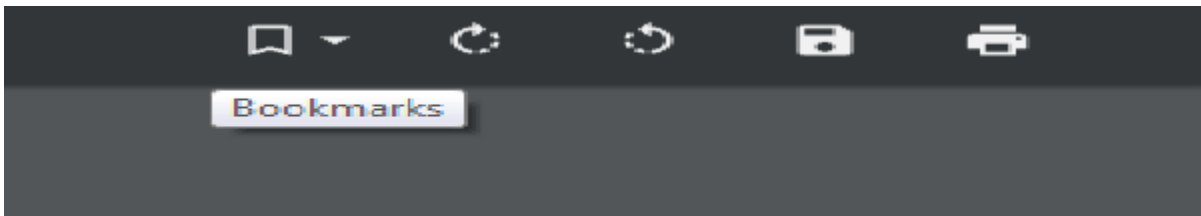


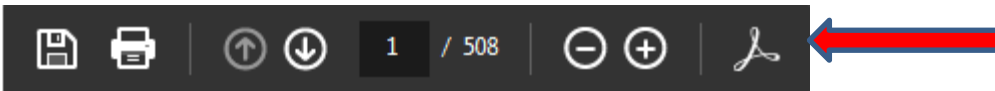
Senate Budget and Fiscal Review

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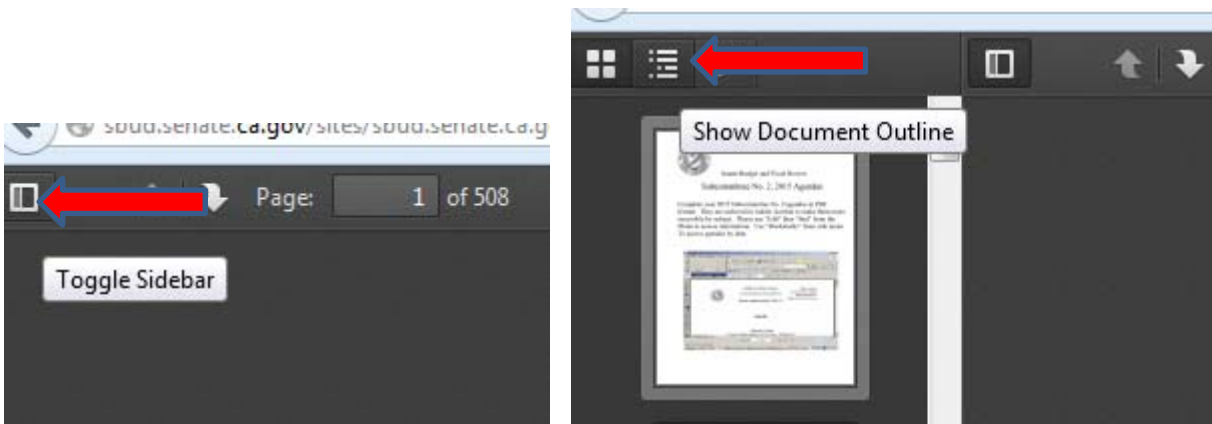
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Senator Bob Wieckowski, Chair
Senator Brian Dahle
Senator Mike McGuire
Senator Henry I. Stern



Tuesday, February 9, 2021
8:00 a.m.
State Capitol - Room 3191

Consultant: Joanne Roy

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VOTE-ONLY

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VOTE-ONLY

3790 DEPARTMENT OF PARKS AND RECREATION (PARKS)

Issue 1: Various Capital Outlay Projects

Governor's Proposal. The Governor's budget includes following capital outlay projects at Parks. The chart below details estimated costs and details for each capital outlay project.

PROPOSAL	2021-22 GF Cost (in millions)	Total Project Cost (in millions)	PROPOSAL SUMMARY
Candlestick Point SRA: Initial Build-Out of Park	2.6	50	The Governor's budget requests \$2.66 million Proposition 68 funds for the Preliminary Plans phase of the Candlestick Point State Recreation Area: Initial Build-Out of Park project in San Francisco County. This new project will allow for the design and construction of the initial build-out of the park unit to provide core improvements, public access, and recreation enhancements. Total project costs are estimated at \$50 million (\$10 million Proposition 68 per Public Resources Code Section 80070 and \$40 million State Park Contingent Fund).
Oceano Dunes SVRA: Grand Avenue Lifeguard Tower	1.03	1.26	The Governor's budget requests \$1.026 million from the Off-Highway Vehicle Trust Fund for construction and equipment 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. This is a continuing COBCP.
Ocotillo Wells SVRA: Auto Shop Addition	1.5	1.7	The Governor's budget requests \$1.495 million from the Off-Highway Vehicle Trust fund for the construction phase of the auto shop addition project located at Ocotillo Wells State Vehicular Recreation Area. This 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 items in the current fleet. Currently, Ocotillo Wells SVRA staff conduct maintenance and repairs to vehicles outdoors, unsheltered in the extreme weather conditions found at this desert park.

<p>Prairie City SVRA: Initial Erosion Control</p>	<p>2.7</p>	<p>3.2</p>	<p>The Governor's budget requests \$2.667 million from the Off-Highway Vehicle Trust Fund for the construction phase of the Prairie City State Vehicular Recreation Area: Initial Erosion Control project to address erosion issues caused by storm water runoff at park, as required by the Federal Clean Water Act. Work will include the installation of sediment basins, storm water spray fields, drainage crossings, and riparian areas. In addition, there will be drainage control measures including culverts, diversion ditches and swales. The project will meet Best Management Practices for storm water management pursuant to the Federal Clean Water Act. A comprehensive Watershed Assessment Study, performed through a separate effort, will be used as a detailed guide in implementing this project.</p>
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Staff Recommendation. Approve as budgeted.

Issue 2: Community Engagement / Relevancy and History Program

Governor’s Proposal. The Governor's budget requests \$585,000 ongoing from the State Parks and Recreation Fund and four positions beginning in 2021-22 to institutionalize the Community Outreach Program and California Relevancy and History Interpretation Program. The four positions are intended to maintain existing program efforts and work to expand the projects across the state park system.

Background. Parks Forward Commission Recommends Increasing Access and Engagement. The California State Parks Stewardship Act and AB 1478 led to the formation of the Parks Forward Commission. One of the Commission’s recommendations was to expand park access for California’s underserved communities and urban populations, as well as better engage California’s younger generations. The Transformation Team - which is tasked with implementing the Commission’s recommendations - formed a Relevancy Committee that focuses on enhancing and developing outreach services to underserved communities.

Prior Funding for the Community Engagement and Relevancy Programs. The Budget Act of 2016 provided three positions and \$690K annually for a two years to establish the Community Outreach and California History Interpretation pilot programs in order to engage underserved and underrepresented communities. The Budget Act of 2018 included \$519,000 one-time for Parks to continue these efforts.

The Community Outreach Pilot Program. Through the Community Engagement program, Parks engaged underserved and underrepresented communities at two of the largest urban population centers in the state (Candlestick Point State Recreation Area and Los Angeles State Historic Park). The Community Engagement program continues to provide training and program opportunities at the pilot park locations.

The California Relevancy and History Interpretation Pilot Program. Through the California History Interpretation Pilot Program, Parks established a collaborative partnership with the University of California at Riverside and University of California at Santa Barbara to transform interpretation and education within the State Park System. The partnerships developed operational relationships to integrate professors, classes, and students, as well as underrepresented and underserved community groups. The

pilot project teams and community partners implemented a varied set of educational and interpretive activities and techniques including staff, students, volunteers, classes, historical research, archiving tasks, community engagement events, and presentation programming. Each aspect of these approaches made state parks more accessible, and connected with a broader, more diverse, and public while focused on engaging multi-perspective and inclusive historical interpretation.

The ultimate goal is to develop a program framework that can be taken to scale throughout the State Park System.

Staff Recommendation. Approve as budgeted.

Issue 3: Fire Prevention: Wildfire Risk: Defensible Space: Ember-Resistant Zones (AB 3074)

Governor's Proposal. The Governor's budget requests \$2 million General Fund (GF) ongoing, seven positions, and seven vehicles to comply with the requirements of AB 3074 (Friedman). The funding and positions requested would be used to implement the new boundary fuel modification and defensible space requirements in the 1.6 million acre state park system. In addition to the position cost, \$1 million is requested to be made available for park specific implementation projects. This proposal is the first phase of an effort to right-size a broader Fire resilience effort for Parks and its 1,800-plus structures.

AB 3074 requires an ember-resistant zone within five feet of a structure as part of the defensible space requirements for structures located in specified high fire hazard areas. The bill also requires removal of material from the ember-resistant zone based on the probability that vegetation and fuel will lead to ignition of the structure by ember. AB 3074 requires Parks to assess and revise defensible space requirements for dwellings and structures located in very high fire hazard severity zones. Specifically, this bill add requirements of an intense fuel reduction perimeter from five to 30 feet and an ember-resistant zone within a five-foot per miter of the dwelling or structure.

Background. An excess of 105,000 acres spanning 21 state parks have burned. Affected areas within Parks include forests and wild lands, historic structures, visitor facilities, and employee housing.

Parks recognizes the value and importance of maintaining defensible space perimeters around structures in very high fire hazard severity zones. However, Parks contends that prescriptive provisions of AB 3074 would afford local municipalities, park-adjacent landowners, and landowner associations extraordinary leverage over public trust resource management decisions. As a steward of natural and cultural resources, Parks needs augmented technical expertise to work collaboratively with adjacent property owners to identify minimum-impact opportunities to achieve shared goals of wildfire risk reduction and management public resource protection. Additionally, fuel modification efforts require a multi-disciplinary team approach by Parks staff with expertise and park-specific knowledge about natural, cultural, and resources working with facility managers on Parks' own defensible space needs. The technical requirements also include permitting and compliance expertise. Parks cannot meet the requirements of AB 3074 with existing resources.

Staff Recommendation. Approve as budgeted.

Issue 4: Local Assistance: Off-Highway Vehicle (OHV) Trust Fund

Governor's Proposal. The Governor's budget requests \$29 million Off-Highway Vehicle Trust Fund one-time for local assistance grants. The OHV local assistance program supports the planning, acquisition, development, maintenance, administration, operation, enforcement, restoration, and conservation of trails, trailheads, areas and other facilities associated with the use of off-highway motor vehicles and programs involving off-highway motor vehicle safety or education.

Staff Recommendation. Approve as budgeted.

Issue 5: Native American Cultural Preservation (AB 275)

Governor's Proposal. The Governor's budget requests \$770,000 GF ongoing and five positions to comply with the requirements of AB 275 (Ramos), Chapter 167, Statutes of 2020.

AB 275 requires Parks to submit inventory of Native American human remains or cultural artifacts in their possession to the California Native American Heritage Commission. The five positions will provide tribal consultation, identification of artifacts, research, identification and maintenance of confidential geographical locations for reinterment of items within the state park system.

Staff Recommendation. Approve as budgeted.

Issue 6: Statewide: State Park System Acquisition Program

Governor's Proposal. The Governor's budget requests \$6.3 million GF and \$6.3 million in reimbursement authority for opportunity and inholding land acquisitions throughout the state. This new project will provide funds for State Parks and the Department of General Services to conduct property evaluations and complete due diligence prior to Parks requesting acquisition approval. These funds will also be used to acquire approved real property in-holdings, parcels adjacent to or near an existing unit in the State Park System, or parcels available through tax default. This will enable Parks to rapidly acquire high-priority parcels throughout the State and eliminate potential and existing management problems, and leverage matching federal funds.

Staff Recommendation. Approve as budgeted.

Issue 7: Woolsey Wildfire Repair — Phase II

Governor's Proposal. The Governor's budget requests \$10 million GF one-time and \$23.35 million in reimbursement authority for Phase II continuation of the Woolsey Fire rebuild project. Federal Emergency Management Agency funding will be the source of the reimbursements for this proposal.

Staff Recommendation. Approve as budgeted.

3340 CALIFORNIA CONSERVATION CORPS**Issue 8: Corpsmember Counseling; Case Management; and Transition to College, Career or Training**

Governor's Proposal. The Governor's budget requests \$1.953 million (\$1.132 million GF and \$821,000 Collins-Dugan Reimbursement Account) to continue funding to make the Navigator Pilot program permanent by providing continued funding for 14 Associate Governmental Program Analyst positions and consultant costs. These resources are intended to strengthen the career pathways of Corpsmembers to college, career, or advanced training by providing case management services, mental health, and substance abuse counseling.

If this proposal is approved, CCC intends to utilize the counseling/wellness funding to continue existing resources/programs, which include consulting and counseling for each of the districts. Counselors and wellness programs would also continue to provide mental health and substance abuse resources directly to Corpsmembers.

Background. The 2018-19 budget included a three-year funding increase to CCC's budget and position authority so that CCC could "strengthen the career pathway of Corpsmembers to college, career, or advanced training by providing case Management services. CCC used this pilot program funding to design and implement a Career Transition Navigator pilot program that augmented and reinforced the skills and resources associated with CCC's Career Development and Transition course.

CCC hired the first "Navigator" in December 2018 and filled the last Navigator position in October 2019. During that time, CCC developed a comprehensive transition program, refined career and educational pathways related to CCC service, and began systematically tracking data concerning Corpsmembers' progress along and beyond those pathways. Thus, for the first time, CCC was able to track and measure Corpsmember accomplishments during and after their time in CCC and to make adjustments to its Corpsmember Development Program (which includes the Transition Navigator pilot program) based on consistently captured Corpsmember data.

Staff Recommendation. Approve as budgeted.

Issue 9: Watershed Stewards Program (WSP)

Governor's Proposal. The Governor's budget requests position authority for one Conservation Supervisor, two Conservationist II, and one Management Services Technician ongoing for the CCC's Watershed Stewardship Program in partnership with AmeriCorps/CalVolunteers. Adding four permanent positions is intended to provide stability for a program that provides natural resource conservation experience to Corpsmembers and scientific data to local non-profits, local governments, and other entities. This proposal has a net zero fiscal impact.

CCC would like to establish full oversight of the program staff as a commitment to continuing this program. This request would secure four positions as permanent state staff for WSP, which is intended to increase staff retention and subsequently improve program delivery.

Background. The CCC WSP, in partnership with AmeriCorps, places Corpsmembers in science

internships to perform field surveys, which contribute to the conservation and restoration of anadromous watersheds. The mission of WSP is to conserve, restore, and enhance anadromous watersheds for future generations by linking education with high quality scientific practices. WSP has operated since the 1990s and serves 44 Corpsmembers annually.

Staff Recommendation. Approve as budgeted.

3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CALFIRE)**Issue 10: Fire Prevention: Wildfire Risk: Defensible Space: Ember-Resistant Zones (AB 3074)**

Governor’s Proposal. The Governor's budget requests \$3.2 million GF one-time to educate the public, and for the Board of Forestry and Fire Protection to develop the necessary regulations on the provisions for a zero to five-foot ember-resistant zone set forth in AB 3074 (Friedman), Chapter 259, Statutes of 2020.

Background. AB 3074 requires a person who owns, leases, controls, operates, or maintains a building or structure in the State Responsibility Area (SRA) or in Very High Fire Hazard Severity Zones (VHFHSZs) in Local Responsibility Areas (LRAs) to maintain an ember-resistant zone within five feet of the structure and to perform more intense fuel reductions between five and thirty feet around the structure and any attached deck.

The new zero to five-foot ember-resistant zone will require a significant paradigm shift for homeowners and tenants regarding defensible space standards. Currently a significant number of properties are compliant during the forest inspection by a CalFire Defensible Space Inspector (DSI). CalFire estimates that very few properties will initially be compliant with the new zero to five-foot ember-resistant zone. CalFire DSIs will likely be required to spend additional time at each property explaining the requirements, which will likely lead to an increase in workload and the inability to inspect as many properties within the same timeframe. With the estimated amount of first inspection compliance dropping given the new requirements, staff would have to spend additional time conducting re-inspections.

Staff Recommendation. Approve as budgeted.

Issue 11: Pipeline Safety Division Staffing

Governor’s Proposal. The Governor’s budget requests \$1.687 million California Hazardous Liquid Pipeline Safety Fund, \$1.602 million Federal Trust Fund, and five permanent positions in 2021-22 and ongoing to research best available leak detection and automatic shutoff technologies for pipelines, review pipeline operators risk assessments, verify assessment of hazardous liquid pipelines near ecologically and environmentally sensitive areas of the coast, manage leak detection and automatic shutoff technologies, and perform field verification on equipment installed per operator’s risk assessments as required by AB 864 (Williams), Chapter 592, Statutes of 2015.

Background. The Office of the State Fire Marshal (OSFM) currently regulates the safety of approximately 6,000 miles of intrastate hazardous liquid pipeline, which includes 2,000 miles of “out-of-service” pipeline. OSFM Pipeline Safety Division staff inspect pipeline operators to ensure compliance with federal and state pipeline safety laws and regulations, consist of engineers, Geographical Information System/mapping staff, analytical staff, and clerical support located throughout the state.

OSFM expects the Coastal Best Available Technology (CBAT) regulations developed pursuant to AB 864 to significantly increase the workload of the OSFM Pipeline Safety Division. As CBAT regulations are in effect in 2020, OSFM is tasked with verifying the use of best available technology on pipelines to

reduce the amount of oil released in a spill, tracking and verifying installation of automatic shutoff systems, assessing the adequacy of the pipeline operator's risk analysis, managing requests by an operator for confidential treatment of information submitted in their plan or contained in any documents associated with the risk analysis, and determining if a pipeline is coated in an environmentally and ecologically sensitive area and is therefore subject to regulation based on the likelihood of the pipeline impacting those areas.

Staff Recommendation. Approve as budgeted.

Issue 12: Code Development and Analysis

Governor's Proposal. The Governor's budget requests one position and \$482,000 Building Standards Administration Special Revolving Fund for the Office of State Fire Marshal's (OSFM's) Code and Development and Analysis Division (Division) starting in 2021-22. This request is intended to allow for a thorough review of code changes, the timely adoption of current national standards, and the effects on existing code that will identify and then clarify any confusing, duplicative, or conflicting codes.

Background. The Division within OSFM is currently relying on four positions to manage program operations and to support the largest proportion of the Division's workload, dedicated to the developing and maintaining regulations and standards. The OSFM is responsible for the adoption and maintenance of regulations in California Code of Regulations, Title 19, Division 1, State Fire Marshal, which contains all OSFM non-building regulations. The OSFM also reviews all other agencies proposed regulations for fire and life safety that are part of the nine-point criteria from the Administrative Procedure Act.

Staff Recommendation. Approve as budgeted.

Issue 13: CalFire Aviation Program: Contracts Increases

Governor's Proposal. The Governor's budget requests \$9.733 million GF in 2021-22, \$8.006 million GF in 2022-23, and \$5.014 million GF in 2023-24 to support two optional years of aviation parts and logistics vendor contract increases as well as follow-on contract increases for CalFire's fixed-wing pilots and aviation fleet mechanics.

Background. CalFire operates the largest aerial wildland fire suppression fleet in the world. CalFire's tactical aircraft fleet provides support to ground crews helping to slow a fire's progression, allowing engines and crews to complete the suppression process.

CalFire's Aviation Management Unit (AMU) is tasked with both providing aviation assets and performing scheduled routine maintenance on aircraft throughout the year. In December 2001, it was deemed necessary by the state to have contracts with aviation logistical support companies to provide necessary personnel to support the operation and maintenance of the state's fleet of firefighting aircraft under the general direction of state officers, who monitor the contractor's performance to ensure contract compliance, safety, and security of assets, provide general direction, and set priorities for program operation.

The initial AMU base budget supported air tactical resources, consisting of 23 S2T Grumman Tankers, 16 OV-10 Broncos, 12 UH1H Super Huey Helicopters, two A200CT King Air, and one Beechcraft Baron 58. Due to an increase in wildfire activity and an aging existing fleet, subsequent, incremental

funding for contracted pilots, parts, and support is necessary so that CalFire maintains an effective and sustainable aviation program.

Staff Recommendation. Approve as budgeted.

Issue 14: Exclusive Use Aircraft Budget Bill Language (BBL)

Governor's Proposal. The Governor's budget requests to add BBL to Items 3540-001-0001 and 3540-006-0001 to waive specified state contracting requirements to enable CalFire to contract for Exclusive Use (EU) aircraft quickly, up to certain thresholds, to address emergency fire conditions and support fire suppression operations.

Background. CalFire, along with all other wildland firefighting agencies nationwide, utilize the same limited pool of contract aerial firefighting resources during major fires and periods of dangerous wildfire conditions. At times when the western United States is facing dangerous fire conditions, competition for these limited resources is high.

The challenge CalFire faces through the state contracting process of competitive bidding for EU contracts is the specific requirements for advertising and bidding. These standard processes do not consider emergency needs. CalFire has historically entered these agreements once a State of Emergency has been declared, relieving CalFire of the standard contracting requirements of advertising and bidding. However, over the past several years, the state has experienced unprecedented wildfire activity with increases in the number and severity of wildfires. CalFire is often keenly aware early on that an EU contract will be necessary, however, have limited flexibility to contract immediately thereby hindering its ability to ensure aircraft are ready and able to support CalFire. Based on the urgency of these contracts, there is not enough time to go through a competitive bidding process.

Staff Recommendation. Approve as budgeted.

Issue 15: Wildland Firefighting Research Grant

Governor's Proposal. The Governor's budget requests \$5 million GF one-time in 2021-22 to provide a pass-through grant to California State University (CSU), San Marcos to study enhanced firefighting equipment and strategies to protect firefighters from the conditions present during wildfires in the wildland-urban interface (WUI).

The draft work plan developed by CSU San Marcos for this research identifies some of the following potential areas of research and evaluation: strategies to protect against smoke exposure; personal protective equipment and decontamination; and methods to improve hydration, reduce heat stress, and monitor related cardiac issues. The outcomes of the research are intended to inform CalFire WUI education best practices and training. CSU San Marcos is projecting that the research study will take place over the course of two years, with final research reports being available in 2023-24.

Background. CalFire currently cooperates with various research institutions and programs for the purposes of studying wildfires. CalFire partners with University of California (UC) Berkeley, UC Davis, UC Merced, California Polytechnic State University, California State University (CSU) Humboldt, CSU San Jose, and the University of San Francisco on a broad range of fire research topics ranging from fire behavior to fire weather modeling.

For the past eight years, CalFire also has partnered with CSU San Marcos for the purposes of researching and understanding the relationship between diverse factors that firefighters encounter while responding to wildland fires. These factors include carbon monoxide, carbon dioxide, hazardous air pollutants, and particulates. CSU San Marcos has also evaluated health issues related to general exposure of firefighters during wildland fire events, including measuring core body temperature, heat exposure, heart rate, respiration rate, and dehydration.

There has been extensive research in various areas of firefighting, including urban and structure firefighting, which has informed various measures, strategies, and approaches for these areas of firefighting to increase attack effectiveness, support the development of new tools and technologies, and prevent or mitigate exposure for firefighters. However, this same research has not been conducted specifically for wildland firefighting in the WUI, so there are less resources available to inform wildland firefighting strategies. Also, CalFire has not had the opportunity to engage with research institutions on more specific firefighting activities and strategies within the WUI.

CalFire notes that advanced knowledge of wildland firefighting within the WUI is lacking in the following areas: (1) advancements in wildland firefighting strategies, technology, and equipment in the WUI; (2) approaches and tools to improve identification of threats and exposures to wildland firefighters; and (3) means of improving firefighter health and safety when engaged in firefighting wildfires in the WUI.

Staff Recommendation. Approve as budgeted.

DISCUSSION

3790 DEPARTMENT OF PARKS AND RECREATION (PARKS)

Issue 16: Fiscal Stability for Boating Programs

Governor’s Proposal. The Governor's budget proposes various adjustments to the Harbors and Watercraft Revolving Fund (HWRF) to stabilize the fund. Specifically, this request includes:

- An ongoing baseline reduction of \$1.962 million to state operations,
- An ongoing baseline reduction of \$11.987 million to local assistance funding,
- A \$10M General Fund transfer annually for two years to sustain the fund while changes are implemented.
- Trailer bill language to implement an increase to vessel registration fees from \$10 to \$35 per year.

More specifically, according to the LAO, the Governor proposes the following approach to addressing the HWRF imbalance:

Raise Vessel Fees (\$22 million). The proposal would increase the existing biennial fees charged for vessel registrations and renewals from \$20 to \$70 (and from \$10 to \$35 for new registrations in even years). Parks estimates this increase would raise about \$36 million in even years and \$6 million in odd years, providing an average of \$22 million to support annual expenditures across each two-year cycle.

Reduce HWRF Expenditures (\$20 million). The Administration proposes the following ongoing reductions to existing HWRF-funded programs:

- *Public Beach Restoration Fund Grants (\$6 million).* The Governor proposes to stop making annual transfers from the HWRF to this fund. The transferred monies have been used to provide grants to local entities to add sand to eroded beaches. While the amounts provided have varied year by year, they have averaged about \$6 million annually.
- *Boat Launching Facility Grants (\$5.7 million).* The proposal would more than halve this existing program, which has not been fully subscribed in recent years. The program, currently funded at about \$12 million annually, provides grants to qualifying public agencies to fund facilities such as boat launching ramps; boarding floats; and associated parking areas, restrooms, and lighting for motorized and nonmotorized boaters.
- *Marina Loan Program (\$5.5 million).* The Governor proposes to eliminate this program because it has had very little demand in recent years. The program provides loans to qualifying public and private entities to pay for improvements to marinas.
- *Aquatic Invasive Species Program (\$2 million).* The proposal would recognize ongoing state operations savings that this \$12.5 million program has experienced from staff vacancies in recent years. The program undertakes activities to control invasive plants and species, such as water hyacinth and quagga and zebra mussels.
- *Quagga and Zebra Mussel Infestation Grants Program (\$750,000).* The proposal would reduce

this \$3.8 million program by an amount that reflects funds not fully utilized in recent years. The program provides grants to reservoir operators to develop prevention plans for avoiding mussel infestations.

Provide Temporary General Fund (\$10 million). The proposal would provide General Fund transfers of \$10 million to HWRF in both 2021-22 and 2022-23 to help cover costs.

Funds Department of Motor Vehicles (DMV) to Administer Fee Change. The proposal assumes a one-time cost of \$3.3 million in 2021-22 for DMV to adjust its systems for the proposed registration fee changes. Parks incorporated this cost into its anticipated expenditures for the HWRF in 2021-22 and would fund it out of the increased fee revenues.

Administration States It Will Pursue Additional Revenue Solutions in Future Years. In part due to the General Fund being proposed for just two years, Parks projects that under the Governor's proposal the HWRF would again face a funding shortfall beginning in 2024-25. The department states that it will work with stakeholders over the next couple of years to develop another funding proposal — likely a different fee structure — to present for the Legislature's consideration.

Background. Structural deficit within the Harbors and Watercraft Revolving Fund (HWRF). HWRF is the primary fund source for boating programs. The fund is sustained by vessel registration fees and motor vehicle fuel tax revenues attributable to boating. The vessel registration fee was \$5 until 2005 when it was raised to its current level of \$10 per year. Revenues into the fund has remained relatively constant while expenditures from the fund have increased, especially in the last 10 years. The increasing cost pressures include legislative expansion of programs and increasing employee compensation costs. Without additional revenue sources to keep pace with the increased expenditures, the fund has a \$52 million structural deficit.

LAO Comments. Fund Supports Boating-Related Activities. The HWRF is used to support various boating-related activities, including management of invasive aquatic plants and other species, as well as local assistance grants for boating facilities and safety programs. The department also makes regular transfers from the HWRF to the Public Beach Restoration Fund, which provides grants for sand replenishment projects.

Most Revenue Generated From Vessel Registration Fees and Fuel Taxes. The HWRF receives a significant portion of its revenue from vessel registration and renewal fees, as well as transfer of gas tax revenues from the Motor Vehicle Fuel Account. Vessel registration renewals in California are conducted on a biennial basis. As a result, fee revenue for the HWRF fluctuates predictably each year.

Initial Registration Fees. The state charges an initial registration fee of \$20 for most vessels that are registered in odd years and \$10 for those registered in even years (the second year of a two year cycle).

Renewal Fees. The state also charges a registration renewal fee that is due every two years in odd numbered years totaling \$20 for most vessels.

Fee Levels Have Not Been Updated in Many Years. The existing vessel registration and renewal fee levels have been in place since 2005.

Fund Has Ongoing Structural Imbalance. Annual expenditures from the HWRF now exceed its typical level of revenues. This imbalance arose from several factors, including factors related to both expenditures and revenues.

Increasing Expenditures. Annual expenditures from the HWRF have nearly doubled in less than a decade — increasing from \$48 million in 2014-15 to \$94 million in 2020-21 — due to factors such as increases in employee compensation, addressing a growing prevalence of aquatic invasive species, and because of new activities that have been shifted onto the fund.

Declining Revenues. Vessel registration revenues have been relatively flat in recent years because the registration fees have not changed, averaging about \$16 million across the two-year collection cycle. However, the 2019-20 budget made a technical correction to how gas taxes are allocated that resulted in a significant reduction in the amount of annual revenues that are transferred from the Motor Vehicle Fuel Account into the HWRF. Due primarily to this change, total revenues for the fund have declined from an average of about \$58 million annually across 2014-15 through 2017-18, to an annual average of about \$40 million projected across 2020-21 and 2021-22.

Department Has Relied on Reserves to Manage Shortfall in Recent Years. The HWRF has faced a revenue shortfall for the past couple of years — including 2020-21 — which Parks has covered primarily by drawing down the fund’s reserves (including savings from underutilized grant programs).

Current Operating Shortfall Roughly \$54 million. The Administration estimates that absent any corrective actions, the fund will have an annual gap of approximately \$54 million across its two-year fee collection cycle between existing revenues of roughly \$40 million and existing expenditures of roughly \$94 million.

Governor Proposes Three-Part Approach to Addressing Shortfall in the HWRF. The Governor proposes to (1) make ongoing expenditure reductions, (2) raise vessel registration fees, and (3) provide temporary General Fund to address a roughly \$54 million structural imbalance between the fund’s revenues and expenditures. This would provide the fund with sufficient funding, but only for the next few years.

Action Needed to Address Shortfall This Year. As the HWRF does not have sufficient funding to meet anticipated expenditures this year, the Governor’s proposal addresses an important issue. While the Governor’s proposal does not represent the only available options or addressing the problem, the Legislature will need to adopt some set of solutions to confront this shortfall in 2021-22 if it wants to avoid major programmatic disruptions.

The LAO finds merit in the Governor’s approach of addressing the funding shortfall by making both revenue *and* expenditure changes. Relying exclusively on raising revenues could create cost difficulties for boat owners, while solving the problem solely through expenditure reductions would have significant negative impacts on the programs the HWRF supports.

Reasonable to Raise Vessel Registration Fees. These fees support programs that benefit boaters. As such, raising vessel registration fees to generate additional revenues to support these programs makes sense.

Fees Have Not Increased in Many Years. Holding fees flat for so many years — since 2005 — has benefited boat owners, but has also meant that HWRF revenues have not kept pace with inflation or with increasing program costs like addressing the growing prevalence of aquatic invasive species.

Legislature Could Set Fee Increases at Different Levels. The Governor’s proposal to add a flat \$50 to existing biennial fees is simple and transparent. However, the Administration has not provided a rationale for why this is the “right” amount of fee increase. For example, the proposal is not directly aligned with

increases in programmatic costs or comparable changes in registration fees for other types of vehicles. As such, the Legislature could consider increasing fee levels by a higher or lower amount depending upon how much revenue it seeks to generate.

