEV fueling and support infrastructure and related spending. The subcommittee may want to consider the proposed changes in the context of the numerous other statewide programs that fund ZEV deployment and infrastructure.

Additionally, staff notes that it is unclear how much money will be available in the NSHP to transfer by June. The final amount may be less than the estimated $88 million, which would limit funds available for the revamped ARFVTF.

Staff Recommendation:
Hold open

Issue 3: Building Energy Efficiency Compliance Software Updates and Maintenance Funding (Spring Finance Letter)

Governor's Proposal: A Spring Finance Letter proposes a $1.5 million increase in baseline contract authority from the Cost of Implementation Account for the continual enhancement, maintenance, and support of the Energy Commission's residential and nonresidential Building Energy Efficiency Standards (Standards) compliance software (CBECC).

Background: Energy efficiency compliance software enables contractors, builders, architects, engineers, and governmental officials to estimate the energy consumed by residential and nonresidential buildings, and demonstrate compliance with the performance standards. The Energy Commission is responsible for both the development of energy efficiency standards and maintenance of the software to measure compliance with the Standards. As software sophistication and functionality has grown, this has resulted in more resources being directed towards maintenance of the software, and fewer resources to develop standards that keep abreast of current advancements, and actively encourage innovations in building energy efficiency. Both the California Air Resources Board (ARB) and the Energy Commission have recognized energy efficiency as a critical component of reducing greenhouse gas (GHG) emissions.

Staff Comments: The Commission has indicated that the requested $1.5 million in ongoing contract authority will be committed to maintaining the software and addressing the ongoing diversion of resources so that the existing resources of $2 million can be used for the development of energy efficiency standards.

Staff Recommendation:
Approve as Proposed.

Issue 4: Implementation of Electric Program Investment Charge (Spring Finance Letter)

Governor's Proposal: A Spring Finance Letter requests a baseline increase of $12 million in Electric Program Investment Charge (EPIC) program and administration funds. The Energy Commission also requests the conversion of existing technical support funds to fund four permanent positions to manage the increased program funding.

Background: The EPIC program is the state's primary electricity research program to evaluate, demonstrate and deploy new and emerging clean energy technologies so the state can continue to meet its aggressive clean energy goals. These goals to reduce greenhouse gas emissions and increase renewable generation require a transformation of the electricity system. Investments in energy innovations and creativity are critical to implement this transition.

The Energy Commission submitted the Third EPIC Triennial Investment Plan to the PUC on May 1, 2017. The PUC adopted the investment plan, including the budget adjustment for the inflation escalation, at its January 11, 2018 business meeting. Table 1 below summarizes the proposed budget authority for funding of the EPIC Third Triennial Investment Plan 2018-2020, and Table 2 shows the proposed expenditures:

TABLE 1

Category	Fiscal Year (dollars in millions)			
	2018-19	2019-20	2020-21	Total
EPIC Program Funding	$121.668	$121.668	$121.668	$365.004
EPIC Administration Funding	$14.353	$14.353	$14.353	$43.059
EPIC Funding	**$136.021**	**$136.021**	**$136.021**	**$408.063**
Inflation to Increase EPIC Program Funding	$11.532	$11.532	$11.532	$34.596
Inflation to Increase EPIC Administration Funding	$.447	$.447	$.447	$1.341
Net Increase to Existing Funding	**$11.979**	**$11.979**	**$11.979**	**$35.937**
Total EPIC Program Funding	$133.20	$133.20	$133.20	$399.60
Total EPIC Administration (10%)	$14.80	$14.80	$14.80	$44.40
Total EPIC Expenditures	**$148.00**	**$148.00**	**$148.00**	**$444.00**

TABLE 2

Category	Fiscal Year (dollars in millions)			
	2018-19	2019-20	2020-21	Total
Applied Research & Development	$53.267	$53.267	$53.267	$159.80
Technology Deployment & Demonstration	$57.733	$57.733	$57.733	$173.20
Market Facilitation	$22.20	$22.20	$22.20	$66.60
EPIC Program Funding	$133.20	$133.20	$133.20	$399.60
EPIC Administration (10%)	$14.80	$14.80	$14.80	$44.40
Total EPIC Expenditures	**$148.00**	**$148.00**	**$148.00**	**$444.00**

Staff Comments: The Commission has indicated that the proposed four permanent positions will be paid for by converting existing technical support dollars, currently used for consultant contracts, to funded positions. As the EPIC program continues to grow the CEC's workload is likely to increase as well. The requested staff will allow the CEC to more effectively manage the increased program funding.

Staff Recommendation: Approve as Proposed.

8660 CALIFORNIA PUBLIC UTILITIES COMMISSION

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 1,070 positions to support the PUC in the budget year, as shown in the figure below. This is an increase of 38 positions and a decrease of roughly $220 million from the enacted 2017-18 budget, mainly due to a decreased appropriation for the California LifeLine Program.

3-YR EXPENDITURES AND POSITIONS

		Positions			Expenditures		
		2016-17	2017-18	2018-19	2016-17*	2017-18*	2018-19*
6680	Regulation of Utilities	432.2	412.3	411.9	$670,692	$755,238	$761,631
6685	Universal Service Telephone Programs	36.2	33.0	38.6	725,421	996,279	773,873
6690	Regulation of Transportation	168.5	148.6	143.3	30,999	36,866	36,228
6695	Office of Ratepayer Advocates	128.4	159.0	164.9	28,144	36,263	36,957
9900100	Administration	235.1	289.4	311.4	54,166	62,242	61,470
9900200	Administration - Distributed	-	-	-	-54,166	-62,242	-61,470
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		**1,000.4**	**1,042.3**	**1,070.1**	**$1,455,256**	**$1,824,646**	**$1,608,689**

FUNDING	2016-17*	2017-18*	2018-19*
0042 State Highway Account, State Transportation Fund	$4,840	$5,360	$6,415
0046 Public Transportation Account, State Transportation Fund	6,432	7,774	7,878
0412 Transportation Rate Fund	1,692	2,539	-
0461 Public Utilities Commission Transportation Reimbursement Account	14,563	17,887	18,171
0462 Public Utilities Commission Utilities Reimbursement Account	104,235	129,691	136,089
0464 California High-Cost Fund-A Administrative Committee Fund	36,880	49,247	49,256
0470 California High-Cost Fund-B Administrative Committee Fund	17,041	22,330	22,333
0471 Universal Lifeline Telephone Service Trust Administrative Committee Fund	429,684	630,173	428,817
0483 Deaf and Disabled Telecommunications Program Administrative Committee Fund	51,182	64,428	64,403
0493 California Teleconnect Fund Administrative Committee Fund	94,269	153,001	128,041
0890 Federal Trust Fund	5,726	8,952	9,405
0995 Reimbursements	41,670	60,844	60,844
3015 Gas Consumption Surcharge Fund	522,533	562,057	562,057
3089 Public Utilities Commission Ratepayer Advocate Account	28,144	33,263	33,957
3141 California Advanced Services Fund	96,365	77,100	81,023
TOTALS, EXPENDITURES, ALL FUNDS	**$1,455,256**	**$1,824,646**	**$1,608,689**

Issue 1: Aliso Canyon Update

Background: On October 23, 2015, Aliso Canyon began to leak natural gas from its underground storage facility located near Porter Ranch, Calif. Upon discovery and reporting of the leak, multiple agencies began to work with Southern California Gas Company to remedy the situation and investigate its cause. On January 6, 2016, the Governor declared the gas leak an emergency and set forth several orders to mitigate damage, including requiring Southern California Gas Company to maximize daily withdrawals of gas for use or storage elsewhere, a prohibition of any further injection into the storage facility until comprehensive review of the safety of the wells and the air quality of the surrounding community was completed, and ensuring that Southern California Gas Company bears responsibility for the costs related to the natural gas leak and strengthening oversight.

On February 11, 2016 SoCalGas temporarily controlled the leak by injecting mud from a relief well intersecting the bottom of the leaking well. Gaining control of the leak has drastically reduced the amount of leaking methane. A permanent seal of the well was announced by the Department of Conservation, Division of Oil, Gas, and Geothermal Resources (DOGGR) on February 18, 2016.

On February 9, 2017, the PUC opened a proceeding (called an Order Instituting Investigation; I.17-02-002) to determine the feasibility of minimizing or eliminating the use of Southern California Gas Company's Aliso Canyon Natural Gas Storage Facility while still maintaining energy and electric reliability for the Los Angeles region. A final decision in this proceeding is expected in mid-2018, but the PUC has slated a 24-month timeframe from opening of the proceeding in February 2017 to complete all work.

The purpose of the proceeding is to examine the long-term viability of the Aliso Canyon gas storage facility. The scope of the proceeding does not include the question of whether the facility should be reopened for injections, but rather the long-term feasibility of minimizing or eliminating the use of the facility while still maintaining energy and electric reliability for the Los Angeles region, consistent with maintaining just and reasonable rates.

During this proceeding the facility's operator, Southern California Gas Company (SoCalGas), can only withdraw from the facility for specific purposes. SoCalGas must maximize usage of the other fields, and there is a cap on what can be stored in Aliso. The end result is Aliso will only be used as a last resort for reliability purposes. Specifically:

- SoCalGas cannot inject above 23.6 billion cubic feet.
- There are specific protocols in effect defining when SoCalGas can withdraw. SoCalGas must limit withdrawals to times when gas is needed for reliability and only after all the other fields are at full usage and steps have been taken to reduce or shift demand.
- SoCalGas has been directed by the PUC to maintain storage capacity in their other storage facilities to a level that maximizes the ability of those fields to meet demand in the Los Angeles Basin.

On March 2, 2018, due to lower-than-average temperatures and heavy use of non-Aliso storage facilities, SoCalGas requested permission to immediately begin using Aliso Canyon to manage gas storage inventory and preserve withdrawal deliverability at non-Aliso storage fields. The PUC authorized use of the Aliso facility on March 5, 2018.

Issue 2: Military Institutions and Net Energy Metering

Proposal: This proposal includes trailer bill language to allow military installations with eligible distributed generation to utilize the Net-Energy Metering (NEM) 2.0 tariff, essentially allowing these electric customers to be treated similarly to other customers who have on-site eligible distributed generation under the NEM 2.0 tariff.

Background: Customers who install small solar, wind, biogas, and fuel cell generation facilities, to serve all or a portion of onsite electricity needs, are eligible for the state's net metering program. NEM allows customers who generate their own energy ("customer-generators") to serve their energy needs directly onsite, and to receive a financial credit on their electric bills for any surplus energy fed back to their utility. Participation in the NEM does not limit a customer-generator's eligibility for any other rebate, incentive, or credit provided by an electric utility.

The current NEM program was adopted by the Commission on January 28, 2016, and is available to customers of PG&E, SCE and SDG&E. The current NEM program went into effect in SDG&E's territory on June 29, 2016, in PG&E's territory on December 15, 2016, and in SCE's territory on July 1, 2017. The program provides customer-generators full retail rate credits for energy exported to the grid and requires them to pay a few charges that align NEM customer costs more closely with non-NEM customer costs, such as a one-time interconnection fee and non-bypassable charges.

Currently, military installations with on-site eligible distributed generation are excluded from utilizing the NEM 2.0 tariff. The proposed trailer bill language would allow military installations with eligible distributed generation to utilize the NEM 2.0 tariff, essentially allowing these electric customers to be treated similarly to other customers who have on-site eligible distributed generation under the NEM 2.0 tariff.

Staff Comments: Staff has no concerns with this proposal and PUC has raised no concerns.

Staff Recommendation:
Approve as Proposed.

Issue 3: California Public Utilities Commission Governance, Accountability, Training, and Transportation Oversight Act of 2017 (SB 19), and Strengthening the Transportation Enforcement Branch (Spring Finance Letter)

Governor's Proposal: The budget requests the elimination of ongoing appropriations in the Transportation Rate Fund (TRF, Fund 0412) and 11 related positions, as well as the transfer of $750,000 from the TRF to the Household Movers Fund (HMF), in the Professions and Vocations Fund to fund new responsibilities at the Department of Consumer Affairs (DCA). These changes are intended to enact the requirements of SB 19 (Hill), Chapter 421, Statutes of 2017. The Administration has also proposed trailer bill language making several technical changes required to implement the provisions of SB 19.

Additionally, a Spring Finance Letter requests $2.4 million from the PUC Transportation Rate Account (PUCTRA) for:

- Five new permanent positions ($975,000) to enhance enforcement and leadership of the branch.
- $1.4 million that will be spread across 40 existing staff that previously worked on both transportation and household goods movers-related issues.

Background: Under SB 19 (Hill), Chapter 421, Statutes of 2017, regulation of household goods movers will be transferred from PUC to the Department of Consumer Affairs (DCA) on July 1, 2018. Accordingly, the Governor's January budget included a proposal to eliminate all $2.2 million in TRF funding for PUC, and to reduce TEB by 11 positions (with similar increases in DCA). Under the January proposal, the passenger carrier regulatory responsibilities associated with these 11 positions would be absorbed by the remaining existing PUC staff, and TEB would retain $602,000 of PUCTRA funding currently associated with these positions.

This additional funding requested in the Spring Finance Letter would increase PUC's licensing and enforcement resources, which is consistent with the recommendations made in an independent report that was completed in 2017 as required by the Legislature.

Staff Comment: The 2017 independent report found the PUC's Transportation Enforcement Branch, "severely understaffed and lacks the resources and PUC visibility it needs to perform successfully." The report recommended adding positions to bring the enforcement ratios to one enforcement staff per 176 licensed carriers, and one licensing staff to 641 licensed carriers. Approval of this proposal would change the ratios to one enforcement staff per 679 licensed carriers, and one licensing staff per 287 licensed carriers. Approval of this proposal would bring PUC closer to implementing the recommended staffing levels that the 2017 report identified as necessary for PUC to fulfill its statutorily required responsibilities regarding transportation carrier oversight

Staff Recommendation:
Approve the January request and trailer bill language as proposed. Approve the five positions and associated funding, and $776,000 in PUCTRA funding related to the April Finance Letter.

Issue 4: Electric Transmission Rates Advocacy

Governor's Proposal: The budget requests $1,511,000 (Public Utilities Commission Utilities Reimbursement Account) for ongoing consulting costs ($600,000) and for five additional positions to advocate for California ratepayers at transmission rate proceedings before the Federal Energy Regulatory Commission (FERC) and the California Independent System Operator (CAISO).

This proposal was first heard on March 8, 2018.

Background: California Public Utilities (PU) Code §451 requires the PUC to ensure that electric rates paid by ratepayers are "just and reasonable." Prior to electric restructuring on January 1, 1998, California investor-owned utilities were vertically integrated, with generation, transmission, and distribution under rate regulation by the PUC. As a result of California electric industry restructuring, the Federal Energy Regulatory Commission (FERC) has jurisdiction over the transmission rates that must be borne by California ratepayers in utility rate cases, while the PUC approves the electric generation, distribution, and customer service cost components of utility rates.

PU Code Sections 307, 365, and 451 imposes on the PUC the duty to intervene in transmission rate cases at FERC to help ensure the FERC-authorized rates are just and reasonable before they are passed through to California ratepayers. Once FERC authorizes the utilities to recover transmission costs, the PUC has no independent authority to change FERC-authorized rates. Accordingly, the PUC's General Counsel or their designees represent the PUC in various cases at FERC and other decision-making proceedings. Consultants and the PUC Energy Division analysts perform technical research and discovery for the assigned legal staff, prepare testimony as expert witnesses in FERC transmission rate cases and support legal staff with research in settlement negotiations.

Staff Comment: Approval of this request will help PUC to ensure ratepayers obtain the best value for their transmission rate dollars. The subcommittee may wish to monitor the outcomes provided by the addition of these resources. To do so, it may wish to adopt placeholder trailer bill language that requires the PUC to report annually on the following:

- The number of cases in which the PUC participates.
- The amount of ratepayer monies saved through case litigation by providing the transmission owner's original requested Transmission Revenue Requirement (TRR) and the FERC-approved TRR.
- The nature of PUC's involvement in each case, for example a description of issues litigated such as return on equity, tax issues, depreciation, cost-of-service ratemaking, and assumptions for justifying project needs.

Staff Recommendation:
Approve as Budgeted. Adopt proposed placeholder trailer bill language.

Issue 5: Maintain Energy Division Compliance with Audit and Statutory Requirements for Balancing Account Reviews (Spring Finance Letter)

Governor's Proposal: A Spring Finance Letter requests, for the PUC, $310,000 from the Public Utilities Commission Utilities Reimbursement Account (PUCURA), to make permanent, two limited-term Public Utilities Regulatory Analyst (PURA) IV positions set to expire June 30, 2018, to continue to perform balancing account reviews.

Background: Balancing accounts are accounting mechanisms used by utilities to track specific costs and related revenue collection. A balancing account must be approved by the PUC. The primary purpose of a balancing account is to ensure that spending on a utility program or project matches what the PUC authorized. If the utility over-collects for that program or project, the funds are returned to ratepayers. If the utility under-collects, they can recover the additional authorized costs in future rates. Currently, there are more than 240 balancing accounts across all California electric and gas utilities, up from around 210 in 2014.

In 2014, the State Auditor found that the PUC lacks adequate processes to provide sufficient oversight of utility balancing accounts to protect ratepayers from unfair rate increases. As a result, in 2015-16, funding to hire two PURA IV was approved for a three-year limited-term to conduct in-depth reviews of gas and electric utility balancing accounts. In 2016, the Legislature passed AB 2168 (Williams), Chapter 805, Statutes of 2016, codifying the requirement that the PUC conduct these reviews.

Staff Comments: The PUC has had responsibility for performing balancing account reviews since the passage of AB 2168. The limited-term positions approved in 2015-16 allowed the PUC to perform roughly 20 balancing account reviews per year. Granting this request will allow these reviews to continue per the PUC's statutory obligations.

Staff Recommendation:
Approve as proposed.

Issue 6: Natural Gas Core Transport Agency Consumer Protection (Spring Finance Letter)

Governor's Proposal: A Spring Finance Letter requests, for the PUC, $103,000 from the PUCURA for one permanent Public Utilities Regulatory Analyst to implement newly defined and magnified registration and consumer protection duties, set forth in a recently issued Commission decision regarding gas Core Transport Agents (CTAs).

Background: CTAs are non-utility, privately-owned, natural gas service providers that operate from both inside and outside the state of California. They purchase natural gas and sell it directly to residential and commercial customers (also known as "core" customers), transporting natural gas over the utility-owned pipeline system. CTAs serve nearly 20 percent of PG&E's core load, seven percent of SoCalGas's load and 11 percent of SDG&E's load respectively. Currently, 34 CTAs operate in California. CTAs claim to sell natural gas to customers for a lower price than utilities.

SB 656 (Wright), Chapter 604, Statutes of 2013, required the PUC to extend registration, oversight, and consumer protection over CTAs. While the PUC lacks evidence of lower cost natural gas service for California customers, the PUC does, however, have evidence of customer complaints and fraudulent and deceptive business practices by CTAs. There have been incidents of CTAs switching customers' natural gas service provider, from utility service to CTA service, without permission. Further evidence collected by the PUC shows that CTA deceptive business practices often occur in low-income and non-English speaking communities.

Staff Comments: The Commission has indicated that it absorbed the workload necessary to begin implementation of SB 656. The Commission has further indicated that it can no longer absorb this workload as the CTA sector continues to grow. Staff finds this request generally reasonable due to the growing and likely ongoing nature of the workload necessary to continue to regulate the CTA industry.

Staff Recommendation: Approve as Proposed.

Issue 7: Maximize Federal Litigation Outcomes (Spring Finance Letter)

Governor's Proposal: A Spring Finance Letter requests, for the PUC, $389,000 per year for two years from the Public Utilities Commission Utilities Reimbursement Account for two Public Utilities Counsel III to defend or further in federal court litigation, the PUC's implementation of federal and state legislation, policies, and rules; safety, consumer protection, and environmental enforcement actions; and ratepayer and state economic interests.

Background: Within the past four years, the PUC has been involved in an unprecedented number of federal court cases, with more cases filed with each succeeding year. Moreover, the current federal administration has declared energy, communications, and tax policies in tension with state policies, and the PUC is challenging or is preparing to challenge those policies in federal courts. Examples of these cases include topics such as net neutrality, the treatment of utility tax expenses, net metering, transportation network carriers, and cost decisions related to the 2007 San Diego wildfires.

Staff Comments: The Commission has indicated that over the last twelve months, the current legal supervisor and two attorneys have been regularly working anywhere from 50 to 100+ hours in excess of monthly minimum requirements. In addition, it may be noted that the Commission has been drawing on attorney resources from other sections of the Legal Division—other attorneys contribute a small portion of their time to support the federal litigation caseload, in addition to balancing their other caseload, by deprioritizing assignments for which they must resume responsibility after supporting federal litigation's most pressing needs. The Commission has also been filing requests for extension to meet filing deadlines or negotiating extensions of time to litigate cases.

Although there is an upward trend in the volume of the federal litigation workload at this time, we want to make sure the federal workload does not drop off. Furthermore, there can be great variability in the workload burden among cases. For example, some cases involve discovery, which is an extremely time-consuming, detail-oriented endeavor, and discovery disputes can even be so protracted as to be a case-within-the-case that lasts for over a year; other cases do not involve discovery. Staff believes that it would be appropriate, therefore, to track the federal litigation workload for a period of two years in order to better determine the need for permanent positions. According to PUC, current staff levels are inadequate to support this workload, and losing in court will negatively affect California's ability to realize executive and legislative goals.

Staff Recommendation:
Approve as Proposed.

SUBCOMMITTEE NO. 2 Agenda

Senator Bob Wieckowski, Chair
Senator Mike McGuire
Senator Jim Nielsen
Senator Henry I. Stern

Thursday, May 10, 2018
9:30 a.m. or upon adjournment of session
State Capitol - Room 112

Consultants: Joanne Roy and James Hacker

OUTCOMES

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4	Residential Center, Greenwood: New Residential Center (BCP) – 4-0	3
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7	Aquatic Weed Control Contract (AFL) – 3-1 (Nielsen: No)	4
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8	Bee Safe Program (BCP) – 4-0	4
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8660	**California Public Utilities Commission**	
11	Reduce Carbon Emissions (BCP) – 3-1 (Nielsen: No)	6

PUBLIC COMMENT

VOTE-ONLY CALENDAR

0540 California Natural Resources Agency (CNRA)

1) **Information Security Operations. (BCP)** The Governor's budget requests $2,916,000 from various funds ($1,778,000 one-time, $1,138,000 ongoing) and six positions to establish a new Security Operations Center (SOC) to address information security and cyber security vulnerabilities and threats. SOC would provide service and support for all CNRA's departments, commissions, conservancies, and boards that require information security operational activities to protect and secure critical information, systems, and infrastructure assets.

This proposal was heard in subcommittee on March 15, 2018.

Staff Recommendation. Approve as budgeted.

3860 Department of Water Resources (DWR)

2) **State Water Project Aging Infrastructure. (BCP)** The Governor's budget requests 74 positions to support the California State Water Project (SWP). Specifically, the requested resources would be used to:

- Meet new and expanded state and federal regulatory requirements.
- Respond timely, safely, and cost-effectively to urgent or emergency work as defined by Public Contract Code §10122 et seq., and other Executive, Legislative or regulatory mandates.
- Implement an asset management program, enhance condition assessment and maintenance programs, and facilitate increased design, construction and inspection projects for an aging SWP infrastructure.
- Provide legal support for the Oroville Dam spillway emergency and recovery.

This proposal was heard in subcommittee on March 15, 2018.

Staff Recommendation. Approve as budgeted.

3340 California Conservation Corps (CCC)

3) **Residential Center, Auberry: New Residential Center. (BCP and AFL)** The Governor's January budget proposes $4.885 million General Fund to acquire ($2.847 million) and start preliminary plans ($2.038 million) to renovate the existing Auberry Elementary School for a new residential center in the City of Auberry in Fresno County to meet programmatic needs.

This proposal was heard in subcommittee on April 5, 2018.

An April Finance Letter (AFL) requests a reduction of $591,000 General Fund [(-$153,000) acquisition and (-$438,000) preliminary plans] from the $4.885 million proposed in the FY

2018-19 Governor's budget [($2.847 million) acquisition and ($2.038 million) preliminary plans] to renovate the existing Auberry Elementary School. CCC identified total project savings in the amount of $8.412 million that do not impact the residential center program. The potential for savings was identified in the Governor's budget proposal, as the final cost and schedule summary was still being reviewed.

Total proposal is reduced by $591,000. Estimated total project cost is $40.569 million.

Staff Recommendation. Approve BCP and AFL.

4) **Residential Center, Greenwood: New Residential Center. (BCP)** The Governor's January budget proposes $3.172 million General Fund for preliminary plans to replace the existing Greenwood Residential Center (located in El Dorado County), which was constructed in the 1980s, to address structural and functional deficiencies.

   This proposal was heard in subcommittee on April 5, 2018.

   Staff Recommendation. Approve as budgeted.