Legislature Could Also Pursue Alternative Approach to Generating Revenues. The Legislature could adopt a more sophisticated vessel registration fee structure, such as one that charges different amounts depending on the length of the boat. Moreover, the Legislature could explore charging fees on other parties who do not typically pay revenues into the HWRF, such as nonmotorized boat owners (who also benefit from the programs the fund supports) and large, commercial ships (that contribute to the spread of aquatic invasive species). Additionally, the Legislature could consider directing additional gas tax revenues from the Motor Vehicle Fuel Account to the HWRF.

Proposed Expenditure Reductions are Well Targeted. The LAO believes the Governor has chosen an appropriate package of HWRF-funded programs to reduce on an ongoing basis.

Most Proposed Reductions Likely Would Not Have Significant Programmatic Impacts. According to Parks, the majority of the programs targeted for reduction have been experiencing savings in most years. This is primarily because of diminishing numbers of applicants for the loan and grant programs, as well as salary savings from vacancies in the aquatic invasive species program. As such, most of the reductions would simply reflect a “truing up” of actual expenditures over the past few years. (Absent making these reductions, these programmatic savings would otherwise materialize in the HWRF’s fund balance a year or two after funds were budgeted.)

Beach Restoration Program Not Best Fit for Boat Fee. The one reduction that likely would have a more significant programmatic effect is the proposal to stop transferring roughly \$6 million annually for beach replenishment grants. However, the nexus between who benefits from that program — public beach goers, homeowners, and local communities — and how pays for into the HWRF — boat owners — is not particularly strong. As such, the Governor’s proposal is reasonable. (Should the Legislature have concerns about the programmatic impacts of reducing funding for beach restoration activities, it may want to consider identifying alternative funding sources for that program.)

Legislature Could Seek to Make Additional Expenditure Reductions. While the Governor’s proposals seem well targeted, the Legislature could also consider making additional reductions to HWRF expenditures to help address its funding imbalance. For example, the Legislature could investigate whether some existing expenditures could be shifted to other funding sources, such as whether other state departments — such as State Lands Commission or the California Department of Fish and Wildlife — may collect fees that could support some of Parks’ aquatic invasive species projects.

Does Not Permanently Address Structural Imbalance. The Governor’s proposal would address the pending insolvency of the HWRF, but only for the short term. Because the proposal relies on temporary support from the General Fund, the funding shortfall will rematerialize. Parks estimates that the funds will run short on funding in 2024-25.

Proposal Could Require Another Fee Increase in a Few Years. Parks indicates that it likely will present the Legislature with a new fee proposal to address the reemerging funding shortfall in future years. Should the Legislature adopt the Governor’s significant increase to registration fees in 2021-22, revisiting fees for another increase just a few years later could be difficult for both stakeholders and the Legislature. This approach likely also would necessitate two rounds of updates to the DMV’s systems, which would not be the most cost-effective approach.

LAO Recommendations. *Address Structural Imbalance in HWRF.* Whatever solution the Legislature adopts to address the shortfall in this fund, the LAO recommends it (1) address the problem in the budget year, (2) include both revenue increases and expenditure reductions, (3) raise registration fees that have been stagnant for over 15 years and not kept pace with program costs, (4) minimize programmatic impacts on existing activities, and (5) put the fund on a path towards long-term stability. The Governor’s proposal meets most of these criteria and therefore is a reasonable starting point, however, it does not provide a permanent solution to the fund’s structural problems. As such, the LAO recommends the Legislature consider adopting additional solutions to address the remaining shortfall — even if it opts to have those solutions trigger on in future years when needed.

Legislature May Want to Consider Adopting a Permanent Solution. In lieu of approving the Governor’s proposed short-term solution and needing to revisit the HWRF shortfall — and fee increases — again in a few years, the Legislature may want to consider instead adopting an approach that would permanently address the HWRF imbalance. Two options that would accomplish this goal include:

- *Design and Implement Ongoing Solution Beginning in 2021-22.* The Legislature could adopt expenditure reductions and an alternative fee increase that would raise additional revenue to bring the HWRF into sustainability on an ongoing basis beginning in 2021-22. This would negate the need for both short-term General Fund augmentations and revisiting the fees in a few years. However, designing such an approach will be somewhat complicated — particularly if the Legislature opts to restructure the current fee and apply charges to other entities — and could be difficult to accomplish over the next few months before the budget must be enacted.
- *Adopt Governor’s Proposal With a “Trigger.”* Another approach would be to adopt (1) the Governor’s proposal to address the structural deficit over the next few years and (2) trailer bill legislation for additional fee increases — and potentially also expenditure reductions — that would trigger on in 2024-25 when the fund is projected to become insolvent. This would ensure that a longer-term solution is in place while also providing additional time for the department and stakeholders to work on an alternative proposal. This is similar to the Governor’s proposal in that it would necessitate limited-term General Fund appropriations and two different changes to registration fees. The comparative advantage of this approach, however, is that it ensures that a permanent solution is in place should the department’s efforts to develop a good alternative — or the Legislature’s desire to take another action on a subsequent fee increase — prove infeasible.

Staff Comments. The boating fee increase is a simple majority vote because the fee confers a benefit to the payer that is not provided to those not charged the fee and it does not exceed the department’s reasonable costs provide the benefit. Thus, it would not require a two-thirds vote.

Staff Recommendation. Hold open.

3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CALFIRE)

Issue 17: Capital Outlay Projects

Governor's Proposal. The Governor's budget proposes the following CalFire capital outlay projects:

Proposal	GF Cost in 2021-22 (In millions)	Total Estimated Cost (In millions)	Proposal Summary
Alhambra Valley Fire Station – Relocate Facility	2.5	12.408	The Governor's budget requests \$2.5 million GF for the acquisition phase of the Alhambra Valley Fire Station: Relocate Facility project. The project will acquire a suitable parcel, relocate the Steven's Creek Fire Station and construct a standard one-engine fire station with two-bay apparatus, an eight-bed barracks and battalion chief's office, a generator/pump/storage building, and a flammable storage building. Additionally, the scope of work will require site work and utilities, as needed. This is a new project.
Alma Helitack Base: Relocate Facility	5	33.888	The Governor's budget requests \$5 million GF for the acquisition phase of the Alma Helitack Base — Relocate Facility project. This project includes site acquisition and construction of a 28-bed barracks/mess hall bundling, a helicopter hangar, a helitender storage, two landing pads (one primary and one secondary pad for taking the current helicopter out of service for required maintenance), an administrative office space, an antenna, a tower base and radio, a warehouse space, a flammables storage building, a generator building, and a helicopter training tower. This is a new project and located in Santa Clara County.
Boggs Mountain Helitack Base: Relocate Facility	2	22.649	The Governor's budget requests \$2 million GF for the acquisition phase of the Boggs Mountain Helitack Base — Relocate Facility project. This project includes site acquisition and construction of a helicopter hangar, support vehicle garage, 22-bed barracks building, generator/pump/storage building, wash rack canopy, hazmat/retardant storage, and helicopter-training tower. This is a new project located in Lake County.
Butte Fire Center: Replace Facility	2.745	59.657	The Governor's budget requests \$2.745 million GF for the working drawings phase of the Butte Fire Center: Replace Facility project. The project includes an administration building, a CalFire bachelor office quarters, a warehouse, a California Conservation Corps utility storage garage, a six- to ten-bed corps member dormitory, a fuel island storage building, an emergency generator/fire pump building, a multipurpose gym/weight room, and a recyclable vehicle wash building. This is a continuing project located in Butte County.
Elsinore Fire Station – Relocate Facility	1.8	15.413	The Governor's budget requests \$1.8 million GF for the acquisition phase of the Elsinore Fire Station — Relocate Facility project. The project includes site acquisition and construction of a 12-bed barracks/3-bay apparatus single building fire station, a storage building, a fuel island canopy, a generator/pump building, and a vehicle wash rack system. This is a new project located in Riverside County.

Growlersburg Conservation Camp: Replace Facility	3.05	59.265	The Governor's budget requests \$3.05 million GF one-time for the working drawings phase of the Growlersburg Conservation Camp — Replace Facility project. In conjunction with the California Department of Corrections and Rehabilitation (CDCR), the project includes the design and construction of an administration building, inmate dorm building, inmate recreation building, inmate hobby building, CalFire/CDCR barracks building, inmate kitchen and mess hall, multipurpose facility for inmate programs, inmate staging area, restrooms, showers, a warehouse, carpentry shop, auto/welding shop, vehicle storage building, sawmill shed, sawmill building, covered vehicle wash rack, vehicle wash recycling building, and related site work. This is a continuing project located in El Dorado County.
Hemet Ryan Air Attack Base: Replace Facility	1.931	37.523	The Governor's budget requests \$1.931 million GF one-time for the working drawings phase of the Hemet Ryan Air Attack Base: Replace Facility project. The project includes the construction of an air operations building, 32-bed barracks/mess hall, three-bay apparatus storage and warehouse building, hangar, protective aircraft weather canopy, and a helicopter-training tower. This is a continuing project located in Riverside County.
Higgins Corner Fire Station — Replace Facility	0.789	12.029	The Governor's budget requests \$789,000 GF one-time for the preliminary plans phase of the Higgins Corner Fire Station — Replace Facility project. The project includes site acquisition and construction of a standard, two-engine fire station, including a 12-bed barracks/3-bay apparatus building, administration building, flammable storage building, and generator/pump/storage building. This is a continuing project located in Nevada County.
Hollister Air Attack Base/Bear Valley Helitack Base: Relocate Facilities	12.15	53.55	The Governor's budget requests \$12.15 million GF one-time for the acquisition phase of the Hollister Air Attack Base/Bear Valley Helitack Base — Relocate Facility project. This project includes site acquisition and construction of an air operations building, 32-bed barracks/mess hall, 3-bay apparatus storage and warehouse building, helicopter and OV-10 hangar, protective aircraft weather canopy, helicopter training tower, and site work as needed. This is a continuing project located in San Benito County.
Howard Forest Helitack Base: Relocate Facility	0.55	17.985	The Governor's budget requests \$550,000 GF one-time for the acquisition phase of the Howard Forest Helitack Base — Relocate Facility project. This project includes a helicopter hangar, lighted helipads, support vehicle garage, 22-bed barracks building, generator/pump/storage building, wash rack canopy, hazmat/retardant storage, and helicopter-training tower. This is a new project located in Mendocino County.
Humboldt-Del Norte Unit Headquarters: Relocate Facility	1.86	57.317	The Governor's budget requests \$1.86 million GF one-time for the acquisition phase of the Humboldt-Del Norte Unit Headquarters: Relocate Facility project. This project includes an administration/training building, service center building, auto shop, covered vehicle wash rack with water recycle system and building, telecommunications building, covered parking structure for 15 vehicles (with photovoltaic panels), standard two-engine fire station with a dozer/transport dozer shed, two generator/pump/storage buildings (with generators), radio communications tower, site development, utilities, propane or natural gas system, septic system, domestic water well with water treatment and storage, fire suppression water system with water storage, landscaping and irrigation, site lighting and fencing, and telephone and radio cabling. Demolition and hazardous materials abatement, at the existing site, will be required upon completion of the new site. This is a new project in Humboldt County. Total estimated project costs are \$57.317 million.

Intermountain Conservation Camp: Relocate Facility	0.6	73.895	The Governor's budget requests \$600,000 GF one-time for the acquisition phase of the Intermountain Conservation Camp: Relocate Facility project. This project is in conjunction with the California Department of Corrections and Rehabilitation (CDCR). The project includes CalFire/CDCR administration buildings, bachelor officer quarters, inmate dormitory, inmate kitchen/mess hall, inmate recreation building, inmate laundry building, inmate staging area, CalFire warehouse, CDCR warehouse, CalFire maintenance shop building, five-bay auto shop building, five-bay emergency crew transport building, two-bay dozer/transport building, garage, inmate family visit building, generator building, pump building, fire pump building, storage building, and a flammables storage building. This is a continuing project located in Larsen County.
Kneeland Helitack Base: Relocate Facility	0.85	18.285	The Governor's budget requests \$850,000 GF one-time for the acquisition phase of the Kneeland Helitack Base: Relocate Facility project. This project includes a helicopter hangar, support vehicle garage, 22-bed barracks building, generator/pump/storage building, wash rack canopy, hazmat/retardant storage, and helicopter training tower. This is a new project located in Humboldt County.
Macdoel Fire Station: Relocate Facility	0.796	11.879	The Governor's budget requests \$796,000 GF one-time for the acquisition and preliminary plans phases of the Macdoel Fire Station - Relocate Facility project. This project includes a single-building 12-bed barracks/3-bay apparatus facility, flammable storage building, generator/pump building, hose rack, and fueling canopy. This is a continuing project located in Siskiyou County.
Minor Projects: Various	2.005	2.005	The Governor's budget requests \$2.005 million for two minor projects: 1) Owens Valley Conservation Camp: Tank and Dozer Barn Improvements — \$975,000 for preliminary plans, working drawings, and construction. This project is located in San Bernardino County. 2) West Point Fire Station/La Panza Fire Station: Construct Apparatus Buildings - \$1.03 million for preliminary plans, working drawings, and construction. This project is located in Calaveras/San Luis Obispo County.
Potrero Fire Station: Replace Facility	0.981	13.262	The Governor's budget requests \$981,000 GF for the working drawings phase of the Potrero Fire Station: Replace Facility project. This project includes one standard, two-engine fire station, consisting of a 14-bed barracks/mess hall, three-bay apparatus building, and generator/pump storage building, fuel dispensing system and fuel vault, vehicle wash rack, hose wash rack, flammable storage building, and site work and utilities. This is a continuing project located in San Diego County.
Prado Helitack Base: Replace Facility	1.51	24.6	The Governor's budget requests \$1.51 million GF for the working drawings phase of the Prado Helitack Base: Replace Facility project. This is a continuing project located in San Bernardino County. This project is for the working drawings phase of the Prado Helitack Base: Replace Facility project. The project includes construction of a helicopter hangar, warehouse/shop building, support vehicle garage, 26-bed barracks building, generator/pump storage building, wash rack canopy, hazmat/retardant storage, and helicopter training tower.

Shasta Trinity Unit Headquarters / Northern Operations: Relocate Facility	4.329	105.805	The Governor's budget requests \$4.329 million GF one-time for the preliminary plans phase of the Shasta Trinity Unit Headquarters/Northern Operations: Relocate Facility project. The project includes a new joint facility to co-locate the Shasta Trinity Unit Headquarters and several Northern Region Operations facilities. Construction will include a six-bay auto shop, covered vehicle wash rack, fire station, service center, emergency command center, flammables storage building, 70-bed dormitory, Northern Region Headquarters administration building, Technical Services administration building and shop building, telecommunications repair shop, two training buildings, 120-foot communications tower, 45 covered parking spaces, physical fitness building, and Emergency generator/pump/storage building, and site work and utilities as needed. This project is continuing and located in Shasta County.
Temecula Fire Station: Relocate Facility	0.595	12.618	The Governor's budget requests \$595,000 GF for the preliminary plans phase of the Temecula Fire Station: Relocate Facility project. This project includes a 12-bed/three-bay apparatus, single building fire station, storage building, administration building, generator/pump building, vehicle wash rack canopy, fuel island canopy, self-contained breathing apparatus repair building, and site work and utilities as needed. This is a continuing project and located in Riverside County.
Various Projects: Air Attack Bases: Infrastructure Improvements	9.616	9.616	The Governor's budget requests \$8.164 million GF for the construction phases of the Fresno Air Attack Base/Ramona Air Attack Base — infrastructure improvement projects. These projects are continuing.
TOTAL:	\$55.657	\$653.649	

Legislative Analyst's Office (LAO) Comments. *Future Costs for Projects Will Be Substantial.* The total costs for these projects will be \$654 million based on current estimates. The department will come back to the Legislature in future years to ask for subsequent phases of project funding, including any revised estimates of project costs.

Future Costs Expected To Be Funded from General Fund. For most of these projects, the Administration has not specified out-year fund sources. However, CalFire projects typically are funded directly from the General Fund on a pay-as-you-go basis or with lease revenue bonds, which are repaid from the General Fund over multiple decades.

Both Pay-As-You-Go and Bonds Come with Trade-Offs. Pay-as-you-go will require substantial one-time General Fund expenditures at the time the projects are undertaken. Using bonds, on the other hand, reduces the budgetary costs in the near term, but results in smaller annual costs — including for interest payments — for a much longer period of time. (Currently, interest rates are low compared to historical averages, making borrowing somewhat less expensive than other periods.) In both cases — whether using pay-as-you-go or bonds — funding these projects would result in a reduction of General Fund resources available for other budgetary priorities.

LAO Recommendation. *Consider Future Costs When Crafting Longer-Term Budget Plan.* The LAO has no concerns with the specific projects proposed by the department. These projects are intended to improve upon aging facilities and address operation needs, such as the accommodation of new helicopters previously authorized by the Legislature. However, the state faces multiyear General Fund deficits, and the Legislature will want to consider these proposals in the context of those longer-term fiscal challenges.

Given Magnitude of Costs, Could Have Department Report at Hearings on Priorities. Ultimately, given the total costs of the proposed projects, the Legislature could consider directing CalFire to report at budget hearings on the operational impacts of not approving each project, the alternatives for accommodating new air resources, and how the department would prioritize these projects.

Staff Comments. The Governor's budget proposal includes many capital outlay projects, including fire stations, helitack bases, and border protection stations — several of which are new or at the beginning stages (e.g. acquisition, preliminary plans), and are funded by the General Fund. These projects are expected to be completed over multiple years.

Some of these projects were meant to happen many years ago, but were shelved for various reasons. For example, proposals to relocate CalFire's Hollister Air Attack Base were appropriated funding in the 1999 and 2006 Budget Acts, but those attempts to relocate did not come to fruition. The Governor's budget includes a proposal to relocate Hollister Air Attack Base, providing \$12 million for acquisition (total project cost of \$53.6 million).

The LAO forecast projects that the state faces an operating a growing General Fund operating deficit over the next few years. With the forecast of a growing General Fund operating deficit, what is the expectation or commitment by the Administration that these projects will be funded and completed in the outyears within the expected timeframes?

According to the Administration, its revenue forecast, which also predicts outyear revenue reductions, provides sufficient stability from which to develop a five-year infrastructure plan and was used to determine which projects the Administration can afford to complete. These projects are key components in the Administration's wildfire response efforts, in its investments in state infrastructure, and play an important role in promoting economic stimulus. The majority of the project costs included in CalFire's infrastructure plan will be funded through lease revenue bond financing, which will mitigate the per year impact on project costs by spreading the over a 25- year period. The projected need for these projects is for the next 50 years and under current replacement timeframes would be operational for the next 60-70 years.

Several of the projects are for Helitack bases including new hangars because the new Black Hawks will not fit into the he current ones. If the new capital outlay projects are not built, the Administration states that it will operate the helicopters outside, maintain the helicopters as much as possible at the current site in the outdoors and modify existing helipads to accommodate the S70i airframe until the capital outlay projects are executed. Disadvantages to this alternative includes security, maintenance operations outside and weather exposure. Temporary structures such as offices, ready-room, sea-land containers for storage and dormitories will be utilizing trailers where needed.

Staff Recommendation. Hold open.

Issue 18: Defensible Space Inspections (AB 38)

Governor’s Proposal. The Governor’s budget requests \$8.3 million GF in 2021-22 and \$6.1 million GF in 2022-23 ongoing, and 26 positions ongoing to address increased workload driven by statutory requirements related to defensible space inspections and a regional capacity review set forth in AB 38 (Wood), Chapter 391, Statutes of 2019.

Defensible Space Inspections. This proposal includes 21 Forest Technicians (FTs) to conduct defensible space inspections at the request of a seller of a property to validate compliance with AB 38. FTs will issue documentation of compliance so that the seller can provide required documentation to the buyer of the property. The 21 positions were determined by estimating the number of home sales in the State Responsibility Area (SRA) requiring defensible space inspections. There are approximately 730,000 homes in the SRA and approximately 24,820 homes were sold in the SRA in 2018.

Additional positions are needed for the CalFire Training Center to accommodate the 21 FTs, including two Fire Captains to provide required training and one Office Technician to support the administration needs of the FTs receiving training. Two additional positions are needed for CalFire’s Mobile Equipment Program to accommodate the addition of 21 vehicles: one Staff Services Analyst and one Auto Technician II.

CalFire is statutorily required to provide to the six Contract Counties (Orange, Los Angeles, Ventura, kern, Santa Barbara, and Marin) commensurate proportional funding for any funding that CalFire receives to perform wildland fire prevention and control the proportional amount for this proposal for six Contract Counties is \$1.1 million ongoing for which funding is requested in this proposal.

Background. Data from CalFire’s Damage Inspection (DINS) Program shows that 90 to 95 percent of all structures that catch fire will be completely destroyed. Additionally, analysis of CalFire’s DINS data shows that 70 percent of all structures destroyed by wildfires are residential structures.

AB 38. AB 38 requires, subject to appropriation, CalFire and the Office of Emergency Services (Cal OES) to develop and administer a comprehensive wildfire mitigation program to encourage cost-effective structure hardening and retrofitting that creates fire-resistant homes, businesses, and public buildings. The WildFire and Forest Resilience Expenditure Plan proposes 2020-21 resources for CalFire and Cal OES to implement the wildfire mitigation financial assistance, which is a separate proposal. AB 38 requires the seller of a home in a High or Very High Fire Hazard Severity Zone to certify or provide documentation of structure hardening measures and the property’s defensible space compliance to the buyer. Lastly, CNRA, CalFire’s Office of State Fire Marshal, and the Forest Management Task Force must identify and review the regional fire prevention capacity of each county that contains Very High Fire Hazard Severity Zones, including identification of local or regional entities engaged in fire prevention work.

LAO Comments. *Consistent with New Law, and No Alternative Fund Source Available.* The LAO finds that the proposal generally is reasonable as it supports implementation of AB 38. Moreover, the General Fund appears to be the most appropriate fund source because there is not existing fee revenue associated with this workload, and the department currently is not authorized to charge a fee.

Workload Is Uncertain Because Is New Responsibility. The Administration took a reasonable approach to estimating its future workload associated with disclosures given the uncertainty associated with

implementing a new program. However, the actual workload could be substantially higher or lower than assumed.

Uncertainty Around Number of and Time Per Inspection. The actual number of home sales in the SRA could be significantly higher or lower than estimated. Similarly, the average time per inspection could be substantially different than estimated by the department.

Could Impact Existing Defensible Space Inspection Program. To the extent that actual disclosure-related workload turns out to be higher than estimated, the department might need to divert other staff to complete disclosure inspections. This could negatively impact outcomes for other programs, such as CalFire's existing defensible space program or hazardous fuels reduction projects. Alternatively, if workload is actually lower than estimated, the additional inspectors provided in this proposal could be used to increase the total number of defensible space inspections completed by the department's existing program.

Insufficient Justification for Academy and Mobile Equipment Components. The three training positions are being requested as ongoing despite the fact that the training workload will occur on a one-time basis when the new defensible space inspectors are hired. Similarly, the mobile equipment program positions are related to the one-time procurement of vehicles for inspectors. The purchase of the fire engine is not warranted because (1) its procurement likely would not be completed in time to be used for the training of these inspectors and (2) the department has historically had several fire engines in its inventory that have been replaced in the field with newer fire engines but remain usable.

LAO Recommendations. Approve Most of Proposal, but With Modifications. The LAO recommends the Legislature approve most of the funding as proposed. The request for additional defensible space inspectors is consistent with recent statutory changes, and the workload estimates are reasonable based on current information. However, the LAO would recommend two modifications.

Provide Funding for Training and Mobile Equipment Staff on One-Time Basis. The LAO finds that it is reasonable to add some additional staff in support of the initial training of the new inspectors and procurement of their vehicles. However, there will not be the same level of workload on an ongoing basis.

Reduce by \$400,000 to Eliminate Fire Engine. The LAO finds that the costs to procure a new fire engine are not justified based on the workload demands associated with the new disclosure requirements, nor would it be procured in time to assist in the training of these inspectors.

Adopt Reporting Requirement. The LAO recommends the Legislature approve supplemental reporting language directing the department to report in each of the next two years on (1) the number of inspections completed to meet the disclosure requirements, (2) the average time (including for travel) to complete these inspections, and (3) how these new requirements and staffing have impacted the department's existing defensible space inspection program. This information would help inform future legislative decisions, as well as determine whether the new workload is inadvertently affecting the existing program, which is important for ensuring community safety.

Consider Options to Make Disclosure Inspection Program Fee Based. In the longer term, the Legislature may want to consider whether it would make sense to charge home owners a fee when they request these defensible space inspections. The arguments for such a fee are that (1) the program provides a direct service to property owners, and it is reasonable for them to reimburse the state; (2) the costs per property would be relatively modest — perhaps between \$100 and \$200 per inspection based on current

workload estimates; and (3) it would offset ongoing General Fund costs. Notably, any such requirement would require statutory authority and additional administrative support to collect the fee.

Staff Recommendation. Hold open.

3340 CALIFORNIA CONSERVATION CORPS (CCC)**3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CALFIRE)****Issue 19: CalFire Emergency Response & Preparedness: CalFire/CCC Fire Crews**

Governor’s Proposal. The Governor’s budget requests for CalFire and CCC a total of \$143.266 million (\$137.335 million GF to CalFire, \$5.931 million GF to CCC, and an offsetting reduction of \$1.8 million Collins-Dugan Reimbursement Account to CCC) in 2021-22 and \$124.493 million GF ongoing (phased in over five years) and a total of 617 positions ongoing to add 30 additional hand crews to provide vegetation management, hazardous fuel reduction projects, and wildland fire suppression. The request includes 16 CalFire Fire Fighter crews, eight year-round CCC crews, and six seasonal CCC crews.

According to the LAO:

CalFire Costs (\$137 million). The proposal includes 591 ongoing positions to establish 16 seasonal fire fighter hand crews at seven of the closed conservation camps, as well as other support of the CCC crews and other ancillary costs.

- *Fire Fighter Hand Crews.* Each crew would be staffed with 13 Fire Fighter I’s — the typical seasonal fire fighter classification — for nine months of the year. In order to provide 24-hour coverage, the department would hire a total of 640 fire fighters (equivalent to 480 positions on a year-round basis). The new crews would be phased in over two years.
- *Funding to Reactivate Camps.* Each conservation camp is proposed to be staffed with maintenance, cooking, and administrative support positions. In addition a, the proposal includes \$21 million in one-time funds for facility repairs (including some funding for CCC facilities) and \$3.8 million on an ongoing basis for (1) the cost of leasing temporary facilities while repairs are being undertaken and (2) facility maintenance costs for after the camps have been reactivated.
- *Supervision of and Reimbursement for CCC Crews.* CalFire’s budget request includes funding for supervisory staff to oversee the expansion of corpsmember hand crews, as well as funding to reimburse CCC for its seasonal crews.
- *Other Ancillary Costs.* The Administration proposes additional funding for vehicles, equipment, and an agreement with the California Department of Human Resources (CalHR) to conduct a study related to how the fire fighter hand crew positions are classified.

CCC Costs (\$6 million). The budget proposes to add a total of 26 positions and funding (\$8 million upon full implementation) to (1) convert six existing reimbursement crews — which can be used for a variety of projects not necessarily related to wildfires — to year-round hand crews, (2) add two new year-round hand crews, and (3) transition six existing reimbursement crews to seasonal hand crews. In total, the Administration proposes to add 14 CCC hand crews for fire response and mitigation. Each hand crew will be made up of 15 corpsmembers.

Background. Fire crews are a team of individuals that, when assigned to wildland fires, are utilized primarily to construct fire lines by removing vegetation from the path of an advancing wildfire. Fire crews also assist fire engine crews with deployment of fire hoses over long distances, are assigned to

helicopter and bulldozer activities, and are utilized in the logistical operations and support on major incidents, including establishing the incident base for large fires. When not responding to emergencies, fire crews engage in fuel reduction, vegetation management, prescribed fire, and forest health projects.

Through various interagency cooperative agreements, CalFire has historically operated 208 Type 1 hand crews, including 192 fire crews through cooperative agreements with the California Department of Corrections and Rehabilitation (CDCR) and the Department of Juvenile Justice (DJJ), 12 crews through a partnership with CCC, and an additional four crews that are part of a training program at Ventura Training Center.

However, over the last decade, the CalFire Conservation Camp program has experienced a decline of inmates available to fully staff all its inmate Fire crews, which has resulted in the operation of fewer crews to support CalFire's fire protection operations and complete hazardous fuel reduction projects. In recognition of this trend, the 2020-21 budget reflected a consolidation of inmate fire camps and the vacating of eight camp facilities by CDCR.

CalFire has been working in the last several years to build fire crews by adding more CCC fire crews, which has provided 12 CCC fire crews statewide to date. In addition, CalFire has utilized California National Guard (CNG) crews to augment fire crew resources. Given fire risks present during the 2020 fire season, the Administration augmented the Emergency Fund to add both additional seasonal CCC crews and 858 seasonal fire fighters to act as fire crew members, as part of a flexible fire fighter surge capacity.

The statewide need for fire crews for conservation projects resulting from climate change and the devastating fires of recent years has increased significantly. When not assigned to emergency incidents, these crews are intended to perform fire prevention work in the form of community fuel breaks, vegetation management, forest health projects, and prescribed fire.

LAO Comments. *Would Add Valuable Fire Response and Mitigation Capacity.* Hand crews play an important role in the state's overall approach to mitigating the risk of wildfire damage. The additional hand crew capacity proposed would provide a significant expansion of the resources available to assist in response to active wildfires, as well as to conduct hazardous fuel removal projects at other times.

Most Time Likely Would Be Spent on Wildfire Response. The LAO anticipates that most of the additional resources requested would be used for wildfire response, though this could vary each year based on the severity of the fire season. Most of the new resources requested are for seasonal fire crews — including all 16 CalFire crews and six of the CCC crews — which largely operate during California's wildfire season.

Expanded CalFire Capacity Is Particularly Expensive. While valuable, the budget request reflects a significant ongoing General Fund commitment, particularly for the CalFire components. The ongoing nature of the request is particularly notable given the ongoing structural challenges projected for the General Fund.

Utilizes Fire Fighters for Hand Crews. In part, CalFire's portion of costs is particularly expensive because it proposes to utilize professional fire fighters, which are considerably more expensive than other types of fire crew members, including inmates or corpsmembers.

Provides 24-Hour Coverage. CalFire hand crew members will work 72-hour shifts. This allows for round-the-clock availability, but necessitates hiring multiple people to fill each position throughout the

week (as well as provide relief when crew members take leave, such as for injury or illness).

Reactivates Camps. The conservation camps are aging and designed for inmates, rather than fire fighters. Consequently, CalFire has identified one-time facility repair costs of \$18 million in 2021-22, as well as future capital outlay costs of \$38 million. The projects would involve various renovations and upgrades, such as repair of cracked paving, utility upgrades, and remodeling of the dormitories.

Creation of New Classification Could Reduce Costs, but Little Information Available. The department reports that it would like to work with CalHR to study whether it would make sense to create a new classification that could be used to staff hand crews instead of Fire Fighter I's because members of hand crews do not have all of the same responsibilities, such as staffing fire engines.

Unclear What Potential Savings Would Be. If the Legislature approves the creation of CalFire hand crews, an evaluation of a new classification could make sense if it expands the pool of potential applicants and/or if a lower salary range could reduce the impact of the proposal on the General Fund in the future. Any such benefits, however, would depend on final decisions regarding eligibility requirements and salary scales for the new classification.

Unclear if Augmentation Needed to Begin Review Process. The budget includes funding over a couple of years to support this classification analysis with CalHR. To LAO's knowledge, departments and CalHR do not typically receive budget augmentations for these types of analyses, instead relying on CalHR's existing staff to support such efforts.

LAO Recommendations. Consider Proposal in Context of Other Budget Requests and General Fund Condition. The expansion of the state's hand crew capacity could add significant value for both wildfire response and mitigation. In reviewing this proposal, the Legislature will want to consider these merits in the context of other current and recent funding proposals related to wildfires, as well as the state's overall fiscal condition.

Governor's \$1 Billion Wildfire Resilience Package. The Governor's 2021-22 budget plan includes a total of \$1 billion for various wildfire prevention and mitigation efforts, including for multiple programs that support hazardous fuels reduction. To the extent that the Legislature is primarily interested in the potential of fire crews to increase prevention and mitigation work, it could choose to target resources into programs already included in that packages — such as various forest health and fire prevention grants — rather than create a new CalFire program.

Proposed Fire Fighters Would Add to Positions Provided in Recent Budgets. Notably, recent state budgets have provided ongoing funding to increase the number of CalFire fire fighters, including (1) \$86 million in 2020-21 for 172 permanent and 378 seasonal fire fighter positions and (2) \$33 million in 2019-20 to add 131 permanent fire fighters to staff 13 new year-round fire engines.

General Fund Faces Multiyear Challenges. The Administration anticipates the state would have operating deficits if the Legislature adopted the Governor's budget proposals, reaching \$11.3 billion in 2024-25.

Could Explore Other Options to Expand State's Hand Crew Capacity. Historically, the state could rely primarily on state inmates to staff hand crews. However, the decline in the prison population — coupled with more intense wildfires — has forced the state to explore other options, including the use of CCC corpsmembers, creation of a parolee training center, and contracting with the California National Guard. While this request to expand the use of CCC and CalFire hand crews has merit, there may be

value in investigating additional options, such as expanding parolee crews or creating partnerships with local governments, which also might be interested in supporting regional hazardous fuels reduction work. The Legislature could explore such options in the course of budget hearings or direct the Administration to investigate certain options and report back in the future.

If Legislature Approves Proposal, Consider Reducing Amount for Classification Review. If the Legislature approves the proposed expansion of CalFire fire crews staffed by Fire Fighter I's, an assessment evaluating an alternative classification would have merit. However, it currently is unclear whether CalFire and CalHR require additional funding to undertake such an assessment. The Legislature could direct the Administration to provide additional information on the expected workload, existing staff available, and implementation plan before determining whether to provide the recreated augmentation.

Could Require Review with Existing Resources. If the Administration is unable to justify the additional costs, the Legislature could approve a lesser amount or direct CalFire and CalHR to undertake the study with existing resources.

Require Report Back on Outcome of Review. If the Administration is directed to undertake, the LAO would recommend adopting supplemental reporting language directing CalFire to report back on its findings, including the potential effects on recruitment and retention, operations, and costs.

Staff Recommendation. Hold open.

0509	CALIFORNIA GOVERNOR’S OFFICE OF BUSINESS AND ECONOMIC DEVELOPMENT (GO-BIZ) AND CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (IBANK)
0555	CALIFORNIA NATURAL RESOURCES AGENCY (CNRA)
0650	GOVERNOR’S OFFICE OF PLANNING AND RESEARCH (OPR)
0690	GOVERNOR’S OFFICE OF EMERGENCY SERVICES (CAL OES)
3125	CALIFORNIA TAHOE CONSERVANCY
3340	CALIFORNIA CONSERVATION CORPS (CCC)
3480	DEPARTMENT OF CONSERVATION (DOC)
3540	DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CALFIRE)
3560	STATE LANDS COMMISSION (SLC)
3600	DEPARTMENT OF FISH AND WILDLIFE (DFW)
3790	DEPARTMENT OF PARKS AND RECREATION (PARKS)
3855	SIERRA NEVADA CONSERVANCY
3900	CALIFORNIA AIR RESOURCES BOARD (CARB)
3940	STATE WATER RESOURCES CONTROL BOARD (SWRCB)
6440	UNIVERSITY OF CALIFORNIA (UC)

Issue 20: Wildfire and Forest Resilience Strategy

Governor’s Proposal. The Governor’s budget requests \$1 billion in forest health and fire prevention, with \$323 million in an early action package to help the state prepare for the upcoming fire seasons and \$677 million in 2021-22 to build the state’s resilience to wildfires, increase pace and scale, and reduce fire risk.

This request includes \$198 million GF in 2020-21 and \$477 million GF in 201-22. The Governor’s Cap-and-Trade Expenditure Plan proposes \$125 Greenhouse Gas Reduction Fund (GGRF) in 2020-21 and \$200 million GGRF in 2021-22 for this strategy and is addressed in a separate budget change proposal.

According to the Administration, wildfire resilience requires simultaneous action across three areas:

- 1) Across broad landscapes to limit risk of large, catastrophic wildfire, and restore ecological health;
- 2) Around communities threatened by wildfire to protect residents and property; and,
- 3) Within communities to help them survive if a wildfire swept through.

This proposal is intended to improve the health and safety of Californians as well as result in sustainable jobs and businesses, creating at least 8,000 new jobs in some of California’s most vulnerable communities.

The table on the following page provides a breakdown of appropriations for programs proposed in the Governor’s Wildfire and Forest Resilience Strategy proposal.

Wildfire Resilience Expenditure Plan

(Dollars in Millions)

Investment Category	Department	Program	Early Action 2020-21	Budget Year 2021-22	Total	Fund Source
Resilient Forests & Landscapes	CalFire	Forest Health Program	5	20	25	GF
		Forest Health	65	80	145	GGRF
		Forest Improvement Program for Small Landowners	0	40	40	GF
		Forest Improvement Program for Small Landowners	10	0	10	GGRF
		Forest Legacy & Reforestation Nursery	8	17	25	GF
		Urban Forestry	10	13	23	GF
		Tribal Engagement	1	19	20	GF
	Parks, DFW & SLC	Stewardship of State-Owned Land	19	123	142	GF
	Sierra Nevada & Tahoe Conservancies	Project Implementation in High-Risk Regions	21	61	82	GF
Wildfire Fuel Breaks	CalFire	CalFire Unit Fire Prevention Projects	10	40	50	GF
		Fire Prevention Grants	50	80	130	GGRF
		Prescribed Fire & Hand Crews	15	0	15	GF
		Prescribed Fire & Hand Crews	0	35	35	GGRF
	CCC	Forestry Corps & Fuel Reduction Projects	0	15	15	GF
		Forestry Corps & Fuel Reduction Projects	0	5	5	GGRF
DOC	Regional Forest and Fire Capacity	25	60	85	GF	
Community Hardening	Cal OES & CalFire	Home Hardening	25	0	25	GF
	CalFire	Defensible Space Inspectors	0	6	6	GF
	CalFire & UC	Land Use Planning & Public Education Outreach	0	7	7	GF
Science-Based Management	CalFire	Ecological Monitoring, Research & Adaptive Management	3	17	20	GF
	CNRA	Remote Sensing	0	15	15	GF
	CARB & SWRCB	Permit Efficiencies	0	4	4	GF
Forestry Sector Economic Stimulus	IBank & GO-Biz	Climate Catalyst Fund	47	2	49	GF
	CalFire	Workforce Training	6	18	24	GF
	OPR	Market Development	3	0	3	GF
Subtotal (GF)			198	477	675	GF
Subtotal (GGRF)			125	200	325	GGRF
Total			323	677	1000	

Source: Department of Finance

Resilient Forests and Landscapes (\$139 million in 2020-21 and \$373 million in 2021-22). The early action package and the Governor’s budget is intended to: (1) invest in coordinated forest health and fire prevention projects that help restore the right fire regime to the right ecosystem; (2) provide state land managers resources to better manage state-owned lands in particularly fire-prone area; (3) expand programs that provide assistance to non-industrial landowners; (4) implement ready-to-go projects in high-risk regions; and (5) provide resources to Tribes for fire resilience.

State-Owned Land. The state owns 3 million acres. These ecosystems are being destroyed by wildfire, with over 100,000 acres of Parks land, and 40,000 acres of DFW land burned in the 2020 wildfire season alone.

- **Parks:** The increased investment and ongoing dedicated funding is intended to enable Parks to deliver 25,000 areas treated annually and harden its infrastructure, a significant increase from its current 2,000-4,000 annual acres treated.
- **DFW:** DFW typically treats 1,000-5,000 acres per year. The proposed funding is intended to enable DFW to treat between 12,000-15,000 acres annually.
- **California Tahoe Conservancy:** The conservancy owns over 6,500 vacant lots around Lake Tahoe. The forested plots are scattered throughout Lake Tahoe neighborhoods and pose a significant wildfire hazard if not thinned and managed. The proposed funding is intended to support full treatment on all plots, improving fire safety for the Tahoe community.
- **SLC:** SLC owns over 150,000 acres of wildfire-vulnerable land, including 55,000 acres of timberlands. SLC intends to develop a full-management plan and treat acres, prioritizing those that create a fire-hazard for communities.

Forest health is an existing program with the primary goals of treating forested landscapes for resilience, mainly through fuels reduction. Prescribed fire and restoration are also key activities. Post-fire restoration will be a new focus for the Forest Health program, and an additional grant selection criteria will be treatment in the footprint of a fire in the past one to five years.

CalFire. This proposal provides funding intended to enable CalFire to increase its pace completing vegetation management projects across its regional units and enhance its prescribed fire program to encourage more natural fire on the landscape. As the state’s forestry department, CalFire intends to increase programs to improve private forest management. Over 40 percent of the state’s forest land is privately owned. Active management and support is needed to ensure wildfire resilience, promote ecological gain, and prevent the land from being sold and converted into wildfire-vulnerable developments.

- **California Forest Improvement Program (CFIP):** Small forest landowners represent 26 percent of the forest landownership in California. Often small holdings with absentee landowners, they lack the resource and expertise to manage their land. This program provides the expertise and grants to manage their lands for forest health and wildfire resilience. Education and mobilization of this landowner group is essential to meeting the state’s wildfire resilience goals.
- **Forest Legacy:** The Forest Legacy program provides funding for working forest conservation easements that protect forest land from conversion to non-forest uses, and forest management practices that promote forest health and fire resilience. Forestland conversion to housing creates

more high-fire risk homes and diminishes ecological goals. These lands correlate with the Executive Order to preserve 30 percent of the state's natural lands by 2030.

- Urban Forestry: Sustains urban forestry programs in cities throughout the state.
- Nursery: Critical to replanting post-wildfire, CalFire is expanding the capacity of its nursery to meet the ecological diversity of reforestation demands in the state, specifically to help small landowners recover their forests.

Regional Implementation. With forest health and fire prevention grants widely distributed throughout the state, grantees often only complete one phase of a project at a time, needing to wait three to five years to begin the next phase, resulting in a patchwork of wildfire-resilient areas next to heavy fuel load areas that can have a catastrophic impact. Developing focused regional strategies and then funding a pipeline of ready-to-go projects from those strategies is intended to deliver more cohesive wildfire resilience. Funding for regionally-driven projects is intended to establish a foundation for forest-sector businesses to start up in that watershed/region.

- Sierra Nevada Conservancy: This conservancy stewards the highest fire-risk region in the state and originates the majority of California's water. Over 72 percent of the Sierra Nevada region is a high fire risk zone. These catastrophic wildfires across critical watersheds exacerbate drought conditions for decades after a fire. Effective at using science-based management and building community coalitions to execute programs, the conservancy's Watershed Improvement Program includes over 100 projects ready to start. Targeting regional funding to the conservancy is intended to deliver both wildfire and drought resilience on protecting communities, habitat, and the state's water supply.

Protective Fuel Breaks (\$100 million in 2020-21 and \$235 million in 2021-22). Emergency fuel breaks protect communities and sensitive areas against the impacts of wildfires. They enable firefighters to approach a fire, take a stand, establish containment lines, and create evacuation routes. The early action package and the Governor's budget proposes \$335 million for strategic fuel breaks and other fire prevention projects to reduce fire risk.

CalFire. This funding is intended to enable CalFire to expand its hand crews and projects to complete 60,000 acres of fuel breaks annually to protect hundreds of fire vulnerable communities every year for multiple fiscal years. Communities are identified based on environmental and weather conditions that predict fire intensity as well as demographic factors such as age or car ownership that impact the community's ability to evacuate. CalFire also intends to expand its fire prevention grant program empowering local communities and partners to improve evacuation and buffers.

For early action, these funds can be implemented immediately with CalFire resources. These projects are designed to protect lives and property, so implementing them early will help mitigate future catastrophic, damaging, and costly fires during the 2021 and 2022 fire seasons.

CCC. The Forestry Corps provide statewide forestry work and post-wildfire recovery while training California youth for climate careers. Expanding this program is intended to provide a reliable workforce to implement fuel breaks for CalFire and other state, local, and federal partners.

DOC. The Regional Forest and Fire Capacity (RFFC) Program supports local and regional efforts to coordinate and plan wildfire prevention projects. This program provides technical support to the highest wildfire-prone regions with the highest ecological need and equips communities with the planning, coordination, and preparation tools necessary to develop regional plans and prepare projects. This model

enables communities to leverage federal and local resources and compete for project implementation dollars via state fire prevention and forest health grants.

The proposed funding is intended to expand the RFFC Program to more wildfire-prone regions in California and develop a consistent pipeline of high-value projects. Specifically, the proposed increased funding is intended to enable the program to expand beyond its current eight regions to include five additional wildfire-prone regions, including Southern California, Lake County, Greater Sacramento Region, Napa County, and Shasta County.

Community and Home Hardening (\$25 million in 2020-21 and \$13 million in 2021-22). Investments within communities are essential to protect residents from all types of wildfires, including wind-driven fires that spread embers ahead of the fire front. These include hardening homes against embers, creating survivable spaces, establishing space around homes, and supporting local and regional efforts to create fire-adapted communities through improvements in local ordinances, emergency access routes, communications, smoke management, and other tools.

Home Hardening. Simple retrofits like fine-mesh attic vents or double-paned windows dramatically improve a home's survival in the face of a wildfire. Education and outreach can help homeowners make the right improvements. The early action package and the Governor's budget propose resources to implement the wildfire mitigation assistance pilot program created by AB 38 (Wood), Chapter 391, Statutes of 2019 to support implementation of home hardening education programs, as well as grants to low-income homeowners in high-risk areas that could not otherwise afford retrofitting projects (\$25 million in 2020-21) and \$13 million in 2021-22). California will work with FEMA to pursue potential federal funding to match the state's investment.

Defensible Space. The Legislature recently changed defensible space laws to include a new five-foot defensible space barrier. The proposal provides for defensible space inspectors as well as outreach and education to homeowners about these new standards.

Land Use Planning & Public Education Outreach. The Office of the State Fire Marshal intends to deploy land use planners within critical counties to support their wildfire resilience emergency plans. The University of California extension program intends to deliver 11 new fire advisors to help link the public with critical fire science.

Science-Based Management (\$3 million in 2020-21 and \$36 million in 2021-22). The Governor's budget includes funding to improve the predictive models and science-based approaches to support the state's forest health and fire prevention goals, including the expanded use of LiDAR and other remote sensing technology, research, and data analysis collection methods. Funding includes the execution of the California Vegetation Treatment Program (CAL VTP) including synchronizing SWRCB permits within the CAL VTP application. CARB will also have resources to facilitate the issuance of "burn permits" to keep pace with the increase in prescribed fire.

Ecological Monitoring, Research, and Adaptive Management. Research, studies, monitoring, and experiments can help improve and pinpoint wildfire risks as well as improve forest techniques for reforestation and thinning.

- **Ground Data:** Forest Inventory and Analysis provide comprehensive assessment of forest plots so that current fuel reduction treatments are adequate to reset natural forest ecosystems and complement remote sensing data to ensure it translates into real-world parameters such as tree density, height, and diameter.

- **Research:** Conduct research on the kinds of forest management practices that are required to foster forest health and resilience. This research actively managed working forests, such as state and university research forests, with a focus on applied research and testing best forest management practices for carbon sequestration, forest health, and fire resilience under a changing climate.

Early action funding is intended to be used to implement research projects under UC Berkeley/CalFire Wildfire Science Collaborative and other research or monitoring needed to evaluate impacts from recent wildfires. Research related to post-fire effects are often time sensitive and it is desirable to have field crews conduct field measurements of forest conditions this summer. Specifically, the Administration anticipates founding to support research and monitoring at Mountain Home State Forest that was impacted by the Castle Fire (2019); and possibly other recent wildfires as well. Also, multiple fire drivers/impact research projects (North Coast/Southern Sierra) are tied to large, destructive fire events in 2020 and require field data collection this summer. Accurately monitoring post-fire effects is time sensitive and needs to begin this year.

Remote Sensing. Developing reliable data sources to inform predictive and planning models helps improve the effectiveness of all wildfire resilience efforts. Remote sensing including LiDAR, satellite images and hyperspectral analysis is intended to improve predictive modeling and project planning analytics. Accurate and consistent remote sensing and research is intended to enable CalFire to plan and adapt to dynamic changes on the landscape.

Permit Efficiencies. The new CAL VTP reduced the California Environmental Quality Act (CEQA) timeline from two years to several months for forest health and fire resilience projects. To ensure the VTP is user-friendly and executed with a high ecological standard, the Board of Forestry intends to complete the first round of VTP environmental reviews for state-funded projects in various geographies and ecological zones to ensure other projects that use CAL VTP in the future will have a straightforward model to follow. To increase efficiency, SWRCB will fund staff oversight for a statewide water permit integrated into CAL VTP, with the intention of ensuring that grantees and project proponents do not have additional costs or paperwork when using CAL VTP. CARB is also proposed to receive additional funds to provide efficient oversight for prescribed fire burn permits.

Forest Sector Economic Stimulus (\$56 million in 2020-21 and \$20 million in 2021-22). The early action package and the Governor's budget include one-time resources with the intention of ensuring that fire prevention investments will be a driver for economic growth in rural communities. Fuel reduction projects may create jobs and a foundation for small business to start up from backyard micro-mills to bio-diesel conservation. However, barriers to these market exist — Private loans for forestry equipment can face a 40 percent interest rate. Shortages in crews and specialized equipment operators slow the pace of projects and drive up the cost-per-acre. Low-interest lending programs and training to expand the workforce are intended to improve the pace of Fire resilience. Steady, long-term regional funding is intended to enable local businesses to start up in regions to meet the state's demand.

- *Workforce Development.* Grant to community colleges and nonprofits to train, develop, and certify forestry professions and expand the workforce available to support the implementation of forest health and fuel reduction projects (\$6 million in 2020-21 and \$18 million in 2021-22).
- *Climate Catalyst Fund.* Establish a low-interest lending program and explore supply chain guarantees through the Climate Catalyst Fund to help remove barriers to expand wood product markets (\$47 million in 2020-21 and \$2 million in 2021-22).
- *Wood Products Innovation.* Expanding wood markets to fully utilize the material being thinned

from forests and using it for building material, energy, or fuel is intended to create incentives for private forest-land management and meet the state's carbon goals (\$3 million in 2020-21).

CalFire. With this proposal, CalFire states that it will need to acquire equipment to conduct additional unit fire projects that are above and beyond the current unit fire projects being completed by existing staff. The funding amounts in this request are the incremental amounts of equipment needed above CalFire's existing equipment, and the following information is presently the specific detail of equipment needing to be acquired:

- **13 Pickup Trucks.** CalFire requests funding to acquire five $\frac{3}{4}$ ton 4x4 pickups for Battalion Chiefs; three $\frac{3}{4}$ ton 4x4 pickups for Foresters; and five $\frac{3}{4}$ 4x4 pickups for Senior Environmental Scientists. The vehicles are necessary to fulfill the duties of each position, and 72-hour shift coverage for applicable classifications, and to travel to various statewide locations to complete field assessment and monitoring, fuels reduction, and fire reintroduction work, as well as fire control response and required job functions. There are no additional vehicles that can be redirected due to the current cap on vehicles, so funding is requested to acquire and pay for new vehicles.
- **Other Vehicles and Equipment.** CalFire requests 21 1.5 ton crew cab trucks with utility bed, tow capable, mobile tank and pump unit, 21 trailers capable of transporting tracked chipper/skid steer or terra torch transport, seven skid steers with attachments, six 1.5 ton 4x4 utility bed trucks to support dozer operations, 21 utility vehicles/all-terrain vehicles for new unit projects. These assets are requested to help ensure that crews have the necessary equipment to complete fuel reduction projects.
- **Training.** CalFire requests funding for out-of-state travel to complete Forest Inventory Analysis training.
- **Long-Term Vehicle Leases.** Long-term vehicle leases through the Department of General Services (DGS) for some or all of the above-noted equipment will be needed, and CalFire would include this information in its annual fleet acquisition plan, as required by DGS.

Background. This past wildfire season, over 4 million acres burned, five of the six largest fires in state history burned simultaneously, and at one point, as many as 250,000 people were displaced. The 2020 fire season strained California's emergency response capacity.

According to the Legislative Analyst's Office (LAO), importantly, several of the 2020 wildfires have been among the largest and most damaging since California has begun consistently tracking these statistics in the 1930s. This includes the August Complex fire (Tehama County), which burned over one million acres, making it the largest recorded fire in the state's history.

According to the LAO, there are various activities related to wildfire prevention, mitigation, response, and recovery:

- **Prevention.** Education, forest health, public safety power shutoff, and wildfire mitigation plans.
- **Mitigation.** Hazardous fuel reduction, forest health, home hardening, wildfire mitigation plans, and defensible space.
- **Response.** Hazardous fuel reduction, CalFire fire protection, and mutual aid system.

- **Recovery.** Insurance, financial assistance, and debris clean up.

According to the LAO, total spending on CalFire protection (suppression), resource management, and fire prevention has grown from \$800 million in 2005-06 to an estimated \$3.3 billion in 2020-21. CalFire's base fire protection budget has grown steadily over this period. Emergency fire suppression spending varies from year to year based on the severity of the wildfire season. Spending on resource management and fire prevention makes up a much smaller share of department spending but has increased in recent years with the addition of spending from the Greenhouse Gas Reduction Fund (GGRF).

Key State Budget Augmentations for CalFire in Recent Years

2018-19 Through 2020-21 (In Millions)

Purpose	Year	Amount	Duration	Fund Source
Fire Response				
Blackhawk helicopters: acquisition	2018-19	\$285.20	One-time	General Fund
Blackhawk helicopters: staffing and operations	2018-19	13.8	Ongoing	General Fund
13 year-round fire engines: staffing	2019-20	32.6	Ongoing	General Fund
13 year-round fire engines	2019-20	8.6	One time	General Fund
Innovative procurement sprint: project solicitation and testing	2019-20	15	One time	General Fund
Air tankers contract and staff	2019-20	13*	Ongoing	General Fund
Heavy fire equipment operator staffing	2019-20	10.6	Ongoing	General Fund
Relief Staffing	2020-21	85.6	Ongoing	General Fund
Innovative procurement sprint: fire projection software	2020-21	4.4**	Ongoing	General Fund
Fire Prevention and Forest Management				
Forest health and fire prevention grants	2019-20	165***	Annually, five years	GGRF
Prescribed fire crews	2019-20	35	Annually, five years	GGRF
Wildfire prevention and recovery legislation	2019-20	10****	Ongoing	GGRF
Forest management	2019-20	8.9	One time	Proposition 68

Source: Legislative Analyst's Office

*Increasing to \$49.7 million upon full implementation in 2023-24.

**Increasing to \$7.6 million ongoing.

***Grant funding was not included in the 2020-21 budget because the Legislature did not adopt a GGRF expenditure plan.

****Decreases to \$6.4 million ongoing.

Summary of 2020-21 Funding for Wildfire Prevention and Protection. The 2020-21 budget totals \$2.46 billion to address wildfire prevention and protection issues.

CalFire. According the LAO, CalFire is responsible for wildland fire protection in State Responsibility Areas (SRAs), which are primarily privately owned wild lands that encompass about one-third of the state. CalFire employs around 4,000 permanent and 2,500 seasonal firefighters, operates an aviation program (aircraft, helicopters, and air tankers), and runs about 250 fire stations and air attack bases.

The 2020-21 budget includes \$2.5 billion for CalFire, a significant portion of which — \$2.1 billion — is for wildfire response (The department also engages in other activities, such as wildfire prevention and forest health.) This budget for wildfire response has two components — the “base budget” and an amount budgeted for emergency fire suppression known as the Emergency Fund (E-Fund). CalFire’s base budget pays for everyday firefighting operations of the department, including salaries, facility maintenance, and other regularly scheduled costs. Included in the base budget are the costs associated with the “initial attack” on a wildfire — that is, the firefighting operations generally undertaken in the first 24 hours of an incident. Notably, the 2020-21 budget augmented CalFire’s base budget by \$85.6 million for additional firefighter an support staffing.

For a breakdown of wildfire-related appropriations in the 2020-21 budget, please refer to the following tables:

2020-21 Wildfire Prevention and Protection Funding Summary

(Dollars in Thousands)

	General Fund	Other Fund	Total
Cal OES Fire Preparedness & Response	\$88,855	\$1,176	\$90,031
CAL FIRE Fire Protection	\$1,640,042	\$530,689	\$2,170,731
CAL FIRE Fire Prevention & Resource Management	\$15,404	\$187,902	\$203,306
Total	\$1,744,301	\$719,767	\$2,464,068

Source: Department of Finance

2020-21 Cal OES Fire Preparedness & Response Funding

(Dollars in Thousands)

	General Fund	Other Fund	Total
Community Power Resiliency	\$50,000	-	\$50,000
Wildfire Forecast and Threat Intelligence	\$2,000	-	\$2,000
Integration Center (SB 209)			
Prepositioning for Regional Response and Readiness	\$25,000	-	\$25,000
Annual Fire Engine Replacement Budget	\$1,175	-	\$1,175
Cal OES Fire and Rescue Program*	\$10,680	-	\$10,680
Fire and Rescue Mutual Aid System (Support and Engine Maintenance)	-	\$1,176	\$1,176
Total	\$88,855	\$1,176	\$90,031

Source: Department of Finance

*Reflects budgeted amounts for both fire suppression and prevention.

2020-21 CalFire Fire Protection Funding

(Dollars in Thousands)

	General Fund	Other Fund	Total
Fire Protection (Baseline, Less Fire Prevention)	\$1,035,313	\$627,189	\$1,662,502
Emergency Fund Appropriation*	\$372,700	-\$96,500	\$276,200

Helicopter Fleet Replacement**	\$69,707	-	\$69,707
CAL FIRE Relief Staffing	\$85,571	-	\$85,571
Innovation Procurement Sprint	\$4,355	-	\$4,355
Subtotal (2020 Budget Act)	\$1,567,646	\$530,689	\$2,098,335
Additional Firefighting Capacity - 2020 Fire	\$72,396	-	\$72,396
Season Emergency Fund Augmentation***			
Total (Inclusive of E-Fund Augmentation)	\$1,640,042	\$530,689	\$2,170,731

Source: Department of Finance

*Negative amount in "Other Fund" column reflects anticipated reimbursements for emergency fire suppression activities.

**Reflects costs to purchase remaining three helicopters (staffing and operating funding is included in the Fire Protection(Baseline)).

***Reflects a July 2020 Emergency Fund augmentation not included in the 2020-21 Budget Act.

2020-21 CalFire Fire Prevention & Resource Management Funding

(Dollars in Thousands)

	General Fund	Other Fund	Total
Fire Prevention Subprogram (Baseline)*	-	\$43,046	\$43,046
Resource Management Program (Baseline)**	\$15,404	\$70,243	\$85,647
SB 901 Forest Health and Fire Prevention Programs and Projects***	-	\$74,613	\$74,613
Total	\$15,404	\$187,902	\$203,306

Source: Department of Finance

*The CAL FIRE Fire Prevention Subprogram includes programs that focus on the most effective, methods, materials, and procedures to mitigate hazards, prevent wildfires, and enforce pertinent laws, which includes fire engineering and fire prevention education.

**The CAL FIRE Resource Management Program includes subprograms and projects focused on improving the health of forested lands, which includes implementing vegetation management projects, providing technical assistance to non-industrial landowners, operating the demonstration state forests, regulating timber harvesting, urban forestry and other related activities.

***Reflects the deferral of the Cap and Trade package, including \$125.4 million Greenhouse Gas Reduction Fund for CAL FIRE Forest Health and Fire Prevention Programs and Projects.

State Funding Options. According to the LAO, despite recent funding augmentations, the state faces increasing impacts from wildfires. The Legislature could consider various options for increasing CalFire funding for wildfire prevention and mitigation, as well as the relative trade-offs of each option. This includes funding from:

- **General Fund.** The state has a roughly \$140 billion General Fund budget in 2020-21, which is used for a range of programs and services, including education, health and human services, and criminal justice.
- **Special Funds.** For example, GGRF generates about \$3 billion annually and has been used for wildfire prevention and forest health activities in recent years. However, the amount of funding is subject to uncertainty based on Cap-and-Trade auction results, and most of the funding is subject to continuous appropriations and other funding commitments.
- **New Tax or Fees.** The Legislature could approve new taxes or fees and dedicate the revenue to specified activities. For example, this could include charges on property owners in wildfire-prone areas, similar to the previous Fire Prevention Fee.
- **General Obligation Bonds.** Bonds provide a one-time revenue source and typically should not

be used for ongoing operations. In addition, bonds should be used for projects that have a longer lifespan so that future taxpayers are able to benefit from the projects for which they are paying.

Important Considerations Around Funding Options for Wildfire-Related Activities. According to the LAO, determining how to fund activities to reduce wildfire risk can depend on many factors. Key questions in considering the most appropriate funding options — such as state-level funds, locally generated revenues, or a mix of fundings sources — include:

- ***Problem and Activities.*** What is the cause of the problem to be addressed? Who are the responsible parties? What types of activities or projects would address the problem?
- ***Beneficiaries.*** How broadly would benefits of activities accrue (at the state, regional, or local level)? Would activities result in broad public benefits or more limited regional or private benefits?
- ***Nexus Between Activities and Funding Sources.*** What entities would pay and at what rates? How closely linked are the sources of new funding with the activities the funds would support? How closely aligned are the potential payers with the responsible parties or potential beneficiaries?
- ***Revenues.*** How much revenue is needed to support the intended activities? How stable or variable would annual revenues be? What are the opportunity costs of using these revenues?

LAO Comments. Overarching Issues for Legislative Consideration. The Governor’s proposed funding package includes a total of \$1 billion for a wide array of forest health, hazardous fuel reduction, workforce and market development, research, and community hardening programs. The package would be funded from a combination of General Fund and GGRF revenues. The General Fund would be provided on a one-time basis, whereas the Governor proposes to commit GGRF funding for these purposes for several years. About one-third of the funding is proposed as “early action” in 2020-21.

The LAO offers initial comments to inform the Legislature’s review. Specifically, the LAO finds the following:

- Focus on wildfire prevention and mitigation has merit.
- Myriad of wildfire-related risks warrants consideration of multiple strategies.
- Early action is more justified for some programs than others.
- Limited evidence available on effectiveness of many programs.
- Legislature could fund programs in different amounts based on its priorities.
- Legislature could explore additional options to strengthen the state’s approach to wildfire prevention and mitigation.
- Legislature could consider adding accountability measures where they do not already exist.

Summary of Proposed Wildfire Resilience Package. Provides \$1 Billion Over Current and Budget Years. The Administration proposes \$323 million in early action funding in 2020-21 and \$677 million in 2021-22. This funding would support roughly two dozen different programs managed by 15 departments.

Includes Mix of General Fund and GGRF. Of the total, \$675 million would be from the General Fund and \$325 million from GGRF. The amounts from GGRF are intended to bring total GGRF spending on forest health and prescribed fire activities to \$200 million annually, consistent with requirements of SB 901 (Dodd), Chapter 626, Statutes of 2018. (The 2020-21 Budget Act provided less than the statutory direction because of uncertainty about the amount of GGRF revenues at the time the budget act was adopted.)

General Fund Would Be One Time, But GGRF Ongoing. All General Fund proposals are requested on a one-time basis, though in many cases departments anticipate expending the funds over multiple years. In addition, the Governor proposes to extend the \$200 million GGRF commitment for forest health and prescribed fires for an additional five years beyond the current 2023-24 sunset.