5) **Residential Center, Los Piños: New Residential Center. (BCP and AFL)** The Governor's January budget proposes $1.725 million General Fund for preliminary plans to renovate the existing Los Piños Residential Center (located in Orange County), which was built in 1966, to address functional and structural deficiencies.

   This proposal was heard in subcommittee on April 5, 2018.

   An AFL requests a reduction of $352,000 General Fund from the $1.725 proposed in the FY 2018-19 Governor's budget for the preliminary plans phase of this project to renovate the existing Los Piños facility. CCC identified total project savings in the amount of $13.316 million that do not impact the residential center program. The potential for savings was identified in the Governor's January budget proposal, as the final cost and schedule was still being reviewed.

   Total proposal is reduced by $352,000. Estimated total project cost is $20.274 million.

   Staff Recommendation. Approve BCP and AFL.

6) **Residential Center, Yountville: New Residential Center. (BCP)** The Governor's January budget proposes $200,000 General Fund in FY 2018-19 for the study phase to renovate an existing warehouse at the Veterans Home of California-Yountville (located in Napa County) to meet programmatic needs.

   This proposal was heard in subcommittee on April 5, 2018.

   Staff Recommendation. Approve as budgeted.

3790 Department of Parks and Recreation (Parks)

7) **Aquatic Weed Control Contract. (AFL)** An AFL requests a $6.5 million increase in reimbursement authority from the Harbors and Watercraft Revolving Fund for FY 2018-19 through FY 2022-23. This increase is intended to support a contract with the Department of Water Resources for Enhanced Control of Aquatic Invasive Plants and Fish Restoration Program actions.

Background. Invasive aquatic vegetation is widespread in the Delta and has increased their overage dramatically during the recent drought. This increasing trend has serious implications in regard to habitat, as aquatic weeds are known to alter their physical environment by slowing water velocities, increasing water clarity, providing habitat for invasive fishes, and reducing open water habitat. These habitat effects are likely to have a negative impact on imperiled Delta Smelt and other pelagic species that rely on turbid, open water habitat.

Parks' Division of Boating and Waterways (DBW) operates a control program for submerged weed Egeria Densa (Brazilian Waterweed) and the floating weed Eichhornia crasspipes (Water Hyacinth) as well as other species. The contract with DWR will allow DBW to enhance their existing control program in areas identified by DWR, and to conduct detailed tracking of the aquatic weed and water quality response to these additional weed treatment areas.

Staff Recommendation. Approve as budgeted.

8570 California Department of Food and Agriculture (CDFA)

8) **Bee Safe Program. (BCP)** The Governor's budget proposes $1.853 million General Fund and two positions in FY 2018-19 and ongoing to develop and manage the Bee Safe Program to promote and protect a safe and healthy food supply through the protection of bees. The request has two major components: 1) funds to counties for local enforcement of existing laws and implementation of new activities ($1.5 million); and, 2) state staff to manage the Bee Safe Program ($353,000).

This proposal was heard in subcommittee on April 19, 2018.

LAO Recommendations. *Approve One-Year Funding for Bee Safe Program.* LAO recommends the Legislature approve one year of funding to establish the Bee Safe Program in order to better ensure the health of California's bee population. The Bee Safe Program would help county agricultural commissioners (CACs) address a number of threats to the state's bee population including die-offs from contact with pesticides that are toxic to bees and early identification of pests and diseases that can affect bees. Representatives for the CACs have indicated that counties need additional training for their inspectors and access to state-level expertise to address an increasing number of bee-related issues. The Bee Safe Program would help to address these issues.

Consider Expanding Fee-Based Funding Options. LAO recommends the Legislature consider options regarding how to fund the Bee Safe Program before approving ongoing General Fund support as proposed by the Governor. On the one hand, LAO believes it is appropriate to fund the program with General Fund given its broad benefit to the public. On the other hand, it is also appropriate to fund the program using fee revenues from regulated beekeepers, who would be the program's main beneficiaries. Fee-based funding could be accomplished by establishing a new fee on beekeepers or expanding the scope of the existing apiary registration fee. Ultimately, it is a policy decision for the Legislature whether to fund the Bee Safe Program with: 1) General Fund as proposed by the Administration; 2) a mix of General Fund and fees on beekeepers; or, 3) entirely through fees on beekeepers.

Adopt Reporting Requirement to Inform Future Funding Decisions. LAO recommends the Legislature adopt budget bill language requiring CDFA to provide a report to the Legislature by January 1, 2019 on the following: 1) annual revenues collected by counties under the current apiary registration fee; 2) county costs to administer the apiary registration program; and, 3) options to align fee revenues with county costs and responsibilities. This analysis should further look at costs and responsibilities associated with domestic and imported hives. This report would provide the Legislature with key information needed to decide the extent to which the Bee Safe Program could be funded with fee revenues in lieu of General Fund.

Staff Recommendation. Approve funding for CDFA as follows: three-year limited-term funding of $353,000 General Fund and two positions to establish the Bee Safe Program and perform statewide functions; $1.5 million one-year General Fund for local enforcement; and adopt budget bill language requiring CDFA to provide a report to the Legislature by January 10, 2019, per LAO's recommendation regarding future funding.

9) **Citrus Pest and Disease Prevention Program. (BCP)** The Governor's budget proposes $2.5 million General Fund and $2.5 million Department of Food and Agriculture Fund authority in FY 2018-19 and ongoing to enhance Asian Citrus Psyllid (ACP) and Huanglongbing (HLB) suppression activities in newly detected areas and to augment quarantine regulation enforcement activities in existing and newly detected areas.

   This proposal was heard in subcommittee on April 19, 2018.

   Staff Recommendation. Approve as budgeted.

10) **Use of Antimicrobial Drugs on Livestock (SB 27). (BCP)** The Governor's budget proposes $2.668 million ($121,000 one-time) General Fund and 11 positions in FY 2018-19 and ongoing for the Animal Health and Food Safety Services and Inspection Services Divisions to fully implement SB 27 (Hill), Chapter 758, Statutes of 2015.

    This proposal was heard in subcommittee on April 19, 2018.

    Staff Recommendation. Approve as budgeted.

8660 California Public Utilities Commission

11) **Reduce Carbon Emissions. (BCP)** The Governor's budget proposes $359,000 per year in ongoing funding (Public Utilities Commission Utilities Reimbursement Account) for two permanent positions and $1,000,000 per year for four years for consulting contract costs. To

implement the requirements of SB 350 (de León), Chapter 547, Statutes of 2015, AB 578 (Blakeslee), Chapter 627, Statutes of 2008, and AB 327 (Perea), Chapter 611, Statutes of 2013.

This proposal was heard in subcommittee on March 8, 2018.

Staff Recommendation. Approve as budgeted.

Staff Recommendation. Issues #1-7, 9-11: Approve as proposed.
Issue #8: Approve per staff recommendation.

Senate Budget and Fiscal Review—Holly J. Mitchell, Chair

SUBCOMMITTEE NO. 2 Agenda

Senator Bob Wieckowski, Chair
Senator Mike McGuire
Senator Henry Stern
Senator Jim Nielsen

Tuesday, May 15, 2018
Upon call of the Chair
State Capitol - Room 112

Consultants: James Hacker and Joanne Roy

Vote-Only Calendar

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Public Comment

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

1. **Road Usage Charge (RUC) Pilot Program Continuation.** The Governor's budget requests $3.2 million ($1.4 million State Highway Account and $1.8 million federal funds) for a two year extension of five positions and $2.5 million for a demonstration project of a pay-at-the-pump charging station alternative. The Administration released an Executive Order to increase zero emission vehicles to five million by 2030 and funding is currently being proposed to support this effort. Achieving these goals would result in less gasoline and diesel fuel purchases, which will result in a reduction in the tax revenues that are currently used to maintain the state's roadways. This proposal would continue the RUC pilot to explore the feasibility of alternative revenue generation options. This item was first heard in subcommittee on April 12, 2018.

2665 – California High-Speed Rail Authority

1. **Initial Operating Segment, Phase 1 / Blended System Early Improvements Reappropriation.** The Governor's budget requests a reappropriation of $1.6 billion through June 30, 2022, and extends the liquidation period through June 30, 2024. The request is comprised of:

   - $528.4 million [$380.8 million fiscal year 2010 federal funds and $147.6 million High-Speed Passenger Train Bond Fund (Proposition 1A)] for the Initial Construction Segment (ICS) of the high-speed train, and,
   - $1.0 billion Proposition 1A for the early improvements within the Bay Area and greater Los Angeles regions, also known as the "bookends".

   The bookend projects are critical to making improvements in some of the state's most congested areas. These projects will deliver multiple benefits by reducing greenhouse gas emissions and congestion, and increasing safety. This item was first heard in subcommittee on April 12, 2018.

2720 – California Highway Patrol

1. **Build-to-Suit Lease Authority.** The May Revision includes trailer bill language to authorize the California Highway Patrol to pursue a build-to-suit lease procurement process for the replacement of the Tracy area office. Authority for this project was first provided in 2008, but has since expired.

2740 – Department of Motor Vehicles

1. **Capital Outlay Proposals.** The Governor's budget requested $4.8 million from the Motor Vehicle Account (MVA) for various field office capital outlay projects. The Governor's budget also requests $200,000 from the MVA to perform advanced planning and analysis for two reconfigurations/renovations proposed for the 2020-21 fiscal year.

An April Finance Letter requested $15.7 million from the MVA for two reappropriations of funding provided in previous years for field office replacements. These requests were first heard in subcommittee on April 12, 2018.

The overall impact of these requests is detailed below.

DMV Capital Outlay Proposals for Field Office Projects (In Millions)

Field Office	2018-19 Request	Total Project Cost
Delano Reappropriation (working drawings)	$0.8	$12.6
Delano Reappropriation (acquisition phase)	$0.6	(see above)
San Diego (Normal Street) Reappropriation	$1.5	$22.3
Santa Maria Reappropriation	$0.9	17.0
Oxnard Reconfiguration	$0.4	$6.6
Reedley Replacement	$1.1	$20.6
Inglewood Reappropriation (construction phase)	$15.1	$17.2
Statewide Planning	$0.2	NA
Total Proposed Capital Costs	**$20.6**	**$96.3**

8660 – California Public Utilities Commission (PUC)

1. **California LifeLine Program.** The Governor's January budget requested $396,884,000 in Local Assistance and $31,314,000 in State Operations funding in 2018-19, all from the Universal Telephone Service Trust Administrative Committee Fund (0471), for the California LifeLine Program. The May Revision to the budget reduced this request by $39 million ($1.6 million in State Operations and $37.7 million in Local Assistance) to reflect lower projected new enrollment and renewal rates in the program. This item was first heard in Subcommittee on March 8, 2018.

2. **California LifeLine Monitoring and Compliance.** The budget requests a permanent increase of $619,000 from the Universal Telephone Service Trust Administrative Committee Fund (0471) for additional positions to keep pace with California LifeLine program growth and to address several administrative backlogs. Currently, despite the rapid growth in program participation by customers and service providers and expanded program activities, the total number of staff managing the program has remained fixed at seven personnel years since 2012-13. The PUC has indicated that increased workload, which includes more frequent caseload and budget predictions, has outstripped staff resources to prevent fraud in the program and protect and maintain the integrity of program funds. Additional resources will alleviate this problem. This item was first heard in subcommittee on March 8, 2018.

Staff Recommendation:
Approve as proposed.

Issues Proposed for Discussion

2660 CALIFORNIA DEPARTMENT OF TRANSPORTATION

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 $13.6 billion to support 19,500 positions at Caltrans. This is an increase of nearly $2.3 billion, mostly due to the allocation of funds provided by the Governor's Transportation Package. The budget includes $2.8 billion in SB 1 funding for a variety of transportation programs at Caltrans. This includes $1.2 billion for highway maintenance and repairs, $400 million for the repair of state-owned bridges and culverts, $330 million for local transit projects, $250 million for congestion relief on commuter corridors, $200 million in matching funds for the Local Partnership Program, $100 million for active transportation projects, $25 million for freeway service patrols, and $25 million for local planning grants, as well as associated support costs.

3-YR EXPENDITURES AND POSITIONS

		Positions			Expenditures		
		2016-17	2017-18	2018-19	2016-17*	2017-18*	2018-19*
1830019	Aeronautics	23.1	24.0	24.0	$7,710	$7,226	$7,299
1835010	Capital Outlay Support	7,188.5	8,029.6	8,029.6	1,665,594	1,853,814	1,859,641
1835019	Capital Outlay Projects	-	-	-	3,370,041	3,263,445	4,600,380
1835020	Local Assistance	246.4	269.5	268.5	1,714,935	2,727,700	3,392,979
1835029	Program Development	188.4	224.2	223.2	61,421	79,498	81,938
1835038	Legal	251.3	276.6	276.6	122,312	130,381	141,100
1835047	Operations	1,065.0	1,091.2	1,091.2	251,601	257,554	271,106
1835056	Maintenance	6,890.3	6,117.5	6,521.5	1,445,856	1,993,189	2,188,089
1840019	State and Federal Mass Transit	59.7	62.7	62.7	151,388	277,624	200,862
1840028	Intercity Rail Passenger Program	44.1	43.7	43.7	212,207	451,457	578,292
1845013	Statewide Planning	650.5	703.9	702.9	131,848	153,220	160,859
1845022	Regional Planning	41.5	38.5	38.5	16,586	126,915	127,037
1850010	Equipment Service Program	698.6	634.6	634.6	206,270	205,441	207,276
1850019	Equipment Service Program - Distributed	-	-	-	-206,270	-205,441	-207,276
1870	Office of Inspector General	-	58.0	64.0	-	9,761	11,375
9900100	Administration	1,519.5	1,535.5	1,536.5	374,646	392,277	423,228
9900200	Administration - Distributed	-	-	-	-374,646	-392,277	-423,228
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		**18,866.9**	**19,109.5**	**19,517.5**	**$9,151,499**	**$11,331,784**	**$13,620,957**

Issue 1: Capital Outlay Support Project Delivery Workload

Governor's Proposal: To address the current Capital Outlay Support (COS) Program workload, the California Department of Transportation (Caltrans) requests a net increase of $203.1 million and 872 Full-Time Equivalents (FTEs) for the COS Program from the Fiscal Year (FY) 2018-19 Governor's Proposed Budget. This includes an additional 393 additional state staff positions, 44 additional staff overtime positions, and 435 additional contract positions. This will result in a Capital Outlay Support program with a total of 10,319 full-time equivalents (FTEs), including authority for 1,380 contract positions. The funding includes $1.2 million for a Department of General Services (DGS) study on Caltrans space needs, and $2 million to fund additional contract arbitration workload in the department's Legal program.

This proposal also includes provisional language to provide flexibility between state staff and contracted resources when necessary.

The proposal is detailed below.

Capital Outlay Support Request

(Dollars in Millions)

	2017–18	2018–19	Change Number	Change Percent
Full–Time Equivalents				
State staff	8,030	8,423	393	5%
Contract	945	1,380	435	46
Overtime	472	516	44	9
Totals	**9,447**	**10,319**	**872**	**9%**
Expenditures				
State staff	$1,259	$1,318	$59	5%
Contracts	244	356	112	46
Administration	200	200	—	—
Operating expenses	119	127	8	7
Overtime	38	62	24	65
Totals	**$1,860**	**$2,063**	**$203**	**11%**
Fund Sources				
Federal	$1,011	$1,108	$98	10%
SHA	603	677	74	12
Local reimbursements	189	157	−32	−17
RMRA	39	88	49	127
Other	19	32	14	73
Totals	**$1,860**	**$2,063**	**$203**	**11%**

SHA = State Highway Account and RMRA = Road Maintenance and Rehabilitation Account (created by SB 1).

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 state highway system. The COS Program budget supports over 3,200 active projects and over $48 billion in the multi-year Capital Outlay project pipeline.

The passage of SB1 (Beall), Chapter 5, Statutes of 2017, has led to a surge in funding for transportation projects. This has in turn resulted in a surge of COS workload at Caltrans. At the same time, the program is beginning to see increased retirements as the workforce has aged. Despite the increase in retirements, the department has indicated that the COS program is outpacing attrition with its hiring efforts. Through extensive recruitment and a focus on backfilling with highly qualified staff, the COS Program is projecting to have hired over 750 "New to Caltrans" employees by the end of FY 2017-18. This compares with historical hiring numbers averaging less than 300 ("New to Caltrans" hires) per year.

LAO Comments: The Legislative Analyst's Office has provided the following comments on this proposal:

> We discuss three issues for legislative consideration below regarding (1) total COS staff levels, (2) contracting out for COS work, and (3) the Governor's overtime and operational expenditures requests.
>
> ***Staffing Likely Better Aligned With Project Workload Compared to Several Years Ago, but Concerns Remain.*** Since our 2014 report identified a potential overstaffing of 3,500 COS FTEs, several factors have changed. First, Caltrans' budgeted level of FTEs has decreased by over 700. Second, the amount of construction activity did not decline nearly as much starting in 2014-15 as Caltrans projected at the time. Third, SB 1 created additional funding for construction. Thus, the estimate of potential overstaffing we cited four years ago is no longer current. Nevertheless, we continue to have concerns that the COS program is overstaffed, given that both our office and the California Transportation Commission (CTC) have concluded that the department's COS budget development methodology is unreliable and contains incentives to request more staff than needed. As a result, it is difficult to determine whether the department's request for an additional 872 COS FTEs to fulfill SB 1 workload is justified, or whether Caltrans could accommodate some or all of the new workload within existing resources. Modifying the Governor's proposal to more heavily utilize contract FTEs in the budget year could help address this dilemma, as discussed below.
>
> ***Greater Use of Contracting Out Merits Consideration in the Near Term***. The Governor's proposal to provide Caltrans with additional flexibility to contract out in the budget year is intended to ensure that SB 1 project delivery is not hindered by slower-than-expected hiring (which appears likely given the pace of hiring that occurred in 2017-18). The Legislature could consider placing an even greater emphasis on contracting out in the budget year than proposed by the Governor, given the concerns cited above regarding the accuracy of Caltrans' COS staffing estimates (thereby avoiding adding permanent state staff who might not be necessary). We note that Caltrans' COS budget request assumes that one contract FTE costs $258,000, compared to $156,000 for a state staff FTE. However, the cost for a state staff FTE does not

include indirect costs for administration, non-project training and supervision, and other activities. When Caltrans charges local governments for work done on their behalf, it factors in these indirect costs and estimates a state staff FTE costs about the same as a contract FTE.

Requests for Overtime and Operational Expenditures Raise Concerns. One overarching concern with each of the Governor's overtime and operational expenditure requests is a lack of detailed workload justification. Most concerning, Caltrans did not even identify in its budget request that the bulk of the requested funding for overtime is for existing and not new positions, even though it cites SB 1 as the main cause for the proposed increase. Additionally, two proposals raise particular concerns. First, Caltrans' request for funding for a DGS space study appears premature at this time, as Caltrans and DGS have yet to identify the scope of work involved in the study. Second, the request for funding to train new COS staff might be justified in the short term (if the Legislature approves additional COS state staff positions), but the need for training new staff likely would decrease over time as the ramp-up in hiring concludes. Thus, the Legislature could consider providing the funding on a limited-term basis (if it approves additional COS state staff positions).

Staff Comments: Caltrans has indicated that the department is anticipating hiring 100 additional new staff per month throughout 2018-19. The department further assumes that retirements will continue to create a roughly five percent attrition rate per month. The department intends to address any shortfall in resources relative to project workload through the expanded use of contracted resources. Based on these assumptions, Caltrans' month to month hiring needs are detailed below.

Month	**July**	**Aug**	**Sept**	**Oct**	**Nov**	**Dec**	**Jan**	**Feb**	**March**	**April**	**May**	**June**
PY at beginning of month	7,997	8,064	8,130	8,196	8,262	8,328	8,393	8,458	8,523	8,587	8,651	8,751
New Hires (100 per month)	100	100	100	100	100	100	100	100	100	100	100	100
Attrition (5 percent)	(33)	(34)	(34)	(34)	(34)	(35)	(35)	(35)	(36)	(36)	(36)	(36)
PY end of month	8,064	8,130	8,196	8,262	8,393	8,458	8,523	8,587	8,651	8,715	8,779	8,779
A&E PY equivalent	1,739	1,673	1,607	1,541	1,410	1,345	1,280	1,216	1,152	1,088	1,024	1,024
OT PY equivalent	516	516	516	516	516	516	516	516	516	516	516	516
Actual Personnel Year Equivalent (PYE)	10,319	10,319	10,319	10,319	10,319	10,319	10,319	10,319	10,319	10,319	10,319	10,319
Goal PYE	10,319	10,319	10,319	10,319	10,319	10,319	10,319	10,319	10,319	10,319	10,319	10,319
Percent A&E of total PYE	16.9%	16.2%	15.6%	14.9%	13.7%	13.0%	12.4%	11.8%	11.2%	10.5%	9.9%	9.9%
PY count by BCP												
Staff	8,423											
OT	516											
A&E	1,380											
Total	10,319											
Percent A&E of Total	13%											

Historically, Caltrans has adhered to a 90 percent / 10 percent split between state staff and contracted resources. This has granted Caltrans the flexibility to contract where required without sacrificing institutional capacity to perform work in-house. As noted in the chart above, this proposal would result in a split closer to 87 percent / 13 percent. While the department notes that the program would reach the 90 / 10 split by the end of 2018-19, the overall budget would provide for a significant increase in the use of contracted resources.

Staff Recommendation:
Hold open.

Issue 2: Active Transportation Program

Proposal: The May Revision includes a request to add a budget item to extend the allocation and liquidation periods for $10 million in Greenhouse Gas Reduction Fund resources provided to the Active Transportation Program as part of the 2016 budget.

Background: The Active Transportation Program (ATP) was created by SB99 (Committee on Budget and Fiscal Review), Chapter 359, Statutes of 2013, and AB101 (Committee on Budget), Chapter 354, Statutes of 2013, to encourage increased use of active modes of transportation. The ATP consolidated various transportation programs into a single program and was originally funded at about $123 million a year from a combination of state and federal funds. Most recently, Senate Bill 1 (Beall), Chapter 5, Statutes of 2017, added approximately $100 million per year in available funds for the ATP. This nearly doubled the amount of available funds for the Active Transportation Program. The California Transportation Commission (CTC) is responsible for administering the program.

Staff Comments: The Department has noted that the allocation period for the 2016 funding is set to expire on June 30, 2018, and the encumbrance and liquidation period is set to expire on June 30, 2020. The requested item would extend the allocation period to June 30, 2021, and the encumbrance and liquidation period to June 30, 2024. However, it is unclear why the program has been unable to spend its 2016 appropriation, or if other funding has been similarly delayed.

Questions:

- What has delayed the allocation and expenditure of these funds?
- Have other funds been similarly delayed?
- What programmatic or organizational changes could prevent the repeat of this issue in the future?

Staff Recommendation:
Hold Open.

Issue 3: Trailer Bill Proposal: SB1 Local Expenditures

Proposal: The subcommittee has received a request for trailer bill language clarifying or expanding the ability of local transportation agencies to expend local dollars consistent with the requirements of SB 1.

Background: The Department of Finance (DOF) expects $26.5 billion in SB 1 revenue over the next ten years to be available for local agencies in the following categories: $15 billion for local street and road maintenance; $7.5 billion for transit operations and capital; $2 billion for the local partnership program; $1 billion for the Active Transportation Program (ATP); $825 million for the regional share of the State Transportation Improvement Program (STIP); and $250 million for local planning grants.

The proposed trailer bill language would make three changes to existing statute to give local agencies more flexibility in the expenditure of these and other local transportation dollars. Specifically, the proposed language would:

- Allow local agencies to borrow from other internal city or county revenue streams and reimburse themselves with future year SB 1 apportionments.
- Exempt from CEQA a transit priority project, as defined, that meets certain requirements and that is declared by the legislative body of a local jurisdiction to be a sustainable communities project.
- Allow local agencies to apply transportation sales tax revenue to meet their Maintenance of Effort requirements under SB1.

Staff Comments: Granting local transportation agencies in expending funds for transportation projects could help speed project delivery and improve overall transportation outcomes as SB1 continues to be implemented. The subcommittee may want to consider the degree to which the proposed changes will help meet the goals of SB1.

Staff Recommendation:
Hold Open.

2720 DEPARTMENT OF THE 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 $2.4 billion and 10,856 positions for 2017-18. This is an increase of $4 million and seven positions, mostly related to requests for funding related to technology replacements and cybersecurity.

The CHP, along with the Department of Motor Vehicles (DMV), is primarily funded by the Motor Vehicle Account (MVA), which is primarily funded by vehicle registration fees. The Legislature increased the vehicle registration fee as part of the 2016-17 budget to prevent the MVA from becoming insolvent. The 2018-19 budget includes several proposals designed to reduce the short-term pressures on the MVA by shifting certain capital outlay proposals from a “pay-as-you-go” approach to the use of lease revenue bonds. The Department of Finance’s five-year projections (2018-19 through 2021−22) estimate there will be sufficient funding available in the MVA to pay for projected expenditures. However, over the next few years, the MVA would be barely balanced.