Largest Share of Funds for Forest Health and Fuel Breaks. Over half of the funds — \$512 million — would support programs designed to promote healthy forests and landscapes, generally by removing hazardous fuels. Another one-third of the funds — \$335 million — would support installation and maintenance of wildfire fuel breaks. The remaining funds — totaling \$153 million — are proposed for projects to encourage forest sector economic stimulus, science-based forest management, and community hardening.

Most Funding Target to Existing Programs. Only a few of the programs proposed for funding are new, including tribal engagement, the Climate Catalyst Fund, and home hardening.

Focus on Wildfire Prevention and Mitigation Has Merit. The LAO finds that increased budget support for programs that attempt to reduce the risks associated with wildfires is merited given the increasing pattern of severe wildfires in recent decades and the major consequences for communities, the environment, and the economy.

Package Builds on Prioritization Established in SB 901. The Legislature established its intent to focus additional state resources on wildfire prevention and mitigation in SB 901. This package would restore GGRF funding for such programs in the current and budget years, as well as expand on these and other programs. By comparison, most budget augmentations related to forests and wildfires have been for wildfire response in recent years, rather than prevention and mitigation. For example, recent budgets have included one-time and ongoing funding to replace CalFire's helicopter fleet, expand the number of state fire engines, and increase the number of state fire fighters.

Myriad of Risks Warrants Consideration of Multiple Strategies. The package includes a mix of programs designed to reduce future wildfire risks and damages, and many of these programs could be useful in addressing the varied contributors to wildfire risk. For example, forest health and fuel break programs could reduce the risk of rapid wildfire spread, community hardening could reduce the number of properties severely damaged when wildfires occur, and research could help better target future funding decisions to the most effective strategies and/or where risks are determined to be greatest.

One-Time General Fund Spending Does Not Address Ongoing Nature of Problem. It is understandable that the Administration is proposing that the General Fund augmentations be provided on a one-time basis given the projected out-year General Fund structural deficit. Moreover, much of the funding is intended to be spent over multiple years or have multiyear benefits. For example, some state agencies proposed to use a portion of the proposed one-time funding to purchase equipment which can be used

on fuels reduction work for many years. However, the one-time nature of these proposals presents some significant challenges. Accordingly, the Legislature may want to direct the Administration to present at budget hearings on its longer-term plan to sustain the projects and activities proposed in the package.

Addresses Only Small Share of Estimated Need. For example, while this package could result in substantial benefits by treating hundreds of thousands of additional acres of forest lands over the next few years, the state's Forest Carbon Plan estimates that 20 million acres of the state's forests would benefit from treatment. In addition, with millions of California homes in areas at risk of wildfires, it likely would cost billions of dollars to ensure that basic home hardening modifications were made on all of them.

Many Funded Projects Could Require Ongoing Support To Be Effective. For example, even where effective forest treatment occurs, it is often necessary to do additional maintenance and retreatments in subsequent years to prevent too much vegetation regrow the, particularly of invasive species. Other programs areas — such as defensible space inspections and research — should be considered ongoing efforts.

Early Action More Justified for Some Programs. While there could be legitimate rationales for approving some funding early, in our view it is incumbent upon the Administration to present clear justification for such action. Appropriating funds in the current year reduces the Legislature's time to deliberate the merits and trade-offs associated with each proposal, as well as reduces its ability to consider the proposed costs in the context of its broader state budget plan.

Reasons Early Action Might Be Justified. If the Legislature decides to adopt a current-year GGRF expenditure plan, the LAO finds that it would be reasonable to include the funding proposed in the wildfire resilience package since it is consistent with existing statutory direction in SB 901, and only partial funding was provided in the enacted 2020-21 budget. Early action might also be reasonable if the Administration can demonstrate that the added implementation time available to departments would ensure that certain high-priority projects could be in place in advance of an additional fire season (usually encompassing most of the summer and fall). The Administration should provide detailed timelines to justify any such claims.

Reasons Early Action Might Be Less Warranted. While timing likely is critical to the success of certain proposals, the LAO does not believe early action necessarily is warranted solely to complete projects a few months earlier than would be the case if the funding were provided in the 2021-22 budget. In particular, early action would not be warranted if the Administration has not yet provided sufficient detail to inform the Legislature about the program's implementation plan and expected outcomes. In addition, some might think that providing early funding would help stimulate the economy. However, state spending is limited in its ability to generate stimulus, in part because the amount of additional spending would be quite small relative to the overall state economy.

Limited Evidence Available on Effectiveness of Many Programs. Many of the activities proposed for funding in the package are widely considered good practices to reduce wildfire risks, particularly reduction of hazardous fuels, defensible space, and home hardening. However, the available research on the effectiveness of programs is somewhat limited in a couple of ways, making it difficult for the Legislature to know whether the proposed package represents the most effective way to allocate funds for wildfire prevention and mitigation.

Research Base Not Well Developed for Many Types of Programs. Among other findings, a recent report from the California Council on Science and Technology found that activities such as vegetation management, defensible space, and home hardening can be effective wildfire mitigation measures. However, the costs and cost-effectiveness of these measures. However, the costs and cost-effectiveness

of these measures is not systematically tracked, making it unclear the degree to which they might reduce suppression and other costs, as well as making it difficult to compare costs and benefits across strategies.

Limited Outcome Data for Specific Programs in the Package. Administering departments have been mixed in whether they have provided information on the specific outcomes they expect to achieve with the proposed funding, such as number of acres treated, cost per acre, or homes protected. The Legislature likely will want to direct the Administration to provide such information where possible before deciding what level of funding to provide for each program.

Legislature Could Fund Programs in Different Amounts Based on Its Priorities. In addition to not consistently having clear evidence regarding the effectiveness of different mitigation and prevention activities, the state also lacks a comprehensive statewide strategy. In combination, these two factors make it very difficult for the Legislature to determine whether this package represents the “best” mix of funding to address wildfire risks. The Legislature could consider a different total level of funding for prevention and mitigation, as well as a different mix among programs. Some different evaluation criteria the Legislature could use include the following:

- *Which Harms Would Be Mitigated.* For example, to the extent protecting homes and reducing economic costs are high priorities, the Legislature could consider dedicating more funding to community hardening.
- *Which Groups of Californians Are Most Impacted.* The Legislature might want to consider how wildfires affect different communities, how past funding has been directed, and the extent to which the proposed strategies could more equitably target new spending. For example, the Governor’s plan includes funding dedicated to forest health projects on tribal lands, and the home hardening program is intended to go to lower-income households that might otherwise be less able to implement these safety improvements on their own.
- *Whether It Protects State Assets and Responsibilities.* For example, some funding in this package is targeted to addressing risks on state-owned lands, such as state parks. The Legislature could also consider whether more funding should be spent in ways that better ensure protection of other state assets, such as highways and state buildings, or the watersheds that provides most of the water flows for the State Water Project.

Explore Additional Options to Strengthen Prevention and Mitigation. The Legislature may want to use budget hearings to consider other prevention and mitigation options. This could include hearing from stakeholders — including tribes, community and business groups, local governments, and researchers — about other program ideas, as well as discussion of other potential funding mechanisms.

Other Mitigation and Prevention Strategies. While the strategies contained in the Administration’s plan might represent a reasonable package of proposals, hearing directly from other stakeholders could illuminate other beneficial programmatic options. For example, local governments have significant responsibilities related to mitigation and prevention, including land use planning and development decisions, enforcement of local defensible space ordinances, and hazardous fuels management projects. In addition, there are activities the state has undertaken in the past that might be worthy of consideration, again, such as the provision of air filtration systems to mitigate public health impacts and assistance to households and businesses to respond to public safety power shut offs.

Other Potential Funding Sources. Particularly if the Legislature is interested in exploring ongoing funding options to support some of these activities, it might want to consider funding sources that could be used in place of or in addition to the General Fund. For example, the state used to charge a fee on all

properties in the State Responsibility Area to help fund certain mitigation and prevention activities.

Could Consider Adding Accountability Measures Where They Do Not Exist. Give the importance of the programs involved and the level of spending proposed, future reporting on outcomes will be important for holding the Administration accountable for delivering results, learning what is effective to improve future implementation. Moreover, the proposed appropriation of one-time fund is that will be spent over multiple years reduces legislative oversight of programs compared to if that funding was appropriated on an annual basis. Therefore, the Legislature may want to consider requiring the Administration to report on specific metrics and outcomes for each program that ultimately receives funding.

LAO Analysis on Individual Programs in the Wildfire Resilience Package. The LAO's document, "The 2021-22 Budget: Wildfire Resilience Package — Analysis of Individual Programs," (February 5, 2021), provides a brief analysis on each program included in the Administration's wildfire resilience package. The following are some highlights from this comprehensive document.

Forest Health Program (CalFire): Issues for Legislative Consideration. *Restoration of GGRF is Reasonable.* The proposal to provide additional GGRF funding in the current and budget years for this program is consistent with the Legislature's intent in SB 901 to support forest health projects. Specifically, SB 901 required that \$200 million from GGRF be spent on certain forest health and fire prevention activities. Combined with funding already provided for this program in the 2020-21 Budget Act, this proposal would provide \$100 million in 2020-21 and \$80 million in 2021-22 from GGRF. The additional \$20 million from the General Fund in the budget year would keep total program funding at \$100 million.

No Strong Rationale Provided for General Fund Early Action. In LAO's view, the Administration has not provided a specific rationale to provide \$5 million in early action funding. While it is reasonable to assume that the department could initiate and complete projects somewhat sooner than if providing in 2021-22, providing current-year augmentation would reduce the Legislature's ability to consider this spending in context of its broader General Fund priorities.

Stewardship of State-Owned Lands (Parks): Issues for Legislative Consideration. *Parks Lands Have Particular Public Values, Are State Responsibility.* The state has chosen to set aside lands as state parks for specific ecological, cultural, and recreational public values. Wildfire damage to these lands would compromise those state goals, assets, and natural resources — perhaps permanently. Moreover, as the landowner, the state has ultimate responsibility for suitably managing these lands.

Parks' Existing Management Practices Have Not Sufficiently Addressed Wildfire Risks. Parks states that it has not had sufficient resources to conduct regular vegetation management practices in recent years, and that it has a significant backlog of projects that are needed to reduce fire risk. Wildfires damaged 100,000 Parks land in 2020.

Early Action Seems Justified. Providing some initial funding in 2020-21 would give Parks additional time to purchase equipment and be ready to conduct projects ahead of the 2022 fire season. Given the need to protect its high-priority public lands, this seems a justifiable reason to consider providing the requested \$10 million ahead of the regular 2021-22 budget.

Project Implementation in High-Risk Regions (Sierra Nevada Conservancy [SNC]): Issues for Legislative Consideration. *Program Consistent with Recent State Law.* Support for the Watershed Improvement Program (WIP) is consistent with recent legislative action, which created the program in 2018.

Difficult to Assess Effectiveness Compared to Similar Programs. The goal of WIP to encourage collaboration to accomplish larger-scale projects has merit. However, it is still a new program, and it is unclear whether additional investments in this program are likely to achieve more than other forest health programs managed by the state. For example, the LAO notes that this program reports a cost-per-acre of its projects of about \$2,000, while other programs report lower average costs.

Shovel-Ready Is Not a Strong Rationale for Early Action. The conservancy reports that it has a number of qualifying projects that could be funded with early action money, and it is reasonable to assume that these projects would be implemented more quickly than if the funds are provided in 2021-22, particularly if SNC does not utilize a competitive solicitation process. On the other hand, providing a current-year augmentation would reduce the Legislature's ability to consider this spending in the context of its broader General Fund priorities.

State Could Use Less General Fund With Bond Funds Still Available. The Legislature could consider whether it wants to reduce the amount of General Fund for this program and offset that reduction with Proposition 68 funding. While this likely would not have an effect on how much funding was available for projects in the near term, it would leave less Proposition 68 funds for WIP in future years.

Forest Improvement Program (CalFire): Issues for Legislative Consideration. *Provision of GGRF Is Reasonable.* The proposal to provide additional GGRF funding in the current year for this program is consistent with the Legislature's intent in SB 901 to support forest health projects.

Unclear What Specific Outcomes Anticipated. That the department has not indicated what outcomes it expects to achieve with the proposed augmentation makes it difficult for the Legislature to assess the benefits of providing the funding relative to other General Fund priorities. The LAO recommends that the Legislature direct the department to report at budget hearings on expected outcomes before deciding whether to support this budget request.

Stewardship of State-Owned Lands (DFW): Issues for Legislative Consideration. *DFW Lands Have Particular Public Value, Are State Responsibility.* The state has chosen to set aside DFW's lands, in many cases to protect sensitive or rare plants and animal species and the habitats upon which they depend. As such, wildfire damage to these lands could have serious or permanent impacts on the future of those species and state conservation goals. Moreover, as the landowner, the state has ultimate responsibility for suitably managing these lands.

DFW's Existing Management Practices Have Not Sufficiently Addressed Wildfire Risk. DFW states that it has not had sufficient resources to conduct regular vegetation management practices in recent years, and it has a significant backlog of projects that are needed to reduce fire risk. Wildfires damaged or destroyed over 40,000 acres of wildlife habitat on DFW lands in 2020.

Early Action Seems Justified. Providing some initial funding in 2020-21 would give DFW additional time to purchase equipment and be ready to conduct projects ahead of the 2022 fire season. Given the need to protect its high-priority public lands, this seems a justifiable reason to consider providing the requested \$9 million ahead of the regular 2021-22 budget.

Department Might Also Need Additional Resources for Increased Regulatory Workload. The Governor is proposing funding for the State Water Resources Control Board for anticipated increases in workload associated with its regulatory reviews of the potential environmental impacts of new projects funded through this package of budget proposals. The Governor does not propose similar funding for DFW,

even though it too has review and permitting responsibilities for many of the proposed projects — such as to evaluate whether forest thinning projects will have a negative impact on nearby wildlife. To the degree the Legislature decides to provide resources for undertaking additional vegetation management projects, it may want to consider whether DFW needs additional funding to keep pace with an associated increase in its regulatory workload. The state and local partners will not be able to make expedient progress in implementing their projects if they are held up by bottlenecks in the regulatory review process.

Urban Forestry (CalFire): Issues for Legislative Consideration. Has Not Provided Strong Rationale for Early Action. In LAO's view, the Administration has not provided a specific rationale to provide early action funding. While it is reasonable to assume that the department could initiate and complete projects somewhat sooner than if provided funding in 2021-22, providing a current-year augmentation would reduce the Legislature's ability to consider this spending in context of its broader General Fund priorities.

Unclear What Specific Outcomes Anticipated. The department has not indicated specific outcomes it expects to achieve with the proposed augmentation, such as the number and type of projects it expects to award with the funding. This lack of information makes it difficult for the Legislature to assess the benefits of providing the funding relative to other General Fund priorities. The LAO recommends that the Legislature direct the department to report at budget hearings on expected outcomes before deciding whether to support this budget request.

Unclear If Program Would Provide Significant Wildfire Mitigation Benefits. This program primarily supports urban tree planting projects. While such efforts provide many benefits, it is not clear that wildfire prevention and mitigation is necessarily one of them. The Legislature may want to consider the merits of any augmentations for this program separate from this wildfire resilience package. If the Legislature decided that this program was a lower priority for inclusion in this package, it could redirect the \$23 million proposed for urban forestry to other programs.

Tribal Engagement (CalFire): Issues for Legislative Consideration. Dedicating Funding to Tribal Lands Is Reasonable. Ensuring that a greater share of funding is provided to tribal lands is a reasonable goal by the Administration. The amount proposed would be double the amount awarded for tribal lands from the Forest Health Program in prior years. To the extent that the Legislature prioritizes increased support for tribal lands, it may wish to ask the department whether there are other programs in the wildfire resilience package for which it would similarly make sense for a greater share of funds to be dedicated to tribal lands or communities.

Adding Reporting Requirement for New Program If Approved. While the intent of this proposal is reasonable, it reflects a new administrative effort. As such, if the Legislature approves funding for this program, the LAO recommends adopting reporting language that would provide additional accountability over how well the department implements the program and help inform future budget and programmatic decisions.

Early Action Could Be Reasonable. The budget includes a small amount — just \$1 million — for early action with the intent of using the funding to do initial outreach and planning for this new program. While such efforts appear reasonable to undertake for a new program, the LAO does not yet have much specific information about the department's implementation plan. Accordingly, the LAO recommends the Legislature direct the Administration to report at budget hearings on its implementation plan, including its assessment of need and intended project prioritization criteria.

Forest Legacy Program (CalFire): Issues for Legislative Consideration. *Restoration of Funding Is Consistent With Historical Spending.* The proposal to provide additional funding in the current and budget years for this program would restore funding to roughly the levels provided in prior years.

Unclear Why Shifting Program From GGRF. The Administration has not explained why it proposes to utilize General Fund to support the program rather than GGRF. The specific fund source will not affect the program in the near term. However, under the Administration's plan, General Fund expenditures in the package are proposed as one-time, whereas the Administration has committed to spending \$200 million from GGRF on forest health and fire prevention activities on an annual basis for several years. Therefore, the shift of funding for this program from GGRF to General Fund potentially implies a lower ongoing commitment to the program. The Legislature may want to direct the Administration to report on its longer-term funding strategy for this program, including whether there might be alternative funding sources available for this program in the future, if it remains a state priority.

Has Not Provided Strong Rationale for Early Action. The Administration has not provided a strong rationale to propose early action funding for this program. While it is reasonable to assume that the department could initiate and complete projects somewhat sooner than if provided funding in 2021-22, providing a current-year augmentation would reduce the Legislature's ability to consider this spending in the context of its broader General Fund priorities.

Unclear What Specific Outcomes Anticipated. The department has not indicated specific outcomes it expects to achieve with the proposed augmentation, such as the number of projects it expects to award with the funding or total number of acres conserved. Moreover, the LAO notes that wildfire resilience is not a primary purpose of this program. As such, it is unclear the degree to which this funding will support this goal compared to other potential uses of these funds. The LAO recommends that the Legislature direct the department to report at budget hearings on expected outcomes before deciding whether to support the budget request.

Stewardship of State-Owned Lands (SLC): Issues for Legislative Consideration. *Proposal Significantly Lacking in Detail.* SLC was not able to provide any specific information about how it plans to use the proposed funds or what outcomes are expected. Moreover, it has not yet hired staff or begun to implement the planning activities that are needed to inform this work — which the Legislature funded in 2019-20.

Reject Proposal. Given SLC does not seem ready to begin effectively expending the proposed funds, the LAO recommends the Legislature reject this proposal and defer funds for SLC's land management activities until after the commission has completed a forest inventory and management plans in future years.

Project Implementation in High-Risk Regions (Tahoe Conservancy): Issues for Legislative Consideration. *Conservancy Lands Have Public Value, Are State Responsibility.* The state has chosen to acquire conservancy lands to ensure the preservation and protection of the natural landscape. Absent treatment, wildfires on these lands could cause serious and long-term damages on this landscape, as well as threaten nearby homes in the WUI. In addition, as the landowner, the state has ultimate responsibility for suitably managing these lands.

Early Action Seems Justified. According to the conservancy, providing some initial funding in 2020-21 will allow it to implement already identified projects ahead of the 2022 fire season. Given the need to protect its high-priority public lands, this seems a justifiable reason to consider providing the requested \$1 million ahead of the regular 2021-22 budget.

Does Not Represent a Long-Term Management Plan. After hazardous fuels are removed, these lands will require ongoing maintenance to ensure that the vegetation does not regrow to the same levels as before. However, the one-time nature of the General Fund resources provided will not support ongoing vegetation management. The LAO recommends that the Legislature direct the Administration to report at budget hearings on how it will ensure that these state-owned lands are managed for wildfire resiliency on an ongoing basis after these one-time funds have been fully utilized.

Restoration Nursery (CalFire): Issues for Legislative Consideration. *Reasonable to Provide Additional Support for Reforestation Nursery.* CalFire used to operate three nurseries, but each closed due to budget reductions. CalFire's Lewis A. Moran Reforestation Center (LAMFC) has only been in operation for a couple of years. Given the numerous destructive wildfires in recent years, it is reasonable to expand the capacity of the nursery to support reforestation efforts.

Rationale for Early Action is Unclear. The Administration has stated that the proposed early action funding of \$2 million for this program is offset Timber Regulation and Forest Restoration Fund (TRFRF) costs. However, it is unclear why that funding source needs to be offset, for example, whether TRFRF revenues are projected to be lower in the current year than previously anticipated or if those revenues have been redirected to another purpose. The LAO recommends that the Legislature direct the Administration to clarify its rationale for the current-year funding proposed for the nursery.

Fire Prevention Grants (CalFire): Issues for Legislative Consideration. *Restoration of GGRF Is Reasonable.* The proposal to provide additional GGRF funding in the current and budget years for this program is consistent with the Legislature's intent in SB 901. The amount of funding proposed for 2021-22 represents an expansion of the program compared to prior years.

Unclear What Specific Outcomes Anticipated. The department has not indicated specific outcomes it expects to achieve with the proposed augmentation, such as the number and type of projects it expects to award or the number of acres treated with the funding. This lack of information makes it difficult for the Legislature to assess the benefits of providing the funding relative to other potential uses of GGRF. The LAO recommends that the Legislature direct the department to report at budget hearings on expected outcomes before deciding whether to support this budget request.

Regional Forest and Fire Capacity (DOC): Issues for Legislative Consideration. *No Strong Rationale Provided for Early Action.* The department has not determined how early action funds would be distributed among the existing grantees because further outreach is needed to assess how regions not yet covered by RFFC will be served by the program. Given that further planning and coordination is needed, the LAO finds that early action on this proposal is not warranted.

Unclear What Specific Outcomes Anticipated. The department has not provided specific outcomes the program is expected to achieve, such as the number of regional priority plans developed or demonstration projects performed. The LAO recommends the Legislature direct the department to provide such information to help compare the benefits of this strategy compared with other alternatives and assess the relative funding across the varying components of the wildfire resiliency package.

Fire Prevention Projects (CalFire): Issues for Legislative Consideration. *Implementation Plan and Outcomes Unclear.* The department has not yet clarified how it will utilize the requested funding to expand the number of projects completed, including the extent to which the funding will be utilized to hire additional CalFire staff, rely on staff overtime, or contract with other public or private entities. In addition, while the department states that the funding would allow it to complete 300 to 500 projects, it

has not yet clarified (1) whether this is the *total* or *additional* number of projects it anticipates successfully completing and (2) for how many years the proposed funding would support the anticipated increase in projects. The LAO recommends that the Legislature direct the department to report at budget hearings on its implementation plan and expected outcomes before deciding whether to support this budget request.

Early Action Seems Reasonable. According to the Administration, providing some initial funding in 2020-21 will allow it to implement already identified projects ahead of the 2022 fire season. Ensuring that more high-priority projects are planned and implemented in advance of a subsequent fire season seems like a reasonable rationale to consider providing the requested augmentation ahead of the regular 2021-22 budget, if the department is able to provide the additional information described above.

Prescribed Fire and Hand Crews (CalFire): Issues for Legislative Consideration. Unclear What Specific Outcomes Anticipated. The department has not indicated specific outcomes it expects to achieve with the proposed augmentation, such as the expected number of projects awarded or acres treated. This lack of information makes it difficult for the Legislature to assess the benefits of providing the funding for fuels reduction crews (FRCs) and California National Guard (CNG) crews relative to other potential uses of General Fund and GGRF. The LAO recommends that the Legislature direct the department to report at budget hearings on expected outcomes before deciding whether to support this budget request.

Restoration of GGRF for FRCs Likely Is Reasonable. Assuming the department can provide estimates of the program outcomes for FRCs, the LAO finds that the proposal to provide additional GGRF funding in the budget year for FRCs is consistent with the Legislature's intent in SB 901.

Early Action Could Be Justified. According to CalFire, providing funding in 2020-21 will allow it to immediately extend the CNG contract, which will allow the crews to implement already identified hazardous fuels reduction projects ahead of the 2021 fire season. Given the high-priority fire prevention benefits associated with that work, this could be a reasonable rationale for providing the requested funding ahead of the regular 2021-22 budget, if the department can provide more information on the expected outcomes, such as the number of projects and acres to be treated.

Forestry Corps Projects (CCC): Issues for Legislative Consideration. Continuation of GGRF Is Reasonable. The proposal includes the continuation of GGRF funding of the program in 2021-22, which is consistent with the Legislature's intent in SB 901.

Unclear What Specific Outcomes Anticipated. Although the department has provided historical information on the projects Forestry Corps has completed, the department has not provided specified outcomes the additional crews could complete in future years. The lack of specified outcomes prevents the Legislature from being able to compare the cost-effectiveness of this strategy compared to other approaches.

Lack of Detail About Implementation. The department has not yet determined key implementation details, such as where the additional corpsmembers will be located throughout the state and how the department will prioritize projects with project partners. The LAO recommends that the Legislature request additional information on the implementation plan, such as how the department plans on determining which areas have the need for additional wildfire fuel breaks and the capacity for the additional crews.

Climate Catalyst Fund (IBank): Issues for Legislative Consideration. Proposal Would Complement Other Wildfire Mitigation Efforts. The Administration identified specific projects that use wood products

and could benefit from a loan program. Assisting such projects could increase the private-sector demand for wood products which could then reduce the cost of fuel reduction projects and reduce the prevalence of openly burning woody piles, which could improve air quality and reduce greenhouse gas emissions.

Unclear How Proposal Intersects With Other Proposals. The Governor's wildfire resilience package includes other proposals under CalFire and OPR that also involve market development-related activities. At this time, it is unclear the distinctions between these programs, including whether there might be duplicative efforts. The Legislature may want to have the departments report at budget hearings with more details about their implementation plans to determine whether it makes sense to establish three new programs with similar objectives. In addition, the Legislature may want to consider adding reporting language to add accountability and inform future fiscal and programmatic decision-making.

No Compelling Argument for Early Action. IBank states that its rationale for requesting current-year funding is to accelerate projects that might more sustainably remove woody piles and help stimulate the economy. While it is reasonable to assume that some projects could receive financing somewhat sooner if the Climate Catalyst Fund is capitalized before 2021-22, providing current-year augmentation would reduce the Legislature's ability to consider this spending in the context of its broader General Fund priorities.

Statutory Change May Be Needed to Receive State Funds. The legislation establishing the Climate Catalyst Fund included intent language that expressed that the fund was only to receive non-state funds. The Administration has proposed budget trailer legislation to amend statute so that the fund may receive state funds.

Workforce Training and Business Development (CalFire): Issues for Legislative Consideration. *Unclear If CalFire Is Best Entity to Support This Work.* While CalFire has significant expertise in forest management, it is unclear whether it is the best entity to manage either jobs training or business development programs, including managing a new loan program.

Unclear How Proposal Intersects With Other Proposals. The Governor's wildfire resilience package includes other proposals under IBank and OPR that also involve market development-related activities. At this time, it is unclear the distinctions between these programs, including whether there might be duplicative efforts. The Legislature may want to have the departments report at budget hearings with more details about their implementation plans to determine whether it makes sense to establish three new programs with similar objectives.

No Compelling Argument for Early Action. The department states that its rationale for requesting current-year funding is to accelerate the successful implementation of the program. In LAO's view, this is not a compelling rationale for early action funding. While it is reasonable to assume that the department could initiate and complete projects somewhat sooner than if provided in 2021-22, providing a current-year augmentation would reduce the Legislature's ability to consider this spending in the context of its broader General Fund priorities.

Adding Reporting Requirement for New Program if Approved. This proposal reflects a new administrative effort. As such, if the Legislature approves funding for this program, the LAO would recommend adopting reporting language that would provide additional accountability over how well the department implements the program and help inform future budget and programmatic decisions.

Market Development (OPR): Issues for Legislative Consideration. *Unclear How Proposal Intersects With Other Proposals.* The Governor's wildfire resilience package includes other proposals under

CalFire and Ibank that also involve market development-related activities. At this time, it is unclear the distinctions between these programs, including whether there might be duplicative efforts. The Legislature may want to have the departments report at budget hearings with more details about their implementation plans to determine whether it makes sense to establish three new programs with similar objectives.

No Compelling Argument for Early Action. OPR states that its rationale for requesting current-year funding is to begin to establish the wood feedstock pilot projects in the current year. In LAO's view, this is not a compelling rationale for early action funding. While it is reasonable to assume that OPR could prepare grant agreements for these projects several months earlier, providing a current-year augmentation would reduce the Legislature's ability to consider this spending in the context of its broader General Fund priorities.

Ecological Monitoring, Research, and Management (CalFire): Issues for Legislative Consideration. Research Could Have Long-Term Benefits. Additional resources for research could provide new knowledge on effective wildfire management and forest health practices that could inform future policy, funding, and programmatic decisions. Moreover, the department's specific approaches to research seem reasonable as they include (1) building on the existing Forest Inventory Analysis program partnership with the US Forest Service, (2) conducting a competitive solicitation process for peer-reviewed research, and (3) partnering with an established research institute focused on wildfire.

Has Not Provided Strong Rationale for Early Action. In LAO's view, the Administration has not provided a strong rationale to propose early action funding for this program. While it is reasonable to assume that the department could initiate and complete some research projects somewhat sooner, providing a current-year augmentation would reduce the Legislature's ability to consider this spending in the context of its broader General Fund priorities.

Remote Sensing (CNRA): Issues for Legislative Consideration. Additional Data Could Add Value. The proposal could result in the collection of information that would help target future fuels reduction work to high-risk areas, as well as aid fire fighters in predicting the progress of wildfires. This could reduce future wildfire risk and damages in the areas assessed.

Does Not Represent a Long-Term Data Collection Plan. The Administration reports that the proposed funding will only allow it to collect data on a portion of the state's forest lands. The LAO recommends that the Legislature direct the Administration to report at budget hearings on whether it has a longer-term data collection strategy.

Prescribed Fire Permit Efficiencies (CARB): Issues for Legislative Consideration. Restores Funding to Implement Recent Legislation. This proposal restores funding for this program in the 2021-22 budget, consistent with legislative intent in SB 1260 (Jackson), Chapter 624, Statutes of 2018.

Changes Fund Source From GGRF to General Fund. The Administration proposes to use General Fund because of limited GGRF availability. However, this proposal reflects a relatively small amount of one-time funding that would have only minor impacts on GGRF. The Legislature could consider switching the fund source to GGRF, consistent with the fund source originally approved by the Legislature.

Ongoing Funding Could Be Appropriate. Given the relatively small fiscal costs, the Legislature might want to consider providing ongoing funding — General Fund or GGRF — to support this ongoing program established in state law.

Permit Efficiencies (SWRCB): Issues for Legislative Consideration. *Regulatory Review Is Essential Component of Implementing Projects.* The state and local partners proposed for funding through the Governor’s wildfire resilience package will not be able to make expedient progress in implementing their projects if they are held up by bottlenecks in the regulatory review process. As such, to the degree the Legislature decides to provide resources for undertaking additional vegetation management projects, it makes sense to ensure there is commensurate capacity within regulatory agencies to keep pace with an associated increase in workload.

Other Departments Might Need Additional Resources for Increased Regulatory Workload. Unlike for SWRCB, the Governor does not propose funding for DFW to address increased project review and permitting responsibilities for many of the proposed projects — such as to evaluate whether forest thinning projects will have negative impacts on nearby wildlife. To the degree the Legislature decides to provide resources for undertaking additional vegetation management projects, it may want to consider whether DFW also needs additional funding to keep pace with an associated increase in its regulatory workload.

Home Hardening (Cal OES and CalFire): Issues for Legislative Consideration. *Home Hardening Is Promising Practice.* Both case studies and empirical research find that home hardening can be effective at reducing home losses in the event of a wildfire. For example, post-wildfire analysis has shown that in real wildfire situations, certain structural characteristics — such as vent screens, enclosed eaves, and double-pane windows — can protect homes by preventing embers from entering the home and protect the home from radiant heat.