3-YR EXPENDITURES AND POSITIONS

		Positions			Expenditures		
		2016-17	2017-18	2018-19	2016-17*	2017-18*	2018-19*
2050	Traffic Management	8,338.0	8,398.8	8,405.8	$2,022,854	$2,101,129	$2,104,533
2055	Regulation and Inspection	1,079.8	1,047.0	1,047.0	227,037	248,956	248,980
2060	Vehicle Ownership Security	232.3	222.4	222.4	49,927	54,658	54,700
9900100	Administration	1,149.9	1,181.0	1,181.0	159,322	208,101	208,207
9900200	Administration - Distributed	-	-	-	-159,322	-208,101	-208,207
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		**10,800.0**	**10,849.2**	**10,856.2**	**$2,299,818**	**$2,404,743**	**$2,408,213**

FUNDING		**2016-17***	**2017-18***	**2018-19***
0042	State Highway Account, State Transportation Fund	$75,332	$77,732	$77,778
0044	Motor Vehicle Account, State Transportation Fund	2,085,845	2,177,225	2,183,927
0293	Motor Carriers Safety Improvement Fund	2,138	1,750	1,752
0840	California Motorcyclist Safety Fund	2,601	3,191	3,191
0890	Federal Trust Fund	13,308	21,117	20,953
0942	Special Deposit Fund	34	2,336	2,336
0974	California Peace Officer Memorial Foundation Fund	146	300	300
0995	Reimbursements	120,414	118,092	117,976
3288	Cannabis Control Fund	-	3,000	-
TOTALS, EXPENDITURES, ALL FUNDS		**$2,299,818**	**$2,404,743**	**$2,408,213**

Issue 1: Wireless In-Car Camera System with Body-Worn Camera Expandability Option

Governor's Proposal: The May Revision requests 12 positions phased in over three years, $52.53 million from the MVA over three years to implement a wireless in-car camera system with the option to purchase Integrated Body-Worn Cameras (BWC) in the future, and a $14.381 million baseline augmentation from the MVA to maintain the system.

In addition, the CHP requests the reappropriation of the remaining balance of the initial $1 million appropriated in the Budget Act of 2015 for a BWC Pilot study. The existing funding is set to expire on June 30, 2018.

Background: The CHP has been using in-car camera systems installed in patrol vehicles statewide since 2009, to enhance the level of service provided to the people of California. The in-car cameras are automatically activated when CHP officers begin an enforcement stop. Recordings document enforcement activities, officers' assistance to disabled motorists, and other investigative services. Video recordings are instrumental in providing objective evidence of officer enforcement activity.

Currently, not all of the CHP enforcement vehicles are outfitted with an in-car camera. At this time, approximately 66 percent of the CHP enforcement vehicles have recording capability, but it is the goal of the CHP to equip 100 percent of marked enforcement vehicles with an automated wireless in-car camera system.

The FY 2015-16 state budget approved $1 million for a Body Worn Camera pilot study to determine the effectiveness and potential issues associated with the use of body-worn cameras by CHP officers. The pilot study, conducted in the cities of Stockton and Oakland was completed in October 2017. The CHP has completed a report to the Legislature summarizing key elements of the pilot study outlined In Senate Bill 85. The CHP is requesting the reappropriation of the remaining FY 2015-16 funding to continue the pilot through FY 2018-19 to better understand implementation issues, such as alternatives for addressing privacy concerns, camera battery and charging options, potential cost efficiencies, and integration with CHP's new wireless in-car camera system.

LAO Comments: The LAO has provided the following comments on this proposal:

> We recommend the Legislature weigh approval of this proposal against other MVA spending priorities and the need to maintain a prudent reserve in the MVA. We do not take issue with the proposal to install wireless in-car camera systems in all marked enforcement vehicles over the next three years. However, while the initial increase of $5 million in 2018-19 is relatively modest, this proposal would commit the state to an ongoing spending increase from the MVA of $14.4 million per year. Based on the Department of Finance's projections, the MVA reserve will drop below five percent of total MVA expenditures beginning in 2020-21.
>
> The administration requests that the encumbrance period be extended for the remaining balance of the initial $1 million appropriated in the 2015 Budget Act for the Body-Worn Camera Pilot.

LAO Comment. We do not take issue with this proposal.

Staff Comments: The current in-car camera vendor has advised the CHP that they will be unable to service the camera equipment beyond 2018, due to the age of the system and their inability to obtain replacement parts. Based on this information, coupled with the average rate of repair, it is estimated that in less than one year, over half of the CHP enforcement vehicles will be without in-car cameras. Further, these estimates project the CHP will not have any functioning in-car camera systems by April 2020. It is therefore reasonable to pursue a replacement system. However, staff notes that there are still outstanding questions on project implementation costs, as well as ongoing maintenance costs. It is premature to approve these funds before these questions are answered.

The 2015 body worn camera pilot generated valuable insights about the use of BWCs among CHP officers. It also raised important questions about privacy concerns, system implementation, and technology integration. The committee may want to consider whether further pursuing these questions is a priority for the Legislature.

Staff Recommendation:
Hold Open.

2740 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.

Budget Overview: The budget requests $1.16 billion and 8,308 positions for 2017-18. This is an increase of roughly $36.5 million and 37 positions.

The DMV, along with the Department of the California Highway Patrol (CHP), is primarily funded by the Motor Vehicle Account (MVA), which is primarily funded by vehicle registration fees. The Legislature increased the vehicle registration fee as part of the 2016-17 budget to prevent the MVA from becoming insolvent. The Department of Finance's five-year projections (2018-19 through 2021−22) estimate there will be sufficient funding available in the MVA to pay for projected expenditures. However, over the next few years, the MVA would be narrowly balanced.

3-YR EXPENDITURES AND POSITIONS

		Positions			Expenditures		
		2016-17	2017-18	2018-19	2016-17*	2017-18*	2018-19*
2130	Vehicle/Vessel Identification and Compliance	3,579.6	3,880.4	3,903.9	$566,602	$590,535	$612,287
2135	Driver Licensing and Personal Identification	2,612.5	2,171.0	2,183.0	303,159	335,484	350,477
2140	Driver Safety	1,088.9	1,182.7	1,184.7	128,258	133,025	133,422
2145	Occupational Licensing and Investigative Services	415.0	448.8	448.8	55,430	57,137	57,373
2150	New Motor Vehicle Board	9.8	13.0	13.0	1,468	1,704	1,707
9900100	Administration	531.1	574.3	574.3	93,174	109,112	111,612
9900200	Administration - Distributed	-	-	-	-93,174	-109,112	-111,612
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		**8,236.9**	**8,270.2**	**8,307.7**	**$1,054,917**	**$1,117,885**	**$1,155,266**

FUNDING	2016-17*	2017-18*	2018-19*
0001 General Fund	$3,888	$1,750	$3,188
0042 State Highway Account, State Transportation Fund	11,522	6,565	7,314
0044 Motor Vehicle Account, State Transportation Fund	1,008,004	1,065,017	1,096,257
0054 New Motor Vehicle Board Account	1,468	1,696	1,707
0064 Motor Vehicle License Fee Account, Transportation Tax Fund	13,723	16,421	18,876
0516 Harbors and Watercraft Revolving Fund	2,434	5,317	2,764
0890 Federal Trust Fund	28	2,810	2,780
0995 Reimbursements	13,850	14,549	14,549
3290 Road Maintenance and Rehabilitation Account, State Transportation Fund	-	3,760	7,831
TOTALS, EXPENDITURES, ALL FUNDS	**$1,054,917**	**$1,117,885**	**$1,155,266**

Issue 1: California New Motor Voter and Electronic Driver License Application

Governor's Proposal: The May Revision requests $900,000 in one-time funding for fiscal year 2018-19 to extend the contract for Information Technology (IT) Programming and system administration in support of the electronic Driver's License and Identification online forms (eDL-44) and the implementation of Assembly Bill 1461 (Gonzalez Fletcher), Chapter 729, Statutes of 2015.

Background: AB 1461 required the Secretary of State (SOS) and DMV to establish the California New Motor Voter Program for the purpose of increasing opportunities for voter registration by any person who is qualified to be a voter. The California New Motor Voter Program implementation shifts the voter registration process at the DMV from a system where customers have to opt-in to register to vote to a system where all eligible voters completing a driver license (DL), identification card (ID), or change of address transaction are automatically registered to vote unless they opt-out.

As part of the eDL-44/AB1461 project, there were two contracts for the design and build of the Motor Voter Application to meet the requirements defined in AB 1461. One contract was for application design services, and the second contract was for the software build, integration,and interface development to SOS.

Staff Comments: Per the California Department of Technology (CDT), this request is necessary to complete additional features, provide support, and training for the application. Integration of the application to all internal and external systems will require additional analysis, design, development, test and release through the software development lifecycle.

The department has indicated that this contract will be an extension to the development and engineering contract and is necessary to build continuity, support, enhancements, and provide training to advance the quality and operation of the applications and systems. During the contract term, the priority would be to work on enhancements to the applications and potentially any interfaces between DMV business, SOS, and external partners. Work will entail connecting to DMV's backend systems, enhance design for more efficient operation, ensure the strongest technology security to protect our citizens and to ensure data quality. The contractors will also provide training to the DMV staff for products brought into DMV as part of the project.

Staff Recommendation
Hold Open.

Issue 2: Centralized Customer Flow Management and Appointment Systems

Governor's Proposal: The May Revision requests $5.5 million to be reappropriated to have the liquidation period extended to FY 2018-19 in case the final vendor payments for the Centralized Customer Flow Management and Appointment System (CCFMAS) needs to be made next fiscal year.

Background: The ability to provide quality customer service within the field office depends on several factors, such as the ability to manage resources, processing time and workload. The cornerstone of the field operations relies on the information provided by a Queue Management tool. This software technology tool assists in monitoring, tracking of customer volumes and staffing performance, in order to manage service levels throughout the business day.

There are currently 147 DMV field offices that have the new CCFMAS queuing system installed, and all offices are scheduled to have the system installed by the middle of May. DMV will not pay the vendor until the system is implemented in all DMV field offices with minimum of 30 error free days.

Staff Comments: The department has indicated that the risk exist that system installation dates may slip or that production defects that need to be addressed may occur in the coming year. This would result in final payment being pushed into FY 2018-19. The remaining contract amount of $5.5 million is set to revert at the end of FY 2017-18. DMV is requesting to have the reversion date extended to FY 2018-19 to allow for any potential project delays.

Staff Recommendation:
Hold Open.

3360 California Energy 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 $384 million for support of the CEC, a decrease of approximately $300 million from the enacted 2017-18 budget, predominantly due to a decline in funding for the Electric Program Investment Charge Fund.

3-YR EXPENDITURES AND POSITIONS

		Positions			Expenditures		
		2016-17	2017-18	2018-19	2016-17*	2017-18*	2018-19*
2380	Regulatory and Planning	139.2	131.0	131.0	$30,996	$38,543	$37,864
2385	Energy Resources Conservation	125.9	164.3	164.3	42,742	52,941	48,491
2390	Development	171.7	193.1	193.1	324,266	592,398	297,722
9900100	Administration	180.9	180.9	180.9	27,235	28,259	-
9900200	Administration - Distributed	-	-	-	-27,235	-28,259	-
TOTALS, POSITIONS AND EXPENDITURES (All Programs)		**617.7**	**669.3**	**669.3**	**$398,004**	**$683,882**	**$384,077**

FUNDING		2016-17*	2017-18*	2018-19*
0001	General Fund	$-	$18,000	$-
0033	State Energy Conservation Assistance Account	-6,261	-616	359
0044	Motor Vehicle Account, State Transportation Fund	150	161	162
0115	Air Pollution Control Fund	1,405	-	-
0381	Public Interest Research, Development, and Demonstration Fund	1,233	1,257	751
0382	Renewable Resource Trust Fund	23,119	25,750	4,748
0465	Energy Resources Programs Account	74,180	79,924	79,021
0497	Local Government Geothermal Resources Revolving Subaccount, Geothermal Resources Development Account	5,067	1,606	1,548
0853	Petroleum Violation Escrow Account	183	5,825	-
0890	Federal Trust Fund	15,271	13,497	13,464
0942	Special Deposit Fund	301	58	-
0995	Reimbursements	42	2,050	800
3062	Energy Facility License and Compliance Fund	3,527	3,576	4,577
3109	Natural Gas Subaccount, Public Interest Research, Development, and Demonstration Fund	32,076	45,769	24,000
3117	Alternative and Renewable Fuel and Vehicle Technology Fund	102,456	177,512	107,858
3205	Appliance Efficiency Enforcement Subaccount, Energy Resources Programs Account	125	1,402	1,497
3211	Electric Program Investment Charge Fund	143,234	234,735	136,021
3228	Greenhouse Gas Reduction Fund	-	66,000	-
3237	Cost of Implementation Account, Air Pollution Control Fund	-	9,286	9,271
9330	Clean and Renewable Energy Business Financing Revolving Loan Fund	1,896	-1,910	-
TOTALS, EXPENDITURES, ALL FUNDS		**$398,004**	**$683,882**	**$384,077**

Issue 1: Energy Resources Program Account Structural Deficit Relief

Governor's Proposal: The May Revision requests a series of actions to reduce the Energy Resources Programs Account (ERPA) structural deficit. Requested actions include: shifting eligible expenditures from ERPA to the Cost of Implementation Account (CCIA) and Energy Facility License and Compliance Fund (EFLCF) (total ERPA reduction of $7.345 million), and a one-time shift of the Department of General Services' (DGS) ERPA funding to the Environmental License Plate Fund (reduction of $1.99 million). DGS will evaluate appropriate mechanisms to bill these expenditures beginning in 2019-20. The Energy Commission also requests shifting $2.1 million of eligible expenditures from the Renewable Resource Trust Fund (RRTF) to CCIA.

Background: The ERPA was established by statute in 1975 to provide for the support of the CEC generally. Revenue is derived from a one-tenth of a mil ($0.0001) surcharge per kilowatt hour. The ERPA surcharge rate is currently at $0.00029 per kilowatt-hour with a cap at $0.0003 per kilowatt-hour.

The 2017-18 Budget Act took action to reduce costs to this fund and align activities with appropriate fund sources. Specifically, the budget took the following actions:

- A reduction of $662,000 by moving 3 positions and $200,000 in contract authority from ERPA to the Appliance Efficiency Enforcement Subaccount
- A reduction of $4.937 million in contract authority for power plant siting activities
- A reduction of $4.846 million by moving 35 positions from ERPA to the Alternative and Renewable Fuel and Vehicle Technology Fund
- A reduction of $5 million in the Energy Commission's baseline budget

These budget actions eliminated a $15.445 million burden from ERPA, but 2017-18 employee compensation and benefits adjustment of $3.5 million and a $3 million 2016-17 ERPA revenue drop, the net deficit was reduced by only $8.9 million.

Supplemental Reporting Language in the 2017-18 budget required the Department of Finance, in consultation with the California Energy Commission (CEC), to submit to the legislature and the Legislative Analyst's Office a report that provides options to address the structural deficit in the ERPA. This proposal reflects the recommendations of that report.

LAO Comments: The LAO has provided the following comments:

> The administration proposes a variety of ongoing fund shifts, as well as a small increase in the electric consumption surcharge, to reduce the structural deficit in ERPA. In total, these changes reduce the annual deficit by nearly $12 million. This proposal represents a significant and, in our view, reasonable step toward maintaining fund solvency. We do not have any initial concerns with the proposed changes. We note, however, that the fund would continue to have a roughly $3 million annual deficit and is projected to be insolvent in 2022-23. The Legislature will likely need to take additional actions to address the remaining imbalance within the next several years.

Staff Comments: The structural deficit has many causes. The Energy Commission has a significant role in implementing aggressive climate change policies, such as improving appliance and building efficiency and increasing the use of clean energy and self-generated renewable energy, which dampen the sale of retail electricity.

The CEC has indicated that the proposed changes would reduce the ERPA structural deficit by $10.6 million. These changes include:

- Shift 30.0 positions and contract funding from ERPA to the Cost of Implementation Account (COIA) for a reduction of $5.5 million.
- Execute a one-time shift of ERPA funding for the Department of General Services (DGS) to the Environmental License Plate Fund (ELPF) for a reduction of $1.99 million. DGS would use the 2018-19 period to evaluate appropriate funding mechanisms for these ERPA expenditures in future years.
- Shift 14 positions from the RRTF to COIA for a reduction of $2.1 million.
- Convert existing Energy Facility Licensing and Compliance Fund (EFLCF) contract funding to personal services funding, and shift 13 existing positions from ERPA to EFLCF for a reduction of $1.9 million.
- Increase the energy surcharge by $0.00001 to the statutory cap of $0.0003 per kilowatt-hour to generate approximately $1.25 million in 2018-19 and $2.5 million in out years.

The net effect of these changes is described below.

Summary of Proposed Actions by Fund:

(Dollars in thousands)

	CY	BY	BY - 1	BY - 2	BY - 3	BY - 4
COIA 1/	$0	$8,169	$7,569	$7,569	$8,169	$7,569
EFLCF 2/	$0	$1,876	$1,876	$1,876	$1,876	$1,876
ERPA 3/	-$600	-$9,335	-$9,335	-$9,935	-$9,335	-$9,335
RRTF	$0	-$2,100	-$2,100	-$2,100	-$2,100	-$2,100
ERPA REVENUE INCREASE 4/	$0	$1,250	$2,500	$2,500	$2,500	$2,500

Staff finds the proposed fund shifts to be generally reasonable. The CEC has the statutory authority to raise the energy surcharge to $0.0003 without Legislative action. The CEC estimates that doing so would cost the average California household an additional $0.07 per year.

However, staff notes that the proposed actions would not completely address the fund's structural imbalance. Under this proposal, the fund would continue to have a roughly $3 million annual deficit and is projected to be insolvent in 2022-23. The Commission has yet to identify a plan for addressing the remainder of this imbalance.

Staff Recommendation:
Hold Open.

Issue 2: Agricultural Energy Efficiency Program

Governor's Proposal: The May Revision requests $30 million in one-time General Fund resources for the Agricultural Energy Efficiency program within the California Energy Commission.

Background: The Agricultural Energy Efficiency program was given $60 million as part of the 2017 budget. These funds are intended to provide incentives for emissions reductions from food processing facilities. The CEC anticipates awarding this first round of funding in the fall of 2018.

The Administration proposed to allocate $34 million in Greenhouse Gas Reduction Fund (GGRF) resources to the program as part of their Cap-and-Trade expenditure plan.

LAO Comments: The LAO has provided the following comments on this proposal:

> We recommend the Legislature reject this proposal. First, the CEC only recently finalized funding guidelines for the $60 million GGRF allocated for these projects in 2017-18 and initial project awards are not expected until the fall of 2018. As a result, the magnitude of the estimated benefits—such as GHG and local air pollution reductions—from these projects is unclear. Second, if the Legislature considers these projects a high priority, other fund sources are available for the program. Namely, the Legislature could allocate a slightly larger share of GGRF to this program. (Under the Governor's plan, roughly $2.8 billion GGRF would be allocated to various programs.) This approach would leave somewhat less funding for other climate-related activities, but would free-up General Fund dollars for the Legislature's highest priorities.

Staff Comments: While there is merit in providing incentives for greenhouse gas reductions from food processing facilities, staff finds the LAO's arguments compelling. It may be premature to further augment the program when the CEC has yet to make a single award, and with additional funding already proposed from other sources. The Subcommittee may want to ask the CEC if there is any data available quantifying the potential GHG reductions from funded projects.

Staff Recommendation:
Hold open.

0555 - VARIOUS DEPARTMENTS WITHIN CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY (CALEPA)

Issue 1 – Sacramento Headquarters Space Optimization Project

Governor's Proposal. The May Revision proposes $22.894 million for Phase 1 of CalEPA's Sacramento Headquarters Space Optimization Project and provisional language to make sure the funds are available for encumbrance or expenditure until June 30, 2022.

Phase 1 will be funded by the Air Resources Board (ARB), the State Water Resources Control Board (SWRCB), the Department of Resources Recycling and Recovery (CalRecycle), and the Office of Environmental and Health Hazard Assessment (OEHHA) as follows:

- ARB: $10.711 million from the Air Pollution Control Fund;
- SWRCB: $6.733 from various funds;
- CalRecycle: $5.363 from various funds; and,
- OEHHA: $87,000 from various funds.

The two-phase project will increase capacity by up to 1,100 cubicles to accommodate additional personnel from various boards, departments, and offices under CalEPA.

Background. CalEPA was formally established in 1991. CalEPA consists of the Air Resources Board (ARB), the Department of Pesticide Regulation (DPR), the Department of Resources Recycling and Recovery, (CalRecycle), the Department of Toxic Substances Control (DTSC), the Office of Environmental Health Hazard Assessment (OEHHA), and the State Water Resources Control Board (SWRCB). CalEPA oversees and coordinates the activities of its Boards, Departments, and Offices (BDOs) by developing, implementing and enforcing environmental laws that regulate air, water and soil quality, pesticide use and waste recycling and reduction.

- ARB works to reduce air pollution and diesel exhaust so all Californians can breathe cleaner air and leads the nation in fighting climate change with integrated programs to cut greenhouse gases under AB 32.
- DPR protects workers and consumers by ensuring the safe use of pesticides through registration, permitting and training.
- CalRecycle helps the state achieve the highest waste reduction, recycling and reuse goals in the nation through programs that improve economic vitality and environmental sustainability.
- DTSC cleans up hazardous waste sites to put them back into productive use and reduce blight and contamination to the neighborhoods and surrounding environments.
- OEHHA serves as the scientific foundation for CalEPA's environmental regulations and provides valuable information to consumers, policy makers and manufacturers on the safety of chemicals in our environment.
- SWRCB ensures that the quality of our waterways is safe and that we balance its use to meet the needs of all Californians.

CalEPA headquarters in Sacramento. In January 2001, CalEPA consolidated 12 Sacramento office locations into its current building at 1001 I street. This co-location concept afforded opportunities amongst the BDOs to coordinate activities. CalEPA acquired the Sacramento Headquarters Building through the City of Sacramento as a lease bond, payable over 25 years with final payment due in 2023. When the lease bond is satisfied in 2023, the State of California will purchase the building for $1.00.

***Existing CalEPA headquarters cannot accommodate staffing growth*.** At the time of initial occupancy, standard cubicle sizes for staff were designed with 80 square feet, met each BDOs space/staffing needs, and provided adequate storage and meeting room accommodations. However, over the last 17 years of occupancy, CalEPA and the BDOs have realized significant staff growth. To accommodate this growth each organization utilized various space optimization approaches, including lease of additional space in Sacramento, reuse of meeting rooms for staff, and shared space concepts.

Over the last five years, the organizations within CalEPA that occupy the Sacramento Headquarters building have grown an average of 106.3 positions per fiscal year. Due to lack of space in the Sacramento Headquarters, some staff occupy other buildings on a short-term basis until such time that alternative space solutions can be implemented and staff relocated to headquarters. For example, two BDOs within CalEPA lease space two blocks from the Sacramento Headquarters due to lack of space availability.

This proposal will expend funding over four fiscal years to optimize space within Sacramento Headquarters by reducing cubicle sizes from 80 square feet to 49 square feet for rank and file staff and 80 square feet to 70 square feet for supervisory staff. The reduced cubicle sizes are within DGS space standards. Currently, the Sacramento Headquarters has 2,800 cubicles at 80 square feet. With the reduced cubicles sizes of 49 to 70 square feet, the Sacramento Headquarters could increase occupancy by up to 1,100 cubicles and staff.

Staff Comment. CalEPA looked at other options to accommodate the staffing growth including leasing additional space within the area. Leasing new space will incur greater upfront costs for tenant improvements and other relocation costs. Further, the lease cost will be a constant cost for CalEPA, whereas the current Sacramento headquarters will be owned by the state in 2023. Optimizing the current location appears to be the most cost effective option.

The subcommittee may wish to ask how CalEPA arrived at this cost share amounts among its BDOs.

Staff Recommendation:
Hold Open.

Senate Budget and Fiscal Review—Senator Holly J. Mitchell, Chair

SUBCOMMITTEE NO. 2 Agenda

Senator Bob Wieckowski, Chair
Senator Mike McGuire
Senator Jim Nielsen
Senator Henry I. Stern

Wednesday, May 16, 2018
1:30 p.m.
State Capitol - Room 112

Consultant: Joanne Roy

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PUBLIC COMMENT

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

1) **Reappropriation.** The May Revision proposes that Item 0540-491 be added to reappropriate the balance of Greenhouse Gas Reduction Fund for Urban Greening projects, with funding available for encumbrance until June 30, 2020.

3340 California Conservation Corps (CCC)

2) **Delta Service District Center.** A May Revision proposal 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, 2019.

   The Delta Service District Center project will construct a new CCC residential facility to replace the existing Stockton facility in San Joaquin County. The Legislature previously appropriated $30,343,000 ($255,000 General Fund and $30,088,000 Public Buildings Construction Fund) for the design and construction of this project.

   Due to design changes as well as limited interim financing, the project was delayed. This extension will allow the CCC to continue to make final payments for this project totaling approximately $1,436,000.