Key Aspects of the Proposed Remain Undetermined. The Administration has not been able to provide detailed information about the proposal at this time. For example, the Administration has not yet determined the following about the low-income grant program: (1) what retrofits would be eligible for funding, (2) how much of the overall funding would support retrofits (as opposed to the education component of the proposal), (3) what the precise income eligibility requirements would be, (4) how much funding each homeowner would be eligible for, and (5) what the allocation methodology would be. Without detailed information on these issues, it is impossible for the Legislature to evaluate whether the program would achieve the goals of AB 38.

Early Action Is Premature and Additional Information Needed Before Approval. The lack of detail is particularly problematic given that the Administration is asking the Legislature for early action on this proposal, which reduces the amount of time available for Cal OES and CalFire to determine key aspects of the proposal and for the Legislature to evaluate the program. The LAO recommends that the Legislature withhold action on the Governor’s proposal until the Administration is able to provide sufficient details about the program.

Land Use Planning and Education (CalFire and UC): Issues for Legislative Consideration. *Administration Could Better Explain Interaction With Other Outreach Proposals.* There are a few other proposals with outreach components, such as the home hardening proposal. As the Legislature weighs the Administration’s outreach proposals, it likely will want to ensure the proposals have clear missions and do not unnecessarily duplicate activities. Clarity could be especially warranted for the UC ANR proposal given its relatively open-ended scope of providing general community outreach on fire-related matters.

Ability to Sustain Activities Is Uncertain. In discussion with LAO, the Administration identified a few sources of funds UC ANR would pursue to sustain and expand services, including state and federal grants and private donations. As these fund sources also tend to be limited term and are not guaranteed,

the Legislature may feel pressure in future years to provide additional support to this initiative. Similarly, it is unclear whether The Administration has a strategy to sustain its expanded land use planning assistance beyond the life of the proposed one-time appropriation.

Defensible Space Inspectors (CalFire): Issues for Legislative Consideration. *Unclear if Increasing Inspections Will Affect Compliance.* Research suggests that properly maintained defensible space can increase the likelihood that structures will survive if a wildfire occurs. However, the LAO is not aware of research demonstrating that increasing the number of defensible space inspections will increase compliance. The LAO notes, as well, that CalFire has limited tools — such as issuing administrative fines and abating properties — compared to local governments to enforce noncompliance.

One-Time Funding Means Any Benefits Likely Would Be Temporary. Even if increased inspections resulted in increased compliance, these benefits might be temporary. To be effective, defensible space should be maintained by property owners on an ongoing basis. Given these limitations, the LAO recommends that the Legislature direct the department to report at budget hearings on what strategies might assist in generating increased compliance on an ongoing basis throughout the state.

Staff Comments. The Governor’s wildlife resilience budget change proposal has many components, but provides minimal detail. Overall, the individual actions proposed in the plan are good to take. However, the proposal raises two overarching questions — (1) is this the best mix of programs for \$1 billion, and (2) how do we know if the many components of this plan will be implemented effectively?

The funding priorities of this proposal are drafted around “forested lands” and seems to reflect a forestry centric approach to fires. To be sure, funding should be used for such areas. However, the proposal does not seem to acknowledge that much of southern California is desert chaparral and not much forest lands. Also, the Governor’s proposal does not seem to give much attention to community-based hardening by providing \$38 million out of \$1 billion for such efforts. It seems that if saving lives is a priority, more funding should go towards community hardening.

The Governor’s proposal seems to put much weight into tools like fire breaks and prescribed burns. Both are important, but also have their limitations. Fire breaks work well with lower intensity fires, but do are not as effective with the kinds of massive fire/weather events we have seen in recent years. For example, strong winds can carry embers over a mile away to start a new fire. Similarly, prescribed burns have their role, but there are liability and other issues, such as air pollution, associated with them. As noted before, these measures are meritorious, but are there others measures that should also be included in this tool box to address a wider variety of wildfire circumstances?

A question arises as to how the Governor’s wildfire funding fits with his separate Executive Order, “30x30,” which directs CNRA to conserve 30 percent of California’s lands and coastal waters by the year 2030. These can be complimentary goals, but the particulars matter and this proposal lacks detail. Also, how do species and habitat protections, watersheds, and other issues fit in? There are complexities around natural and working lands — It does not mean that they cannot benefit, but it would be prudent to think about what time scales are being considered and methodologies used to evaluate the benefits. The Administration’s goals and directives all may be laudable individually, but it is somewhat unclear how these goals and the actions proposed to support each goal fit together as a comprehensive portfolio.

Wildfire Safety Division. On January 1, 2020, the Wildfire Safety Division (WSD) was established in the California Public Utilities Commission (CPUC) to systematically reduce the risk of ignition of wildfires from utility infrastructure. WSD (and future OEIS), is charged with reviewing and approving/denying utilities’ Wildfire Mitigation Plans (WMPs) as well as assessing compliance with

these plans. The WMPs include details of utility plans to manage wildfire risk stemming from utility infrastructure, including key activities such as grid hardening, approaches to vegetation management and inspection, plans for disabling recliners under high risk conditions, protocols for proactive de-energization, and infrastructure inspection plans.

WSD is supposed to transition to CNRA in 2021 as the Office of Energy Infrastructure Safety (OEIS). The Governor's January Budget does not include any proposal regarding the move of WSD from CPUC to CNRA. This transition is important and needs to be thought about carefully. For example, if WSD simply moved whole cloth over to CalFire, that could be a problem since CalFire mostly focuses on interdiction and does not have expertise in e.g., protocols for proactive de-energization or grid design. Also, how does the Administration intend to deal with publicly-owned utilities along with investor-owned utilities (and other retail sellers of electricity whose equipment may cause or contribute to fires)? It would have been helpful for the Administration to introduce a proposal for this transition in the Governor's January Budget considering the move is supposed to occur this year.

Staff Recommendation. Hold open.

Senator Bob Wieckowski, Chair
Senator Brian Dahle
Senator Mike McGuire
Senator Henry I. Stern



Tuesday, February 16, 2021
8:00 a.m.
State Capitol - Room 3191

Consultant: Joanne Roy

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VOTE-ONLY

0555 CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY (CALEPA)

Issue 1: California Environmental Protection Agency Bond and Technical Adjustments

Governor’s Proposal. The Governor's budget requests for various bond appropriations, reappropriations, and reversions; technical adjustments; reappropriations; and baseline adjustments to continue implementation of previously authorized programs. The tables below provide detail for each item.

CalEPA Technical Adjustments (Whole Dollars)					
BU	Department Name	Title	Amount	Funds/Proposition	Comment
3900	Air Resources Board	Position Authority Adjustment	\$-	N/A	CARB requests the conversion of 25.0 permanent/full-time positions currently in the Temporary Help Blanket, into Regular/Ongoing positions per Budget Letter 20-16.
3900	Air Resources Board	Carl Moyer Program	\$153,318,000	Air Pollution Control Fund	CARB requests a one-time increase of \$153 million APCF in 2021-22 and \$36 million APCF ongoing to align local assistance expenditure authority for the Carl Moyer program with the revenues generated by new smog abatement fees established in 2017.
3900	Air Resources Board	Reappropriation of Greenhouse Gas Reduction Funds	\$-	Greenhouse Gas Reduction Fund	CARB requests to reappropriate Greenhouse Gas Reduction Funds authorized by the Budget Act of 2019. The funds support various low carbon transportation programs, as well as FARMER and the Community Air Protection Program (AB 617).
3900	Air Resources Board	Extensions of Liquidation for Various Low Carbon Transportation and Air Quality Programs	\$-	Greenhouse Gas Reduction Fund, Air Pollution Control Fund & Air Quality Improvement Fund	CARB requests to extend the liquidation period, until June 30, 2023, for various funds for low carbon transportation programs and the enhanced fleet modernization program authorized by the Budget Act of 2017. Additionally, CARB requests to extend the liquidation period, until June 30, 2024, for various low carbon transportation and air quality programs authorized by the Budget Act of 2018.

3940	State Water Resources Control Board	Expedited Claim Account Reappropriation	N/A	Expedited Claim Account	The Expedited Claim Account (ECA) was created by SB 445 (Hill) (Chapter 547, Statutes of 2014) and required the State Water Board to implement a pilot project with the objective to reduce the overall cost for site cleanup and the time to reach closure. The funds to pay these claims (\$100,000,000) were transferred from the UST Cleanup Fund in FY 15/16. The Water Board requests to reappropriate remaining unexpended funds through June 30, 2024.
3960	Department of Toxic Substances Control	Illegal Druglab Cleanup Account General Fund Backfill Pause	\$-	Illegal Druglab Cleanup Account/ General Fund	DTSC requests to pause the ongoing \$749,000 General Fund backfill for the Illegal Druglab Cleanup Account for one year. The fund balance has sufficient resources to fund the fiscal year 2021-22 expenditure authority without any support from the General Fund.
3970	Department of Resources Recycling and Recovery	Reappropriation of Greenhouse Gas Reduction Funds	\$-	Greenhouse Gas Reduction Fund	CalRecycle requests to reappropriate Greenhouse Gas Reduction Funds appropriated in 2019. Projects receiving these grant funds include anaerobic digester and compost facilities which require complex permitting and lengthened construction timelines.
3970	Department of Resources Recycling and Recovery	Extension of Liquidation of Greenhouse Gas Reduction Funds	\$-	Greenhouse Gas Reduction Fund	CalRecycle requests to extend the liquidation period to June 30, 2024 for Greenhouse Gas Reduction Funds appropriated in 2017. Projects receiving these grant funds include anaerobic digester and compost facilities which require complex permitting and lengthened construction timelines.

State Water Resources Control Board Bond Adjustments (Whole Dollars)

BU	Dept.	Request Title	Program	Bond Fund (Prop)	Subsection: Public Resources Code (PRC), Water Code (WC) or Fish & Game Code (FGC)
3940	State Water Resources Control Board (SWRCB)	Reappropriation	State Water Pollution Control Revolving Fund - Wastewater Treatment Projects	1	WC 79723
3940	SWRCB	Reappropriation	Water System Infrastructure Improvements - Safe Drinking Water Grant Program	1	WC 79724(a)(1)
3940	SWRCB	Reappropriation	Water Recycling - Grant Program	1	WC 79765
3940	SWRCB	Reappropriation	State Water Pollution Control Revolving Fund - Wastewater Treatment Projects	1	WC 79723
3940	SWRCB	Reappropriation	Water System Infrastructure Improvements - Safe Drinking Water Grant Program	1	WC 79724(a)(1)
3940	SWRCB	Reappropriation	Multibenefit Stormwater Management Projects	1	WC 79747(a)
3940	SWRCB	Reappropriation	Water Recycling - Grant Program	1	WC 79765
3940	SWRCB	Local Assistance Reappropriation	Groundwater Sustainability	1	WC 79771(a)
3940	SWRCB	Local Assistance Appropriation	Water Recycling	13	WC 79137(a)
3940	SWRCB	Local Assistance Reappropriation		40	PRC 5096.610(c)/.650(c)(2)
3940	SWRCB	Local Assistance Reappropriation	Clean Beaches – § 5096.650(c)(2)	40	PRC 5096.610(c)/.650(c)(2)
3940	SWRCB	Program Delivery Appropriation	Safe Drinking Water Standards - § 79530(a)(b)	50	WC 79530(a)(b)
3940	SWRCB	Local Assistance Appropriation	Santa Monica Bay Restoration – § 79543, Ref. 1	50	WC 79543, Ref. 1
3940	SWRCB	Reappropriation of the Local Assistance	Santa Monica Bay Restoration Commission – § 79543, Ref 1	50	WC 79543, Ref. 1
3940	SWRCB	Local Assistance Reversion	Safe Drinking Water Standards – § 79530(a)(b)	50	WC 79530(a)(b)
3940	SWRCB	Local Assistance Reappropriation		50	Various
3940	SWRCB	Program Delivery Reversion	San Joaquin River Hydrologic Unit	68	PRC 80140(b)
3940	SWRCB	Local Assistance Reappropriation	Water Quality and Drinking Water Grants	68	PRC 80140(a)

3940	SWRCB	Local Assistance Reappropriation	San Joaquin River regional water supply grants	68	PRC 80140(b)
3940	SWRCB	Local Assistance Reappropriation	Competitive grants for treatment and remediation for groundwater contamination	68	PRC 80141(a)
3940	SWRCB	Local Assistance Reappropriation	Pure Water Program for City of San Diego	68	PRC 80146(a)
3940	SWRCB	Program Delivery Appropriation	Small Community Water Grants	84	PRC 75022
3940	SWRCB	Local Assistance Reversion	Santa Monica Bay Restoration Commission	84	PRC 75060(a)(2)
3940	SWRCB	Local Assistance Reversion	Emergency Safe Drinking Water Supply Program	84	PRC 75021(a)

Staff Recommendation. Approve as budgeted.

3900 CALIFORNIA AIR RESOURCE BOARD (CARB)**Issue 2: Bolstering Heavy-Duty Mobile Source Testing & Enforcement**

Governor's Proposal. The Governor's budget requests \$2.9 million Air Pollution Control Fund and 14 positions in 2021-22, \$7.3 million APCF and 28.0 positions in 2022-23, and \$9.9 million APCF and 33 positions in 2023-24 for its heavy-duty mobile source testing program. These resources will be used to address non-compliance with state and federal emissions standards which may increase enforcement actions resulting from cases of non-compliance. The Certification and Compliance Fund will fully fund the proposal on an ongoing basis beginning in 2024-25.

Staff Recommendation. Approve as budgeted.

Issue 3: Implementation and Enforcement of New Control Measure for Ocean-Going Vessels at Berth

Governor's Proposal. The Governor's budget requests \$962,000 Air Pollution Control Fund and five permanent positions phased in over four years (\$201,000 and one position in 2021-22, \$583,000 and three positions in 2022-23, \$774,000 and four positions in 2023-24, and \$962,000 and five positions in 2024-25 and ongoing) to implement the requirements of the At-Berth Regulation. This new regulation builds upon the At-Berth Regulation adopted in 2007 and is designed to further reduce pollution from ocean-going vessels while docked at California's busiest ports.

Staff Recommendation. Approve as budgeted.

Issue 4: Implementation of the Advanced Clean Trucks Regulation

Governor's Proposal. The Governor's budget requests two permanent positions and \$386,000 Air Pollution Control Fund in 2021-22 and \$384,000 ongoing to implement the newly adopted Advanced Clean Trucks Regulation. The Advanced Clean Trucks Regulation aims to accelerate adoption of medium- and heavy-duty zero-emission vehicles as part of the state's strategy to reduce emissions from the transportation sector.

Staff Recommendation. Approve as budgeted.

3940 STATE WATER RESOURCES CONTROL BOARD (SWRCB)**Issue 5: Amador County Local Primacy Revocation**

Governor's Proposal. The Governor's budget requests \$206,000 Safe Drinking Water Account ongoing and one position to carry out public small water system regulatory program for Amador County. The County's Primacy Delegation has been terminated per request of the County and oversight of the delegated public water systems is now with SWRCB.

Staff Recommendation. Approve as budgeted.

Issue 6: Computer-Based Operator Certification Testing

Governor's Proposal. The Governor's budget requests \$850,000 Drinking Water Operator Certification Fund and \$150,000 Wastewater Operator Certification Fund ongoing to administer computer-based testing. This would expand the availability and frequency of testing throughout California and help drinking water and wastewater facilities continue to comply with state and federal safe drinking water and clean water regulatory requirements.

Staff Recommendation. Approve as budgeted.

Issue 7: Industrial Stormwater Discharge Compliance

Governor's Proposal. The Governor's budget requests \$951,000 Waste Discharge Permit Fund ongoing and six permanent positions to assist in permit enrollment and assist regional boards in responding to requests from industrial facility owners.

Staff Recommendation. Approve as budgeted

Issue 8: Site Cleanup Program Investigation and Cleanup

Governor's Proposal. The Governor's budget requests \$4.282 million in reimbursement authority and 21 permanent positions to oversee cleanup of contaminants including Per- and Polyfluoroalkyl Substances (PFAS) source investigation orders sent by SWRCB and the Regional Water Quality Control Boards (RWQCBs) (collectively Water Boards) to airports, chrome plating facilities, bulk fuel terminals and refineries.

Background. Site Cleanup Program. Water Boards operate the Site Cleanup Program, which is responsible for oversight of investigation and cleanup efforts at over 3,900 contaminated sites to protect water quality, human health, and the environment. A key objective of the program is to support the reuse of contaminated properties (brownfields).

Case types are variable ranging from large industrial manufacturing, former military sites, to small dry cleaners. The Site Cleanup Program also oversees sites with a wide range of contaminants including

petroleum, pesticides, metals, and chlorinated hydrocarbons (solvents) which are highly toxic and persistent in nature.

The Site Cleanup Program staff is funded primarily through direct billing (cost recovery) of dischargers who have either requested oversight or have been ordered by the Water Boards to conduct investigation and cleanup efforts.

Caseload and backlogged cases. Statewide, there are about 4,000 open cases which include active and inactive cleanup cases. Approximately 81 positions support oversight for about 2,800 of the open cases primarily through cost recovery from responsible parties. Due to several reasons including but not limited to, staff resources, insolvent dischargers, restrictions in property access, etc., the Site Cleanup Program has a backlogged caseload of approximately 1,000 cases.

Per- and polyfluoroalkyl substances (PFAS). PFAS represents a suite of over 6,000 manmade chemicals used in a wide variety of products due to its water repellency and stability at very high temperatures. Some products include cleaning products, paints, water-resistant fabrics, water-resistant carpeting, and fire-fighting foams.

PFAS contamination in soil and groundwater presents a significant threat since it is highly toxic, mobile in groundwater, and will not degrade in nature. All these factors contribute to increased concern with potential impact to water supply sources and drinking water wells from these contaminants if source investigations and cleanups are not completed in a timely manner and with adequate oversight by the RWQCBs.

There are numerous PFAS cases, and they continue to grow. The Site Cleanup Program is the primary Water Boards program overseeing the Statewide PFAS initiative to identify sites that may be contaminated with PFAS and issue directives for investigation and potential cleanup. By spring 2021, the Water Board will have issued 462 investigation orders to 30 airports, 271 chrome plating facilities, and 161 bulk fuel terminals/refineries to investigate the presence of PFAS in soil and groundwater.

SWRCB anticipates that approximately 270 of the 462 PFAS sites will detect PFAS in soil and groundwater requiring further investigation and eventual cleanup. Thus, the Site Cleanup Program will add approximately 270 new PFAS cases to its active cases by the end of 2020-21 fiscal year. Beyond 2020-21 fiscal year, SWRCB will be targeting other airports, fire training areas, and other industrial sites that may have used PFAS at their facilities. As such, SWRCB anticipates an increase of active PFAS cases beyond the 2020-21 fiscal year.

Staff Comments. Given the widespread use of PFAS and its persistence in the environment, PFAS levels from past and current uses can accumulate and result in increasing levels of toxic contamination. It would be prudent to provide SWRCB with additional resources to address the increasing number of PFAS cases.

Staff Recommendation. Approve as budgeted.

3960 DEPARTMENT OF TOXIC SUBSTANCES CONTROL (DTSC)**Issue 9: BKK Facility: Coordinated Third-Party Enforcement**

Governor's Proposal. The Governor's budget requests \$282,000 Toxic Substances Control Account (TSCA) annually for two years to implement a Third-Party Enforcement Initiative in coordination with the BKK Working Group, a group of approximately 50 cooperating potentially responsible parties. The ThirdParty Enforcement Initiative will conduct cost recovery against approximately 12,000 third party arrangers who sent hazardous substances to the BKK Class I Hazardous Waste Landfill (Site) with the objective of recovering past and future response costs incurred by DTSC and the BKK Working Group at the Site.

This proposal is contingent on the passage of the DTSC Control Governance and Fee Reform, which will provide a sustainable funding source for the Toxic Substances Control Account.

Staff Recommendation. Approve as budgeted.

Issue 10: Cost Recovery Management System (CRMS) IT Project

Governor's Proposal. The Governor's budget requests \$2.1 million in 2021-22, \$1.6 million in 2022-23, and \$750,000 annually thereafter, split between the Hazardous Waste Control Account (HWCA), TSCA, and Lead Acid Battery Clean-up Fund (LABCF) to continue and complete the remaining project phases of the Cost Recovery Management System (CRMS) information technology platform upgrade project. Upgrading the CRMS platform provides the system and tools necessary to hold polluters accountable for the costs of remediating their contamination. The upgrade is also necessary to comply with AB 273 (Committee on Environmental Safety and Toxic Materials), Chapter 456, Statutes of 2015.

Staff Recommendation. Approve as budgeted.

Issue 11: National Priorities List and State Orphan Sites

Governor's Proposal. The Governor's budget requests a transfer of \$19.55 million from TSCA to the Site Remediation Account to fund the state's National Priorities List obligations and state orphan sites with Priorities 1A, 1B, and 2.

Staff Recommendation. Approve as budgeted.

**3970 DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY
(CALRECYCLE)****Issue 12: Plastic Beverage Container Minimum Content Standard Implementation**

Governor’s Proposal. The Governor’s budget requests one position and \$129,000 Beverage Container Recycling Fund (BCRF) in 2021-22, an additional five positions and \$805,000 BCRF in 2023-24, and an additional three positions and \$1.2 million BCRF in 2024-25 and ongoing, for a contracted biennial study. The resources will be used to implement AB 793 (Ting), Chapter 115, Statutes of 2020, which requires beverage manufacturers to include a minimum amount of postconsumer recycled plastic in all plastic beverage containers subject to the California Refund Value (CRV).

Background. AB 793. AB 793 requires beverage manufacturers to utilize specified amounts of recycled content in California Redemption Value (CRV) plastic beverage containers sold within the state. AB 793 requires the recycled content in CRV plastic beverage containers to be 15 percent by 2022, 25 percent by 2025, and 50 percent by 2030. Beginning in 2025, the CalRecycle will have the authority to review and adjust the minimum recycled content requirement annually, or at the petition of the beverage manufacturing industry.

Beginning in 2023, AB 793 authorizes the department to assess a fixed administrative penalty rate on non-compliant beverage manufacturers. CalRecycle will be able to assess the penalty rate based on the shortfall of recycled content used compared to the minimum content requirement. In addition, AB 793 requires CalRecycle to consider granting a reduction of the administrative penalty if a beverage manufacturer submits a corrective action plan. AB 793 establishes additional reporting requirements for reclaimers and manufacturers of recycled plastic. This bill creates new mandates, processes, and reporting requirements for existing participants in the Beverage Container Recycling Program (BCRP) and expands BCRP’s scope of authority.

Based on data received from beverage manufacturers on the amount of virgin and recycled plastic used in CRV beverage containers, an average of 15 percent minimum recycled content was used by beverage manufacturers who reported in 2019.

Staff Recommendation. Approve as budgeted.

DISCUSSION

0555 CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY (CALEPA)

Issue 13: Environmental Justice Small Grant Program

Governor's Proposal. The Governor's budget requests \$1.5 million Toxic Substances Control Account (TSCA) ongoing to support the Environmental Justice (EJ) Small Grant Program. The Environmental Justice Small Grant Program awards grants to assist eligible non-profit community organizations and federally recognized Tribal governments addressing environmental justice issues in areas disproportionately affected by pollution and health and environmental hazards. This proposal is contingent on the passage of the Department of Toxic Substances Control Governance and Fee Reform proposal, which is intended to provide a sustainable funding source for TSCA.

Background. *The Environmental Justice (EJ) Small Grant Program.* The EJ Small Grant Program was established in 2002 for the purpose of providing small grant to community-based non-profit organizations and tribal governments affected by environmental pollution and hazards that work to address EJ issues. Since its inception, the program has awarded more than \$6.5 million to community-based organizations and federally recognized tribal governments that address EJ issues at the grassroots level. The program is statutorily limited to \$1.5 million annually and has been funded by a variety of CalEPA special funds on an annual basis.

In the last two years, the program has regularly received nearly 100 applications per grant cycle and has been able to award grants to a quarter of the projects proposed. In 2020, program applicants requested over \$4.3 million in grant funds and the program awarded a total of \$1.1 million to 28 non-profit organizations and tribal governments. Awarded projects focus on the following objectives:

- Improving access to safe and clean drinking water
- Mitigating, responding, and adapting to climate change impacts through developing and implementing community led solutions.
- Promoting pollution prevention and resource conservation.
- Reduction exposure to toxic pesticides and other chemicals.
- Building community capacity and strengthening collaboration with schools and local government to address cumulative pollution burdens and increase community knowledge.

Examples of recent projects funded by the program include:

- The California Healthy Nail Salon Collaborative project will train at least 2,500 nail salon workers and owners how to reduce their exposure to toxic chemicals and COVID-19.
- The Earth Team in Contra Costa and Alameda Counties will develop climate hazards action plans at four Title 1 high schools.
- The Conservation Corps of Long Beach project will train youth on how to provide low-income households with new, drought-tolerant garden landscapes and teach youth and residents about environmental restoration.
- The Fresno Metro Black Chamber Foundation will address birth outcome disparities in African American Fresno County communities through creation of a training curriculum and toolkit that highlights the importance of prenatal health, air quality, and the impact of climate change and the reduction of greenhouse gases (GHG) in the environment on prenatal care.

Toxic Substances Control Account (TSCA). This account was created to provide for response authority for releases of a hazardous substances, including spills and hazardous waste disposal sites posing a threat to public health or the environment. TSCA also compensates persons, under certain circumstances, for out-of-pocket medical expenses and lost wages or business income resulting from injuries proximately caused by exposure to releases of hazardous substance. TSCA provides contract costs for the cleanup of orphan and National Priority List sites, as specified. In addition, TSCA funds related activities within the Department of Justice, the Department of Public Health, the Office of Environmental Health Hazard Assessment, and the State Controller's Office.

Major sources of revenue for TSCA include various charges, fines, and penalties. TSCA typically receives about 80 percent of its revenue from an environmental charge levied on organizations that use, generate, store, or conduct activities related to hazardous materials. The amount of the charge is scaled based on the number of employees the organization has. For example, organizations with between 50 employees and 75 employees pay \$352 annually. Organizations with 1,000 or more employees pay \$16,681 annually. In addition, over the past few years, TSCA has received General Fund loans to expedite the cleanup of contamination from the Exide Technologies Facility. These loans from TSCA have been large enough in recent years to account for roughly half of TSCA's revenues.

Staff Comments. The 2018 Budget Act included a similar request for one-time funding of up to \$1.5 million for the EJ Small Grants Program appropriating money from from a variety of sources — penalty revenue within the Air Pollution Control Fund, the California Beverage Container Recycling Fund, the Waste Discharge Permit Fund, and TSCA, all of which are administered by boards and departments under CalEPA. Appropriating from several different funds that are administered by different boards and departments makes sense considering the EJ Small grant program funds a variety of these issues associated with these boards and departments.

This BCP requests funding from a single source, TSCA. However, as shown above, the EJ Small Grants Program does not provide funding exclusively for issues concerning the release of hazardous substances. To provide ongoing funding for the EJ Small Grant Program solely from TSCA raises concern considering the EJ grants are for issues in multiple arenas, not just toxics.

In recent years, the growth in expenditures from TSCA has outpaced growth in revenues, transfers, and other adjustments, creating a structural imbalance. According to estimates, in 2018-19, TSCA expenditures were \$13.1 million greater than revenues (excluding expenditures and the General Fund transfer for Exide cleanup). According to the Administration, the structural imbalance is due, in part, to additional operational costs to implement expanded responsibilities the department has been given since 2000. In a separate proposal, the Administration proposes governance and fiscal reform to DTSC, including revamping how TSCA receives revenues. The DTSC structural deficit, TSCA, has been an ongoing issue for several years now with multiple attempts to resolve it. This BCP is contingent on the passage of the DTSC reform proposal..

Staff Recommendation. Hold open.

0555 CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY (CALEPA)
3900 CALIFORNIA AIR RESOURCE BOARD (CARB)**Issue 14: Oversight Hearing: Cap-and-Trade Program****Speakers.**

- Ross Brown, Principal Fiscal & Policy Analyst, Legislative Analyst’s Office (LAO)
- Jared Blumenfeld, Secretary, California Environmental Protection Agency
- Liane Randolph, Chair, California Air Resources Board
- Danny Cullenward, Policy Director, Carbon Plan, and Lecturer, Stanford Law School

Background. *Climate Change Impacts and State Actions.* According to the LAO, researchers project that climate change will have myriad consequential effects through California. These include sea-level rise, inland flooding, more severe heat days, more frequent drought, and increased risk of wildfires. These climate change effects have the potential to damage infrastructure, adversely affect human health, impair natural habitats, and affect regional economies.

State and local governments are already taking action to try to reduce the magnitude of future damages from climate change. Perhaps most notably, the Global Warming Solutions Act of 2006 (AB 32 (Nunez and Pavley), Chapter 488, Statutes of 2006) established the goal of limiting greenhouse gas (GH) 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. To achieve these goals, the state has adopted a wide variety of regulations and provided funding to different programs — largely from the state’s Greenhouse Gas Reduction Fund (GGRF) — to reduce emissions. Collectively, these activities are often referred to as climate mitigation.

Another sort of action — often known as climate adaptation — relates to planning for and implementing projects that reduce the risk of future damage that could occur as a result of climate change even if global GHG emissions are reduced substantially in the coming decades. Unlike mitigation, there are no statutory goals guiding climate adaptation, but the state is in the early stages of expanding and increasing focus on adaptation activities.

The state has dozens of different programs aimed at reducing GHG emissions — many of which are regulatory programs. Major policies to meet statewide GHG limits include:

- *Cap-and-Trade.* Regulation that establishes a “cap” on overall emissions from large emitters by issuing a limited number of permits (also known as allowances). Allowances can be brought and sold (traded), which creates a market price for allowances and an incentive for lowest cost reductions.
- *Short-Lived Climate Pollutants.* Regulations and financial incentives (such as grants) intended to reduce certain types of emissions from dairies, landfills, and refrigeration equipment.
- *Renewable Portfolio Standard.* Regulations that require utilities to provide 60 percent of electricity from qualifying renewable sources, such as wind and solar, by 2030.

- *Energy Efficiency.* Regulations and financial incentives to encourage more efficient energy use in commercial buildings, homes, and manufacturing facilities.
- *Low Carbon Fuel Standard (LCFS).* Regulation that requires transportation fuel suppliers to reduce the amount of GHGs per unit of fuel used in California — also known as the carbon intensity of fuels.
- *Vehicle-Related Programs.* Regulations and incentives (such as grants and rebates) to encourage more efficient light- and heavy-duty vehicles, as well as promote certain types of technologies such as electric vehicles.
- *Vehicle Miles Traveled.* Planning strategies and financial incentives intended to reduce the amount of light-duty vehicle use through such things as increased transit and changes to land use.

As shown above, the Cap-and-Trade program is one in a suite of programs aimed at reducing GHG emissions.

Cap-and-Trade Program. Purpose of Market-Based Mechanisms. Cap-and-trade is one commonly discussed market-based approach to reducing GHG emissions. (The other market-based approach most commonly discussed is a carbon tax.) Cap-and-trade differs from other regulatory approaches, such as traditional command-and-control regulations. Under traditional regulations for reducing emissions, government requires businesses to install a certain type of emission reduction technology or meet a certain minimum emissions standard. When discussed in relation to market-based approaches, these regulatory approaches are sometimes referred to as direct regulations or complementary policies. In contrast, a market-based approach like cap-and-trade adds a financial incentive for private business and consumers to reduce emissions. The private sector has flexibility to determine which emission reduction activities are least costly and whether the costs of the activities are less than the financial cost of continuing to emit GHGs. The supply and demand of allowances in a trading market generally determine the price of an allowance.