3480 Department of Conservation

3) **Enforcement Program.** The Governor's budget requests $1.211 ongoing Oil, Gas, and Geothermal Administrative Fund and six permanent positions to develop the new Centralized Statewide Enforcement Program.

   Non-compliance by oil and gas operators poses a major threat to human health and safety and that of the environment. A centralized and comprehensive statewide enforcement program would enable DOGGR to have an effective compliance program.

3540 Department of Forestry and Fire Protection (CalFire)

4) **Reappropriation of Control Section 6.10 Deferred Maintenance Funding.** A May Revision proposal requests budget bill language to reappropriate the unencumbered balance of the funding appropriated pursuant to Control Section 6.10 of the Budget Act of 2016 to provide an additional year to complete deferred maintenance projects.

3560 State Lands Commission (SLC)

5) Lake Tahoe Rent Methodology Study. The May Revision proposes $250,000 one-time Lake Tahoe Science and Lake Improvement Account to contract for an independent study and evaluation of rent-setting methodologies to inform the Commission's leasing practices for sovereign land at Lake Tahoe. The Commission also requests provisional language to authorize the use of the funds for the requested purpose.

Background. ***Lake Tahoe Leases.*** There are approximately 750 SLC-authorized leases at Lake Tahoe. Of these, 544 leases have annual rents based on the Category 1 benchmark. There are another 155 leases for piers and buoys that have rent-free status under a prior version of Public Resources Code Section 6503.5. The 155 rent-free leases will become subject to rent as their lease terms expire. These rent-free leases should be phased out by 2022. The remainder of the leases at Lake Tahoe are for purposes such as commercial marinas, public uses, or dredging, and are either rent-free or do not rely on the Category 1 benchmark for rent setting purposes.

Benchmarks. Benchmarks are set by SLC to establish uniform rental rates in specific geographic regions with large concentrations of similar facilities, mostly private recreational improvements within SLC's jurisdiction.

SLC has two types of benchmarks: 1) Category 1, which is generally applied to private docks, piers, and buoys; and, 2) Category 2, which is generally applied to cantilevered decks, sundecks, or other non-water dependent uses. Benchmark rental rates are based on an analysis of similar land uses or substitute facilities in the local area.

There is an existing Category 1 benchmark for Lake Tahoe, last updated in 2012, and SLC staff proposed to set a Category 2 benchmark for Lake Tahoe at SLC's February meeting.

Annual Rents for Leases at Lake Tahoe. SLC uses benchmark rental rates to set annual rents for leases of sovereign land at Lake Tahoe. The benchmark rental rates are developed by SLC's appraisal staff and are updated every five years.

This May Revision proposal comes after SLC deferred action on a proposed new rental rate structure at its February 27, 2018, public meeting following receipt of a letter from the Chairs of the Senate Budget Subcommittee #2 and the Assembly Budget Subcommittee #3 expressing concerns that the rental rate structure did not accurately reflect the value of the state's property being leased and requesting SLC delay any action on the benchmarks "until methodology that more completely reflects the benefits to the upland owner can be established."

In addition, SLC received comments that expressed concerns that the proposed lower benchmark rates would adversely impact the Account's ability to fund aquatic invasive species prevention projects, projects to improve public access to sovereign land in Lake Tahoe, and projects to improve near-shore water quality monitoring.

3790 Department of Parks and Recreation

6) **Reversions.** A May Revision proposal requests that Item 3790-496 be amended to revert the unencumbered balance of funding, estimated to be $189,000, for the Malibu Creek State Park: Restore Sepulveda Adobe project. Project completion is anticipated in fall 2018 and there are savings to be reverted.

7) **Museum of Tolerance.** A May Revision proposal requests $10 million one-time in General Fund to provide a local assistance grant for the renovation of the Museum of Tolerance.

   Background. The Museum of Tolerance (MOT). The MOT is a multimedia museum in Los Angeles, and is designed to examine racism and prejudice around the world with a strong focus on the history of the Holocaust. Established in 1993, the MOT is the educational arm of human rights organization, the Simon Wiesenthal Center.

   The MOT has served over five million visitors with 350,000 visiting annually, including 130,000 students who visit the museum as part of their curriculum. Further, over 160,000 criminal justice professionals and 75,000 educators have trained in the Museum's "Tools for Tolerance" program.

   MOT is in need of a facelift. The museum has demonstrated its success, and there is concern for its future. The Museum is in need of a complete transformation of the Tolerancenter, which includes over half of the Museum's permanent installations. The state-of-the art story-based museum that led the global transformation of museumology is worn-out and falling apart. Once on the cutting edge, their technology is now old, the equipment is breaking down, and the films on issues of the day are rapidly becoming passé.

8) **Fort Ross State Historical Park: Cultural Trail.** A May Revision proposal requests $852,000 in Proposition 12 funds for the preliminary plans ($537,000) and working drawings ($315,000) phases of the Fort Ross State Historic Park: Cultural Trail project in Sonoma County. Total estimated project cost is $3.4 million.

   Background. The Fort Ross State Historic Park (SHP). The Fort Ross SHP is a historical state park in Sonoma County. The site is recognized as a National Historic Landmark, National Register of Historic Places, and California Historical Landmark. Fort Ross, active from 1812 to 1842, was the southernmost settlement in the Russian colonization of the Americas.

   Originally comprised of a several acres centered on the few structures still standing within the historic footprint of the Russian-American Company's stockade walls, the park has grown considerably as the state acquired additional land over the past century. Presently, the park consists of 3,386 acres, including 23,480 feet of waterfront. Protected underwater cultural resources, including shipwrecks and anchor points, also are part of the 90-acres of coastal environs managed by the Department at Fort Ross SHP.

   Concept for A Cultural Trail. The concept for a trail was first articulated in the 1975 general development plan for the park. The envisioned trail would connect and interpret the locations where different cultural groups lived outside the fort compound and produce signs in multilingual format. The concept was more explicitly presented in a 1992 publication after five years of collaborative research between State Parks archaeologists, UC Berkeley researchers, among other scholars.

The concept was further refined by 2011 and addressed ways to minimize the trail's possible impacts on Kashaya ancestral sites through a collaborative project to engage the public in productive dialogues about heritage and incorporating indigenous views on science, spirituality and heritage into the study and representation of the colonial past at the park. Most recently, the engagement of tribal, academic, and agency professionals was presented as a project proposal at the annual Fort Ross Dialogue in October 2017 to officials and visiting dignitaries.

3860 Department of Water Resources (DWR)

9) **Reappropriation and Technical Adjustment (Propositions 1 and 13).** The May Revision proposes a reappropriation of Proposition 1 funds for the CalConserve program and a technical adjustment to add provisional language to Proposition 13 funding requested in a spring proposal for San Joaquin River-related fish population enhancement to make funds available for support and local assistance.

10) **Dam Safety Trailer Bill Language. (TBL)** The May Revision proposes trailer bill language to clarify the process for dam owners where there is an existing or partial Emergency Action Plan (EAP) or inundation map as of March 1, 2017. The proposed language also require dam owners with partial EAPs or inundation maps to develop a timeline by which they will develop the comprehensive EAP and inundation maps.

Background. ***2017 Dam Safety Trailer Bill.*** The Budget Act of 2017 included trailer bill language to require dams to have an emergency action plan that is updated every ten years, updated inundation maps every ten years, or sooner if specific circumstances change, and provide DWR with enforcement tools, including fines and operational restrictions for failure to comply.

Specifically, the trailer bill adopted last year required DWR to do a complete a reconnaissance of the geologic, hydraulic, hydrological, and structural adequacy of the identified 108 largest spillways in the state by October 1, 2017. By January 1, 2018, DWR is required to complete a thorough site investigation and evaluation of those spillways that are found to be potentially at risk. Immediate action such as emergency repairs or reservoir operation restrictions will be required of dam owners as necessary to reduce the risk of any spillway identified to be in poor condition as a result of the study. DWR is required to complete evaluations of the remaining spillways by January 1, 2019, and direct dam owners to make required repairs or restrict reservoir operations as needed.

DWR would also be required to re-classify jurisdictional dams as extremely high, high, significant or low risk. The DWR will require inundation maps and Emergency Action Plans for all jurisdictional dams allowing a waiver for low hazard dams. During regular inspections, DWR will track any dams where the hazard classification has changed and reassess the waiver as necessary.

The DWR will identify which scenarios beyond a complete dam failure require a separate inundation map. The dam owner will create the inundation map and submit to the DWR, which will be reviewed and approved by DWR's Division of Flood Management. The approved maps will then be posted publicly on DWR's website and linked to Cal OES' website.

Dam owners will be responsible for creating Emergency Action Plans in accordance with federal guidelines and based on their updated inundation maps. Cal OES will provide guidelines regarding the coordination between dam owners and local emergency management agencies to create local emergency response plans. Dam owners will submit the plans through DWR, who will work with Cal OES to review and confirm that plan components are acceptable for incorporation into and to guide local emergency response plans.

DWR was also provided additional enforcement power over dam owners who are not complying with the new emergency plan/inundation maps requirements.

Staff Comment. The proposed trailer bill language is clarifying in nature.

11) **Save Our Water (SOW) Campaign.** The May Revision proposes $300,000 ongoing from the Environmental License Plate Fund (ELPF) to support outreach and advertising to sustain the SOW campaign as an in-house DWR program run by the Public Affairs Office.

Background. SOW was created in 2009 while the state was experiencing drought. The program was initially funded through Proposition 84 and administered through a partnership between Association of California Water Agencies (ACWA) and DWR to raise public awareness about the ongoing drought. By early 2010, the drought had abated and the program's focus shifted to ongoing water conservation education following the passage of a comprehensive legislative water package, known as the *20x2020 Water Conservation Plan*, which mandated that urban water consumption be reduced by 20 percent by 2020. Funding for the program ends June 30, 2018.

3900 Air Resources Board

12) **Reappropriation: Greenhouse Gas Reduction Fund (GGRF).** The May Revision proposes to reappropriate unexpended balance of GGRF used for the Enhanced Fleet Modernization Program (EFMP) and Plus-Up Pilot Project (Plus-Up). The revision requests provisional language to make the funds available for encumbrance or expenditure until June 30, 2020.

This proposal will allow EFMP, Plus-Up, and the Equity Pilot Program to continue to provide incentives for low-income drivers to retire and replace high-polluting vehicles with cleaner vehicles, provide car-sharing options to low-income communities, and provide reliable commute options for agricultural workers.

3960 Department of Toxic Substances Control

13) **Reappropriation for Exide Technologies Cleanup.** The May Revision proposes that Item 3960-495 be added to reappropriate the unencumbered balance from the Toxic Substances

Control Account as appropriated by Section 2 of Chapter 10, Statutes of 2016 (AB 118) and Item 3960-011-0001 Chapter 9, Statutes of 2015 (SB 93) to authorize the transfer of up to $176 million General Fund to the Toxic Substances Control Account. It is further requested that funding be made available for encumbrance or expenditure until June 30, 2021. This reappropriation provides additional time for remediation activities at properties around the Exide Technologies facility in Vernon.

3970 Department of Resources Recycling and Recovery

14) **Plastic Market Development Program. (TBL)** A May Revision proposal requests trailer bill language to extend the sunset date on the Plastic Market Development Program from January 1, 2018 to July 1, 2022.

Background. ***Plastic Market Development Program.*** AB 3056 (Committee on Natural Resources, Chapter 907, Statutes of 2006) created the Plastic Market Development Payment (PMD) Program to develop California markets for recycled empty plastic beverage containers. The PMD program encourages the development of new end-use markets for California recycled plastic as feedstock by providing a monetary incentive to manufacturers.

Prior to the enactment of the PMD Program, virtually all of the plastic collected for recycling in California was exported overseas for recycling. After the enactment of the PMD Program, California succeeded in increasing both processing and use of recycled plastic in state.

***Changes in the PMD Program*.** The PMD Program makes payments of up to $150 per ton to California-based processors and manufacturers that recycle and utilize post-consumer plastic beverage containers. In 2007-09, the total amount of funds authorized was $5 million. Beginning in 2010, the Legislature increased this payment authority to $10 million annually. The PMD program was reauthorized and expanded in 2011.

Recent changes in global markets and scrap values have negatively affected California's recycling systems. This proposal will provide $15 million Beverage Container Recycling Fund in FY 2018-19, and $10 million annually thereafter through FY 2021-22, for market development payments to address the challenges in the recycled material market.

15) **Enforcement of Beverage Container Recycling Program. (TBL)** A May Revision proposal requests trailer bill language to clarify the authority of the California Highway Patrol to arrest individual transporters who illegally transport out-of-state empty containers for redemption in California.

The May revision proposal request to add Section 14536.3 to the Public Resources Code:

14536.3. Any traffic officer, as defined in Section 625 of the Vehicle Code, and any peace officer, as specified in Section 830.1 of the Penal Code, may enforce this division as authorized representatives of the department.

According to CalRecycle, with a presence on highways and at border stations, the CHP is already strategically positioned to collaborate with the Department and its partner agencies.

Additionally, if the transporters try to bypass border stations by using alternative routes monitored by CHP officers, the CHP could still conduct an inspection and arrest.

8570 Department of Food and Agriculture (CDFA)

16) **Reappropriation: GGRF.** A May Revision proposal requests that Item 8570-490 be added to reappropriate a portion of administrative funding for the State Water Efficiency and Enhancement Program, from the California Department of Food and Agriculture's FY 2016-17 Greenhouse Gas Reduction Fund appropriation, which expires on June 30, 2018. This request would allow CDFA to manage and close out awarded projects that will be completed in FY 2018-19, and to audit completed projects.

Staff Recommendation: Approve all vote-only items as proposed.

ISSUES FOR DISCUSSION

0540 California Natural Resources Agency (Various Departments)

Issue 17 – Forest Carbon Plan Implementation

Governor's Proposal. The May Revision proposes $96 million for various departments in the Natural Resources Agency to: (1) increase pace and scale of forest management and restoration efforts, (2) to build local capacity and strengthen regional collaborations, and (3) to innovate and increase economies around the use of materials from forest health projects. More specifically, the May Revision outlines the total investment of $96 million across three areas of need:

1) Increase pace and scale of forest management and restoration efforts.

- ***Department of Forestry and Fire Protection (CalFire): Prescribed Fire and Fuels Reduction.*** $26.8 million GGRF and 79 positions for ongoing support for prescribed fire and other fuel reduction project development, coordination, and implementation.

- S***ierra Nevada Conservancy: Sierra Nevada Regional Forest Health Projects.*** $30 million California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access for All Fund (Proposition 68) and two positions to implement restoration and management actions under the Watershed Implementation Program and other recommendations of the Forest Carbon Plan.

- ***Natural Resources Agency: Northern, Coastal, and Southern California Regional Forest Health Projects.*** $20 million GGRF to fund regional block grants to promote and expand regional forestry collaborations led by state, local, and nonprofit entities.

- ***Department of Parks and Recreation: Legacy Forests at State Parks.*** $15 million Proposition 68 for forest ecosystem restoration and fire prevention in the state park system.

2) Build local capacity and strengthen regional collaborations.

- ***Department of Conservation: Watershed Coordinator Grants.*** $1.9 million California Environmental License Plate Fund to support for multi-year watershed coordinator grants to build capacity for regional implementation of the recommendations of the Forest Carbon Plan in priority watersheds.

3) Innovate and increase economies around the use of materials from forest health projects.

- ***Board of Forestry and Fire Protection: Joint Institute for Wood Products Innovation.*** $750,000 Timber Regulation and Forest Restoration Fund (TRFRF) and one position for the Board to develop a joint institute for wood products innovation through the University of California, California State University, or other academic institution.

- ***Sierra Nevada Conservancy: Rural Economic and Manufacturing Development Grants.*** $1 million TRFRF for grants to support the innovation of wood product manufacturing and increase of rural economic development around wood product manufacturing.

- ***Government Operations Agency: California Mass Timber Building Competition.*** $500,000 Timber Regulation and Forest Restoration Fund to support implementation of the California mass timber building competition to showcase and incentivize use of innovative engineered wood products.

Background. ***Forested Land.*** California has 33 million acres of forestland and 1,256 square miles of urban forest canopy. Forested lands are the largest land-based carbon sink in California with trees and shrubs drawing carbon from the atmosphere and storing it in their woody structure and in forest soils.

Decades of fire exclusion compounded by rising average temperatures and reduced rainfall have dramatically increased the size and intensity of wildfires and bark beetle infestations, threating the ability of our statewide forests to capture and clean water, serve as long-term carbon sinks, and support native biodiversity that depends on their ecosystems. Recent wildfires have been the deadliest, most destructive, costliest, and largest in state history, and more than 129 million trees, primarily in the Sierra Nevada, have died from drought and insects since 2010.

Executive Order B-52-18. The Governor issued Executive Order B-52-18 on May 10, 2018. Key elements of the order include:

- An increase of land actively managed through vegetation thinning, controlled fires and reforestation from 250,000 acres to 500,000 acres.
- New training and certification programs to help promote forest health through prescribed burning.
- Boosting education and outreach to landowners on the most effective ways to reduce vegetation and other forest-fire fuel sources on private lands.
- Streamlined permitting for landowner-initiated projects that improve forest health and reduce forest-fire fuels on their properties.
- Support of innovative uses of forest products by the building industry.
- Expanded grants, training, and other incentives to improve watersheds.

In addition, a Forest Management Task Force will be convened in the coming weeks to help implement the order and accompanying Forest Carbon Plan.

Forest Carbon Plan. The Forest Carbon Plan was released in May 2018. The goals of the plan are to secure California forests as a healthy, resilient net sink of carbon, while providing a wide range of ecosystem, social, and economic benefits, by doing the following:

- An increase in the pace and scale of treatments to increase forest health and resilience on private and public lands.
- Treatments include fuels reduction, prescribed fire, thinning, tree planting, and sustainable timber management.
- Restoration of forest meadows to increase their carbon and water storage functions.
- Prevention of forestland conversions.
- Innovation opportunities for wood products and biomass utilization to support sustainable forest management.

- Protection and enhancement of carbon sequestration potential and related co-benefits of urban forests.

Implementation of the plan for wildland forests would be through collaborative, regional processes working at the watershed or landscape level. Implementation for urban forests would take place through state and local government programs and nonprofit organizations.

Various Reports Recommend Investments in Forest Health. The Little Hoover Commission, the Legislative Analyst's Office, the Public Policy Institute of California, and the SB 859 Wood Products Working Group all recently released reports with findings that all converge around similar recommendations. Those recommendations include protecting the ecosystem, public health, and economic benefits that healthy forests provide to the state by increasing the rate of forest treatments and expanding state wood product markets through innovation, assistance, and investment.

Prescribed Fire and Fuels Reduction. CalFire currently participates in prescribed fire and fuels reduction projects to ensure that regulatory requirements and best management practices are followed and fires are contained within planned areas. The Vegetation Management Program is a cost-sharing program that allows public and private landowners to participate in vegetation treatment projects on State Responsibility Area lands. The primary tool used in the VMP program is prescribed fire.

Watershed Improvement Program. The Sierra Nevada Watershed Improvement Program (WIP) is a coordinated, integrated, collaborative initiative to restore the health of California's primary watershed through increased investment and needed policy changes. The WIP, guided by a Memorandum of Understanding between the California Natural Resources Agency and the US Forest Service, is coordinated by the Sierra Nevada Conservancy in partnership with the US Forest Service, with the support of a wide range of state, federal and local agencies, and private landowners.

Watershed Coordinator Grants. Between 2004 and 2014, the Department of Conservation awarded competitive grants like those in this proposal. The grant program supported Watershed Coordinator positions that were tasked with facilitating collaborative efforts to improve and sustain the health of California's watersheds. The Watershed Coordinator Grant Program offered organizations an opportunity to improve and sustain the health of California's watersheds through a coordinated and collaborative approach.

Joint institute for Wood Products Innovation. The Budget Act of 2016 directed the Natural Resources Agency to convene a wood products working group to develop recommendations for creating new innovative wood product markets from biomass removed in fuels reduction projects. In their final report, entitled "Recommendations to Expand Wood Products Markets in California", the Working Group recommended collaborating with the UC, CSU, or other academic institution to establish a Joint Institute for Wood Products Innovation. Though this partnership, the joint institute would be positioned to take advantage of California's academic leadership in forestry, wood product engineering and architecture to increase innovation of wood products and their use across construction, agriculture, fuels, and other economic sectors.

Rural Economic and Manufacturing Development Grant. The SB 859 Wood Products Working Group also recommended that the state create a grant program to develop and deploy new wood products and manufacturing capacity. The program was recommended to be modeled after aspects of two successful grant programs: (1) the US Forest Service Wood Innovations Grants Program, which supports projects that promote the expansion of innovative non-energy wood products markets; and (2) the California Energy Commission Energy Innovations Small Grants Program, which funded research, development, and demonstration for innovative wood products and manufacturing concepts.

LAO Comment. ***Forest Carbon Plan Implementation.*** This proposal would provide $96 million—mostly from the Greenhouse Gas Reduction Fund and Proposition 68 (assuming that voters approve it)—for forest health and related activities. The LAO recommends approving most of this proposal. Broad consensus exists about the problematic conditions of the state's forests and the types of activities needed to address them, but the pace of making needed improvements has been slow. This augmentation will help restore healthy forests and protect the benefits that they provide, such as air, wildlife, climate, and recreational benefits. The LAO also notes that many aspects of the proposal are consistent with recommendations we made in our recent report *Improving California's Forest and Watershed Management.*

The LAO, however, have outstanding questions on one component of the package—$20 million GGRF for northern, coastal, and southern California regional forest health projects. Based on the LAO's review of the budget proposal, it appears that the proposal is still at a conceptual phase, and the Administration is still developing how the program would work. So, while the concept for encouraging regional partnerships and landscape level projects is consistent with the LAO's recommendations, the committee may want to ask some additional questions of the Administration, including the following:

1. What steps still need to be undertaken to develop this program, and how long will those steps take?

2. How much of the $20 million proposed would be for planning and administrative activities versus for grants to implement forest health projects? When should we expect any grant funds to be released in the budget year?

3. How does the Administration envision prioritizing funds among various watersheds throughout the state?

Staff Recommendation. Hold open.

3540 Department of Forestry and Fire Protection (CalFire)

Issue 18 – Climate Change Fire Severity

Governor's Proposal. A May Revision proposal requests $10.9 million General Fund and 52 positions starting in 2018-19 to provide heavy equipment mechanics, vehicle maintenance funding, and associated administrative support staff.

Background. ***The Nearly Year-Round Fire Season.*** Climate change continues to lengthen the fire season in California. In some areas, the fires are year-round. Over the last six years, CalFire has experienced a 25 percent increase in fire activity in the middle of the winter months. Scientists have been confirming that fire season length and intensity have noticeably increased over the past two decades.

In addition to the impacts of climate change on the fire season, large numbers of trees are dead or dying due to the multi-year drought, which has weakened trees and left millions of acres of forestland highly susceptible to bark beetle attacks. The current 129 million dead and dying trees, along with inevitable incremental increases in mortality, will directly influence fuel conditions and fire behavior for up to 20 years.

Additional Funding for Increased Fire Activities. In 2017-18, CalFire received funding to extend fire suppression staffing year-round and staff engines earlier and later in the calendar year. This allocation did not include staffing for vehicle maintenance or other critical departmental needs.

CalFire has added 215 vehicles since 2009-10. In FY 2015-16, the Legislature provided $6 million for tree mortality equipment, including excavators, masticators, loaders, shippers, and portable saw mills. In 2017-18, the Legislature provided $3 million for forest health heavy equipment. These allocations did not include resources for maintenance. As of April 2018, CalFire is approximately 30 percent behind schedule on winter maintenance.

Legislative Analyst's Office. ***Climate Change Fire Severity.*** This proposal would provide $10.9 million General Fund and 52 positions for heavy equipment mechanics, vehicle maintenance, and administrative staff support. The May Revision proposal did not include a clear workload justification, making it difficult to evaluate whether this significant augmentation is justified. Specifically, the Administration's proposal did not include information on current and projected workload as compared to current staffing and resource levels for each component of the request. Moreover, LAO notes that the Governor's January budget included a proposal for $3.6 million and 21 positions for similar administrative purposes. LAO have requested additional workload justification from the department. LAO withholds recommendation pending receipt and review of this workload justification.

Staff Recommendation. Hold open.

Issue 19 – Office of the State Fire Marshal, Fire and Life Safety Division

Governor's Proposal. A May Revision proposal requests an increase of $4.029 million in reimbursement authority and 15 positions to support the Office of the State Fire Marshal's Fire and Life Safety Division's increased workload related to its plan review, construction inspection, and mandated interval inspection activities.

This proposal also requests provisional language to authorize a General Fund loan of up to $2.3 million to be repaid over three years. These requests are initial outcomes of an ongoing Mission Based Review the Department of Finance is performing with the Office of the State Fire Marshal.

Background. ***The State Fire Marshal's Fire and Life Safety Division (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. In addition to inspection of state-owned buildings, the Division is also responsible for inspecting buildings in which the state leases space. This not only include the space being leased by the state, but also 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 involves 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 attends 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.

Staff Recommendation. Hold open.

Issue 20 – Fireworks Program (BCP and TBL)

Governor's Proposal. A May Revision proposal requests $3.6 million one-time from the California Environmental License Plate Fund and two ongoing positions for Office of the State Fire Marshal to oversee the newly created Fireworks Stewardship Program and to increase the state's efforts to reduce the influx of illegal fireworks into the state.

This proposal also requests $2.1 million in reimbursement authority to the State Fire Marshal Fireworks Enforcement and Disposal Fund starting in 2019-20 to reflect anticipated reimbursements that will be funded through the imposition of a management charge on retail sales of "safe and sane" fireworks. Trailer bill language is also requested to implement this proposal.

Background. ***The Office of State Fire Marshal (OFSM) Regulates Fireworks in the State.*** Current law requires the OSFM to regulate fireworks in the state and to destroy dangerous and illegal fireworks once they are seized by local fire departments or law enforcement agencies.

California allows only certain fireworks—those designated as "safe and sane" by the OSFM—to be sold in California. Many local jurisdictions in California elected 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.

Illegal fireworks in California are on the rise. The use and sale of illegal fireworks continues to rise in California creating significant environmental and fire hazards. Each year the State seizes on average over 220,000 pounds of fireworks needing to be disposed. Without a stable funding source for enforcement and disposal, the confiscation of illegal and dangerous fireworks throughout the State has resulted in stockpiles. There is currently no long-term sustainable funding source for the enforcement on the illegal fireworks operation or the disposal of these fireworks. Up until now, the focus has been to properly dispose of the stockpiles leaving few resources, if any, for enforcement.

The Governor's Proposal. The Governor's office developed this proposal in collaboration with the fireworks industry, California Fire Chiefs Association, League of Cities, and California Police Officers Association. The proposed trailer bill language would create a program to deal with illegal fireworks by making the fireworks industry responsible for seized products as a condition of their licenses to do business in California. This proposal also addresses the need for increased enforcement, education, as well as funding for disposal. Specifically, this proposal would:

- Reduce the amount of illegal fireworks entering California.
- Provide a stable funding source for illegal fireworks disposal.
- Support local fire and law agencies in their efforts in enforcement.
- Provide a cohesive statewide effort addressing illegal fireworks.

The proposed Fireworks Stewardship Program. This proposal would require wholesalers of "Safe and Sane" fireworks, of which there are currently four operating in the state, to form a stewardship entity and create a stewardship plan as a condition of receiving their annual license. This stewardship entity would be required to:

- Assess a management charge on the sale of safe and sane fireworks.
- Provide funding for fireworks enforcement, education, and disposal.
- Create a plan with state and local law enforcement to reduce the volume of illegal fireworks entering California.
- Assist OSFM in sorting, classifying and packing all seized fireworks.
- Manage and repurpose collected commercially viable fireworks and ensure they do not return to California.

It is estimated that approximately 80 percent of all fireworks seized are commercially viable or even "Safe and Sane" fireworks. The proposed trailer bill language would authorize the transfer of commercially viable fireworks seized by OSFM to the stewardship entity. By allowing the stewardship entity to repurpose those fireworks, the amount of fireworks requiring disposal will be significantly reduced.

New program would increase enforcement of illegal fireworks. Disposal of illegal fireworks has taken so much time and resources that the OSFM has not been able to tackle enforcement adequately. This proposal would provide resources to the OSFM to coordinate fireworks enforcement and education, as well as continue its responsibility to handle the disposal of illegal fireworks. Specifically, this proposal would provide funding to OSFM to increase enforcement through local grants, provide for public education, and fund the disposal of illegal fireworks. This proposal would also fund four positions (two of which are currently unfunded) to coordinate, enforce and support the fireworks stewardship program.

Anticipated costs and proposed funding for the new program. The Administration anticipates a cost of $2.1 million to operate the program and dispose of seized illegal fireworks in the future. The proposal provides $3.6 million from the California Environmental License Plate Fund for the first year of the program. The additional $1.5 million in the first year would allow the state to dispose of stockpiled fireworks from previous years. In 2019-20 and thereafter, $2.1 million (the estimated cost to operate the program) will be reimbursed by the stewardship entity to the Fire Marshal Fireworks Enforcement and Disposal Fund.

	Year 1	**Year 2**	**Year 3 +**
4 Positions & Operating Expenses	$980,000	$780,000	$766,000
Estimated Disposal Costs	$550,000	$550,000	$550,000
Public Education	$200,000	$300,000	$300,000
Local Enforcement Grants	$350,000	$450,000	$464,000
Task Force Coordination Costs	$20,000	$20,000	$20,000
TOTAL COSTS	**$2,100,000**	**$2,100,000**	**$2,100,000**

LAO Recommendation. ***Fireworks Stewardship Program for Seized Illegal Fireworks.*** This proposal provides one-time funding of $3.6 million from the Environmental License Plate Fund for 2018-19 and establishes a new Fireworks Stewardship Program. LAO does not have any specific concerns with the proposal, and it addresses an ongoing programmatic challenge. However, this May

Revise proposal is creating an entirely new program without a lot of time for Legislature to weigh the merits of this approach versus potential alternatives. The committee might wish to ask the department the following questions: (1) Why does the Administration believe the establishment of this new program should be done in the budget rather than through the policy process? (2) What alternative approaches were considered, and why is the proposed approach viewed as superior to those other alternatives?

Staff Recommendation. Hold open.

3790 Department of Parks and Recreation (Parks)

Issue 21 – California Indian Heritage Center (BCP and TBL)

Governor's Proposal. A May Revision proposal requests $100 million in General Fund to be deposited into the Natural Resources and Parks Preservation Fund for the preliminary plans ($4.7 million), working drawings ($4.7 million), and construction ($90.6 million) phases of the California Indian Heritage Center (CIHC) project in Yolo County.

This proposal also requests $100 million in matching State Park Contingent Fund authority for construction costs to be funded through future fundraising efforts. This proposal also requests trailer bill language to authorize this project.

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 and directed 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." The Department, Task Force, and community representatives selected the West Sacramento site at the confluence of the Sacramento and American Rivers after assessing several alternatives. The envisioned project constitutes a decades-long collaboration between the Department, California tribal communities, and interested philanthropic entities. It fulfills long-standing promises and demonstrates the state's commitment to and responsibility for collaborating with California tribal communities throughout the state to communicate their history and work together to preserve California tribal cultural heritage. Total estimated project cost is $200 million.

LAO Comment. ***California Indian Heritage Center.*** This proposal would provide $100 million General Fund to build the California Indian Cultural Center by depositing it into the Natural Resources and Parks Preservation Fund (NRPPF). It would also authorize up to $100 million in matching funds via the State Park Contingent Fund. LAO has two major concerns with this proposal. First, it is unclear whether the $200 million cost estimate is accurate given that the current project appears to only be at a conceptual stage. Second, depositing funds into the NRPPF does not provide the standard level of legislative oversight for capital outlay projects because funds are continuously appropriated. This would mean that subsequent planning and construction phases would not have to come before the budget committees for review and approval as is typically the case for capital projects of this magnitude. If the Legislature chooses to move forward with this project, LAO would recommend appropriating in the Parks budget the level of funding needed in the budget year. This might include funding for acquisition and initial planning activities. The department would then come back to the Legislature in future years as it needs funding for the next phases of the project. In addition, should the Legislature want to set aside additional funds for this project—$100 million or some other amount— it could still do so, but LAO would recommend that it revoke the continuous appropriation authority for the NRPPF so as to ensure use of the traditional budget review process in the future.

Staff Recommendation. Hold open.

3820 San Francisco Bay Conservation and Development Commission

Issue 22 – Relocation to Bay Area Metro Center

Governor's Proposal. The May Revision proposes $3.02 General Fund one-time for tenant improvements ($2.645 million) and moving costs ($375,000) associated with the San Francisco Bay Conservation and Development Commission's (BCDC) relocation to the Metropolitan Transportation Commission's Bay Area Metro Center.

In addition, the proposal includes provisional language to provide one-time funding for tenant improvement and moving costs "contingent upon the Commission entering into a long-term lease agreement with the Bay Area Toll Authority."

BCDC's current space in the Hiram Johnson State Office Building is proposed to be backfilled by the Department of Justice (DOJ), which already occupies a portion of the state building.

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.

A New Home for Department of Justice (DOJ). In 2016, 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 after its completion to co-locate with its closest regional partners. DOJ is expected to move into the location where BCDC plans to move out of.

Staff Comments. ***Tenant Improvements.*** The Metropolitan Transportation Commission (MTC), which oversees the Bay Area Headquarters Authority (BAHA) (a joint powers authority between MTC and the Bay Area Toll Authority. According to MTC, BAHA oversees the redevelopment, management and operation of 375 Beale, known as the Bay Area Metro Center, where BCDC is planning to move. BAHA spent $5 million on tenant improvements related to the space that BCDC plans to occupy. MTC does not believe this proposal is fair because it would only provide half the cost of the $5 million it spent on tenant improvements.

Staff Recommendation. Hold open.

3860 Department of Water Resources (DWR)

Issue 23 – Joint Operations Center (JOC) Relocation

Governor's Proposal. The May Revision proposes $964,000 General Fund and provisional language to prepare a request for proposal to enter into a build-to-suit lease for a new JOC.

In addition, $926,000 State Water Project funds will be used for this purpose.

The May Revision Letter states the estimated total cost to acquire, design, and construct the JOC is $265.2 million ($116.3 million General Fund, $111.8 million State Water Project, and $37.1 million federal reimbursement). The state's portion will be comprised of 51 percent General Fund and 49 percent continuously appropriated State Water Project (SWP) funds.

Background. ***JOC.*** 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 state's flood emergencies. DWR is the participating state agency. DWR's two main divisions involved are the Division of Flood Management (DFM) and the Division of Operations and Maintenance for SWP. The federal agencies are the US Bureau of Reclamation (USBR) and the National Weather Service (NWS), which includes the Sacramento Weather Forecast Office and California-Nevada River Forecast Center. The JOC state and federal collaboration has existed since the 1960s. In 1995, these entities moved from the Resources Building in downtown Sacramento and other federal facility locations to the El Camino and Watt Avenue facility in north Sacramento.

The current JOC was originally intended as an interim location until DWR could build a permanent facility. The JOC is out of compliance with the State of California Essential Services Act (ESA) for the Flood Operations Center (FOC) when activated during flood emergencies. The Division of State Architect provided a ten-year grace period to allow DWR to meet ESA, which elapsed in 2005. Both state and federal agencies have struggled to comply with new Homeland Security regulations that continue to change and become more restrictive for physical space and information technology requirements related to security. Both the state and federal partners have intended to find a permanent home for JOC, preferably having an ownership opportunity in the facility.

The new facility will be built to the standards of the ESA, the Americans with Disabilities Act, Title 24 of the California Code of Regulations, and designed to achieve Leadership in Energy and Environmental Design (LEED) Silver rating.

The proposed project, to be jointly occupied by the state and federal partners, is estimated to be approximately 282,000 square feet (247,000 sf state and 35,000 sf federal). A new JOC is necessary, as the current facilities no longer meet programmatic space needs to comply with essential service needs, do not conform to federal requirements of being located outside of the 100-year floodplain, and lack enough perimeter setback space to meet federal security requirements.

Additional Costs to Consider for This Proposal. The BCP states that the estimated annual lease payment is an average of $20.2 million, which is an average $17 million a year increase. The funding sources would include the General Fund ($7.5 million), SWP funds ($6.5 million), and federal reimbursement authority ($3 million). If this proposal is approved, there will be one-time costs associated with moving ($15.8 million) and ongoing costs associated with the new lease payment (approximately $7 million per year) that will be State Operations Support General Fund. DWR's Division of Flood Management cannot absorb an increase in lease costs or the cost of the move.

In addition, the BCP notes that there is potential risk that the federal partners will not be able to pay for their sub-lease payments – Under this scenario, DWR would have to pay this federal portion out of their support budget.

Staff Comments. The subcommittee may wish to ask the following questions:

1) What is the total cost that is anticipated for this entire project over 25 years?
2) What is the timeline you are anticipating for when the facility would be ready for move-in?
3) Are the increased costs for the State Water Contractors included in the updated long-term SWP contract terms currently being negotiated?

Staff Recommendation. Hold open.

Issue 24 – Flood Control Infrastructure (BCP and TBL)

Governor's Proposal. The May Revision proposes $195 million one-time in General Fund ($25 million ongoing). One-time funding of $170 million will be used to support the state cost-share of critical United States Army Corps of Engineers (USACE) urban flood risk reduction projects. Ongoing funds will be used to support operations, maintenance, repair, rehabilitation, and replacement of the flood control infrastructure.

Funding is proposed as follows:

- $45 million in state operations support (USACE urban projects; operations, maintenance repair, rehabilitation, and replacement (OMRR&R), and Central Valley Flood Protection Board (CVFPB) feasibility study), as follows:
    - $20 million one-time state ops: USACE urban projects – five-year extended encumbrance;
    - $25 million ongoing state ops or local assistance: OMRR&R. For FY 2018-19 specifically, these funds include:
        - $23.7 million state ops: OMRR&R – standard one-year encumbrance;
        - $1.3 million state ops: CVFPB feasibility study – two-year extended encumbrance;
- $150 million in one-time capital outlay (USACE urban levees) – five-year extended encumbrance.

This proposal also requests trailer bill language to make various changes to the Delta Levee Maintenance Program.

Background. ***USACE Urban Projects.*** Urban projects are generally considered those that protect urbanized areas and the majority of the state's public and private assets. These projects are initiated and led by USACE and contributed to by local and state partners pursuant to federal cost-share requirements. These projects contribute directly toward 200-year flood protection, which is to be achieved by 2025 per SB 5 (Machado), Chapter 364, Statutes of 2007, for Central Valley urban communities such as the Sacramento and Stockton regions.

The Administration states that General Funds are needed for these projects to strengthen the state's ability to leverage federal funds. While existing bond funds such as Proposition 1E and Proposition 68 provide funding for flood investments, these funds are largely limited to multi-benefit projects, or levee projects located in the Delta. USACE urban projects are typically not multi-benefit and, therefore, do not qualify for existing bond funds.

Operations, Maintenance Repair, Rehabilitation, and Replacement (OMRR&R). OMRR&R includes both routine and non-routine maintenance that is completed in a timely manner. OMRR&R is performed throughout the entire flood system. These funds are intended to support priority projects that reduce state liability and incentivize cost-sharing with local entities by: 1) encouraging a regional governance model that will better allow local entities to assess local beneficiaries of the levee system; and, 2) updating assurance agreements with the state to clarify levee maintenance responsibilities. General Fund is needed for this work as some maintenance cannot be funded with bond funds and because an ongoing appropriation is needed to address annual costs that currently exceed available funds. OMRR&R not completed in a timely manner becomes deferred maintenance.

LAO Comment. According to LAO, this proposal seems to meet identified needs, in particular, those identified by the Central Valley Flood Protection Plan, and mostly the funds are going to established programs and efforts.

Staff Comment. The subcommittee may wish to ask the following questions:

1) How will DWR choose which projects to spend the $170 million on?

2) How does DWR plan to prioritize the use of the ongoing $25 million? How might you use this funding to change practices by or arrangements with local agencies? Will there be local cost-share requirement?

3) Is $25 million annually enough to properly maintain adequate flood protection?

4) Didn't the Central Valley Flood Protection Plan call for more than this for ongoing operations and maintenance?

5) Why is it appropriate to spend state funding on flood protection? Shouldn't it be paid for by the beneficiaries/residents who live behind the levees?

Staff Recommendation. Hold open.

Issue 25 – Open and Transparent Water Data Act (AB 1755)

Governor's Proposal. The May Revision proposes that Item 3600-001-0140 be increased by $150,000, Item 3860-001-0140 be increased by $450,000, and Item 3940-001-0140 be increased by $200,000 to continue implementation of AB 1755 (Dodd), Chapter 506, Statutes of 2016.

Background. An abundance of water resources data is created by local, state, and federal agencies, universities, and non-profits. Those datasets are not coordinated and, as a result, do not produce a complete water information picture. The state lacks a comprehensive approach, as well as framework of standards, and dedicated resources to cultivate useful data sets that can be presented on a statewide water data portal.

AB 1755 (Dodd) required DWR, in consultation with the State Water Resources Control Board, the Department of Fish and Wildlife, 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. The Partner Agency Team meets regularly to plan, discuss progress, and offer high-level guidance in the multi-agency effort to fulfill requirements of AB 1755, including development of a strategic plan, protocols, and a statewide integrated water-data portal to publish water and ecological datasets.

Staff Recommendation. Hold open.

3900 Air Resources Board (ARB)

Issue 26 – Agricultural Diesel Engine Replacement and Upgrades

Governor's Proposal. The May Revision proposes $30 million General Fund one-time for agricultural diesel engine replacements and upgrades.

This proposal also requests provisional language to make this item available for encumbrance or expenditure until June 30, 2020.

Background. ***ARB is Working to Reduce Emissions from Mobile Agricultural Equipment.*** ARB has incentive programs and regulations to reduce emissions from a wide variety of agriculture-related diesel engines. Regulations include the Diesel Agricultural Engines, which sets requirement for stationary and portable diesel-fueled engines used exclusively in agriculture. Incentive programs include the Carl Moyer Memorial Air Quality Standards Attainment Program, which provides incentive grants or cleaner-than-required engines and equipment.

The Budget Act of 2017 also provided the ARB with $135 million to reduce emissions from agricultural harvesting equipment, heavy-duty trucks, agricultural pump engines, tractors, and other equipment used in agricultural operations. ARB is in the process of developing the Funding Agricultural Replacement Measures for Emission Reductions Program Guidelines, which will outline ARB's recommendations for expending these funds.

LAO Comment. This proposal requests $30 million one-time in General Fund for incentives to replace high-emitting diesel agricultural vehicles. These funds would supplement the $102 million GGRF included in the Governor's 2018-19 cap-and-trade expenditure plan. If these activities are a high priority for the Legislature—for example, because agricultural equipment is a significant source of air pollution in the Central Valley—The LAO recommends the Legislature consider allocating a greater share of GGRF, instead of General Fund. (Under the Governor's plan, roughly $2.8 billion GGRF would be allocated to various programs.) This approach would reduce the amount of GGRF available for other climate-related activities, but would free-up General Fund dollars for the Legislature's highest priorities.

Staff Comments. The Governor's proposed cap-and-trade expenditure plan includes $102 million for mobile agricultural equipment as well as $4 million for agricultural renewable energy. The subcommittee may wish to ask the need for additional funding given the proposed GGRF expenditure.

Staff Recommendation. Hold open.

Issue 27 – Advanced Payment: Trailer Bill Language (TBL)

Governor's Proposal. The May Revision proposes TBL to authorize ARB to make advance payments to grantees if ARB makes specified determinations.

Background. During the budget process in 2017, the ARB informed the local air districts that it cannot continue to provide air districts with funding for incentive programs such as the Enhanced Fleet Modernization Program in advance of those funds being actually expended, and can only reimburse air districts for payments already made. ARB cited California Constitution Article XVI, Sec. 3 and Sec. 6, which prohibits gifts or donations of public funds.

In response, the local air districts argue that ARB advancing funds to the local air districts to implement incentive programs is not an unconstitutional gift of public funds. The air districts assert that these are legislatively-authorized incentive programs which serve a vital public purpose of helping clean the air and improve public health. Thus, these funds are expended for a public purpose and do not violate the gift of public funds prohibition even where a private party is incidentally benefitted. Further, the local air district indicated that such a requirement would make participation in these incentive programs impossible for many districts, who simply do not have funds available to do so.

AB 109 (Chapter 249, Statutes of 2017) authorized the Air Board to provide the local air districts with advanced payments for fiscal year 2017-18 appropriations.

Staff Comments. The proposed trailer bill language would authorize the Air Board to make advanced payments on a permanent basis.

Staff Recommendation. Hold open.

3930 Department of Pesticide Regulation (DPR)

Issue 28 – Improved California Environmental Quality Act (CEQA) Notification for Pesticide Registration

Governor's Proposal. The May Revision proposes $515,000 Department of Pesticide Regulation Fund and three positions to expand the documentation provided to the public to meet CEQA requirements.

Background. ***DPR is required to notice the public of its intent to register or deny a pesticide product.*** DPR is statutorily required to thoroughly evaluate the pesticide's toxic effects, its fate in the environment, its potential exposure to people and non-target organisms, the potential for environmental problems with new pesticide products prior to registration, and continuously evaluate registered pesticide products to identify potential adverse impacts to human or environmental health. This process includes evaluation of product chemistry and efficacy, human toxicity, ecotoxicology (non-target organisms and the environment), phytotoxicity (plants), off-site movement in air and water, and the impact of proposed uses on pesticide applicators and other workers when applicable. Once evaluated, DPR provides a public notice of its proposed decision to register or deny the product and provides the opportunity for public comment. Proposed decisions to register or deny the request to register or amend a pesticide product are published on DPR's website. DPR reviews and responds in writing to all public comments that raise a significant adverse environmental point regarding registration decisions prior to making a final decision on the product.

CEQA Compliance. An environmental impact report (EIR) is required when significant impacts are expected, unless an agency's regulatory program is certified as the functional equivalent of an EIR. In 1979, the Secretary of the Resources Agency certified DPR's regulatory program for pesticide registration and evaluation as a certified regulatory program. The Notices of Proposed and Final Decisions and public reports (NODs) to register or deny a pesticide product are posted weekly to satisfy the requirement for written documentation that may be used instead of an EIR.

Pesticide Action Network North America v. California Department of Pesticide Regulation (2017). In March, 2018, the California Court of Appeal determined that DPR's NODs were deficient in demonstrating DPR's certified environmental review process for two pesticide label amendments.

The Governor's Proposal. In response to the recent court decision and community concerns, the DPR proposes to expand the documentation of pesticide registration provided to the public and show how the environmental review of each decision meets the substantive environmental review requirements of CEQA. The new NODs will include the following:

- A new summary for the public of all of the scientific analyses that are now in separate technical scientific documents specific to each product (this will require one scientist to review all of the technical documents and summarize them);
- A new process that makes the evaluation reports (the scientific technical document) and product labels accessible in the Notice of Proposed Registration;
- Expansion of DPR's alternatives analysis for each type of registration decision;
- A new cumulative impact discussion for each product which will include analysis of several years of pesticide use records. It will also include a discussion of currently registered products with the same or similar ingredients.

This proposal is intended to enhance the public's access to information regarding DPR's pesticide evaluation process and findings.

Staff Recommendation. Hold open.

3970 Department of Resources Recycling and Recovery (CalRecycle)

Issue 29 – Disaster Recovery Assistance Program

Governor's Proposal. A May Revision proposal requests $1.25 million Integrated Waste Management Account and six positions to enhance CalRecycle's ability to respond to requests from the Governor's Office of Emergency Services for assistance when disasters occur and debris removal is requested. The positions will also be available to provide technical assistance to local governments in developing disaster recovery plans and protocols when they are not deployed for recovery efforts related to a disaster.

Staff Comments. Staff did not receive a budget change proposal on this request at the time this agenda was sent to publication.

Staff Recommendation. Hold open.

3940 State Water Resources Control Board (SWRCB)

Issue 30 – Administrative Hearings Office (BCP and TBL)

Governor's Proposal. The May Revision proposes $2 million Water Rights Fund, nine positions, and TBL to establish an Administrative Hearings Office that will provide administrative hearing officers and supporting staff to preside over administrative hearings in water right enforcement actions and prepare proposed decisions.

Under the proposed TBL, hearing officers will have purview over certain kinds of water right enforcement actions, such as hearings on complaints for administrative civil liability, proposed cease and desist orders, and proposed revocations. TBL prohibits the hearing officer from ex parte communications with board members. TBL also requires hearing officers to be attorneys and have qualifications equivalent to an administrative law judge and knowledge and experience in water law.

Background. ***Current Process at SWRCB.*** The State Water Board is responsible for enforcing California's water rights laws. Under the existing procedures, when the State Water Board staff believes that some person or entity has violated the state's water use laws, it can take a number of different actions. If the alleged violation already took place, the staff can seek Administrative Civil Liability – fines, in effect – against the alleged violator. If the alleged violation is imminent or ongoing, the State Water Board staff can issue a proposed Cease and Desist Order. In either instance, the alleged violator has the opportunity to challenge the State Water Board staff allegations by requesting a hearing on the matter to the State Water Board.

Under existing procedures, if the alleged violator requests a hearing, the full State Water Board may hear the case or, alternatively, a single member of the State Water Board may serve as the Hearing Officer and preside over the case. In either case, a team of State Water Board staff (the "hearing team"), usually including an attorney, a water resources control engineer and a water scientist, assists the decision maker with the case. A second team of State Water Board staff (the "prosecution team"), presents evidence and makes the argument to the decision maker as to why the prosecution team believes the water rights violation allegation it has made is true. The alleged violator has an opportunity to present its case and cross-examine witnesses in an effort to convince the decision maker that the prosecution team's allegations are false, that it has a valid defense for its actions, or that there are mitigating circumstances, among other things.