California's Cap-and-Trade Program. The original Cap-and-Trade program was recommended by CARB as a central approach to flexibility and iteratively reduce emissions over time. AB 32 authorized ARB to implement a market-based mechanism — known as a cap-and-trade program — through 2020. CARB adopted Cap-and-Trade regulations and those regulations were approved in December, 2011.

AB 398 (E. Garcia), Chapter 135, Statutes of 2017, extended the authority of CARB to implement a Cap-and-Trade program to reduce GHG emissions throughout the state until December 31, 2030. AB 398 specified a variety of requirements on the post-2020 Cap-and-Trade program; most notable are (1) requiring the banking of allowances from the current Cap-and-Trade program into the post-2020 program, (2) specifying industry assistance factors for the post-2020 program, and (3) the adoption of a price ceiling in the program, at which point an unlimited number of allowances must be made available for purchase.

The Cap-and-Trade regulation — administered by CARB — places a “cap” on aggregate GHG emissions from large emitters, such as large industrial facilities, electricity generators and importers, and transportation fuel suppliers. Capped sources of emissions are responsible for roughly 75-80 percent of the state’s GHGs. To implement the program, CARB 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 cover their total emissions. Covered entities

can also purchase “offsets” generated from projects that reduce emissions from sources that are not capped.

Over time, the cap declines, resulting in GHG emission reductions. Two forms of compliance instruments are used: allowances and offsets. Allowances are generated by the state in an amount equal to the cap and may be “banked” (i.e., allowing current allowances to be used for future compliance). An offset is a credit for a real, verified, permanent, and enforceable emission reduction project from a source outside a capped sector (e.g., a certified carbon-storing forestry project). Some fraction of allowances are allocated freely to covered entities, a small portion are set aside as part of an allowance price-containment reserve (a cost-containment mechanism that releases additional allowances into the market to slow price increases), and the rest are auctioned off quarterly.

One important aspect of implementing a cap-and-trade program is determining how to distribute allowances. In theory, allowances can be issued in one of three general ways: (1) they can be given away for free, (2) they can be auctioned by the state, or (3) some portion can be freely allocated while the other portion is auctioned. For example, ARB offered 46 percent of 2016 allowances at auctions and gave 50 percent away for free. (four percent of allowances are made available at predetermined prices — a strategy intended to moderate potential spikes in allowance prices.) Of the 50 percent of allowances given away for free, most were given to investor-owned utilities (IOUs) (16 percent), certain industrial emitters (14 percent), natural gas suppliers (12 percent), and publicly owned utilities (8 percent). State law and regulation require IOUs to auction their allowances and most of the resulting revenue must be credited to their industrial, small businesses, and residential electricity customers. CARB allocates free allowances to certain energy-intensive trade-exposed industries based on how much of their product (not GHG emissions) they produce in California. The more they produce in the state, the more free allowances they receive. This strategy is intended to prevent emissions leakage.

Cap-and-Trade was designed as a “backstop” to other climate change policies in the march to the AB 32 goal, with the bulk of GHG emission reductions coming from other measures. Although these measures are often called “complimentary,” including the Short-Lived Climate Pollutant Strategy, Renewable Portfolio Standard, energy efficiency, Low Carbon Fuel Standard, and various vehicle-related programs, these measures have been the main drivers of GHG emissions reductions in California. As such, it would be more accurate to describe the Cap-and-Trade program as the complimentary measure to California’s other GHG emission reduction strategies. The design of the Cap-and-Trade program also explains why forecasts estimate that the program will only be responsible for 5-22 percent of the GHG emission reductions needed to reach the AB 32 goal (the range being the result of how skeptical or generous those doing forecasts chose to be).

The anticipated emissions reductions attributable to the Cap-and-Trade program have risen from 20 percent by 2020 (according to the 2008 Scoping Plan), to 38 percent cumulatively over the next decade, including nearly half of the annual emission reductions in 2030 (according to the 2017 Scoping Plan).

However, at a CARB meeting on December 13, 2018, while the board was contemplating amendments to the Cap-and-Trade program post-2020, Chair Nichols stated:

We have a lot more [greenhouse gas emissions] reductions that we need going forward. We now know that we are not on a line that’s going to meet the 2030 target, much less the 2045 goal of carbon neutrality, and so we’re going to have to step back and take a serious look at the role that Cap-and-Trade and other measures play in getting us to that point.

Last year, Senate Budget Subcommittee 2 and subsequently the Senate adopted a directive to CARB to consider changes to the Cap-and-Trade program. CalEPA Secretary Jared Blumenfeld responded to the Senate's proposal with a letter committing CalEPA to work with the Legislature and CARB to examine the program's role in California's 2030 climate strategy and ensuring a comprehensive review to consider the extent to which the state's climate strategy should rely on the Cap-and-Trade program, an evaluation of potential changes to the program, and identification of areas where new legislation could further the successful implementation of California's climate strategy.

State GHG Targets and Policies. AB 32 and Scoping Plan. AB 32 established the goal of limiting GHG emissions statewide to 1990 levels by 2020. The legislation directed ARB to adopt regulations to achieve the maximum technologically feasible and cost-effective GHG emission reductions by 2020.

CARB is required to develop a Scoping Plan to achieve the emission targets and update the plan periodically. These scoping plans include a wide variety of regulations intended to help the state meet its GHG goal, such as regulations mentioned previously like Cap-and-Trade, LCFS, and energy efficiency. Considering Chair Nichols remarks in December 2018 noted above, a question arises of how much of a role should the Cap-and-Trade Program have in the overall plan to achieve emission targets. The next update to the Scoping Plan is slated for 2022 and the process for doing the update is expected to begin soon.

Scoping Plan. According to the 2020 Annual Report of the Independent Emissions Market Advisory Committee (IEMAC) chapter, "Scoping Plan," authored by Meredith Fowlie and Danny Cullenward:

State law requires [CARB] to update its official strategy for achieving California's climate targets at least once every five years. California has considered the role of the Cap-and-Trade program in three such Scoping Plans to date ([CARB], 2008; [CARB], 2013, [CARB], 2017; Mastrandrea et al. (2020), *Assessing California's progress toward its 2020 greenhouse gas emissions limit, Energy Policy* 138: 111219.) and is preparing to commence a regulatory process in early 2021 to develop a fourth effort...

The Board has a statutory obligation to establish sufficiently stringent emissions regulations so as to provide confidence that the state will meet its annual GHG emissions targets in milestone years. In each of the three previous Scoping Plans, the Board has relied on the Cap-and-Trade program as a backstop guarantee that the state will meet these annual targets. However, to function in this role, the Cap-and-Trade program must be designed so that the limited supply of compliance instruments will deliver targeted GHG emissions outcomes, such as the statutory statewide limits on annual emissions in 2020 and 2030 — no matter the performance or stringency of other climate policy measures in the Scoping Plan.

The most important GHG, carbon dioxide, known as a "stock" pollutant because its climate impacts are a function of cumulative emissions over time. In theory, there are significant efficiency gains from designing GHG Cap-and-Trade programs to meet a *cumulative* emissions target. Under a cumulative target, allocating permits in advance of need (and allowing banking over time) can increase economic efficiency by improving price stability, facilitating inter temporal arbitrage, and enabling cost-effective abatement investment trajectories. In contrast, California's statewide policy targets, such as the limits set by AB 32 and SB 32 for 2020 and 2030, respectively, are denominated in terms of *annual* emissions. A Cap-and-Trade program that features allowance banking rules (as California's does) can deliver on a cumulative emissions target, but does not provide the backstop guarantee on annual emissions targets that

many policymakers assume. Furthermore, compliance with statewide policy targets is measured on the basis of statewide emissions, about 75 percent of which are covered by the Cap-and-Trade program.

As a result of these two issues — the difference between cumulative and annual emissions, as well as the difference between cumulative and annual emissions — the Cap-and-Trade program’s cumulative emissions budgets do not guarantee that the state achieves a specific annual emissions limit. Translating a cumulative emissions budget into annual statewide emissions outcomes requires detailed assumptions about uncertain variables such as macroeconomic growth, technological change, non-covered emissions outside the Cap-and-Trade program, and allowance banking with the Cap-and-Trade program. If expectations about any of these variables turn out to be incorrect, changes to future Cap-and-Trade emissions budgets could be needed to recalibrate the system and maintain a backstop approach.

Cap-and-Trade programs can also be designed with “hybrid” features, such as administratively determined minimum floor and maximum ceiling prices. These features are particularly important because uncertainty in business-as-usual emissions and n emission reductions from other climate policies increase the likelihood that hybrid program features will constrain market prices (Borenstein et al., 2019, *Expecting the Unexpected: Emissions Uncertainty and Environmental Market Design*, *American Economic Review* 109(11): 3953-77). This finding highlights the importance of setting hybrid program features through careful analysis that is linked to specific policy goals.

Although the California Cap-and-Trade program was initially designed without a price ceiling to ensure the state would meet milestone annual emissions targets, the 2017 Cap-and-Trade extension bill, AB 398 (E.Garcia), Chapter 135, Statutes of 2017, required [CARB] to add one. A 2018 rulemaking process implementing that bill retained the program’s minimum floor prices, which were developed in 2010 before California adopted its 2030 climate target. It also added new intermediate price containment points, implemented the new price ceiling, and emphasized a “steadily increasing carbon price signal” in support of needed emission reductions ([CARB] (2018), 2018 cap-and-trade regulations ISOR Appendix D: AB 398L: Evaluation of Allowance Budgets 2021 through 2030; Cullenward (2018), IEMAC 2018 Annual Report, Appendix B). Although there is nothing wrong with this description — indeed we should expect to see steadily increasing carbon prices when annual emissions limits are tightening — The Board did not specify what price levels would likely be needed to support the SB 32 target. Meanwhile, the large quantity of banked allowances raises concerns that the Cap-and-Trade program will not be up to the task of constraining 2030 emissions below the SB 32 target (Cullenward et al. (2019), Tracking banking in the Western Climate Initiative cap-and-trade program, *Environmental Research Letters* 14: 124037; Inman et al. (2020), An open-source model of the the Western Climate Initiative cap-and-trade programme with supply-demand scenarios to 2030, *Climate Policy* 20(5): 626-40.).

Economists agree that carbon pricing programs can contribute to the cost-effective realization of climate policy goals, whether structured in terms of explicit prices, quantity targets, or a hybrid policy that combines both features (Goulder and Scheib (2013), Carbon Taxes Versus Cap-and-Trade: A Critical Review, *Climate Change Economics* 4(3): 1350010.). Nevertheless, it is important to align California’s Cap-and-Trade program design with its evolving role in the state’s comprehensive climate policy portfolio.

[CARB] has an opportunity in the upcoming Scoping Plan process to align the analytical framework it uses to design the Cap-and-Trade program and the role the Board expects the program to play in supporting its statutory obligation to limit annual emissions in 2030. [IEMAC] believe[s] the additional clarity about the intended function of the Cap-and-Trade program would be beneficial in the upcoming Scoping Plan process and could be used to help guide any consideration of potential Cap-and-Trade program reforms.

IEMAC Recommendations. IEMAC urges CARB to focus on analytical consistency between the upcoming Scoping Plan, which charts a course towards an annual GHG target, and the Cap-and-Trade program, which is designed to meet a cumulative GHG target. To achieve consistency, CARB should elucidate the desired role of the Cap-and-Trade program in California’s overall climate strategy and review the current market design in light of that preferred direction. Given the “hybrid” design of the current Cap-and-Trade program, CARB could consider identifying a range of carbon prices that are consistent with the portfolio of strategies adopted in its final Scoping Plan and align the Cap-and-Trade program design with its desired carbon price trajectories. Alternatively, if CARB prefers to design the program as a backstop guarantee on the state’s 2030 climate target, then it should focus on a comprehensive analysis of market oversupply conditions and design cap-and-trade program reforms to fully address those concerns.

Conclusion. This is a time of several fresh starts — A change in leadership at the federal level, a new Chair at CARB, three other newly appointed CARB members, and an update to the Scoping Plan beginning soon. It is an opportune moment to reevaluate the Cap-and-Trade program’s role in achieving the state’s GHG emissions reduction goals as well as make improvements to the program in order to reach those goals.

3900 CALIFORNIA AIR RESOURCE BOARD (CARB)
3940 STATE WATER RESOURCES CONTROL BOARD
3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CALFIRE)
8570 DEPARTMENT OF FOOD AND AGRICULTURE (CDFA)

Issue 15: Cap-and-Trade Expenditure Plan

Governor’s Proposal. The Governor’s budget proposes \$1.369 billion Greenhouse Gas Reduction Fund (GGRF) for a number of programs. Specifically, this proposal includes \$624 million for early action in 2020-21 and \$745 million in 2021-22. This proposal also includes budget bill language for 2020-21 and 2021-22 restricting departments from encumbering or committing more than 75 percent of their GGRF appropriations prior to the fiscal year’s fourth quarterly Cap-and-Trade auction. The chart below details each proposed discretionary expenditure and their amounts for early action or budget year.

Cap and Trade Expenditure Plan
(Dollars in Millions)

Investment Category	Department	Program	Early Action 2020-21	Budget Year 2021-22	Total
Equity Programs	California Air Resources Board	AB 617 - Community Air Protection	\$125	\$140	\$265
		AB 617 - Local Air District Implementation	\$0	\$50	\$50
		AB 617 - Technical Assistance to Community Groups	\$0	\$10	\$10
	Water Board	Safe & Affordable Drinking Water (\$130 million total)	\$30	\$24	\$54
Low Carbon Transportation & ZEV Strategy	California Air Resources Board	Clean Trucks, Buses, & Off-Road Freight Equipment	\$165	\$150	\$315
		Clean Cars 4 All & Transportation Equity Projects	\$74	\$76	\$150
		Agricultural Diesel Engine Replacement & Upgrades	\$90	\$80	\$170
Natural & Working Lands	CAL FIRE	Healthy & Resilient Forests (SB 901) (\$75 million included in 2020 Budget)	\$125	\$200	\$325
	Department of Food & Agriculture	Healthy Soils	\$15	\$15	\$30
Total			\$624	\$745	\$1,369

Below are descriptions of each of the expenditure proposals:

Equity Programs. The Cap-and-Trade Expenditure Plan continues a strong focus on community air protection by providing \$325 million to support the AB 617 program, which reduces exposure in communities with disproportionate exposure to air pollution through targeted air monitoring and community emissions reduction programs. This support includes grants to community-based

organizations, implementation funding for local air districts, and incentives for cleaner vehicles and equipment.

CARB: AB 617—Community Air Protection — \$125 million in 2020-21 and \$140 million in 2021-22 for incentive actions to reduce both stationary and mobile source emissions in communities identified as heavily impacted by air pollution. Under the Community Air Protection Program (AB 617), CARB will continue to identify at-risk communities and key measures to reduce neighborhood pollution.

CARB: AB 617—Local Air District Implementation—\$50M in 2021-222 to support local air districts' implementation of AB 617, including establishing and coordinating community steering committees, emissions reduction program development, deployment of air monitoring within communities, and implementation of Best Available Retrofit Control Technologies (BARCT) requirements.

CARB: AB 617—Technical Assistance to Community Groups—\$10 million in 2021-22 for technical assistance grants to community-based organizations to participate in the AB 617 process, including for involvement and support of the development of community emission reduction plans.

SWRCB: Safe and Affordable Drinking Water — SB 200 (Monning), Chapter 120, Statutes of 2019, created the Safe and Affordable Drinking Water Fund, which provides up to \$130 million per year to assist water systems in providing a safe and affordable supply of drinking water to communities. This is achieved by accelerating the implementation of short- and long-term solutions, funding consolidations, planning, technical assistance, administrators, replacement water, and operations and maintenance. Projects funded by the program will improve climate change adaptation and resiliency of disadvantaged communities. Health and Safety Code Section 39719(a)(3) requires five percent of annual Cap and Trade proceeds be transferred to the Safe and Affordable Drinking Water Fund. This proposal authorizes an additional amount to be transferred to the Safe and Affordable Drinking Water Fund but not to exceed a total of \$130 million.

Low Carbon Transportation & ZEV Strategy. Executive Order N-79-20 directly addresses California's transportation emissions challenge by position state agencies to work with stakeholders to aggressively scale the zero-emission vehicle (ZEV) market in ways that benefit all Californians. To help the state meet the targets set in the order, the Cap and Trade Expenditure Plan includes \$465 million to improve access to new and used zero-emission vehicles, including passenger cars and trucks, medium- and heavy-duty vehicles, and off-road equipment. The Expenditure Plan also includes investments in existing transportation equity programs such as Clean Cars 4 All, Clean Mobility Options, and Financing Assistance, as well as heavy-duty vehicles programs such as the Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project and the Clean Off-Road Equipment Voucher Incentive Project. These programs also reduce harmful air pollutants that have a disproportionate impact on disadvantaged populations in both urban and rural communities. Complementing this funding, the Expenditure Plan includes \$170 million dedicated to reducing emissions from agricultural vehicles.

CARB: Clean Trucks, Buses, and Off-Road Freight Equipment — \$165 million in 2020-21 and \$150 million in 2021-22 for incentives for zero-emission trucks, transit buses, school buses, and freight equipment in the early stages of commercialization. These investments support the equitable transition of the transportation sector to zero-emission and provide critical air quality and health benefits to communities.

CARB: Clean Cars 4 All and Transportation Equity Projects — \$74 million in 2020-21 and \$76 million in 2021-22 for equity-focused investments that increase access to clean transportation for low-income households and disadvantaged communities. Projects include voluntary Clean Cars 4 All car scrap-and-

replace incentives, financing assistance for low-income consumers, clean mobility options such as car sharing, community-based transportation equity projects, and rural school bus replacement.

CARB: Agricultural Diesel Engine Replacement & Upgrades — \$90 million in 2020-21 and \$80 million in 2021-22 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 health protective federal air quality standards.

Natural & Working Lands. As the state works to achieve carbon neutrality by mid-century, the agricultural and forestry sectors will be essential to both reducing emissions and sequestering carbon. Consistent with the Natural and Working Lands Executive Order N-82-20, this proposal includes \$30 million one-time for the Healthy Soils Program to provide grants for on-farm soil management practices that sequester carbon. The Expenditure Plan also continues investments for CalFire for forest health and fire prevention programs consistent with the directives of SB 901 (Dodd), Chapter 626, Statutes of 2018.

CalFire, Healthy & Resilient Forests and Prescribed Fire and Fuels Crews — \$125 million in 2020-21 and \$200 million for forest health and fire prevention activities, including prescribed fire and other fuel reduction activities, to build healthy and fire resilient forests. This includes funding for projects and grants for fuel reduction and tree thinning; reforestation; forest insect and disease mitigations; prescribed fire; local community capacity development; research; and other forest resilience activities, such as conservation easements or other actions to restore watershed health and function, and support biodiversity and adaptation to climate change. This also includes funding for a total of 10 dedicated fuels crews and related staff necessary for CalFire to increase the pace and scale of prescribed fire and other fuel reduction activities to better meet CalFire annual fuel reduction goals and the state's carbon goals. Additionally, SB 901 made \$200 million available to CalFire for these purposes annually through 2023-24. The 2021-22 Budget proposes trailer bill language to make this annual funding available to CalFire through 2030.

In addition to the resources above, the Budget proposes additional one-time funding for CalFire and various other departments to increase the pace and scale of forest health and fire prevention activities. For more information, see the Wildfire and Forest Resilience Strategy Budget Change Proposal.

California Department of Food and Agriculture, Healthy Soils Program — \$15 million in 2020-21 and \$15 million in 2021-22 to support the Healthy Soils Program (HSP). The HSP consists of Healthy Soils Incentives and Demonstration Project grants. The HSP Incentives Program provides financial incentives to California growers and ranchers to implement conservation management practices that sequester carbon, reduce atmospheric GHG, and improve soil health. The HSP Demonstration Project grants provide on-farm demonstration projects that collect data and/or showcase conservation management practices that mitigate GHG emissions and increase soil health. The projects create a platform to promote widespread adoption of conservation management practices throughout the state. The funds will also be used for Technical Assistance for the Healthy Soils Incentives applicants, planning grants for HSP Demonstration Projects, and administrative costs to implement the HSP.

Background. *Cap-and-Trade Part of State's Strategy for Reducing GHGs.* AB 32 (Núñez/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. One policy the state uses to achieve these goals is a cap-and-trade program. The cap-and-trade regulation—administered by CARB — places a “cap” on aggregate GHG emissions from large emitters,

such as large industrial facilities, electricity generators and importers, and transportation fuel suppliers. Capped sources of emissions are responsible for roughly 80 percent of the state’s GHGs. To implement the program, CARB issues a limited number of allowances, and each allowance is essentially a permit to emit one ton of carbon dioxide equivalent. Entities can also “trade” (buy and sell on the open market) the allowances in order to obtain enough to cover their total emissions.

Auction revenue has been volatile in the past, but since the enactment of AB 398 (E. Garcia), Chapter 135, Statutes of 2017, which extended the program through 2030, revenues have stabilized and quarterly auction revenue has consistently exceeded \$600 million—reaching about \$800 million in the most recent auction.

Auction proceeds. The proposed expenditure plan is based on cap and trade auctions generating an estimated \$2.121 billion in 2020-21, which reflects actual August and November 2020 auctions results and assumes an average of these results for the February and May 2021 auctions. After accounting for estimates of the required transfers for the manufacturing tax credit (- \$51 million) and fire prevention fee backfill (- \$74 million), as well as additional interest earnings (currently assumed at \$60 million), \$2.056 billion is estimated to be available.

Cap and Trade Availability
Current Year 2020-21
(Dollars in Millions)

Revenues	Auction Proceeds	\$2,121
	Estimated Interest Earnings	\$60
	Subtotal, Revenues	\$2,181
Statutory Obligations	State Responsibility Area Fee Backfill	\$74
	Manufacturing Tax Credit	\$51
	Net Available Resources	\$2,056
Continuous Appropriations	High-Speed Rail Project	\$499
	Affordable Housing & Sustainable Communities Program	\$399
	Transit and Intercity Rail Capital Program	\$200
	Low Carbon Transit Operations Program	\$100
	Safe & Affordable Drinking Water Program	\$100
Subtotal, Continuous Appropriations		\$1,298
Existing Commitments	2020 Budget Act—Baseline State Operations	\$134
	Subtotal	\$134
Amount Available for 2020-21 Appropriations		\$624

Cap and Trade Availability
Budget Year 2021-22
(Dollars in Millions)

Revenues	Auction Proceeds	\$2,256
	Estimated Interest Earnings	\$60
	Subtotal, Revenues	\$2,316
Statutory Obligations	State Responsibility Area Fee Backfill	\$77
	Manufacturing Tax Credit	\$52
	Net Available Resources	\$2,187
Continuous Appropriations	High-Speed Rail Project	\$532
	Affordable Housing & Sustainable Communities Program	\$426
	Transit and Intercity Rail Capital Program	\$213
	Low Carbon Transit Operations Program	\$106
	Safe & Affordable Drinking Water Program	\$106
	Subtotal, Continuous Appropriations	\$1,383
Existing Commitments	Baseline State Operations	\$59
	Subtotal	\$134
Amount Available for 2021-22 Appropriations		\$745

A Percentage of the Cap-and-Trade Proceeds are Continuous Appropriations. 65 percent of Cap-and-Trade auction proceeds are continuously appropriated on an annual basis to five programs, totaling an estimated \$1.298 billion in 2020-21 and \$1.383 billion in 2021-22. These programs are focused on reducing transportation emissions through investments in transit and transit-oriented development and include: High Speed Rail, Affordable Housing and Sustainable Communities, Transit and Intercity Rail Capital, Low Carbon Transit Operations, as well as Safe and Affordable Drinking Water.

Baseline State Operations. The 2020 Budget Act includes \$133.6 million for departments to continue implementation of programs with funds authorized in previous fiscal years. The 2021-22 Budget proposes \$59 million for this purpose. The main difference from 2020-21 levels is the inclusion of SB 901, expenditures in the Expenditure Plan proposal.

LAO Comments. Cap-and-Trade Auction Revenue Deposited in the GGRF. Funds are spent on a variety of environmental programs. About 65 percent of auction revenue is continuously appropriated to certain programs and projects, including high-speed rail, transit-related activities, and a program to provide safe and affordable drinking water. About \$185 million is spent on annual state administrative costs and other ongoing statutory allocations such as backfilling revenue losses associated with 2017 legislation that suspended (1) a fee to support fire protection activities and (2) sales taxes for certain manufacturing equipment. The remaining revenue is available for expenditure in the annual budget — sometimes referred to as “discretionary expenditures.”

2020-21 Budget Provided Limited Discretionary Funding Due to Revenue Uncertainty. Given uncertainty about auction revenue, the 2020-21 GGRF budget was limited to: (1) continuous appropriations, (2) about \$125 million for ongoing statutory allocations, (3) \$75 million for wildfire activities related to SB 901 (Dodd), Chapter 626, Statutes of 2018, and (4) \$59 million to continue state administrative activities. The budget also authorized a loan from the Underground Storage Tank Clean-

Up (USTC) Fund to the Safe and Affordable Drinking Water Fund to ensure the program received \$130 million in total funding even in the event that GGRF revenues were insufficient. The loan will be repaid by GGRF at a future date.

Expenditure Plan Assumes Lower Revenue Than Prior Years. Revenue is down from a high of \$3.2 billion in 2018-19 to an estimated \$2.1 billion in 2020-21 and \$2.3 billion in 2021-22.

Less Funding Available for Discretionary Spending. The Governor’s budget plan includes additional “early action” discretionary spending of \$624 million in 2020-21, as well as total discretionary spending of \$745 million in 2021-22. Discretionary spending in 2021-22 is only about half of what was provided in 2019-20 (\$1.4 billion). Discretionary spending in the budget year is lower than previously primarily because lower revenue reduces the amount of funding available for spending — including for both continuous appropriations and discretionary spending. In addition, as part of the 2019-20 budget, the Legislature added a five percent continuous appropriation for safe and affordable drinking water, beginning in 2020-21. This reduces the amount of funding available for discretionary spending by about \$100 million in 2021-22.

Funding Would Go to Programs That Have Received GGRF in Recent Years. Funding would go to a mix of programs that commonly receive discretionary GGRF funding. The Administration is not proposing funding for any new programs. The plan prioritizes repayment of the USTC Fund loan in 2020-21 (estimated to be \$30 million) and additional funding to ensure the safe drinking water program receives a total of \$130 million in 2021-22.

Other Programs That Commonly Received GGRF Are Not Included. Notably, the plan does not include funding for the Clean Vehicle Rebate Project (CVRP) — the state’s main program to provide rebates for zero-emission vehicles. The expenditure plan has included funding for CVRP every year from 2014-15 to 2019-20. Other programs that have frequently received substantial annual GGRF allocations, but that are not included in this year’s plan include waste diversion, dairy methane emission reductions, and Transformative Climate Communities. The Administration indicates that other programs will help support some of the activities that would not receive GGRF. For example, the newly implemented Clean Fuel Rewards Program administered by utilities provides \$1,500 rebates for electric vehicles, and the Governor is proposing a new loan program through the Climate Catalyst Fund for dairy methane projects.

Revenue Estimates Are Reasonable, But Significant Uncertainty Remains. Revenue could be several hundred million dollars higher or lower in both the current year and budget year. A decline in overall economic conditions and/or financial markets can result in dramatic drops in quarterly auction revenues witnessed last year. On the other hand, it is possible that there is a substantial increase in revenue. For example, the Secretary of the California Environmental Protection Agency has expressed his intent to work with CARB to evaluate potential changes to the Cap-and-Trade program that might be necessary to achieve the state’s GHG goals. Depending on the specific outcomes of this evaluation, changes could increase demand for allowances and prices.

Proposal Would Leave Small Fund Balance. Under the Governor’s proposal, the GGRF fund balance would be slightly more than \$100 million at the end of the current year and budget year — roughly five percent of the estimated annual revenue. This is a small fund balance, particularly given the ongoing uncertainty and potential volatility of the revenue.

Early Action More Justified for Some Programs Than Others. Early Action Presents Trade-Offs. The main benefit of providing funding through early actions is that projects could be implemented a few

months earlier than if funding were provided in the 2021-22 budget. However, early action reduces the Legislature's time to deliberate the merits and trade-offs associated with each proposal.

Most Cap-and-Trade Expenditures Not Addressing Urgent Needs. There could be a strong rationale for approving some funding a few months early. For example, early action can make sense if spending is needed to address an urgent public safety or economic challenges, such as those related to the pandemic. Most Cap-and-Trade programs do not fit these criteria.

Early Action on Wildfire-Related Funding Could Make Sense. There could be merit in providing funding for some forest health and resilience activities a few months earlier than if they were included in the 2021-22 budget. This allocation would be consistent with the direction in SB 901 to provide \$200 million annually for these programs. In addition, based on discussions with the Administration, allocating GGRF funding this spring — before the 2021 fire season begins — could make it more likely that some high-priority projects are in place in advance of the 2022 fire season.

LAO Recommendations. Consider Reducing Amount Provided in 2020-21 Expenditure Plan. Given ongoing revenue uncertainty and a lack of urgency around many of the programs, the LAO recommends the Legislature consider limiting early action to an amount less than the \$624 million proposed by the Governor. A couple of alternative early action plans that the Legislature could consider are:

- *Alternative No. 1 — Augment Only for Wildfire-Related Programs.* Limit additional current-year funding to only those activities where a strong rationale for early action exists, such as the \$125 million for healthy and resilient forests.
- *Alternative No. 2 — Limit Early Action Spending to What Is “In the Bank.”* For example, the LAO estimates there is currently about \$300 million GGRF that has already been raised from earlier auctions, but that has not yet been allocated to other programs. This amount will likely increase after the upcoming auction in February. The Legislature could allocate up to \$300 million — plus a portion of discretionary revenue collected from the February auction — in 2020-21 for programs that it determines to be high priorities.

Assess Resources Available for 2021-22 Expenditure Plan After Upcoming Auctions. The Legislature might want to re-assess the amount proposed in the 2021-22 Cap-and-Trade expenditure plan until after the results of the February and May auctions are available (late May). The state will have complete information about 2020-21 auction revenue at that time, including how much funding is available from the year-end fund reserves. These auction results could also help inform 2021-22 revenue estimates, although there will likely continue to be significant revenue uncertainty.

Consider Larger Reserve to Promote Long-Term Fund Solvency and Funding Predictability. Over the last several years, revenue volatility has resulted in unpredictable funding for many GGRF programs and administrative actions. For example, after the May 2020 auction generated very little revenue, the Department of Finance reduced over \$100 million in GGRF allocations to select programs to ensure fund solvency, consistent with the authority it was given in the 2019-20 budget. The LAO recommends the Legislature consider alternative strategies to better ensure long-term fund solvency, as well as greater funding stability for high priority programs.

For example, the Legislature could begin building a larger reserve in the fund that would serve as a buffer against future revenue volatility. This is similar in concept to the approach the state has enacted for the General Fund, which relies heavily on volatile personal income tax revenues.

The “right” size of the reserve depends on the Legislature’s overall risk tolerance, but the LAO thinks a target of 10 percent of annual revenue — which would be over \$200 million for the GGRF — is a reasonable starting goal. However, the Legislature might want to consider a somewhat higher target, given the revenue volatility.

Allocate Discretionary Funding Based on Legislative Priorities. The Legislature will have to weigh many different priorities when considering how to allocate funds, including GHG reductions, local air quality improvements, safe drinking water, and forest health.

The state has multiple funding and regulatory programs designed to achieve many of these goals. So, once the Legislature determines its priorities for GGRF funds, it will want to try to identify the mix of programs that achieve those goals most effectively and, therefore, where GGRF funds can best be targeted.