During this process, the "hearing team" and the "prosecution team" are, in accordance with the Administrative Procedures Act, forbidden from communicating with one another about the case and the prosecution team is forbidden from communicating with the decision maker about the case outside of the public hearing.

Once the hearing is over, the decision maker rules on the case. If the decision maker was a single member of the State Water Board, the full State Water Board may review the individual member's decision and either uphold, modify, or overturn it.

AB 313 (Gray). AB 313 (Gray) (2017) would have created a new Water Rights Division within the Office of Administrative Hearings (OAH) and assign to it the task of recommending a decision to SWRCB whenever the alleged violator challenged a SWRCB charge that a water use violation had been committed. The Governor vetoed AB 313, acknowledging the author's intent to increase fairness and transparency, but concluded that the bill would not work as intended. The Governor's veto message directed the Secretary of CalEPA "to evaluate the potential role for administrative law judges and provide a recommendation for administrative improvements to the Board's hearing process." This proposal would implement the Secretary's recommendation, which calls for establishment of an Administrative Hearings Office as a separate and independent organizational unit within SWRCB, to provide qualified, impartial hearing officers in water rights enforcement matters.

Volume of Actions Expected to Increase. The statistics on State Water Board water rights violation charges for the period 2012 to 2016 are as follows:

Number of complaints	2,560
Hearings requested	39
Hearings held	5
Decisions upholding complaint	4
Decisions dismissing complaint	1

SWRCB states that it has several hundred backlogged water rights actions. 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.

The board anticipates an increase in 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 coming years.

With this proposal, SWRCB expects about 200 hearings each year.

The current system for handling water rights actions was established prior to 1950. This proposal would be the first substantive modification to those procedures.

Legislative Analyst's Office. ***Legislative Venue.*** As noted above this proposal relates to AB 313 (Gray), which was vetoed by the Governor last year. This proposal provides a different structure for hearing water rights actions than AB 313 and establishes a new program and one which the Legislature recently debated in the policy process. The subcommittee may want to consider whether this proposal should be considered in policy committee.

Staff Comments. ***Water Rights Fund.*** For FY 2018-19, the fund balance is expected to be $1.888 million. This proposal requests $2 million from the Water Rights Fund. A question arises as to how the $112,000 deficit would be addressed.

Staff Recommendation. Hold open.

3960 Department of Toxic Substances Control (DTSC)

Issue 31 – BKK Third Party Initiative

Governor's Proposal. The May Revision proposes $434,000 General Fund and two positions to implement a coordinated enforcement and cost recovery initiative related to clean-up activity at the BKK facility.

Background. Under this initiative, DTSC and BKK Working Group, a group of 50 potentially responsible parties, will undertake a large-scale cost recovery effort against approximately 12,000 third parties that sent hazardous waste to the site. This initiative is expected to result in recovery of approximately $128 million from third parties.

***BKK Facility*.** The BKK facility is a 583-acre closed waste management facility in West Covina comprised of a closed hazardous waste landfill (Class 1 Landfill), a closed municipal landfill (Class 3 Landfill), a Leachate Treatment Plant (LTP), and other landfill infrastructure. From 1964 to 1987, the Class I Landfill accepted approximately five million tons of liquid and solid hazardous waste intermixed with a much higher volume of municipal waste. Ongoing concerns at the Class 1 include the potential emission of vinyl chloride and other toxic gases from the landfill surface, subsurface migration of landfill gases, potential contamination of groundwater, and seismic stability. Residential and commercial uses continue to develop around the BKK facility with the closes residences only 20 feet away.

In October 2004 BKK Corporation, the owner and operator of the BKK facility, notified DTSC that it no longer had the financial resources to continue critical post-closure activities at the Class 1 Landfill and LTP, related infrastructure, and to carry out critical facility repairs. Subsequently, DTSC initiated an emergency response action to ensure the day-to-day operation and maintenance of these facilities. DTSC received, and continues to receive, funding from General Fund to ensure that these daily landfill functions continue without disruption. In December 2004, DTSC issued an Imminent or Substantial Endangerment and Remedial Action Order (ISE Order), naming approximately 50 potentially responsible parties as Respondents and ordering them to undertake response actions at the site. In 2005, a group of respondents named in the ISE Order formed the BKK Working Group.

DTSC has incurred approximately $72 million in response costs at the site since 2004 and continues to incur costs overseeing essential activities. The total estimated cost of cleanup is about $760 million.

Settlement proceeds collected from third parties will be allocated towards implementation of the final cleanup remedy, within a 10 percent share going towards DTSC's past costs. The remaining 90 percent share will be reserved to fund implementation of the future cleanup remedy.

Staff Recommendation. Hold open.

Issue 32 – Cost Recovery Program Implementation

Governor's Proposal. The May Revision proposes $1.093 million Hazardous Waste Control Account and three positions and $1.093 million Toxic Substances Control Account and three positions to recover costs from third parties that were incurred by the Department to clean-up properties across the state that were contaminated by toxic substances. These resources will be used to resolve some of the Department's backlog for clean-up sites for which the Department has not recovered its costs.

Staff Comments. Staff did not receive a budget change proposal on this request at the time this agenda was sent to publication.

Staff Recommendation. Hold open.

Issue 33 – Cost Recovery Management System

Governor's Proposal. The May Revision proposes $140,000 Lead-Acid Battery Cleanup Fund for planning costs associated with a replacement cost recovery billing system, which is used for issuing invoices, tracking payments, and reconciling account balances. The current billing system is not supported by the manufacturer, does not meet the functional needs of the Department, and cannot be modified to meet new statutory mandates.

It is further requested that provisional language be added to authorize the Department of Finance to augment this item by up to $1.5 million, contingent upon the approval of the California Department of Technology for Stage 4 of the Project Approval Lifecycle.

The additional funding would provide IT software and hosting services along with contracted services for California Department of Technology Oversight, Project Management, Independent Verification & Validation (IV&V), Change Management and System Integrator. The system serves a role in the cost recovery process, such as issuing invoices, tracking payments, and reconciling account balances.

Background. ***DTSC Recoverable Costs.*** DTSC incurs costs overseeing the investigation and cleanup of contaminated sites, performing investigation and/or cleanup activities itself, and permit review and issuance to hazardous waste facilities. These costs are known as DTSC's "response costs." DTSC is authorized to recover its response cost from responsible parties and permitted hazardous waste facilities (billable parties). DTSC recovers millions of dollars in response costs annually, which serves to fund future cleanup activities.

Cost Recovery Billing System (CRBS). CRBS serves as the vehicle for recovering DTSC's costs, and thus serves a mission-critical purpose. 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. The information maintained in CRBS supports litigation undertaken by DTSC and the Office of the Attorney General against responsible parties and respond to Public Records Act requests. CRBS is the source of information for reports and tracking tools containing cost recovery information.

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 track settlement agreements or automate 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. The report noted that the Financial Information System for California (FI$cal) would address some of the deficiencies in DTSC's cost recovery process.

This proposal is intended to allow DTSC to address concerns stated in the State Auditor 2014 report.

Legislative Analyst's Office (LAO) Recommendation. LAO recommends the Legislature modify the Administration's proposed provisional budget bill language to require the Department of Finance to notify the Chairperson and Vice Chairperson of the Joint Legislative Budget Committee 30 days prior to any augmentation of funds for CRMS. Typically, the Legislature receives a complete project plan to review once a proposed project, such as CRMS, has gone through the four stages of the Project

Approval Lifecycle (PAL). However, in this case the project is still in Stage 4 of PAL and a complete project plan is not yet available. If the Legislature wishes to approve this request in order to avoid potential project delays, a 30-day notification requirement will ensure that the Legislature maintains the ability to exercise oversight of the project before CRMS moves from the planning stage to implementation.

Staff Recommendation. Hold open.

Issue 34 – National Priorities List and State Orphan Sites

Governor's Proposal. The May Revision proposes $4.547 million from the Toxic Substances Control Account (TSCA) and $3.265 million Site Remediation Account to continue supporting the state's share of costs for National Priorities List sites. Priority 1A and IB state orphan sites, and continued cleanup activities for Priority 2 and 3 state orphan sites already underway. The cleanup work includes site investigation, characterization, cleanup, and remediation activities, among others. These remediation efforts reduce public exposure to hazardous and cancer-causing chemicals and reduce the spread of contamination.

Background. ***The Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA)***. CERCLA, commonly referred to as the "Superfund" law, helps to address cleanup needs at the nation's most heavily contaminated toxic waste sites. Under CERCLA, the Superfund program identifies, investigates, and cleans up the nation's most contaminated hazardous waste sites, which are also known as National Priority List (NPL) sites. In 2002, Congress amended CERCLA by passing the Small Business Liability Relief and Brownfields Revitalization Act in 2002. This law created a federal program to aid state brownfield cleanup programs, clarified and modified liability issues at CERCLA sites to help reduce litigation and expedite cleanups, and increased the states' authority to impact whether US Environmental Protection Agency (US EPA) lists a site for cleanup under the NPL, among other changes to the law.

US EPA identifies and lists sites on the NPL following criteria in CERCLA. Of the 1,343 sites listed nationwide, 124 sites are in California, and 98 are active. Most NPL-listed sites have responsible parties funding the cleanup. Responsible parties are funding the cleanup for 103 of the total sites, including 76 of the active sites.

The remaining 22 active sites listed are considered fund-lead NPL sites, which means US EPA has determined that there are no viable responsible parties to fund the cleanup, and therefore, US EPA is partially funding the cleanup with federal Superfund money. The listing of an NPL site that uses federal funds to pay for the cleanup is a regulatory action that obligates the state to pay 10 percent of the cost of constructing the cleanup remedy, and 100 percent of the cost of operating and maintaining the remedy after it is built. CERCLA requires the state to assure all future maintenance of a remedial action provided for the expected life of such action. CERCLA further defines when US EPA remedial action ends and the state operation and maintenance (O&M) begins.

Once a site remedy becomes operational a functional, US EPA and the state enter into a Site Transfer Agreement to affect an orderly transfer of O&M activities and funding responsibilities. "Operational and functional" is either one year after remedy construction is complete, or when it is determined, concurrently by US EPA and the state, to be functioning properly and is performing as designed, whichever is earlier. Remedies considered "restoration" are operated by US EPA for 10 years prior to transitioning to state O&M.

Each year, US EPA provides DTSC with its best estimates of the state's upcoming obligations for NPL sites. The listing of new sites, coupled with the transition of older sites from construction to O&M, is increasing the state's funding obligation.

State Orphan Sites. State orphan site cleanup includes the investigation and cleanup of properties where no potentially responsible party has been identified who has the means to pay for the response actions needed. US EPA estimates there are between 96,000 and 212,000 contaminated sites in California. Of these, DTSC has identified approximately 9,800 contaminated sites statewide that may impact or threaten groundwater designated for crops or drinking water. They may also expose people to toxic metals or vapors. Most of these are orphan sites, and the state must bear the cleanup costs.

Staff Recommendation. Hold open.

Issue 35 – Lead-Acid Battery Program Implementation

Governor's Proposal. The May Revision proposes $6.7 million and 15 positions in 2018-19 and $7.6 million ongoing from the Lead-Acid Battery Cleanup Fund to implement the provisions of the Lead-Acid Battery Recycling Act of 2016. Under this proposal, DTSC requests resources to investigate and cleanup properties in California reasonably suspected to have been contaminated by the operation of lead-acid battery recycling facilities.

Background. ***Assembly Bill 2153 (C. Garcia, Chapter 666, Statutes of 2016).*** AB 2153 created the Lead-Acid Battery Recycling Act of 2016. Among other things, the Act requires DTSC to investigate and cleanup areas of the state that are reasonably suspected to have been contaminated by the operation of lead-acid battery recycling facilities. To fund the mandates of the Act, lead-acid battery dealers must charge purchasers of lead-acid batteries a refundable deposit of $1.00 for each lead-acid battery sold beginning on April 1, 2017. It also requires, beginning April 1, 2017 through March 31, 2022, lead-acid battery manufacturers to remit to the California Department of Tax and Fee Administration (CDTFA) a $1.00 manufacturer battery fee for each lead-acid battery sold in California. Beginning April 1, 2022, the $1.00 battery fee will be increased to $2.00. Revenue from the California battery.

Previous Funding. The Budget Act of 2017 approved two-year funding of $610,000 for DTSC to hire limited-term staff to: develop a program with public input for the evaluation, investigation, and cleanup of areas of the state reasonably suspected to have been contaminated by lead-acid battery recycling facilities (sites); evaluate the 14 potential sites to determine if they required further investigation or cleanup; provide out-reach to lead-acid battery dealers informing them of the public notification requirement in the Act; develop a spending plan; and to provide an annual progress report to the Legislature. Funding for the positions and associated work will expire on June 30, 2019.

According to DTSC, since receiving additional resources in July 2017, they have found that the scope of potential contamination caused by former lead-acid battery facilities may be extensive requiring additional resources.

LAO Recommendation. LAO recommends the Legislature reject this proposal without prejudice to its merits until DTSC provides a report required by the FY 2017-18 Budget Act (Item 3960-001-3301) regarding the department's progress towards implementing the Lead-Acid Battery Recycling Act of 2016. LAO believes the information required to be provided under the reporting requirement would allow the Legislature to better assess the need for additional resources to implement the Lead-Acid Battery Program.

Staff Recommendation. Hold open.

Issue 36 – Enforcement in Vulnerable Communities

Governor's Proposal. The May Revision proposes $2.5 million Lead-Acid Battery Cleanup Fund in FY 2018-19 and ongoing to fund 11 existing positions previously approved with limited-term funding that expires in June 2018 in order to provide continued support to address serious environmental violations by hazardous waste transportation and metal recycling industries that disproportionately impact vulnerable communities.

Background. Beginning in FY 2015-16, DTSC received limited-term funding for 11 positions to undertake a pilot program to evaluate approaches to address serious environmental violations that occur in California's most vulnerable communities. Referred to as the Enforcement Initiative in Vulnerable Communities, the initiative was a statewide effort designed to address possible violations of the Hazardous Waste Control Law by businesses that transport hazardous waste and recycle metals. Current funding for these positions expires on June 30, 2018.

There are 904 DTSC-registered hazardous waste transporters in California. Under the initiative, DTSC significantly increased the number of hazardous waste transporter inspections. Prior to the initiative, DTSC conducted an average of 50 to 60 inspections annually. After the initiative, DTSC conducted approximately 40 additional inspections in FY 2015-16 and 60 additional in FY 2016-17 and FY 2017-18.

DTSC estimates California has over 1,000 metal recycling facilities, approximately 200 certified appliance recyclers, and over 1,100 auto dismantlers licensed by the Department of Motor Vehicles. Approximately 1,359 of these facilities operate in the most vulnerable and highly impacted communities as indicated by CalEnviroScreen. DTSC investigated 43 facilities during FY 2015-16 and 2016-17. 37 (86 percent) had committed serious violations of the Hazardous Waste Control Law that warranted an enforcement response.

DTSC has conducted approximately 200 inspections of metal recyclers and inspection of transporters pursuant to this initiative. Of the 200 inspections, DTSC referred 17 cases to the Office of Attorney General to handle administratively or civilly.

Staff Comment. The subcommittee may wish to ask the department why the Lead-Acid Battery Cleanup Fund is appropriate for the proposed activities.

Staff Recommendation. Hold open.

Issue 37 – Safer Consumer Products Implementation

Governor's Proposal. The May Revision proposes $1.2 million Lead-Acid Battery Cleanup Fund and six positions to continue implementation of the Safer Consumer Products regulations. Specifically, these resources will be used to perform an alternatives analysis to determine how best to limit or prevent potential harm from chemicals in various products.

Background. ***Green Chemistry Law and Safer Consumer Products (SCP) Regulations.*** In 2008, the Green Chemistry Law was established amid concerns about harmful chemicals in common consumer products. The Green Chemistry Law promotes a systematic scientific and technological approach that seeks to reduce the use of hazardous chemicals and the generation of toxic wastes by changing how society designs, manufactures, and uses chemicals in products. The law establishes a chemicals management framework with enforcement authority.

In 2013, DTSC adopted the SCP regulations to implement the Green Chemistry Law. SCP regulates toxic chemicals that consumers may purchase while encouraging new product designs and manufacturing approaches to improve product safety. The regulations establish a four-step process for evaluating the safety of chemicals in products, assessing potentially safer alternatives, and determining how best to minimize the potential for adverse impacts to human health and the environment.

- Step 1: Candidate Chemicals. DTSC identifies potentially hazardous chemicals.
- Step 2: Priority Products. DTSC evaluates and prioritizes product-Candidate Chemical combinations to develop a list of "Priority Products" for which a safer alternative should be sought. DTSC must adopt Priority Products via rulemaking to trigger Step 3. DTSC publishes a Priority Products Work Plan every three years that describes product categories from which it will select Priority Products.
- Step 3: Alternative Analysis. Responsible entities (manufacturers, importers, assemblers, and retailers) perform an Alternative Analysis (AA) to determine how best to limit or prevent potential harm from the product's Candidate Chemical. Options include product redesign, reformulation, or chemical substitution.
- Step 4: Regulatory Response. DTSC identifies and implements Regulatory Responses designed to protect public health or the environment based on Priority Product manufacturers' submitted AAs. Regulatory Responses to manufacturers will be enforceable orders or agreements that may require further research, providing information to DTSC or consumers, making product design changes, establishing end-of-life product stewardship programs for hazardous wastes, or restricting the sale of the Priority Product.

Since the regulations have been in effect, DTSC has developed tools and processes to perform Step 1 and Step 2. It has used this capacity to adopt regulations to list two Priority Products. DTSC has taken a measured approach to implementing each of the four steps of the regulations. The Governor and stakeholders have indicated it is imperative that the program move faster, so increased rulemaking resources are proposed.

Listing Priority Products has triggered Step 3 of the regulations. The proposal includes staff for accelerating rulemaking and support key elements of Step 3.

LAO Comments. ***Shift to Lead-Acid Battery Cleanup Fund (LABCF) to Fund Various BCP Proposals.*** The Administration proposes to fund five of DTSC's BCPs with funds from LABCF as follows: 1) Cost Recovery Management System ($140,000); 2) Lead-Acid Battery Program Implementation ($6.7 million); 3) Enforcement in Vulnerable Communities ($2.5 million); 4) Safer Consumer Products Implementation ($1.2 million); and, 5) Exide Enforcement Order ($1.1 million). Based on LAO's initial review, in some cases the Administration is proposing to utilize LABCF to fund programs in lieu of the funds historically used to fund them.

The Safer Consumer Products Program is funded primarily with Toxic Substances Control Account (TSCA) funds. LAO asks why the Administration is proposing to expand the program using LABCF in lieu of additional TSCA funding.

Staff Comments. The subcommittee may wish to ask the department why the Lead-Acid Battery Cleanup Fund is appropriate for the proposed activities.

Staff Recommendation. Hold open.

Issue 38 – Exide Enforcement Order

Governor's Proposal. The May Revision proposes $1.06 Lead-Acid Battery Cleanup Fund in FY 2018-19 and FY 2019-20 to implement the remaining activities associated with the 2014 Exide Enforcement Order (as amended 2015) and the ongoing Resource Conservation and Recovery Act (RCRA) corrective action work associated with the February 2002 Corrective Action Consent Order against Exide Technologies (Exide). This requires corrective action activities at the Exide facility, the off-site industrial areas, and the residential areas.

Background. ***Exide.*** The former Exide is located in Vernon, about five miles southeast of downtown Los Angeles. The facility occupies 15 acres in a heavily industrialized region with surrounding residential areas about 0.75 miles to the north, south, and east. Facility operations included recycling lead-bearing scrap materials obtained from spent lead-acid batteries to produce marketable lead ingots.

In response to contamination caused by past facility operations, DTSC issued a Corrective Action Consent Order in February 2002. Exide remains subject to the requirements of the order and corrective action activities are ongoing at the facility, the off-site industrial area, and the residential areas.

In November 2017, Exide began Phase 1 closure activities for the facility. The work is ongoing on the site, in off-site industrial areas, and residential areas; DTSC has provided oversight of the facility's closure. This proposal is intended to fund those efforts.

LAO Comments. ***Shift to Lead-Acid Battery Cleanup Fund (LABCF) to Fund Various BCP Proposals.*** The Administration proposes to fund five of DTSC's BCPs with funds from LABCF as follows: 1) Cost Recovery Management System ($140,000); 2) Lead-Acid Battery Program Implementation ($6.7 million); 3) Enforcement in Vulnerable Communities ($2.5 million); 4) Safer Consumer Products Implementation ($1.2 million); and, 5) Exide Enforcement Order ($1.1 million). Based on LAO's initial review, in some cases the Administration is proposing to utilize LABCF to fund programs in lieu of the funds historically used to fund them.

The Administration proposes to use LABCF for Exide Enforcement Order funding when TSCA and the Hazardous Waste Control Account (HWCA) have historically funded this. Why has the Administration chosen to shift funding to LABCF? Are there insufficient funds in TSCA and HWCA to continue to use them as a funding source?

Staff Comment. The subcommittee may wish to ask the department the following questions:

1) Is the Lead-Acid Battery Cleanup Fund appropriate for the proposed activities?
2) Does the Department intend to recover associated costs from Exide?

Staff Recommendation. Hold open.

8570 California Department of Food and Agriculture (CDFA)

Issue 39 – Nutria Detection and Survey

Governor's Proposal. A May Revision proposal requests $400,000 General Fund on a two-year limited-term basis and one position beginning in 2018-19 for the survey and detection of nutria (Myocaster coypus) in and around California waterways.

Background. ***Nutria is a serious agricultural pest.*** The Coypu, also known as Nutria, is a large, herbivorous, semiaquatic rodent. Nutria has the potential to cause damage and lower yield to row crops, rice, fruit and nut orchards and vineyards. This rodent pest is also disruptive to water delivery systems and can become a primary cause of food safety issues by spreading contaminants through irrigation systems.

Permits for Nutria. Nutria were farmed for their pelts in the early 1900's and were meant to be contained and monitored through a permit system. In 1959 the issuance of Nutria farming permits was transferred from DFW to CDFA, and at that time there were 324 permitted Nutria farms in the state. By 1970, there were only three permits issued and none has been issued since.

***Nutria escape from fur farming operations*.** In 1948, a Nutria escape occurred in Stanislaus County. Approximately 300 escaped animals were removed from 20 counties throughout California. The Nutria were eradicated through a cooperative effort between CDFA, DFW, the County Agricultural Commissioners and the USDA. Eradication was declared in 1978.

***Recent detection of Nutria*.** Recently, Nutria have been detected in the Merced and San Joaquin river systems, in Fresno, Merced, Stanislaus and Tuolumne counties. To date, less than 30 animals have been removed from the field. 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.

Staff Recommendation. Hold open.

Issue 40 – San Joaquin Valley Grant

Governor's Proposal. A May Revision proposal requests $500,000 one-time in General Fund to cover the California Partnership for the San Joaquin Valley's (CPSJV) administrative cost while they are developing a sustainable funding plan.

This proposal also requests provisional language to authorize CDFA to provide the requested funding to the CPSJV.

Background. ***The California Partnership for the San Joaquin Valley (CPSJV).*** Executive Order S-05-05 established the CPSJV in 2005. The CPSJV is a public-private partnership focused on improving the economic vitality and improving the quality of life in the eight counties within the San Joaquin Valley.

CPSJV provides an organizational framework for collaboration to improve issues affecting the quality of life in San Joaquin Valley by:

- Developing implementation strategies of common value following the Sustainable Groundwater Management Act;
- Monitoring Greenhouse Gas Reduction Fund policy to ensure funding availability is accessible to potential San Joaquin Valley applicants and as appropriate;
- Requesting funding policy adjustments to create fair distribution of funds for the valley; Collaborating with two-year and four-year institutions to increase student transfer rates;
- Establishing Central Valley higher education policy and advocacy, and supporting collaborative initiatives including professional development and data collection analysis; and Promoting improved health status and well-being by promoting healthy lifestyles, safe communities, and providing timely access to healthcare.

The CPSJV Strategic Action Plan consists of:

- Growing a diversified, globally competitive economy supported by a highly skilled workforce;
- Creating a model PreK-12 public education system;
- Implementing an integrated framework for sustainable growth;
- Building a 21st century transportation mobility system;
- Attaining clean air standards; and
- Developing high-quality health and human services.

Previous Funding for CPSVJ. The Legislature appropriated $5 million initial funding for administration and 15 seed grants for CPSJV to achieve the goals in the CPSJV Strategic Action Plan. The Office of the President and Provost at Fresno State has provided additional funding and the James Irvine Foundation provided an annual grant for administrative support for the past four years, but those funds expire in September 2018. CPSJV has successfully leveraged more than $13 million in federal and philanthropic investments with the State of California's initial investment in the partnership.

Staff Recommendation. Hold open.