For example, to the extent the Legislature considers GHG emission reductions the highest priority use of GGRF funds, it will want to identify the programs that achieve the goals most effectively. In prior reports, the LAO has identified some key factors the Legislature might want to consider when spending GGRF funds on GHG emission reduction efforts. For instance, the Legislature could:

- Consider targeting funds to address other “market failures” that current regulations do not address. For example, it could target funds to pilots and demonstrations for GHG reducing technologies because private companies do not always invest in these activities at a level that is socially optimal.
- Target funds to achieve GHG reductions from sources that are not currently covered but the Cap-and-Trade regulation. For example, it could prioritize programs aimed at reducing methane emissions from dairies or sequestering carbon in natural and working lands.

Staff Recommendation. Hold open.

Issue 16: Continuing Resources to Support Implementation of the Community Air Protection Program (AB 617)

Governor’s Proposal. The Governor's budget requests \$4.165 million GGRF ongoing to support 22 existing permanent positions that were approved in the 2017-18 Budget to meet the statutory requirements of AB 617 (C. Garcia), Chapter 136, Statutes of 2017. The positions are currently supported by temporary funding that is set to expire on June 30, 2021.

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

AB 617 Established New Program Focusing on Heavily Polluted Communities. Passed in 2017, AB 617 made a variety of changes that are intended to help monitor and reduce criteria and toxic air pollutants that have adverse effects on heavily polluted communities. Importantly, these changes focus on pollution at the *community level*, rather than focusing primarily on *global* or *regional* effects. Community-level effects include the cumulative pollution from regional criteria pollutants, as well as local toxic air pollutants. The changes are implemented by both CARB and air districts, in consultation with community groups and other state agencies. The major requirements and implementation time frames include:

- ***Community Air Monitoring Systems.*** AB 617 required CARB, by October 1, 2018, to (1) develop a statewide plan for monitoring community air pollution and (2) select the highest priority locations to deploy monitoring systems, based on their exposure to toxic and criteria pollutants. The purpose of the statewide monitoring plan is to provide guidance to air districts that will be deploying the monitoring systems in the selected communities. Once the initial communities (also known as “first year” communities) are selected, air districts must deploy the monitoring systems in those communities by July 1, 2020. Each year thereafter, CARB must select additional communities to deploy monitoring systems, as it deems appropriate, and the regional air districts must deploy systems in those communities within one year.
- ***Community Emission Reduction Plans.*** AB 617 also required CARB to develop, by October 1, 2018, a statewide strategy to reduce toxic and criteria emissions in communities with high pollution, and to update the strategy every five years. As part of the statewide strategy, CARB is also required to select communities with high cumulative exposure to air pollutants that will develop emission reduction programs (also known as first year communities). Within one year of selecting the communities, air districts — in consultation with local community groups and other stakeholders — must develop community emission reduction plans for each selected community and submit them to CARB for review. The plans must include emission reduction targets, specific reduction measures, a schedule for implementation, and an enforcement plan.

CARB must select additional communities for emission reduction plans annually thereafter, as it deems appropriate.

- *Other AB 617 Changes.* AB 617 made a variety of other changes to air quality monitoring and regulation, including requirements that (1) CARB establish a uniform statewide system of reporting annual emissions of criteria pollutants from stationary sources, (2) CARB establish a clearinghouse that identifies best available technologies for pollution control, and (3) air districts adopt expedited schedules for requiring industrial facilities that are subject to the state's Cap-and-Trade regulation to install updated pollution control technologies if they have not done so since 2007. It also required CARB to provide grants to community-based organizations for technical assistance and to support community participation in the AB 617 process.

LAO Comments. In the 2017-18 budget, the Legislature approved \$12 million GGRF ongoing funding for 50 positions and \$4.2 million 2-year limited-term funding for 22 position to implement AB 617. The limited-term funding was provided with recognition that this was a new program and the ongoing implementation costs were uncertain. In the 2019-20 budget, the Legislature extended the limited-term funding through 2020-21 and adopted Supplemental Report Language (SRL) requiring CARB to report on its costs to implement AB 617. The SRL report was intended to accompany any request to extend funding for these 22 positions and inform legislative budget discussions about ongoing funding. The SRL report must include:

- 1) Detailed information about past workload and estimated future workload.
- 2) A description of how CARB workload is different from local air district activities and why CARB staff is needed.
- 3) A description of the degree to which attendance of CARB at community steering committee meetings is helpful for developing emission reduction plans.
- 4) An evaluation of the degree to which CARB staff help achieve programmatic outcomes.

The Governor's budget proposes to make ongoing the \$4.2 million GGRF for 22 positions at CARB.

The Administration has not yet submitted the SRL report to the Legislature. Therefore, the Legislature does not have all of the information that is required, including detailed information about overall CARB workload. This makes it difficult to fully evaluate the ongoing funding needs.

LAO Recommendation. The LAO recommends the Legislature withhold action on this item until the Administration provides the required SRL report. Once the report is available, the LAO will review the information and report back to the Legislature.

Staff Recommendation. Hold open.

3960 DEPARTMENT OF TOXIC SUBSTANCES CONTROL (DTSC)**Issue 17: Exide: Cost Recovery and Residential Cleanup**

Governor's Proposal. The Governor's budget requests the following for Exide related activities. Specifically:

- For outside bankruptcy counsel to support Exide cost recovery efforts.
 - Six positions
 - \$16.5 million in 2021-22 (\$14 million General Fund and \$2.5 million Lead-Acid Battery Cleanup Fund (LABCF))
 - \$2.5 million LABCF in 2022-23 and annually thereafter.
- For cleaning 3,200 properties identified within the 1.7 miles of the former Exide Technologies facility.
 - \$31.4 million General Fund loan from the Toxic Substances Control Account. (\$23.9 million will be used to fund contracts and \$7.5 million will be used for support costs to complete cleanup activities at residences, schools, parks, daycare centers, and childcare facilities near the former Exide facility.)

Background. *Exide Technologies Facility Closed in 2015.* Exide Technologies was a manufacturer of lead acid batteries and owned a battery recycling facility in Vernon, California. The facility began operations in 1922, with Exide beginning operations there in 2000 until its closure in 2015, recycling lead from used automotive batteries and other sources. The facility processed about 25,000 batteries a day, providing a source of lead for new batteries.

Lead Contamination from Exide Operations. Over the course of decades of operation, the facility polluted the soil beneath it with high levels of lead, arsenic, cadmium and other toxic metals. It also contaminated groundwater, released battery acid onto roads and contaminated homes and yards in surrounding communities with lead emissions. DTSC estimates properties up to 1.7 miles away from the facility may potentially be affected by Exide's lead contamination, which amounts to roughly 10,000 properties. Tests show more than 7,500 properties exceed California's Human Health Screening Level for lead of 80 parts per million (ppm). Under California's conservative screening level, properties below 80 ppm are considered safe, while those with levels greater than 80 ppm require further evaluation.

Exide Closure. In March 2013, the South Coast Air Quality Management District (SCAQMD) released a human health risk assessment that showed that arsenic emissions from the Exide facility created an elevated risk of cancer for as many as 110,000 people in an area, stretching from Boyle Heights to Huntington Park. In the spring of 2014, DTSC ordered Exide to suspend operations because Exide was violating hazardous waste laws and by posing a significant risk to the community with its emissions based upon the SCAQMD health risk assessment. In October of 2013, DTSC issued an enforcement order, directing Exide to resolve its hazardous waste violations, develop a cleanup plan for approximately 219 residential properties near Exide and provide funds to Los Angeles County to provide free blood lead testing.

In November, 2014, DTSC issued an enforcement order requiring Exide to provide financial assurances in the amount of \$38.6 million that will be used by DTSC to safely close the Vernon facility, if Exide is unable or unwilling to do so, and required Exide to establish a trust fund of \$9 million to cover the costs

of cleaning up the 219 residential properties near the facility, if Exide is unable or unwilling to do so. On January 30, 2015, DTSC ordered Exide to investigate the extent of contamination under the containment building, so that Exide could implement any necessary corrective actions at the facility. In addition to facility closure activities, DTSC ordered Exide to conduct sampling at nearest residences to the north and south of the Exide Facility in the communities of Boyle Heights/East Los Angeles and Maywood.

In March, 2015, Exide was required to cease operations and permanently close its Vernon facility pursuant to an enforcement order it agreed to with DTSC and a non-prosecution agreement it reached with the United States Department of Justice, that allowed the company to avoid federal criminal prosecution for violations of hazardous waste laws. As a result of this closure agreement, Exide is required to submit a closure plan to safely close the facility, investigate potential contamination in the industrial area near Exide and, by October 2019, submit a corrective measures study to DTSC to address the off-site impacts in the residential area affected by Exide's operations.

On December 8, 2016, DTSC released the Final Exide Closure Plan and Final Environmental Impact Report. The Final Exide Closure Plan describes how the hazardous waste management units at Exide will be decontaminated and removed in a manner that is protective of public health and the environment. The plan incorporates many of the recommendations submitted by the community during the public engagement process.

Residential Cleanup Near Exide. DTSC is the lead agency overseeing the investigation and cleanup of residential properties, schools, parks, daycare, and childcare centers within the approximately 1.7-mile radius of the former Exide facility. DTSC is working with communities within this proposed cleanup area, which includes the Cities of Bell, Commerce, Huntington Park, Los Angeles (Boyle Heights neighborhood), Maywood, and Vernon, and the County of Los Angeles (East Los Angeles).

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

As of December 28, 2020, DTSC has overseen the cleanup of 2,213 properties with the highest lead concentrations and greatest exposure risk. DTSC has fully committed \$251.1 million in appropriations toward the investigation and cleanup of lead-contaminated properties. DTSC estimates that current appropriations totaling \$251.1 million will be fully expended by June 2021 and approximately 2,858 properties will be cleaned up by September 2021. Additional resources are needed to clean the remaining estimated 342 properties to achieve the 3,200-property goal.

Numerous Cleanup Delays and Cost Overruns. There were a number of issues that occurred during the cleanup process resulting in increased costs and delays. Some of the challenges include delays in selecting a cleanup contractor, higher than anticipated labor costs due to the project labor agreement, delays and cost increases as a result of COVID and wildfires, and others.

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

- ***Exide Enforcement Order (\$1.7 Million).*** In 2015-16, the Legislature provided \$734,000 (Hazardous Waste Control Account) annually for two years, and in 2018-19, the Legislature provided an additional \$1 million from the Lead-Acid Battery Cleanup Fund (LABCF) annually for two years to continue overseeing the Exide enforcement order.
- ***Emergency Funding (\$7 Million).*** In 2015-16, the Legislature provided \$7 million (special funds) in emergency funding to: (1) sample up to 1,500 residential properties around the Exide facility; (2) develop a comprehensive cleanup plan; and, (3) begin cleanup of the 50 highest-priority properties based on the extent of lead contamination and the potential for exposure.
- ***General Fund Loan to TSCA (\$176.6 Million).*** AB 118, (Santiago), Chapter 10, Statutes of 2016, and SB 93 (de León), Chapter 9, Statutes of 2016, provided a one-time \$176.6 million General Fund loan to TSCA for Exide-related cleanup of residential properties. DTSC has committed all of the \$176.6 million to cleanup activities and anticipates fully expending it by June 2021.
- ***Third-Party Quality Assurance Contractor (\$1.4 Million).*** In 2017-18, the Legislature provided \$1.4 million annually, for three years, from a loan from LABCF to the Hazardous Waste Control Account for a third-party quality contractor to monitor Exide cleanup activities.
- ***Parkways Cleanup Funding (\$6.5 Million).*** In 2018-19, the Legislature provided \$6.5 million (\$5 million General Fund and \$1.5 million California Environmental License Plate Fund) on a one-time basis to sample soil and clean up parkways in the communities around Exide.
- ***Complete Cleanup Activities (\$24.5 Million).*** In 2019-20, the Legislature approved a loan of \$24.5 million from the General Fund to TSCA to complete cleanup activities at residences, schools, parks, day care centers, and child care facilities near the Exide Technologies, Inc. lead-acid battery recycling facility in the City of Vernon.
- ***Accelerate Cleanup Activities (\$50 Million).*** In 2019-20, the Legislature approved a loan of \$50 million one-time General Fund to TSCA to accelerate the cleanup of additional properties within 1.7 miles of the Exide Technologies facility in Vernon.
- ***Enforcement Order Oversight (\$1 Million).*** In 2020-21, the Legislature approved \$1 million LABCF for the Exide 2014 Enforcement Order Program oversight.
- ***Exide Closure Implementation (\$600,000).*** In 2020-21, the Legislature approved \$600,000 LABCF for the Third-Party Quality Assurance Oversight Contract for Exide Closure Implementation.

Exide Bankruptcy. Exide filed its third bankruptcy petition on May 19, 2020, and following the federal bankruptcy court's approval on October 20, 2020, Exide's assets were liquidated. On October 26, 2020, Exide transferred title of the Vernon Plant to the trustee for the Exide Vernon Environmental Response Trust, a trust created pursuant to Exide's Fourth Amended Bankruptcy Plan. The trustee is required to implement closure activities and corrective action at the Vernon Plant, but the trustee has insufficient

resources to complete these actions. DTSC has incurred and will continue to incur response costs related to its oversight and enforcement of these corrective action and closure activities, for which DTSC received \$1 million in 2020-21 and 2021-22.

Staff Comments. Since Exide's bankruptcy filing, DTSC has been working with the Attorney General's Office and outside counsel that specializes in bankruptcy. DTSC appealed the bankruptcy court's decision and is preparing for the appeal hearing. DTSC intends to continue to work with outside counsel in 2021-22 as the appeal process continues. Funding this request is intended to enable the state to pursue cost recovery against Exide and other potentially responsible parties to hold them accountable for contamination from operations of the former Exide Facility, including contamination in communities surrounding the former Exide Facility. Holding these liable parties accountable should give the state the opportunity to recover taxpayer funds expended to clean up the contamination.

Staff Recommendation. Hold open.

3970 DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY (CALRECYCLE)

Issue 18: Beverage Container Recycling Pilot Project Grants

Governor’s Proposal. The Governor’s budget requests \$5 million Beverage Container Recycling Fund (BCRF) in 2020-21 and \$5 million (BCRF) in 2021-22 to provide grants for the Beverage Container Recycling Pilot Project Program.

With the additional funding, CalRecycle proposes to extend the program sunset date from January 1, 2022 to December 31, 2025 and allow for an additional five pilot projects for a maximum of 10 pilot projects at any one time. If a pilot project ends, a new pilot project can be approved, If monies are still available, the pilot recyclers may apply for additional funding.

Background. The California Beverage Container Recycling and Litter Reduction Act (Act) was established in 1986 to promote beverage container recycling and reduce litter by utilizing the California Refund Value (CRV) deposit and return system. The Act requires CalRecycle to designate convenience zones located within a half-mile radius from a supermarket that has a gross annual sales of \$2 million or more and is considered a “full-line” store selling dry groceries, canned goods, or non-food items and some perishable items. The Act requires that each convenience zone be served by at least one certified recycling center in order to provide consumers convenient opportunities to redeem CRV beverage containers near places where beverages are purchased. If there is no recycling center within a convenience zone, the zone is considered unserved. Beverage dealers (retailers that sell beverage containers) in unserved zones must either redeem empty CRV containers in-store or pay a daily \$100 fee.

Market Changes Have Reduced the Number of Recycling Centers. Over the last several years, changes in the global markets — including a decrease in prices for recyclable materials — has reduced recycler profitability. This, in turn, has led to a substantial decrease in the number of recycling centers operating in the state. As a result, there are a large number of unserved zones.

The total number of convenience zones (CZs) in the state is 3,967 CZs. As of January 4, 2021, the status of those convenience zones (CZs) is as follows:

- Unserved: 1,645 (42 percent)
- Served: 1,129 (28 percent)
- Hold (under review): 192 (five percent)
- Exempt: 1,001 (25 percent)

Within the unserved CZs are 6,311 retailers. Of those retailers, 5,067 choose to redeem containers and 1,244 choose to pay \$100/day to opt out of redeeming containers.

Of the unserved CZs, the following is the number of CZs in each pilot project:

- San Francisco: 60+ CZs
- Culver City: 10 CZs
- San Mateo: 20 CZs
- Sonoma: 50 CZs
- Irvine: 29 CZs

Beverage Container Recycling Pilot Program (Pilot Program). SB 458 (Wiener), Chapter 648, Statutes of 2017, authorized CalRecycle to develop the Pilot Program, which allows a maximum of five pilot projects proposed in jurisdictions to provide convenient beverage container redemption in both rug and rural areas that lack recycling opportunities. AB 54 (Ting), Chapter 793, Statutes of 2019, extended the Pilot Program’s sunset date from January 1, 2020 to January 1, 2022, allowed for greater flexibility for where pilot projects may operate, and appropriated one-time funding of \$5 million from the Beverage Container Recycling Fund to support pilot projects.

CalRecycle currently has five pilot projects in the jurisdictions of San Francisco, Culver City, San Mateo County, Irvine, and Sonoma County (cities of Santa Rosa, Petaluma, Sonoma, Sebastopol, Healdsburg, and Cloverdale). San Francisco, Culver City, and Irvine have proposed a mobile collection program. Half Moon Bay (San Mateo County) has proposed a fixed recycling center and Sonoma County has proposed a stationary drop-off location.

The Pilot Program requires local jurisdictions and recycling center operators work together to provide more redemption opportunities for consumers. The jurisdictions need to meet specified requirements before they can apply for a pilot project. Pilot project recyclers can operate in jurisdictions where there is an approved pilot project after certification by CalRecycle. Pilot project recyclers are eligible to receive handling fees for material redeemed without the current convenience zone limitations and have flexibility to create innovative recycling business models.

In evaluating the pilots, CalRecycle will consider factors including the number of containers redeemed and cost of operating the different redemption models to evaluate the effectiveness of the program.

CalRecycle responded, “CalRecycle has received significant interest in the Pilot Program. With additional funding and a sunset extension, CalRecycle will be able to work with jurisdictions to develop additional pilot projects and further explore recycling opportunities in unserved areas. There continues to be unserved [CZs] in the state may be resolved by the flexibility the pilots offer in terms of recycling center locations and modes of collection. Additional pilot spots can provide greater diversity in geographic and population distribution as well as opportunities to evaluate a greater variety of innovative recycling models.”

LAO Comments. *Governor’s Proposal Provides \$10 Million to Expand and Extend Pilot Programs.* The Governor proposes to allocate an additional \$5 million (BCRF) to the pilot programs in 2020-21 as part of his “early action” package and an additional \$5 million in the 2021-22 budget.

Makes Statutory Changes to Allow Up to Ten Pilots. The proposal would also make statutory changes to (1) allow up to ten pilot projects to operate at any given time and (2) extend the sunset date for the pilots from July 1, 2022 to December 31, 2025.

Expands Pilots to Additional Jurisdictions and Potentially Provides Funding to Extend Current Pilots. According to the Administration, funding would be used to expand the number of pilots, as well as

potentially provide additional funding to extend some existing pilots. The Administration indicates that an expansion would allow it to explore more redemption options in different parts of the state, such as rural areas.

Expansion of Pilots Has Merit. Given ongoing consumer convenience challenges, the LAO thinks expanding the pilot programs to explore new redemption options in a more diverse range of jurisdictions (such as urban, suburban, and rural) could be valuable. An expansion could provide the state with additional information about how effective different collection methods are, as well as how efficacy might differ depending on the area. Although the LAO does not think there is a “right” number of pilots, the LAO thinks allowing up to ten pilots is a reasonable number.

Scale of Request Not Adequately Justified. The proposal would triple the total funding for the pilots — going from \$5 million to \$15 million. The need for an increase of this magnitude is unclear, particularly as the existing pilots are in the early stages of implementation.

Amount of Funding Not Proportionate to Scale of Expansion. This proposal would allow five more pilots to operate at any given time (up to ten total) and requests \$10 million in additional funding. This reflects \$2 million per additional pilot — twice the \$1 million per pilot that the Legislature authorized in AB 54. The Administration has not demonstrated that a significant increase in per pilot funding is needed.

Level of Interest From Diverse Set of Jurisdictions Is Unclear. The number of additional jurisdictions that would both apply for the funding and be able to implement a new collection model in a different part of the state is unclear at this time. According to CalRecycle, it rejected three applications in the initial pilot solicitation because those jurisdictions expressed an interest in implementing pilots, but did not submit applications.

Funding to Extend Existing Pilots Is Premature. The Administration indicates that a portion of the proposed funding could be used to extend the existing pilots. However, most of the existing pilots have not begun to operate yet. As a result, providing funding to extend pilots would be premature until there is additional outcome information to evaluate the pilot and/or the Administration provides a clear justification for why funding for a pilot would need to be extended.

Administration Has Not Provided a Strong Rationale for Early Action. In general, the LAO thinks there should be a strong rationale for taking early action to provide funding in the current year. Providing \$5 million this spring might allow the Administration to implement additional pilots a few months earlier than if the funding were provided in 2021-22, but it limits the amount of time the Legislature has to deliberate and assess the merits of the proposal. The LAO does not think the Administration has provided a strong rationale for early action on this item.

Proposal Expansion Does Not Include Legislative Reporting. There is no requirement in current law — or in the Administration’s proposal — for CalRecycle to report to the Legislature on pilot outcomes, including the degree to which the pilots helped improve redemption rates. Since the pilots are intended to provide the state with information about how different CRV redemption models could help improve convenience and recycling, the LAO thinks it is important to ensure the department provides the Legislature with such information. This would help the Legislature evaluate the success of these pilots prior to determining whether to expand certain redemption methods statewide.

LAO Recommendations. ***Reduce Amount of Additional Funding for Pilot Expansion to \$5 Million.*** The LAO recommends the Legislature reduce the amount of funding provided to expand the pilots to \$5 million.

- This amount would be consistent with the \$1 million per pilot that the Legislature previously authorized.
- This would allow the department to explore additional redemption methods in different areas of the state, but also limit the fiscal cost.
- Under this approach, if the Administration determines that there is a need for additional pilots or funding to extend certain pilots in future years, it could submit a proposal as part of a future budget request.

Provide Funding as Part of 2021-22 Budget. If the Legislature provides additional funding for pilot expansion, the LAO recommends it provide funding as part of the 2021-22 budget, rather than as an early action item. This would give the Legislature more time to evaluate the merits of the proposal. To help inform its deliberations, the Legislature could require the department to report at budget hearings on the status of the current pilots, as well as which jurisdictions and redemption models would likely be piloted with the additional funding.

Require CalRecycle to Report on Pilot Project Outcomes. The LAO recommends the Legislature adopt budget trailer legislation requiring CalRecycle to report annually on pilot outcomes, including the (1) number of containers redeemed, (2) how redemption rates in the pilot jurisdiction compare to rates before the pilot was implemented, and (3) the costs of operating the different redemption models. This would ensure the Legislature has information that could be used to evaluate potential statewide programmatic changes.

Staff Recommendation. Hold open.

Issue 19: Organic Waste Reduction Implementation

Governor's Proposal. The Governor's budget requests five permanent, full-time positions and \$782,000 Cost of Implementation Account (COIA) in 2021-22, an additional four permanent, full-time positions and \$1.388 million COIA in 2022-23, and \$1.38 million COIA ongoing. This proposal also includes redirecting 38 positions from the Local Assistance and Market Development Branch to Waste Permitting, Compliance and Mitigation Division. The redirected and newly requested positions will focus on compliance and enforcement oversight to implement the regulations adopted by SB 1383 (Lara), Chapter 395, Statutes of 2016.

Additionally, the proposal includes to amend Public Resources Code Section 41821(h) to reduce the frequency of jurisdiction inspections.

Background. COIA. COIA is within the Air Pollution Control Fund. The account provides funding for approved program costs regarding development and implementation of programs to reduce the state's greenhouse gas (GHG) emission and improve air quality. The account revenue is generated by the AB 32 Cost of Implementation Fee. AB 32 (Nunez and Pavley), Chapter 488, Statutes of 2006, established the California Global Warming Solutions Act of 2006 and authorized CARB to adopt a schedule of fees to be paid by sources of GHG emissions. Fees are paid by the following types of entities: cement manufacturers; electricity importers and in-state generating facilities; facilities that combust coal, coke, or refinery fuel gas; natural gas utilities and suppliers; oil and gas producers; producers and importers of gasoline and diesel fuel; and refineries. There are approximately 265 fee payers.

SB 1383 (Lara), Chapter 395, Statutes of 2016. SB 1383 established methane remissions reduction targets in a statewide effort to reduce short-lived climate pollutants (SLCP) in various sectors of California's economy. SB 1383 established targets to achieve a 50 percent reduction in the statewide disposal of organic waste by 2020 based on the 2014 level, and a 75 percent reduction by 2025. SB 1383 also established a target that at least 20 percent of currently disposed edible food is recovered for human consumption by 2025. Lastly, the law provided CalRecycle the regulatory authority required to achieve the organic waste disposal reduction targets. CalRecycle estimates the state will need to divert an additional 27 million tons of organics by 2025 to meet the goals.

There are about 3,000 regulated entities subject to SB 1383 regulations including jurisdictions, solid waste facilities, schools, school districts, and non-local entities such as state agencies, public universities, and federal facilities. The edible food recovery target adds regulated entities such as commercial edible food generators, food recovery services, and food recovery organizations. While the regulations do not take effect until January 1, 2022, regulated entities need to start planning now to ensure compliance by that date.

Redirected Positions. According to CalRecycle, the 38 redirected positions are currently providing assistance to jurisdictions, school districts, and state agencies. These positions monitor state agencies for compliance with recycling and buy-recycled requirements. They monitor local jurisdictions for compliance with existing statutes regarding waste diversion and household hazardous waste management. Compliance monitoring responsibilities will follow this staff to their new organizational structure. As a result of the redirection, the Local Assistance and Market Development Branch will assess what can be streamlined, done differently, or no longer needed to be done. The positions are mainly funded under the Integrated Waste Management Account and are intended to continue after the redirection.

Staff Comments. Concern has been raised about this BCP shifting 69 percent of LAMD Branch staff

away from providing technical assistance to help local governments develop their new organic waste recycling programs and instead redirect those personnel to enforcement efforts, which would leave less than one third of the LAMD Branch's current staff to continue providing technical assistance during the program's infancy. Concern has also been raised that the proposed statutory changes to reduce the frequency of the department's jurisdiction visits could inhibit the regulators' ability to fully understand local programs they oversee and the diversity challenges faced in different parts of the state.

Staff Recommendation. Hold open.

Senator Bob Wieckowski, Chair
Senator Brian Dahle
Senator Mike McGuire
Senator Henry I. Stern



Tuesday, February 23, 2021
8:00 a.m.
State Capitol - Room 3191

Consultant: Joanne Roy

PART A

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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

3930 DEPARTMENT OF PESTICIDE REGULATION (DPR)

Issue 1: California Pesticide Electronic Submission Tracking (CalPEST) Project

Governor's Proposal. The Governor's budget requests \$5 million DPR Fund in 2021-22 to support the vendor procurement and initial analysis, design, and development of the California Pesticide Electronic Submission Tracking (CalPEST) project. CalPEST is a fully integrated information and document management system designed to substantially improve the current pesticide product registration process for pesticide product and device companies. DPR estimates the CalPEST project will cost \$22.706 million. DPR is seeking funding for 2021-22 to do only the following activities:

- Procure a new System Integrator Vendor.
- Begin the design, development, and release of the Minimum Viable Product.
- Procure a dedicated Project Manager.
- Procure new Independent Verification and Validation services.
- Use limited-term help to assist the state project team.

This proposal is intended to allow DPR to contract for the development of the CalPEST project, which is intended to allow for online electronic submission, payment tracking, review, and approval of registration applications, supporting documentation, and renewal of currently registered pesticide products.

The current estimated cost of the CalPEST project necessitates an increase in registration fees. DPR intends to review the level of registration fees at the conclusion of the CalPEST project to ensure that the fees are appropriately supporting the ongoing work of the registration program.

The implementation of the CalPEST system and temporary increase in registration fees are intended to provide several benefits, including:

- Faster processing time.
- Real-time access to registered pesticide labels for the public.
- Improved efficiency for state and local officials.
- Electronic payment.
- Reduction of paper use and storage costs.

Background. Pesticide products and certain structural pest control devices are required to be registered by DPR before the product can be sold, distributed, or used in the state. The registration process is currently paper-based and managed manually, with some supporting technology. DPR has been working to implement an electronic registration system for several years. The challenges of DPR's paper-based, manually-intensive registration process have been further exacerbated by the COVID-19 pandemic, as DPR staff are required to telework to the greatest extent possible, yet must physically work in the office on a regular basis to collect and process new documents and transfer completed work to the next step in the process. DPR's registration program is fully supported by registration fees, which are assessed annually during pesticide renewal and throughout the year when new product or amendment applications are submitted.

Staff Recommendation. Approve as budgeted.

Issue 2: Chlorpyrifos Quarterly Reports (SB 86)

Governor's Proposal. The Governor's budget requests \$339,000 DPR Fund in 2021-22 and 2022-23 to produce required reports regarding granular chlorpyrifos use, monitoring and exposure, as required by SB 86 (Durazo), Chapter 299, Statutes of 2020. Contract funds will be used to identify and analyze potential reasons for any increase or decrease in the use of granular chlorpyrifos in a given quarter, as compared to the same quarter of the previous year. DPR will evaluate ongoing resources needs of SB 86 during this two-year time period.

Background. SB 86 requires DPR to prepare and submit quarterly reports about granular chlorpyrifos use, monitoring, and exposure during a quarter. These reports will require DPR's Pesticide Use Reporting (PUR) Program to collect, reconcile, correct, analyze pesticide use data, as well as weather, crop, and other data that could explain the changes in use, on a quarterly basis.

SB 86 also requires DPR to provide an analysis of potential reasons for any increase or decrease in the use of granular formulations of chlorpyrifos, a description of how DPR monitors exposure to the use of chlorpyrifos in granular formations, and any information relating to exposures that occurred in the quarter.

Staff Recommendation. Approve as budgeted.

8570 CALIFORNIA DEPARTMENT OF FOOD & AGRICULTURE (CDFA)

Issue 3: Blythe Border Protection Station Relocation

Governor's Proposal. The Governor's budget requests \$3.981 million General Fund (GF) for an augmentation to the acquisition phase (\$1.869 million) and funding for the preliminary plans phase (\$2.112 million) of the Blythe Border Protection Station Relocation project located in Riverside County. Total estimated project costs are \$63.595 million.

The project includes the relocation of the existing Blythe Border Protection Station (BPS) on approximately 25 acres west of the current location and will include: an office building with restrooms, a private vehicle inspection canopy with six private vehicle lanes, a truck inspection building and canopy with three commercial vehicle lanes, nine inspection booths with air conditioning, facility lighting, an emergency generator, California Department of Transportation (CalTrans) approved signs, and frangible cartridge type safety barriers (seven each). The existing BPS is intended to be demolished, and the roadway patched and restricted. Construction is scheduled to begin in August 2026 and be completed in May 2028.

Background. There are significant infrastructure concerns with the current BPS. The current location of this BPS is on Interstate 10, approximately one-quarter mile inside the California/Arizona state line. The two states are separated by the Colorado River. The bridge across the river is shaped in such a manner that when there is enough traffic to create a queue, line of sight become limited and vehicles back up on the bridge. These queues are a public safety hazard and California Highway Patrol routinely tells BPS staff to cease inspections and let vehicles pass in order to eliminate the queue on the bridge. Also, the BPS was built in 1958 and is inadequate for modern traffic levels. The BPS was designed to accommodate 600,000 vehicles annually. Traffic measured 4.738 million in 2019, almost eight times the traffic volume the stations was designed to accommodate. The utilities and technology infrastructure are antiquated and inefficient, which greatly decrease the ability to inspect and process agricultural shipments and the traveling public. Lastly, the facility is not compliant with the Americans with Disabilities Act requirements.

Staff Recommendation. Approve as budgeted.