Senate Budget and Fiscal Review—Senator Holly J. Mitchell, Chair

SUBCOMMITTEE NO. 2 Agenda

Senator Bob Wieckowski, Chair
Senator Mike McGuire
Senator Jim Nielsen
Senator Henry I. Stern

Thursday, May 17, 2018
9:30 a.m. or Upon Adjournment of Session
State Capitol - Room 112

Consultants: Joanne Roy and James Hacker

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PUBLIC COMMENT

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VOTE-ONLY CALENDAR

0540	**Secretary of the Natural Resources Agency**
3125	**California Tahoe Conservancy**
3340	**California Conservation Corps**
3480	**Department of Conservation**
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3855	**Sierra Nevada Conservancy**
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3940	**State Water Resources Control Board**
8570	**California Department of Food and Agriculture**
0540	**Ocean Protection Council**

1) **The Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access for All Act of 2017 (SB 5): Budget Change Proposals (BCPs).** If voter-approved, the Governor's budget proposes to spend $1.02 billion in SB 5 (de León), Chapter 852, Statutes of 2017, bond funds for the first year of implementation. Of this amount, the budget proposes to dedicate $123 million to climate adaptation and resiliency programs.

   All proposals listed below were discussed at the March 15, 2018 hearing, except #15 and #26, which were proposed in April Finance Letters.

   Governor's Proposals using Proposition 68 funding. All proposals listed below were heard at the subcommittee hearing on March 15, 2018, except #15 and #26, which were proposed in April Finance Letters.

   1. ***CNRA: Appropriations of SB 5 funds for Agency Programs.*** Requests $57.2 million in support and local assistance from SB 5 in FY 2018-19, and five new permanent positions. The requested funding is allocated in the bond act, as specified to provide various conservation, recreation, restoration, and multi-benefit greening and water conservation projects.

2. ***CNRA: Bonds and Grant Unit.*** Requests to make six long-term limited positions permanent within the Bonds and Grants Unit at CNRA. The funding for these positions is in the Agency's baseline budget and comes from Proposition 1, Proposition 84, and the Greenhouse Gas Reduction Fund.

3. ***CNRA: California Ocean Protection Council – SB 5 Advancing Ocean and Coastal Health, Productivity, and Resiliency.*** Requests to appropriate $20.284 million from SB 5 Bond Funds to the California Ocean Protection Trust Fund to provide critical support for projects that maintain and advance healthy, resilient, and productive ocean and coastal ecosystems for the benefit of current and future generations.

4. ***CNRA, Department of Parks and Recreation, and Department of Water Resources: Lifetime Statewide Bond Costs for SB 5.*** CNRA, Department of Parks and Recreation, and the Department of Water Resources request first year staffing and funding needs of eight positions and $1.362 million in bond funding.

5. ***California Tahoe Conservancy: Upper Truckee River and Marsh Restoration Project.*** Requests a total of $9.07 million for the construction phase of the Upper Truckee River and Marsh Restoration Project. The project will restore natural processes and functions of Conservancy-owned or controlled lands within the Upper Truckee River Marsh. The purpose of the improvements is to enhance the area's ecological values and water filtering capacity, with a complimentary and appropriate level of recreation infrastructure. The total cost estimate is $10.37 million. This request also includes a reversion of $1.709 million from the unencumbered balances of various appropriations from FY 2014-15 through FY 2017-18.

6. ***California Conservation Corps: Corps Projects and Local Assistance Grants.*** Requests $9.75 million in bond funding for FY 2018-19 and seven positions for program delivery and planning and monitoring activities. The funding would be used to provide over 150,000 annual hours in projects to enhance and restore state parkways, and administer $4.567 million in grants to certified local conservation corps.

7. ***Department of Conservation: Working Lands and Riparian Corridors.*** Requests $1.195 million for FY 2018-19 to build agricultural land trust capacity.

8. ***Department of Forestry and Fire Protection: Urban Forestry Program.*** Requests one-time funding of $14.6 million in FY 2018-19 to provide urban forestry projects.

9. ***Department of Fish and Wildlife: Implementation of SB 5.*** Requests $23.5 million for local assistance and state operations to support competitive grants and the redirection of 10.5 existing positions, currently supported with expiring bond money and other funds, to implement SB 5. Authorization of the request would allow the department to support a variety of projects, which include climate change adaptation, protecting and restoring rivers and streams, and improving conditions for fish and wildlife.

10. ***Wildlife Conservation Board: Lower American River Conservancy and Conservation Project Grant Programs.*** Requests a FY 2018-19 state operations appropriation in the amount of $853,000 and five PY position authority to implement the applicable statutory requirements

resulting from SB 5. The board is further requesting $20 million in funding which may be used for either capital outlay or local assistance to implement new programs as specified in SB 5.

11. ***State Coastal Conservancy: Local Assistance and State Operations Funding.*** Requests a local assistance appropriation of $4.872 million, and a support (state operations) appropriation of $191,000 in FY 2018-19 pursuant to Chapters 9 (ocean, bay, and coastal protection) and 10 (climate preparedness, habitat resiliency, resource enhancement, and innovation) of SB 5 and consistent with the Conservancy's rollout plan. The support appropriation will include $130,000 of planning and monitoring funding and $61,000 of program administration. The Conservancy also requests 1.5 new permanent, full-time positions to implement the SB 5 programs, one new Staff Services Analyst and one-half a of a Conservancy Project Development Analyst.

12. ***Department of Parks and Recreation (Parks): Safe Neighborhood Parks Local Assistance.*** Requests a one-time increase of $3.135 million for support and $460.292 million for local assistance in FY 2018-19. This proposal requests funding for program delivery staff to manage and oversee several SB 5 grant programs. Parks anticipates the need for $3.135 million and 13 positions in the first year.

13. ***Parks: State Park System Scoping, Planning and Redwood Reforestation.*** Requests a one-time increase of $4.185 million and three positions in FY 2018-19 to undertake scoping and planning for critical State Park System projects and for a critical redwood reforestation partnership.

14. ***Santa Monica Mountains Conservancy: Los Angeles River Watershed and Tributaries.*** Requests appropriation of $300,000 state operations and $8.375 million local assistance. Additionally, the Conservancy requests the local assistance funds be available for encumbrance and expenditure until June 30, 2020. Funds will be used for the implementation of the Santa Monica Mountains Comprehensive Plan, the Rim of the Valley Trails Corridor master Plan, the Los Angeles County River Master Plan, the San Gabriel and Los Angeles Rivers Watershed and Open Space Plan, and to further cooperation with local governments in the region to secure open space and parkland, to expand efforts to integrate nature into the urban environment and to expand education, public access, and resource stewardship components in a manner that best serves the public, protects habitat and provides recreational opportunities.

15. ***Santa Monica Mountains Conservancy: Triangle Ranch Acquisition.*** **(AFL)** Requests $300,000 for support and $25 million for local assistance. The conservancy also requests local assistance funds be available for encumbrance and expenditure until June 30, 2020.

16. ***San Gabriel and Lower Los Angeles River and Mountains Conservancy: Los Angeles River Watershed and Tributaries.*** Requests $8.675 million with allocations for state operations and $8.245 million for local assistance in FY 2018-19 to begin implementation of projects consistent with SB 5 and the Watershed and Open Space Plan for the San Gabriel and Los Angeles Rivers.

17. ***Baldwin Hills Conservancy: Support and Local Assistance.*** Requests $1 million for local assistance grants and $135,000 for state operations. The appropriations will support the Conservancy's mission, in particular by continuing its watershed protection, habitat restoration,

acquisition and park improvements in the Ballona Creek/Baldwin Hills Watershed and support an existing Park and Recreation Specialist position.

18. ***San Diego River Conservancy: Appropriation for Program Delivery.*** Requests $50,000 for program delivery in FY 2018-19 in order to support the Conservancy's implementation of its statutory authorization, mission and strategic plan – in particular, by continuing to conserve land, offer outdoor recreation and provide public access to trails and other open space, outdoor recreation and public educational opportunities along the San Diego River watershed. The request will provide funding for one new position to support implementation of the local assistance grants program. It is anticipated that grant funds will be awarded over a 9-year period beginning with FY 2019-20 and that ongoing administration will continue through FY 2029-30.

19. ***Sierra Nevada Conservancy: Watershed Improvement Program and Conservancy Projects.*** Requests $6.4 million and three positions to implement SB 5. Specific appropriations are requested as follows: a) $5.3 million for local assistance for grants to support the Sierra Nevada Watershed Improvement Program; b) $260,000 for program delivery; and, c) $785,000 for planning and monitoring.

20. ***Department of Water Resources (DWR): Drought and Groundwater Investments.*** Requests one-time funding for 6.0 positions and $61.8 million for drought and groundwater investments to achieve regional sustainability. DWR also requests a two-year extended encumbrance for the local assistance funds.

21. ***DWR: Floodplain Management, Protection and Risk Awareness Program.*** Requests a one-time appropriation of $2 million in state operations to begin implementation of the Floodplain Management, Protection and Risk Awareness Program to protect people and property in California's alluvial fan, coastal and riverine floodplains.

22. ***DWR: Floodwater for Groundwater Recharge.*** Requests a one-time appropriation of $2.5 million in state operations to conduct strategic planning, identify data gaps, and develop tools necessary to prepare a statewide plan to use floodwater for managed aquifer recharge and support sustainable water resources.

23. ***DWR: Multi-Benefit Flood Improvement Projects.*** Requests a total of $94 million for FY 2018-19 to implement multi-benefit flood improvement projects. This request will support existing staff and contract work needed to carry out the projects.

24. ***DWR: Salton Sea Management Program Phase 1 Implementation.*** Requests $30 million in Reimbursement Authority ($23.9 million in capital outlay and $6.1 million in state operations). DWR will be reimbursed from CNRA appropriation from SB 5. The authority will be used to construct water management infrastructure and habitat conservation and dust mitigation projects pursuant to the CNRA Salton Sea Management Phase I 10-year Plan and required by the State Water Resources Control Board Stipulated Order WRO 2002-0013. The reimbursement authority will provide DWR the resources needed to implement the design, construction, and construction management for the 1,000 acres of aquatic habitat/dust mitigation and construct water supply infrastructure required for the full implementation of the Salton Sea Management Program Plan and support 13 existing full-time equivalent positions.

25. ***DWR: Urban Streams Restoration Program.*** Requests a one-time appropriation of $537,000 in state operations to support the Urban Streams Restoration Program. Funds will support 2.1 existing positions to provide technical assistance and to develop grant solicitations.

26. ***DWR: SB 5 Technical Adjustments and Reporting Language.*** **(AFL)** Requests that Schedule (1) of Item 3860-301-6088 be decreased by $25 million and that Schedule (2) be added in the amount of $25 million, with conforming changes to phases. This technical adjustment would correct a scheduling error to more accurately reflect program funding and would have no effect on the total amount budgeted in this item. It is also requested that provisional language be added to require annual reporting to the Legislature to describe flood projects and expenditures.

27. ***Sacramento-San Joaquin Delta Conservancy: Economic Development in the Delta.*** Requests two positions and $1.1 million to begin implementation of SB 5.

28. ***State Water Resources Control Board: California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access for All Act of 2018.*** Requests $147,300,000 in budget authority and 10 positions to administer the programs and permit projects authorized by SB 5 and requests the local assistance funds be available for an extended encumbrance period of two years.

29. ***California Department of Food and Agriculture (CDFA): Fair Deferred Maintenance Program.*** Requests $3.559 million and two positions for FY 2018-19 to begin providing deferred maintenance support to the Network of California Fairs and requests budget bill language to make this funding available, for encumbrance or expenditure, for two years through June 30, 2020. This will provide more fairs more opportunities to generate self-sustaining revenue and safer facilities for the public during events and the emergency personnel who utilize the fairgrounds during catastrophic events such as earthquakes, wildfires, and floods.

30. ***CDFA: State Water Efficiency and Enhancement Program and Healthy Soils Program.*** Requests $27.452 million and seven positions in FY 2018-19 to award, administer, and monitor $17.8 million in State Water Efficiency and Enhancement Program grants and $8.604 million in Healthy Soils Program grants; and requests budget bill language to make this funding available, for encumbrance or expenditure, for two years through June 30, 2020.

Staff Recommendation. Approve as budgeted and adopt the following:

- ***CNRA***: ***Pure Water San Diego.*** Appropriate $100 million for the City of San Diego multi-phased, multi-year program that will provide one-third of San Diego's water supply locally by 2035. The Pure Water Program will use proven water purification technology to clean recycled water to produce safe, high-quality drinking water.

- The program offers a cost-effective investment for San Diego's water needs and will provide a reliable, sustainable water supply. Senate Bill No. 5 (Chapter 852, Statutes of 2017, also known as Proposition 68) at Chapter 11.6 (commencing with Section 80146) of the Public Resources Code allocates $290 million in funds for projects "Regional Sustainability for Drought and Groundwater, and <u>Water Recycling</u>" (emphasis added).

- ***Department of Fish and Wildlife: Fisheries Protections.*** Condition DFW's proposed $8.8 million allocation from Section 80132(g) to improve fish and wildlife habitat conditions so that 50% of projects provide water for fish and wildlife. (Trump actions to undermine international migratory bird treaty will compromise bird habitat in CA so focus should be on with migratory bird habitat.)

- ***Department of Fish and Wildlife: San Francisco Bay Wetlands Restoration.*** Appropriate $25 million for wetlands restoration in the San Francisco Bay. In June 2016, Bay Area voters overwhelmingly passed the Measure AA parcel tax, a $500 million regional investment over 20 years. The funding will help restore wetlands on roughly 36,000 acres currently held in public trust.

- ***State Coastal Conservancy: Santa Margarita River*** Appropriate full $10 million for Santa Margarita River Parkway per Section 80100 (a)(6).

- ***Wildlife Conservation Board: Natural Communities Conservation Planning.*** Augment proposed allocation to total of $26 million to WCB for NCCP implementation per Section 80100 (c).

- ***Department of Conservation: Watershed Restoration and Conservation Projects.*** Increase proposed allocation $1 million with the additional $1 million available for projects for watershed restoration and conservation projects on agricultural lands consistent with the bond measure.

- ***State Coastal Conservancy. Coastal Watershed.*** Appropriate $20 million of coastal redwood money per section 80120(e) for coastal redwood acquisitions.

- ***SB 5 (Proposition 68) BBL Reflecting Letter to Journal.*** Incorporate the following intent language as BBL, "It is the intent of the Legislature to recognize that conservation investments must be guided by the need to adapt to the shifting temporal and geographic needs of wildlife and for the Wildlife Conservation Board, Department of Fish and Wildlife, and other state agencies tasked with the implementation of SB 5 to solicit and fund projects that reflect the flexible management or protection of natural resources in response to changing conditions and threats to habitat and wildlife. These types of projects can contribute to the long-term health and resiliency of ecosystems and wildlife populations, especially amid rapidly shifting habitat conditions."

0540 Natural Resources Agency (Various Departments)

2) Forest Carbon Plan Implementation. The May Revision proposes $96 million for various departments in the Natural Resources Agency to: (1) increase pace and scale of forest management and restoration efforts, (2) to build local capacity and strengthen regional collaborations, and (3) to innovate and increase economies around the use of materials from forest health projects.

This proposal was discussed at the May 16, 2018 hearing.

Staff Recommendation. Approve as budgeted.

3540 Department of Forestry and Fire Protection (CalFire)

3) **Climate Change Fire Severity.** A May Revision proposal requests $10.9 million General Fund and 52 positions starting in 2018-19 to provide heavy equipment mechanics, vehicle maintenance funding, and associated administrative support staff.

This proposal was discussed at the May 16, 2018 hearing.

Staff Recommendation. Approve as budgeted.

4) **Office of the State Fire Marshal, Fire and Life Safety Division.** A May Revision proposal requests an increase of $4.029 million in reimbursement authority and 15 positions to support the Office of the State Fire Marshal's Fire and Life Safety Division's increased workload related to its plan review, construction inspection, and mandated interval inspection activities.

This proposal also requests provisional language to authorize a General Fund loan of up to $2.3 million to be repaid over three years. These requests are initial outcomes of an ongoing Mission Based Review the Department of Finance is performing with the Office of the State Fire Marshal.

This proposal was discussed at the May 16, 2018 hearing.

Staff Recommendation. Approve as budgeted.

5) **Fireworks Program (BCP and TBL).** A May Revision proposal requests $3.6 million one-time from the California Environmental License Plate Fund (ELPF) and two ongoing positions for Office of the State Fire Marshal to oversee the newly created Fireworks Stewardship Program and to increase the state's efforts to reduce the influx of illegal fireworks into the state.

This proposal also requests $2.1 million in reimbursement authority to the State Fire Marshal Fireworks Enforcement and Disposal Fund starting in 2019-20 to reflect anticipated reimbursements that will be funded through the imposition of a management charge on retail sales of "safe and sane" fireworks. Trailer bill language is also requested to implement this proposal.

This proposal was discussed at the May 16, 2018 hearing.

Staff Recommendation. Approve $3.6 million one-time ELPF contingent upon the Legislature passing policy bill language to implement this proposal.

3790 Department of Parks and Recreation (Parks)

6) **California Indian Heritage Center (BCP and TBL).** A May Revision proposal requests $100 million in General Fund to be deposited into the Natural Resources and Parks Preservation Fund for the preliminary plans ($4.7 million), working drawings ($4.7 million), and construction ($90.6 million) phases of the California Indian Heritage Center (CIHC) project in Yolo County.

   This proposal also requests $100 million in matching State Park Contingent Fund authority for construction costs to be funded through future fundraising efforts. This proposal also requests trailer bill language to authorize this project.

   This proposal was discussed at the May 16, 2018 hearing.

   Staff Recommendation. Approve as budgeted.

3820 San Francisco Bay Conservation and Development Commission

7) **Relocation to Bay Area Metro Center.** The May Revision proposes $3.02 General Fund one-time for tenant improvements ($2.645 million) and moving costs ($375,000) associated with the San Francisco Bay Conservation and Development Commission's (BCDC) relocation to the Metropolitan Transportation Commission's Bay Area Metro Center.

   In addition, the proposal includes provisional language to provide one-time funding for tenant improvement and moving costs "contingent upon the Commission entering into a long-term lease agreement with the Bay Area Toll Authority."

   This proposal was discussed at the May 16, 2018 hearing.

   Staff Recommendation. Approve as budgeted.

3860 Department of Water Resources (DWR)

8) **Joint Operations Center (JOC) Relocation.** The May Revision proposes $964,000 General Fund and provisional language to prepare a request for proposal to enter into a build-to-suit lease for a new JOC.

   The May Revision Letter states the estimated total cost to acquire, design, and construct the JOC is $265.2 million ($116.3 million General Fund, $111.8 million State Water Project, and $37.1 million federal reimbursement). The state's portion will be comprised of 51 percent General Fund and 49 percent continuously appropriated State Water Project (SWP) funds.

   This proposal was discussed at the May 16, 2018 hearing.

   Staff Recommendation. Approve as budgeted.

9) **Flood Control Infrastructure (BCP and TBL).** The May Revision proposes $195 million one-time in General Fund ($25 million ongoing). One-time funding of $170 million will be used to support the state cost-share of critical United States Army Corps of Engineers (USACE) urban flood risk reduction projects. Ongoing funds will be used to support operations, maintenance, repair, rehabilitation, and replacement of the flood control infrastructure.

Funding is proposed as follows:

- $45 million in state operations support (USACE urban projects; operations, maintenance repair, rehabilitation, and replacement (OMRR&R), and Central Valley Flood Protection Board (CVFPB) feasibility study), as follows:
  - $20 million one-time state ops: USACE urban projects – five-year extended encumbrance;
  - $25 million ongoing state ops or local assistance: OMRR&R. For FY 2018-19 specifically, these funds include:
    - $23.7 million state ops: OMRR&R – standard one-year encumbrance;
    - $1.3 million state ops: CVFPB feasibility study – two-year extended encumbrance;
- $150 million in one-time capital outlay (USACE urban levees) – five-year extended encumbrance.

This proposal also requests trailer bill language to make various changes to the Delta Levee Maintenance Program.

This proposal was discussed at the May 16, 2018 hearing.

Staff Recommendation. Approve BCP and TBL.

10) **Open and Transparent Water Data Act (AB 1755).** The May Revision proposes that Item 3600-001-0140 be increased by $150,000, Item 3860-001-0140 be increased by $450,000, and Item 3940-001-0140 be increased by $200,000 to continue implementation of AB 1755 (Dodd), Chapter 506, Statutes of 2016.

This proposal was discussed at the May 16, 2018 hearing.

Staff Recommendation. Approve as budgeted.

3600 Department of Fish and Wildlife (DFW)

11) **Restructuring the Fish and Game Preservation Fund (FGPF).** The budget proposes $50.6 million ongoing funding ($6.6 million General Fund, $18 million Motor Vehicle Account and $26 million Tire Recycling Management Fund) for the following purposes: 1) Address the structural deficit in FGPF ($19.6 million); and, 2) Improve and expand DFW's program activities ($31 million).

This proposal was discussed at the March 15, 2018 hearing.

Staff Recommendation. Reject the Governor's proposal. Address structural deficit to FGPF with one-time $19.6 million General Fund. In addition, appropriate $4 million in one-time General Fund resources for the Department of Fish and Wildlife to contract for Service-Based Budgeting audit with an outside contractor.

3900 Air Resources Board (ARB)

12) Agricultural Diesel Engine Replacement and Upgrades. The May Revision proposes $30 million General Fund one time for agricultural diesel engine replacements and upgrades.

This proposal also requests provisional language to make this item available for encumbrance or expenditure until June 30, 2020.

This proposal was discussed at the May 16, 2018 hearing.

Staff Recommendation. Approve the request with the addition of budget bill language to require that funds pursuant to this BCP be directed to ARB to allocate to local air districts for diesel risk reduction from agricultural engines.

13) Advanced Payment: Trailer Bill Language (TBL). The May Revision proposes TBL to authorize ARB to make advance payments to grantees if ARB makes specified determinations.

This proposal was discussed at the May 16, 2018 hearing.

Staff Recommendation. Approve as budgeted.

3930 Department of Pesticide Regulation (DPR)

14) Improved California Environmental Quality Act (CEQA) Notification for Pesticide Registration. The May Revision proposes $515,000 Department of Pesticide Regulation Fund and three positions to expand the documentation provided to the public to meet CEQA requirements.

This proposal was discussed at the May 16, 2018 hearing.

Staff Recommendation. Approve as budgeted.

3970 Department of Resources Recycling and Recovery (CalRecycle)

15) Disaster Recovery Assistance Program. A May Revision proposal requests $1.25 million Integrated Waste Management Account and six positions to enhance CalRecycle's ability to respond to requests from the Governor's Office of Emergency Services for assistance when disasters occur and debris removal is requested. The positions will also be available to provide technical assistance to local governments in developing disaster recovery plans and protocols when they are not deployed for recovery efforts related to a disaster.

This proposal was discussed at the May 16, 2018 hearing.

Staff Recommendation. Reject without prejudice.

3940 State Water Resources Control Board (SWRCB)

16) **Administrative Hearings Office (BCP and TBL).** The May Revision proposes $2 million Water Rights Fund, nine positions, and TBL to establish an Administrative Hearings Office that will provide administrative hearing officers and supporting staff to preside over administrative hearings in water right enforcement actions and prepare proposed decisions.

Under the proposed TBL, hearing officers will have purview over certain kinds of water right enforcement actions, such as hearings on complaints for administrative civil liability, proposed cease and desist orders, and proposed revocations. TBL prohibits the hearing officer from ex parte communications with board members. TBL also requires hearing officers to be attorneys and have qualifications equivalent to an administrative law judge and knowledge and experience in water law.

This proposal was discussed at the May 16, 2018 hearing.

Staff Recommendation. Reject without prejudice.

3960 Department of Toxic Substances Control (DTSC)

17) **BKK Third Party Initiative.** The May Revision proposes $434,000 General Fund and two positions to implement a coordinated enforcement and cost recovery initiative related to clean-up activity at the BKK facility.

This proposal was discussed at the May 16, 2018 hearing.

Staff Recommendation. Approve as budgeted.

18) **Cost Recovery Management System.** The May Revision proposes $140,000 Lead-Acid Battery Cleanup Fund for planning costs associated with a replacement cost recovery billing system, which is used for issuing invoices, tracking payments, and reconciling account balances.
This proposal was discussed at the May 16, 2018 hearing.

Staff Recommendation. Approve as budgeted.

19) **National Priorities List and State Orphan Sites.** The May Revision proposes $4.547 million from the Toxic Substances Control Account (TSCA) and $3.265 million Site Remediation Account to continue supporting the state's share of costs for National Priorities List sites. Priority 1A and IB state orphan sites, and continued cleanup activities for Priority 2 and 3 state orphan sites already underway. The cleanup work includes site investigation, characterization, cleanup, and remediation activities, among others. These remediation efforts reduce public exposure to hazardous and cancer-causing chemicals and reduce the spread of contamination.

This proposal was discussed at the May 16, 2018 hearing.

Staff Recommendation. Approve as budgeted.

20) **Lead-Acid Battery Program Implementation.** The May Revision proposes $6.7 million and 15 positions in 2018-19 and $7.6 million ongoing from the Lead-Acid Battery Cleanup Fund to implement the provisions of the Lead-Acid Battery Recycling Act of 2016. Under this proposal, DTSC requests resources to investigate and cleanup properties in California reasonably suspected to have been contaminated by the operation of lead-acid battery recycling facilities.

This proposal was discussed at the May 16, 2018 hearing.

Staff Recommendation. Approve as budgeted.

21) **Enforcement in Vulnerable Communities.** The May Revision proposes $2.5 million Lead-Acid Battery Cleanup Fund in FY 2018-19 and ongoing to fund 11 existing positions previously approved with limited-term funding that expires in June 2018 in order to provide continued support to address serious environmental violations by hazardous waste transportation and metal recycling industries that disproportionately impact vulnerable communities.

This proposal was discussed at the May 16, 2018 hearing.

Staff Recommendation. Because the use of this fund source for this purpose is questionable, reject BCP.

22) **Safer Consumer Products Implementation.** The May Revision proposes $1.2 million Lead-Acid Battery Cleanup Fund and six positions to continue implementation of the Safer Consumer Products regulations. Specifically, these resources will be used to perform an alternatives analysis to determine how best to limit or prevent potential harm from chemicals in various products.

This proposal was discussed at the May 16, 2018 hearing.

Staff Recommendation. Because the use of this fund source for this purpose is questionable, reject BCP.

23) **Exide Enforcement Order.** The May Revision proposes $1.06 Lead-Acid Battery Cleanup Fund in FY 2018-19 and FY 2019-20 to implement the remaining activities associated with the 2014 Exide Enforcement Order (as amended 2015) and the ongoing Resource Conservation and

Recovery Act (RCRA) corrective action work associated with the February 2002 Corrective Action Consent Order against Exide Technologies (Exide). This requires corrective action activities at the Exide facility, the off-site industrial areas, and the residential areas.

This proposal was discussed at the May 16, 2018 hearing.

Staff Recommendation. Approve as budgeted.

8570 California Department of Food and Agriculture (CDFA)

24) Nutria Detection and Survey. A May Revision proposal requests $400,000 General Fund on a two-year limited-term basis and one position beginning in 2018-19 for the survey and detection of nutria (Myocaster coypus) in and around California waterways.

This proposal was discussed at the May 16, 2018 hearing.

Staff Recommendation. Approve as budgeted.

25) Citrus Pest and Disease Prevention Program. (BCP) The Governor's budget proposes $2.5 million General Fund and $2.5 million Department of Food and Agriculture Fund authority in FY 2018-19 and ongoing to enhance Asian Citrus Psyllid (ACP) and Huanglongbing (HLB) suppression activities in newly detected areas and to augment quarantine regulation enforcement activities in existing and newly detected areas.

This proposal was discussed at the April 19, 2018 hearing.

Staff Recommendation. Reject the Governor's proposal and instead adopt the following: one-time $10 million General Fund in FY 2018-19 to enhance ACP and HLB suppression and enforcement activities in newly detected areas. Also, one-time $5 million General Fund and budget bill language to use the funds for purposes of curing or suppressing diseases associated with the spread of the Polyphagous and Kuroshio Shot Hole Borer which are invasive beetles that cause damage to trees.

Greenhouse Gas Reduction Fund (GGRF)

26) Cap-and-Trade Expenditure Plan. In a February Finance Letter, the Governor proposes a total of $2.8 billion in cap-and-trade expenditures for FY 2018-19. This plan includes: 1) $1.4 billion in continuous appropriations; 2) $150 million in other existing spending commitments; and, 3) $1.25 billion in new spending (also known as discretionary spending).

This proposal was discussed at the April 22, 2018 hearing.
The plan assumes $2.7 billion in auction revenue in FY 2017-18 and $2.4 billion in FY 2018-19. The $370 million difference between the proposed expenditures ($2.8 billion) and estimated revenue ($2.4 billion) in FY 2018-19 would largely be paid from the projected fund balance at the end of FY 2017-18.

In addition to the February proposal, the May Revision includes an additional $47 million for forest health and fire prevention activities in the Forest Carbon Plan.

Senate Proposal for Discretionary Spending. Based on recent auction results and estimates from LAO, revenues for the current and budget years will likely be several hundred million dollars higher than the Governor's assumptions. As such, the proposed Senate Plan for GGRF discretionary spending reflects the following adjustments shown below:

Cap-and-Trade Expenditure Plan

(In Millions)

Program	Department/Agency	Governor's Proposed 2018-19	Senate Proposal
Discretionary Spending			
Mobile Source Emissions			
Local air district programs to reduce air pollution	Air Resources Board	$250	310
Clean Vehicle Rebate Project	Air Resources Board	175	150
Freight and heavy duty vehicle incentives	Air Resources Board	160	160
Low-income light duty vehicles and school buses	Air Resources Board	100	100
Low carbon fuel production	Energy Commission	25	5
Forestry			
Forest health and fire prevention	CalFire	207	250
Local fire suppression grants	Office of Emergency Services	25	10
Agriculture			
Agricultural equipment	Air Resources Board	102	102
Methane reductions from dairies	Food and Agriculture	99	99
Incentives for food processors	Energy Commission	34	34
Healthy Soils	Food and Agriculture	5	0
Agricultural renewable energy	Energy Commission	4	4
Other programs			
Climate and energy research	Office of Planning and Research	35	55
Transformative Climate Communities	Office of Planning and Research	25	80
Urban Greening	Natural Resources Agency	0	5
Waste diversion	CalRecycle	20	20
Integrated Climate Investment Program	Go-Biz	20	5
Energy Corps	Conservation Corps	6	10
Low-Income Weatherization	Community Service & Development	0	30
Technical assistance to community groups	Air Resources Board	5	5
Workforce development and training	CA Workforce Development Board	0.4	0.4
Total		**$1,297**	**$1,434**

The funds appropriated in the Senate's plan include:

a) *Local air district programs to reduce air pollution*: $7 million shall be spent on air monitoring for prescribed fires as follows: a) $2 million to local air districts; b) $3 million to ARB to purchase and maintain smoke monitors; and c) $2 million for the purchase of approximately 100 portable weather stations that shall be managed by CalFire. Adopt placeholder trailer bill language to provide that CalFire and ARB shall enter into a Memorandum of Understanding (MOU) to collaborate on the funding contained in this provision.

b) *Local Air District Programs to Reduce Air Pollution:* $20 million shall be spent on woodstove incentive programs in local air districts and add provisional language stating that those funds shall be allocated equitably among air basins where particulates from fire pose a significant public health, environmental, and climate risk.

c) *Forest Health and Fire Protection:* Up to $100 million may be allocated to forest health and climate resiliency projects implemented by the Wildlife Conservation Board, the state Coastal Conservancy, or any of the regional conservancies provided they are subject to coordination, review, and tracking by the Office of Planning and Research (or Strategic Growth Council).

d) *Forest Health and Fire Protection:* No less than $43 million may be spent in locations outside of State Responsibility Areas, including but not limited to federal lands.

e) *Climate and Energy Research:* Up to $5 million may be used to fund innovation hubs and to provide seed funding to leverage additional California Energy Commission Electric Program Investment Charge (EPIC) Funds for this purpose.

f) *Climate and Energy Research:* $10 million shall be spent on the Clean Technology Innovation Facility needs assessment for relocation.

g) *Transformative Climate Communities*: $8 million shall be spent on the Los Angeles River to Rails project.

h) *Waste Diversion:* No less than $5 million but up to $10 million shall be spent on asphalt recycling.

i) *Energy Corps*: $3 million shall be spent on local conservation corps.

In addition, to address funding for local air district implementation of AB 617 requirements, the Senate Proposal includes $50 million from the Air Pollution Control Fund to be appropriated annually for a two-year limited term.

Staff Recommendation. Approve Senate Proposal.

3940 State Water Resources Control Board
8570 Department of Food and Agriculture

27) Safe and Affordable Drinking Water. The Governor’s budget requests a one-time loan of $4.7 million from the Underground Storage Tank Cleanup Fund to fund the initial implementation of this new program, specifically:

- $3.3 million and 23 position for the State Water Resources Control Board to: (1) develop and adopt a fund implementation plan, (2) process charges that would be deposited into SADWF, (3) map areas at high risk for drinking water contamination and process drinking water data provided by local agencies, (4) develop an assessment of the total amount of annual funding needed to assist water systems in the state to provide safe drinking water, and (5) perform accounting and other administrative tasks.

- $1.4 million and seven positions for the Department of Food and Agriculture to collect charges from agricultural entities.

In addition, the Governor's budget proposes trailer bill language (TBL) to establish the Safe and Affordable Drinking Water Program and Safe and Affordable Drinking Water Fund.

Staff Recommendation. In lieu of the Governor's proposal, adopt the following:

- Two-year limited term $1.6 million General Fund and nine positions in SWRCB.
  - Map areas of high risk for drinking water contamination and process drinking water data provided by local agencies; and,
  - Assessment of total amount of annual funding needed to assist water systems in the state to provide safe drinking water.

- One-time $68.5 million General Fund.
  - Emergency relief:
    - $10 million: Wells and septic systems: Well replacement, septic system replacement, permanent connections to public systems, well abandonment, septic system abandonment, Point of Use and Point of Entry systems, and debt relief.
    - $3.5 million: Water tanks for homes that have had wells recently go dry and continue to supply water tanks with water as an emergency measure while households await new wells or upgrades to community water systems.
    - $10 million: SWRCB's Drinking Water for Schools Program.
  - Infrastructure Improvements:
    - $45 million: Drinking water infrastructure improvement projects.

- $45 million Proposition 2 for FY 2019-20 and ongoing to fund drinking water infrastructure projects.

3360 California Energy Commission

28) **Energy Resources Program Account Structural Deficit Relief.** The May Revision requests a series of actions to reduce the Energy Resources Programs Account (ERPA) structural deficit. Requested actions include: shifting eligible expenditures from ERPA to the Cost of Implementation Account (CCIA) and Energy Facility License and Compliance Fund (EFLCF) (total ERPA reduction of $7.345 million), and a one-time shift of the Department of General Services' (DGS) ERPA funding to the Environmental License Plate Fund (reduction of $1.99 million). DGS will evaluate appropriate mechanisms to bill these expenditures beginning in 2019-20. The Energy

Commission also requests shifting $2.1 million of eligible expenditures from the Renewable Resource Trust Fund (RRTF) to CCIA.

Staff Recommendation. Approve as Budgeted. Adopt Supplemental Reporting Language requiring the Commission to identify options to address the remainder of the ERPA structural deficit as part of the 2019-20 budget.

29) **Agricultural Energy Efficiency Program.** The May Revision requests $30 million in one-time General Fund resources for the Agricultural Energy Efficiency program within the California Energy Commission.

Staff Recommendation. Reject the Governor's Proposal.

30) **Disadvantaged Community Advisory Group.** The May Revision requests trailer bill language to provide reimbursement for reasonable expenses and per diem for members of the Disadvantaged Community Advisory Group authorized under the Clean Energy and Pollution Reduction Act of 2015, SB 350 (de Leon), Chapter 547, Statutes of 2015. The costs would be split between CPUC and CEC, and the total annual expenses for these activities could not exceed $100,000. In concept, we do not have any major concerns with this proposal.

Staff Recommendation. Approve as proposed.

31) **Zero Emission Vehicle Infrastructure Initiative.** The administration has requested an additional $70 million in funding for the Alternative and Renewable Fuel and Vehicle Technology Fund (3117), in addition to the $77 million in funding already provided, for the Energy Commission's Zero Emission Vehicle (ZEV) Infrastructure Initiative. The request also includes a transfer of $15 million from the Air Quality Improvement Fund (3119) to the Alternative and Renewable Fuel and Vehicle Technology Fund to further support this work. This request included Budget Bill Language to grant the CEC greater flexibility in allocating program funds.

The Administration has also proposed trailer bill language transferring and estimated $88 million in one-time funds from the New Solar Homes Partnership funding source for the ZEV initiative, bringing the total available funding for the program to $235 million. The proposed trailer bill language also makes a number of substantive changes to the Alternative and Renewable Fuel and Vehicle Technology Program (ARFVTP).

Staff Recommendation. Reject the administration's proposals in order to send this proposal to conference committee.

32) **Implementation of the School Bus Retrofit and Replacement Program (SB 110).** The budget requests authority for three-year funding of $900,000 annually for six temporary positions from the Alternative and Renewable Fuel and Vehicle Technology Fund to develop and implement the new school bus retrofit and replacement activities under the Clean Energy Job Creation Program.

Staff Recommendation. Approve as Budgeted.

2660 Department of Transportation

33) **Active Transportation Program.** The May Revision includes a request to add a budget item to extend the allocation and liquidation periods for $10 million in Greenhouse Gas Reduction Fund resources provided to the Active Transportation Program as part of the 2016 budget.

Staff Recommendation. Approve as proposed.

34) **Trailer Bill Proposal: SB 1 Local Expenditures.** The subcommittee has received a request for trailer bill language clarifying or expanding the ability of local transportation agencies to expend local dollars consistent with the requirements of SB 1.

Staff Recommendation. Approve trailer bill language to allow local agencies to borrow from other internal city or county revenue streams and reimburse themselves with future year SB 1 apportionments.

35) **Indirect Cost Rate Proposal (ICRP):** The Self-Help Counties are seeking an exemption from full cost recovery by Caltrans for work that Caltrans does on their behalf and instead have Caltrans only charge Self-Help counties for direct costs or functional overhead.

Staff Recommendation. Adopt trailer bill language capping the administrative indirect costs that Caltrans may charge to self-help counties at ten percent for three years.

2720 California Highway Patrol

36) **Wireless In-Car Camera System with Body-Worn Camera Expandability Option.** The May Revision requests 12 positions phased in over three years, $52.53 million from the MVA over three years to implement a wireless in-car camera system with the option to purchase Integrated Body-Worn Cameras (BWC) in the future, and a $14.381 million baseline augmentation from the MVA to maintain the system.

In addition, the CHP requests the reappropriation of the remaining balance of the initial $1 million appropriated in the Budget Act of 2015 for a BWC Pilot study. The existing funding is set to expire on June 30, 2018.

Staff Recommendation. Approve $52.53 in MVA funding over three years for the wireless in-car camera system. Approve the reappropriation of funds for the body-worn camera pilot. Reject the $14. 381 million in ongoing maintenance and operations funding.

37) **Capital Outlay Proposals and Lease-Revenue Bond Proposals**. The Governor's budget requests $7.2 million in MVA funding in 2018-19 for several capital outlay projects. Specifically, it requests:

- A reappropriation of $876,000 MVA funding for the working drawings phase of two sites of the CHPERS Phase 1 Replace Towers and Vaults project: Leviathan Peak and Sawtooth Ridge.

- A reappropriation of $6.0 million MVA funding ($4.1 million from 2011-12 and $1.9 million from 2017-18) for the construction phase of two sites of the CHPERS Phase II Replace Towers and Vaults project: Crestview Peak and Silver Peak.
- $281,000 MVA for the working drawings phase of the Keller Peak Tower Replacement project.

Additionally, the budget proposed to shift five area office replacement projects at CHP from a direct "pay-as-you-go" approach to financing using lease revenue bonds. This would result in the reversion to the MVA of $138.7 million in previously authorized funds. The Governor's budget requests $174.2 million in lease revenue bond authority from the Public Buildings Construction Fund.

The Governor's budget also requested a reversion of the unexpended authority appropriated for the Santa Barbara Area Office Replacement Facility capital outlay project in 2014-15 and 2015-16, trailer bill language to authorize a lease-purchase agreement, or a lease with an option to purchase as options for the build-to-suit lease.

April Finance Letter Updates. An April Finance Letter proposed changes to CHP's January capital outlay requests. First, it increased by a total of $30.3 million the lease revenue bonds authority requested in January due to project cost increases as follows:

- Quincy: Replacement Facility- $4.2 million
- El Centro: Area Office Replacement- $10.0 million
- Hayward: Area Office Replacement- $10.0 million
- San Bernardino: Area Office Replacement- $6.2 million

Second, the Administration requested to increase MVA expenditures by $3.7 million and decrease lease revenue bonds by $38.4 million to reflect the following actions:

- Santa Barbara: Area Office Replacement- Withdraw the trailer bill language proposed as part of the Governor's January budget proposal.
- Ventura: Area Office Replacement- Withdraw the Governor's budget request for $38.4 million in lease revenue bonds for the design-build phase of this project.
- Santa Fe Springs: Area Office Replacement- Add $1.9 million MVA for the performance criteria phase of this project.
  Baldwin Park: Area Office Replacement- Add $1.7 million MVA for the performance criteria phase of this project.

The proposed capital outlay projects are necessary for CHP to continue to operate effectively statewide. While the use of lease revenue bonds will reduce cost pressures on the Motor Vehicle Account in the short run, they will increase the overall cost of the projects to the state. They are therefore an inappropriate tool for these projects. Staff recommends rejecting the proposed use of lease-revenue bonds and requiring CHP to pursue their capital outlay projects through the traditional pay-go approach.

Staff Recommendation. Reject the proposed use of lease-revenue bonds and require CHP to pursue a pay-go approach to the desired projects. Approve $178 million in 2018 to fund the currently-planned projects.

2740 Department of Motor Vehicles

38) **California New Motor Voter and Electronic Driver License Application.** The May Revision requests $900,000 in one-time funding for fiscal year 2018-19 to extend the contract for Information Technology (IT) Programming and system administration in support of the electronic Driver's License and Identification online forms (eDL-44) and the implementation of Assembly Bill 1461 (Gonzalez Fletcher), Chapter 729, Statutes of 2015.

Staff Recommendation. Approve as Budgeted.

39) **Centralized Customer Flow Management and Appointment Systems.** The May Revision requests $5.5 million to be reappropriated to have the liquidation period extended to FY 2018-19 in case the final vendor payments for the Centralized Customer Flow Management and Appointment System (CCFMAS) needs to be made next fiscal year.

Staff Recommendation. Approve as Budgeted.

Legislative Requests

40) **Transformative Climate Communities Program**.

Staff Recommendation: Appropriate $8 million in one-time General Fund resources for the Transformative Climate Communities program for the River to Rails project in Los Angeles County.

41) **Healthy Soils Program.**

Staff Recommendation: Appropriate $10 million in one-time General Fund resources for the Healthy Soils Program to incentivize farmers to implement conservation agriculture management practices that sequester carbon, reduce atmospheric GHGs, and improve soil health.

42) **Low Income Weatherization Program (LIWP).**

Staff Recommendation: Appropriate $8 million in one-time General Fund resources to undo the zeroing-out of the LIWP. This program funds projects to install solar photovoltaics (PV), solar hot water heaters, and energy efficiency measures in eligible low-income single family and multi-family dwellings in disadvantaged communities to reduce GHG emissions and save energy.

43) **Shinn Station Feasibility Study.** $5 million in one-time funding for a feasibility study, to be completed by the Metropolitan Transportation Commission (MTC), on the potential for an intermodal transit station connecting BART, ACE, and AC Transit in the Shinn Park region of Fremont.

Staff Recommendation. Approve $5 million in one-time General Fund resources.

44) **Sabercat Trail Proposal.** $5 million in one-time funding for a scoping report for the Sabercat Trail Bridge project. The bridge over I-680 in Fremont will forge a critical link in both the city and region-wide active transportation (cycling and pedestrian) network. The I-680 currently divides the Sabercat Creek open space from the East Bay Greenway and future Irvington BART station. The report would accelerate the planning and environmental approval process, making it easier to secure other public funding.

Staff Recommendation. Approve $5 million in one-time State Highway Account resources.

45) **North Coast Rail Authority.** $4.1 million over two years to fund planning and construction activities necessary to complete the dissolution of the North Coast Rail Authority and the transfer of the Authority's right-of-way to the California Department of Transportation (Caltrans) and a successor agency as called for in SB 1029 (McGuire).

Staff Recommendation. Approve $4.1 million in State Highway Account resources over two years.

46) **Watershed Protection/Midpeninsula Regional Open Space District.** $10 million Habitat Conservation Fund to help facilitate the sale of San Jose Water Company's land holdings in the Upper Guadalupe, Los Gatos Creek, and Saratoga Creek to the district.

Staff Recommendation. Approve $10 million in General Fund resources.

47) **Reconstruction of the City of San Fernando's Reservoir 4. $**5 million for major reconstruction of the city's reservoir, which was originally constructed in 1965. The reservoir suffered cracking during the Northridge earthquake, no longer meets modern seismic design codes, and leaks. As a result, the reservoir cannot be filled to full capacity.

Staff Recommendation. Approve $5 million in General Fund resources.

48) **State Lands Commission (SLC): Martins Beach Subaccount.** Create the Martins Beach Subaccount within SLC's Kapiloff Fund to accept moneys from public, private, and nonprofit sources. This request also authorizes SLC to transfer up to $1 million into the subaccount from the Kapiloff Fund. The purpose of the subaccount and funding is to acquire a right-of-way or easement at Martins beach to provide public access to the beach and to offset costs associated with the acquisition such as environmental studies, analyses, and assessments.

Staff Recommendation. Approve the proposal as requested.

49) **Coastal and Bay Flood Prevention Funding**. $18 million in Proposition 1 funding for coastal and San Francisco Bay flood protection. Last year, $27 million was proposed to address this issue, of which $9 million was allocated. The $18 million would serve to fill the remainder of the $27 million for Bay Area for funding repairs and prevention.

Staff Recommendation. Approve $18 million in Proposition 1 funding.

50) **Tunitas Creek Beach**. $5 million for necessary improvements to property adjacent to Tunitas Creek Beach, to provide safe, responsible, and managed public access to a state-owned beach. The proposed funding would be used by San Mateo County and its local partners to do the following: 1) Construct emergency access improvements as first priority within the first year; 2) Complete feasible infrastructure for ranger facilities, restrooms, parking, trails, and other public access improvements; and, 3) Initiate environmental restoration activities concurrently or as conditions allow as the county opens Tunitas Creek Beach County Park within the next three years.

Staff Recommendation. Approve $5 million in one-time General Fund resources.

51) **Ellwood Mesa Habitat Management Plan and Restoration.** $3.9 million General Fund to the State Coastal Conservancy to cover costs associated with restoration of the Ellwood Mesa Monarch Butterfly Grove in the City of Goleta. The funding would help facilitate the development of an Ellwood Mesa Habitat Management Plan and for remediation of the mesa site. This proposal represents costs of approximately $50,000 per acre for restoration of $73.6 acre of eucalyptus, $200,000 for plan development and implementation costs, a coastal permit, and public recreational features such as trail markers, benches, and signage.

Staff Recommendation. Approve $3.9 million in one-time General Fund resources.

52) **California Science Center.** Extend lease agreement with the California Science Center Foundation for an annual lease payment of $2.43 million for 30 years beginning in 2022.

Staff Recommendation. Approve as proposed.

53) **California African American Museum (CAAM).** $6.45 million for deferred maintenance and $325,000 ongoing for an increase in staff. Over the past two years, CAAM's attendance and visibility have dramatically increased due to a radical change in exhibition and education programming, outreach efforts and rebranding. The attendance increase requires CAAM to address needs related to security, staffing, and deferred maintenance issues that will prepare the museum for formal accreditation in the future and avoid potential code violations and ensure safety and security.

Staff Recommendation. Approve $6.45 million in one-time General Fund resources and $325,000 in ongoing General Fund resources.

54) **Italian American Museum of Los Angeles.** $250,000 General Fund for the Italian American Museum of Los Angeles. The museum is located in the Italian Hall, which was constructed in 1908 and is listed on the National Register of Historic Places. The museum opened in 2016 and is jointly operated by the Historic Italian Hall Foundation and the City of Los Angeles.

Staff Recommendation. Approve $250,000 in one-time General Fund resources.

55) Museum of Lesbian, Gay, Bisexual, Transgender, and Queer (LGBTQ) History and Culture. $2 million Proposition 68 for a proposed Museum of LGBTQ History and Culture in San Francisco for exhibitions, archives, and programs where stories and cultures of LGBTQ communities can be gathered, preserved, studied, and made widely available.

Staff Recommendation. Approve $250,000 in one-time General Fund resources.

56) Stories: The AIDS Monument. $250,000 for Stories: The AIDS Monument, a permanent installation that will be built to symbolize the past, present, and future of the fight against AIDS and HIV, and memorialize and honor those who have died since the crisis began. The monument is proposed to be built on San Vicente Boulevard in West Hollywood Park on a 12,000 square foot parcel of land donated by the City of West Hollywood. The $5.2 million campaign goal is 80 percent complete.

Staff Recommendation. Approve $250,000 in one-time General Fund resources.

57) Food Dye Study. $485,000 to the Office of Environmental Health Hazard Assessment (OEHHA) to conduct a literature review and risk assessment on the potential impacts of synthetic food dyes on children.

Staff Recommendation. Approve $485,000 in one-time General Fund resources.

58) Los Angeles Cleantech Incubator (LACI). $2 million to fund LACI for workforce development training to increase access to environmental technology jobs and increase access to zero emissions mobility for disadvantaged communities in the Los Angeles area.

Staff Recommendation. Approve $2 million in one-time General Fund resources.

Staff Recommendation. For issues #40-58, approve as recommended by staff.