Issue 4: California Farm to School Incubator Program

Governor's Proposal. The Governor's budget requests \$10 million GF in 2021-22 for the Office of Farm to Fork's (F2F's) California Farm to School Incubator Grant Program for grants to schools to establish programs that coordinate local and California grown food procurement and utilization in school meals. The funding is also intended to support food and agriculture education in classrooms and cafeterias through experiential learning opportunities in school gardens, on farms, and other culinary and agricultural pathways. The proposal includes Budget Bill language to make this funding available for encumbrance or expenditure for two years.

By continuing funding for the California Farm to School Incubator Program, CDFA-F2F intends to increase the amount of school districts engaged in Farm to School programming — leading to increased adoption of farm to school, practices, greater impact for California's highest need communities.

Background. Farm to school programs are a way to improve the health and well-being of children who rely on school meals. In California, over one billion school meals are served annually (including breakfast, lunch, afterschool snacks, and dinner) — often providing students with the only food they receive all day. Ensuring that these meals are nutritious, locally produced, and integrated into the educational experience of a student is important to establishing healthy eating habits that children can carry into adulthood.

The California Farm to School Incubator Grant Program awards competitive grants to support innovative local and regional farm to school projects. There are two funding tracks: Track one is the California Farm to School Innovation grant, which funds local education authorities (LEAs) to create integrated farm to school programs that coordinate educational opportunities between cafeteria, classroom, and community, while incentivizing procurement of California-produced whole or minimally processed foods. The second track is the Farm to School Regional Partnership Grant, which funds innovative farm to school partnerships to expand existing farm to school initiatives and increase collaboration and coordination between producers and the schools they serve, providing funding for infrastructure, transportation, coordination, planning, or other necessary program components. These projects are intended to increase local procurement and collaboration between regional farm to school partners.

In the 2020-21 budget, CDFA-F2F received \$1.504 million in ongoing funding to establish six positions and provide baseline and expansion support for the California Farm to School Network as well as \$8.496 million in one-time funding for grants.

Staff Recommendation. Approve as budgeted.

Issue 5: Extension of Encumbrance and Liquidation Deadlines for Office of Environmental Farming and Innovation

Governor's Proposal. The Governor's budget requests an extension on the expenditure, encumbrance, and liquidation deadlines for several Climate Smart Agriculture programs and Pesticide Economic Analysis and Research Grant Program within CDFA's Office of Environmental Farming and Innovation (OEFI).

The extension of the liquidation deadlines is requested to address the economic impacts of COVID-19 that have affected grant awardees' ability to purchase the required supplies and implement the incentivized management practices on farms and ranches in a timely manner, as well as scientific oversight that was delayed as a result of the pandemic.

Staff Recommendation. Approve as budgeted.

Issue 6: Needles Border Protection Station Relocation

Governor's Proposal. The Governor's budget requests \$10.371 million GF one-time for the acquisition and preliminary plans phases of the Needles Border Protection Station (BPS) Relocation project located in San Bernardino County. The station currently has inadequate capacity to meet increased traffic flows. Total estimated project costs are \$74.299 million.

The project is for the design and construction of a BPS along Interstate 40. The new BPS will include: two office buildings with restrooms (one building for autos and one for trucks), separate ventilated

canopied areas for auto and trucks, nine inspection booths with air conditioning, site utilities, site work, CalTrans-approved signs, and frangible cartridge type safety barriers (seven each). Construction is scheduled to begin in February 2028 and be completed in November 2029.

Background. The Needles BPS is a critical infrastructure deficiency for the state. Constructed on Interstate 40 in 1966, vehicle traffic at the BPS has annually increased and now exceeds the capacity the BPS was designed to accommodate. Three routes now exist that make it easy 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.

Staff Recommendation. Approve as budgeted.

Issue 7: Pet Lover's Specialized License Plate Grant Program (SB 673)

Governor's Proposal. The Governor's budget requests \$650,000 Specialized License Plate Fund (SLPF) annually beginning in 2021-22 through 2023-24 to continue the Pet Lovers Specialized License Plate Program, which provides grants to qualifying spay and neuter facilities for low-cost or no-cost animal sterilization services. Of the amount requested, \$162,000 will fund the administrative costs of the program and \$488,000 will provide an estimated 14 grants to qualifying spay and neuter facilities.

Included in the requested administrative costs for the program is \$55,000 annually for participation in the Department of Motor Vehicles' (DMV) License Plate Insert program to increase participation and revenues in the Pet Lovers Specialized License Plate Program. Participation in this program will allow the Pet Lover's license plate to be included in the DMV insert residents receive their California driver license renewal notice.

Background. The Pet Lovers Specialized Licensed Plate Program was established in 2013 to provide grants to qualifying spay and neuter facilities for low-cost or no-cost animal sterilization services. The Budget Act of 2018 included \$440,000 SLPF authority and 0.5 position on a three-year limited-term basis to implement SB 673 (Newman), Chapter 813, Statutes of 2017, which transferred administration of the program from Veterinary Medical Board to CDFA.

CDFA currently awards \$330,000 in grants per year. This proposal would increase the grants to \$488,000, which is intended to allow CDFA to utilize the existing revenues in the SLPF to award four additional spay and neuter facilities with grants to provide low-cost and no-cost animal sterilization services.

A recent audit by the California State Auditor's Office recommended: implementing a more robust review process, improving coordination amongst other governmental agencies, increasing marketing efforts to promote the program, and managing the increased number of awards.

Staff Recommendation. Approve as budgeted.

Issue 8: Produce Safety Program Continuation Funding

Governor's Proposal. The Governor's budget requests \$8.665 million in Federal Funds authority in 2021-22 and \$8.428 million in Federal Funds authority in 2022-23 and \$7.922 million in 2023-24 and ongoing as well as 24 new positions to support the mission critical enhancement of the Produce Safety Program (PSP).

The requested authority and positions are intended to allow CDFA to develop a more robust inspection program for the enforcement of the Food Safety Modernization Act (FSMA), Public Safety Rule (PSR) in California; develop an integrated, relational farm inventory database; and to further CDFA's efforts to reduce food-borne illness and support a safe food supply in accordance with CDFA's Strategic Plan.

Background. The FSMA affects every aspect of the US food system and established federal science-based minimum standards for the safe growing, harvesting, packing, and holding of fruits and vegetables grown for human consumption. FSMA enables the US Food and Drug Administration (FDA) to better protect public health by strengthening the food safety system by allowing FDA to focus more on preventing food safety issues rather than reacting to problems after they occur.

California has approximately 20,000 farms subject to PSR and produces over 400 different commodities. The top producing commodities in the state for 2018 include strawberries, tomatoes, oranges, pistachios, and leafy greens. Roughly 75 percent of the nation's lettuce and leafy greens are grown in California.

The PSP was created to address the planning of produce safety enhancements needed to bring California farms into compliance with FSMA's PSR. Reporting requirements to FDA include conducting a jurisdictional self-assessment regarding commodities covered under the PSR as well as determining available resources, including infrastructure, organizational structure, staffing, and financial resources; evaluating current legislative or regulatory authority; providing resources for, and investing in, the program's infrastructure; and, developing strategic multi-year plan to administer a new PSP.

Recently, the FDA has requested that CDFA enhance the PSP in order to create a more robust inspection program, conduct inspections on a minimum of 10 percent of farms covered under the PSR, provide education and outreach to produce farmers, develop and validate our farm inventory database and provide assistance in the food-borne outbreak crisis. The implementation of this program under federal funding is essential to the state's produce industry, as the PSR is a federal mandate. By devoting funds to enhance technical, inspection, and administrative personnel and develop a new integrated farm inventory database management system, CDFA intends to augment the PSP to improve food safety.

Under the current food safety structure, the PSPS is unable to meet the programmatic burden of the PSR. Additional funding and positions are needed in order to meet strict specifications under FDA's funding opportunity announcement. CDFA began PSR enforcement activities in 2019 and assisted multiple food-borne outbreak investigations. Outbreak response pulled many staff away from inspection and compliance activities. To date, PSP inspectors have made over 700 calls to farmers, conducted 214 PSR inspections, and provided support for food-borne outbreak investigations totaling approximately 68 days.

Staff Recommendation. Approve as budgeted.

Issue 9: Turlock North Valley Animal Health Laboratory Replacement

Governor's Proposal. The Governor's budget requests \$88.565 million Public Buildings Construction Fund for the design-build phase of the Turlock North Valley Animal Health Laboratory Replacement project to build a new full-service California Animal Health and Food Safety Laboratory System (CAHFS) laboratory in the northern San Joaquin Valley to replace the existing obsolete CAHFS Turlock laboratory. Total estimated project costs are \$95.407 million.

The proposed facility includes mammalian and avian necropsy/pathology, bacteriology, histology, immunology, molecular biology, biotechnology, food safety, and serology testing services. The proposed laboratory includes necropsy facilities, laboratory space, laboratory support services, administrative offices, and common areas. The design-build phase is scheduled to begin in July 2021 and expected to be completed in June 2024.

Background. CAHFS operates within CDFA as the backbone of California's early warning system to safeguard public health from food born pathogens, toxins, and diseases common to animals and humans. CAHFS also protects the health of livestock and poultry populations by providing broad-based surveillance for all catastrophic animal diseases not currently found in the United States. Infectious diseases are constantly shifting and evolving. It is CAHFS's responsibility to continually evaluate and update its testing procedures to ensure adequate detection and surveillance.

The existing laboratory facility in Turlock, which opened in 1958, has serious infrastructure deficiencies and prevents CAHFS from fully meeting the testing needs required to safeguard humans and animal health from animal and food-borne diseases in the northern San Joaquin Valley or provide comprehensive services to the large concentration of livestock and poultry producers in the area. Infrastructure deficiencies include space constraints that prevent critical testing on non-avian species and the building's age and design, which impede use of modern testing methods that may jeopardize accuracy and result in the inability to maintain adequate biocontainment protocols.

The 2017 Budget Act included the acquisition phase for this project as a design-bid-build project. The 2019 Budget Act included a change in the project delivery method to the design-build process and appropriated \$3.946 million for the performance criteria phase of the project.

Staff Comment. The 2019 BCP for this project estimated the design-build cost to be approximately \$56 million. This BCP proposes over \$88 million for the same phase. Among the factors that increase the costs from the 2019 BCP, are the following:

- Site location. Previous estimates did not include new access road and utility runs.
- Increase in AHFSS square footage.
- Additional site amenities.
- Budget Package cost estimate did not account for necropsy equipment.
- Budget Package cost estimate did not account for cremator.
- Budget Package cost estimate did not account for telecom infrastructure.
- Current estimate square footage costs trending at a 50 percent higher cost than budget package estimates.

Of the factors listed above, the most significant reason for the increase in cost was the change in estimated square footage costs.

Staff Recommendation. Approve as budgeted.

DISCUSSION

0509 GOVERNOR'S OFFICE OF BUSINESS & ECONOMIC DEVELOPMENT (GO-BIZ)

Issue 10: Climate Smart Agriculture — Climate Catalyst Fund

Governor's Proposal. The Governor's budget requests one-time funding in 2021-22 of \$50 million GF one-time, to provide low-interest loans and credit support advancing the state's climate-smart agriculture objectives, via the California Infrastructure and Economic Development Bank, Climate Catalyst Fund. Climate Smart Agriculture loan projects funded by the Climate Catalyst Fund will include methane reduction projects; equipment replacement to improve efficiency and emissions; water efficiency; healthy soils; circular economies; on-farm bio energy; energy efficiency for food processing; and renewable energy systems and energy storage for agricultural operations.

Also, budget bill language is being proposed to allow not more than five percent of the requested funding be used to support administrative costs.

Background. *Climate Catalyst Fund.* The Climate Catalyst revolving loan fund was established in 2020 to help finance climate-related projects. (A revolving loan fund means that the fund is replenished as borrowers repay their loans, and the program may continue making loans indefinitely without continued support.) The 2020-21 Budget Act did not capitalize the Climate Catalyst program.

When the Climate Catalyst Fund was proposed, last year, the Legislative Analyst's Office (LAO) found that the proposal was inherently risky as it focuses on projects that do not qualify for other loans or grants that might fail. The LAO warned that the Administration may not be able to spot the best projects to fund — If loan recipients cannot repay the loan, that could drain the program. If, on the other hand, the state funds safer projects already eligible for conventional loans or grants, it would not help California cut greenhouse gas emission any more than it already has. The loan recipients need to be able to repay the loan, so the projects cannot be too risky. On the other hand, if the project is very safe, then they can probably obtain funding from a conventional lender. The LAO also suggested starting smaller, with a pilot project which would allow the Administration to demonstrate the need for the fund and provide some certainty or clarity on the types of projects that will be getting loans — and then demonstrate that those projects do in fact need the loan.

According to the Administration:

The overall goal of the Climate Catalyst Fund, and applied in the agricultural sector, is to support financially viable projects that the private market is not yet supporting. This "market gap" exists due to a structural challenge in the shape of the market that keeps private lenders from engaging in every instance. These are not inherently uneconomic projects — rather, in view of these perceived challenges, the rates at which commercial lenders will participate are simply too high to be affordable to the borrower.

Low-interest loans in a revolving fund enable greater leverage of private investment and encourage lending to borrowers who are presently challenged with access to capital. Climate solutions in the agricultural sector are particularly in need of this focused intervention, as investors are less familiar with these technologies and practices than they are, for example, with established technologies like

wind and solar. The revolving structure of the Climate Catalyst Fund delivers further benefit to the state, by continuously re-lending funds to new projects as existing loans are re-paid.

Low-interest loans further benefit borrowers by letting them retain more revenue for their businesses and communities. By supporting small businesses in the agricultural sector that traditional lenders will not serve, Catalyst promotes inclusion in the climate solutions economy. The presence of this low-cost debt, particularly in conjunction with smart, risk-reducing grant dollars from other agencies (a key design feature of the Climate Catalyst program), can encourage private lenders to co-lend, creating the private market leverage the state's funding programs need to achieve scale.

On a separate, but related note, the Administration has a different proposal to provide \$49 million GF, including \$47 million in 2020-21 to capitalize the Climate Catalyst Fund and \$2 million in 2021-22 for the Ibank to develop a market strategy as part of its \$1 billion Wildfire and Forest Resilience Strategy. The funds would be used to provide low interest rate loans to private-sector projects, such as building materials manufacturing and energy generation, that use the wood that remains from fuel reduction projects. The \$2 million for Ibank would fund one new permanent position and professional services to develop a market for woody biomass.

The legislation establishing the Climate Catalyst Fund (Government Code Section 63048.95) included language that required that the fund was only to receive non-state (private entities and governmental entities other than the state) funds. The Administration has proposed budget trailer legislation to amend statute so that the fund may receive state funds. The proposed trailer bill language also provides that all moneys, except for money received from federal sources, in the Climate Catalyst Revolving Loan Fund are continuously appropriated without regard to fiscal years for the support of the bank and shall be made available for expenditure for purposes of the fund. All moneys received from federal sources to the fund are available for expenditure upon appropriation of the Legislature.

LAO Comments. *Strategic Growth Council Advises Legislature on Investment Categories.* Government Code Section 63048.93(d) requires the Strategic Growth Council, in consultation with the Labor and Workforce Development Agency to annually advise the Legislature of potential categories of climate catalyst projects that would focus on the state's key climate mitigation and resilience priorities. The Strategic Growth Council met on December 17, 2020 to approve the following investment category recommendations:

- Zero-Emissions Vehicles and Infrastructure
- Market Approaches to Reduce Wildfire Risk
- Facilitate Implementation of Executive Order N-19-19 (regarding to government efforts to reduce greenhouse gas emissions and mitigate the impacts of climate change while building a sustainable, inclusive economy)
- Opportunities Presented by Federal Stimulus

Climate Catalyst Implementation Plan. In addition to this \$50 million proposal, Governor also requested \$47 million from the General Fund in 2020-21 to provide Climate Catalyst loans for projects that use forest biomass to help develop the market for wood products as part of the wildfire package. Additional funding may be provided from the sale of a revenue bond for zero-emission vehicles and related infrastructure. Once Ibank has received funding it will, presumably, begin to advertise the program, receive applications, and begin to make loans. The Administration has provided no details about how it will administer this program nor any specific objectives for the Climate Catalyst Fund.

A Pilot Program May Be Appropriate. LAO noted last year that it agrees with the Administration that a public loan fund could be an appropriate way to increase the amount of public and private investment for climate mitigation and adaptation projects. However, LAO noted that the Administration needed to first demonstrate that a sufficient number of appropriate projects existed. The LAO suggested that a limited pilot program could be an appropriate approach to gauging the demand for such loans. This proposal could be considered to be such a pilot project.

Justification for Agricultural Projects Exists, But Is Weak. The LAO acknowledges that the agriculture sector is a significant source of greenhouse gas emissions and that cost-effective private solutions to mitigate these sources exist. Access to low-cost loans may help to investments that would reduce these emissions. However, the LAO also notes that it is unclear how well this proposal fits in the state's overall climate strategy. For example, it is unclear why the Governor advanced this specific proposal when the Strategic Growth Council did not identify agricultural projects as a priority investment category. The Administration's proposal also lacks key details regarding how the Climate Catalyst Fund will be implemented.

Expand Reporting Requirements. Current law requires IBank to annually report information about the Climate Catalyst loans in its portfolio. This reporting requirement will help the Legislature to assess the extent to which the program benefiting businesses, reducing greenhouse gas emissions, and potentially creating jobs. The current reporting requirements do not address LAO's concern that the low-interest loans could crowd-out private lenders in this market. The LAO previously recommended that the Legislature require IBank to also report more detailed financial information about each project so that the state may assess the financial risk and the extent to which private capital is participating in financing these projects.

Staff Recommendation. Hold open.

8570 CALIFORNIA DEPARTMENT OF FOOD & AGRICULTURE (CDFA)

Issue 11: Fairgrounds Operational Support and Deferred Maintenance

Governor's Proposal. The Governor's budget requests \$60 million GF one-time in 2021-22 to provide fairground operational support and address fair deferred maintenance needs. Of this amount, \$50 million is for operational support of state affiliated fairs and an assessment of fairgrounds located on state-owned land to determine their potential for alternate use/development. CDFA intends to use up to \$3 million to conduct a specialized facility assessment of fairgrounds located on state-owned land to help State Affiliated Fairs determine their potential for alternate uses and/or development. The \$50 million in operational support was created based on projected needs for a 12-month period.

The proposal includes \$10 million is to address deferred maintenance needs with a priority on fairgrounds that are used to support emergency operations. Over \$176 million in deferred maintenance for fairgrounds in the Network of California Fairs was identified in the most recent assessment. The \$10 million proposed is to cover a little over 5 percent of the needs in deferred maintenance. The funds will be distributed to projects with the highest score. Critical safety and health-related projects will receive higher scores than non-critical projects. Factors in scoring included in considerations such as number of emergency activation, water conservation, and power upgrades.

Background. The Network of California Fairs consists of 79 fairs that operate under a variety of governance structures, including six county-operated fairs, 16 nonprofit operated county fairs, two citrus fairs, 54 statutorily-created state institutions known as District Agricultural Associations (DAAs) (two are currently inactive), and the California State Fair (an independent state agency). Of the 52 active DAAs, 41 operate on state-owned land, eight operated on leased land, and three do not have permanent fairgrounds. Most of the properties were donated to the state or county to create the fair and to safeguard properties for the local community.

Beyond the annual fair event, fairgrounds operate 365 days per year hosting thousands of events from large trade shows to small family celebrations. Fairgrounds are perceived primarily as sites for annual fairs and other well-known seasonal venues as entertainment events and competitions including horse racing, car racing, concerts, rodeos, and other such activities.

In 2020, the impact of the COVID-19 pandemic adversely affected the ability of fairgrounds to generate revenue. At the same time, many fairgrounds continued as a component of the state's emergency network, serving as base camps and shelter during fires, COVID-19 testing sites, and food bank distribution sites.

The Administration is in the process of evaluating alternative business and governance structures to enable fairs to operate more efficiently, meet local community needs, and serve public health and safety roles in the state's emergency response system.

LAO Comments. *Network of California Fairs.* Fairs are not run by CDFA. However, the department provides fiscal and policy oversight for the state's network of fairs — 78 fairs statewide — and allocates some state funding to the fairs annually.

Fairs Host Variety of Events. Fairs are most known for their annual fair, but they also operate year round hosting smaller events like trade shows, concerts, and private events.

Fairs Are Part of Emergency Response Network. Many fairs play an important role in the state's emergency response network by serving as evacuation and recovery support centers.

Fairs Receive Some State Funding. In most years, the fairs generate roughly \$400 million in annual revenues. The fairs receive \$2.6 million annually from the General Fund. Additionally, AB 1499 (Gray), Chapter 798, Statutes of 2017, provides fairs with a percentage of state sales tax revenues that are generated from activities on fairgrounds, roughly \$19 million in 2019-20.

Fairs Operate Under a Variety of Governance Structures. The network of fairs includes 52 district agricultural associations (DAA), 23 county fairs, 2 citrus fruit fairs, and the California Exposition and State Fair (Cal Expo).

State-Affiliated Fairs. DAAs are state entities with Governor-appointed boards (41 operate on state-owned land), and Cal Expo is an independent state agency with a board appointed by the Governor and the Legislature. DAAs and Cal Expo are collectively known as state-affiliated fairs.

County and Citrus Fairs. In contrast, county fairs are either directly operated by counties or nonprofit organizations, and both citrus fruit fairs are operated by nonprofit organizations.

Current-Year Appropriation to Assist State-Affiliated Fairs Due to Pandemic. The COVID-19 public health pandemic has prevented fairs from conducting their normal revenue-generating activities, such as hosting annual fairs and other events that involve large gatherings of people. The 2020-21 budget package included a supplemental appropriation of \$40.3 million from the General Fund to support state-affiliated fairs in light of the fiscal impacts of the pandemic.

Support for State-Layoff Costs. At the time the budget was adopted in June 2020, the Administration indicated that the supplemental funding was for state-affiliated fairs that did not have sufficient funds or reserves to cover employee compensation costs during the layoff process as fairs had to downsize staffing levels.

Operational Support. In January 2021, the Administration notified the Legislature that roughly \$20 million in of the original allocation was not needed for layoff-related costs and instead would be used for general operational support for state-affiliated fairs in the current year in light of the pandemic.

Providing Operational Support Is Reasonable, But Amount Needed Is Uncertain. Fairs largely have been unable to conduct their normal revenue-generating activities due to the pandemic. Given that revenues for the fairs are highly dependent on hosting large events, it is reasonable to provide operational support for ongoing cost, such as salaries for essential employees and related administrative costs.

Estimates Might Change as Pandemic Evolves. The amount of funding requested by the department is based on financial projections of costs assuming that fairs will not be able to conduct normal operations in the budget year. While this is a possibility, there is still much uncertainty about when and under what conditions revenue-generating operations will be able to resume. For instance, the state might update its social distancing guidelines as more people are vaccinated, which might allow fairs to resume some of their normal operations during 2021-22.

Structure of Proposal Limits Legislative Oversight. As currently structured, the proposal would not provide an opportunity for the Legislature to know how funding is ultimately distributed — particularly the need-based distribution which will be based on decisions that the Administration will make throughout the year as additional financial information on the fairs becomes available. Having such

information would provide the Legislature with additional opportunities for oversight of how the funding is to be targeted.

Funding for Deferred Maintenance is Reasonable. A recent department assessment of fairgrounds indicated that there is \$176 million in deferred maintenance needs across the state. Given the substantial need, it is reasonable to provide one-time funding of \$10 million to support deferred maintenance at fairgrounds. Spending on deferred maintenance could prevent the state from paying even larger facility repair or replacement costs in the future. Moreover, the LAO thinks prioritizing maintenance at fairs used to support emergency operations, such as during wildfires and COVID-19 testing, is reasonable to support public safety and public health functions.

State Assessment of State-Owned Fairgrounds Could Provide Future Benefits. An assessment of fairgrounds that operate on state-owned land could be beneficial for a couple of reasons. First, an assessment might result in the state identifying opportunities to better maximize existing land, which could lead to development opportunities that benefit the local communities that fairs serve. Second, such development could provide opportunities to increase and diversify the revenue streams for fairs.

LAO Recommendations. Delay Decision on Operational Support and Assessment Until May Revision. Given the current uncertainty around the extent to which fairs will be able to conduct normal operations in the budget year, the LAO recommends the Legislature could use additional information available at that time regarding the status of the pandemic and vaccinations to inform its decision on the appropriate amount of funding to provide.

Require Legislative Notification Prior to Distribution of Funds. According to the Administration, the amount provided to state-affiliated fairs based on needs would be distributed on a quarterly basis. The LAO recommends the Legislature adopt budget bill language requiring the Department of Finance to provide a 30-day notification to the Joint Legislative Budget Committee prior to the release of these funds. This notification should include details on (1) the amount provided to each state-affiliated fair, (2) the method the Administration used to allocate funding, and (3) any remaining balance and the department's expected use of that balance.

Approve Funding for Deferred Maintenance. Given the amount of deferred maintenance needs across fairgrounds and the role they play in the state's emergency response network, the LAO recommends the Legislature approve the requested \$10 million for this purpose.

Staff Recommendation. Hold open.

Issue 12: Impact Assessment and Alignment of Regulatory Reporting Requirements for Agriculture

Governor's Proposal. The Governor's budget requests a total of \$6 million GF one-time for regulatory alignment and efficiencies, including:

- 1) \$4 million GF in 2020-21, in collaboration with the California Environmental Protection Agency (CalEPA), to conduct a comprehensive evaluation of cross-cutting regulatory activities across state agencies that enforce potentially redundant compliance requirements for the agricultural community. The evaluation is intended to be a catalyst for exploring regulatory efficiencies and process improvements to align CDFA and CalEPA regulatory compliance, substantially reduce paperwork required for the farmers and ranchers, while maintaining environmental and public health protections.
- 2) \$2 million GF in 2021-22 to conduct an assessment of the scope, feasibility, and level of effort required to create and implement a single licensing and payment portal to eliminate potentially repetitive data input and streamline interactions between agricultural businesses and CDFA.

Background. California agriculture is a \$50 billion industry that generates at least \$100 billion in related economic activity. There are nearly 70,000 agricultural operations across the state that employ 481,000 workers. Over a third of the country's vegetables and two-thirds of the country's fruits and nuts are grown in the state.

The COVID-19 Pandemic has significantly impacted agricultural businesses throughout the state as supply chains were severely disrupted and costs to protect the safety of their workforce increased sharply.

Streamlining efforts are intended to help address specific challenges felt by small-scale, mid-scale, and socially disadvantaged farmers and ranchers in recovering from the pandemic. Approximately 20 percent of California farmers are socially disadvantaged according to the USDA Census of Agriculture. Small farm business owners disproportionately feel the administrative burdens of regulatory compliance, licensing, and payment. They are more likely to face challenges navigating regulatory programs designed to fit larger farm operations or operations with a single crop and are less likely to have dedicated staff to handle regulatory reporting and compliance.

LAO Comments. *CDFA and Other Agencies Regulate Agricultural Industry.* CDFA is the state's primary agency responsible for regulating agricultural products, practices, licenses, and permits. There are also other agencies within the California Environmental Protection Agency (CalEPA) that play a role in regulating the agricultural industry. For instance, DPR oversees the use of agricultural pesticides, and the State Water Resources Control Board regulates the diversion of surface water, such as for irrigation.

Identifying Duplication Could Be Reasonable, But Concerns With Proposal. Identifying and resolving duplicative reporting requirements could be a worthwhile effort for the state to the extent it resulted in the reduction of unnecessary administrative burdens on the agricultural industry and costs to the state.

CDFA Has Not Yet Provided a Compelling Justification for Assessment. While an assessment could be reasonable, the department has not yet provided a clear explanation of the scope of the problem it intends to address. For example, CDFA has not provided the LAO with even an initial list of potentially duplicative reporting requirements that it intends to assess. Consequently, the LAO cannot be certain that there is a significant problem being experienced by the agricultural industry, or that providing

additional funding for the assessment will be effective in creating long-term cost reductions or efficiencies.

No Compelling Rationale for Early Action. It is unclear why expediting appropriations for the assessment of reporting requirements is essential for the department, given that no immediate improvements will be made in the near term. According to the department's timeline, the assessment would take about 18 months to complete.

Assessment of Online Licensing and Payment Portal Is Reasonable. The department has indicated that its current online portal does not allow the regulated industry to pay for various permits and licenses at the same time, which is viewed as overly burdensome to the agricultural industry. Assessing the feasibility of improving the department's current portal would allow it to better understand what next steps should be taken to make this service more efficient and convenient, as well as what the costs would be to make improvements. The department would need to come back to the Legislature for future appropriations to fund subsequent phases of any such project.

Proposes General Fund for Activities That Largely Benefit the Agricultural Sector. The LAO finds that both proposed assessments largely benefit the agricultural sector, which raises questions on whether the General Fund is the most appropriate funding source, or if it might be more appropriate to use fee revenues to support these efforts. According to the Administration, it proposed using General Fund because both proposals are one-time costs that are best suited to be funded through the General Fund. The LAO does not find this to be a compelling rationale because the proposals do not provide a broad enough public benefit to necessitate General Fund resources.

LAO Recommendations. Reject \$4 Million for Assessment of Duplicative Reporting Requirements. CDFR has not provided the LAO with a compelling list of duplicative reporting requirements that it intends to assess. Therefore, the LAO recommends that the Legislature reject the \$4 million being requested for this purpose from the General Fund.

Report at Budget Hearings on Possible Other Funding Sources for Assessment of Online Portal. The LAO recommends the Legislature require the department to report at budget hearings on what special funds could be used to support the online portal assessment in lieu of using General Fund.

Staff Recommendation. Hold open.

Issue 13: State Water Efficiency and Enhancement Program (SWEEP)

Governor's Proposal. The Governor's budget requests \$20 million GF in 2020-21 and \$20 million GF in 2021-22 to award, administer, and monitor State Water Efficiency and Enhancement Program (SWEEP) grants with a focus on depleted groundwater basins. Of this amount, up to five percent will be available for technical assistance as required by AB 2377 (Irwin), Chapter 868, Statutes of 2018. This technical assistance will be prioritized for socially disadvantaged farmers and ranchers, and to farms that are less than 500 acres. This proposal includes budget bill language to make the funding available for encumbrance or expenditure for two years.

This one-time funding is intended to address groundwater sustainability by focusing SWEEP on improving conditions in depleted groundwater basins.

Background. SWEEP is an incentive program that helps farms to reduce irrigation water use and reduce greenhouse gas (GHG) emissions from agricultural pumping. The program also addresses other high priority environmental issues such as groundwater sustainability and water quality protection. The program was designed to obtain quantitative water savings and GHG reductions from irrigation water pumping on farms. SWEEP provides incentives for several project types, which are often combined, to result in water savings and GHG reductions. Project components include:

- Weather, soil or plant-based sensors for irrigation scheduling to guide agricultural operators in applying water when the crop needs it.
- Micro-irrigation or drip systems to support water application to the plant root zone.
- Fuel conversion on pumps from fossil fuels to electricity and renewable energy sources.
- Improved energy efficiency for pumps.
- Lower pressure irrigation systems that reduce energy use.
- Use of variable frequency drives to reduce energy use and match pump flow to load requirements.
- Reduced pumping to save energy and reduce GHG emissions.

According to the LAO, CDFA has awarded \$81.1 million in SWEEP grants to date, of which \$65 million has been funded from the Greenhouse Gas (GHG) Reduction Fund. A total of over 800 projects have been supported with the funding.

LAO Comments. *Proposal Addresses Several State Priorities.* Through previous legislation, the state has indicated that reducing GHG emissions and managing water resources are key priorities. SWEEP can contribute to both priorities by providing incentives to install more efficient irrigation systems. According to the department, projects funded from SWEEP cumulatively reduce annual GHG emissions by 80,000 metric tons and annual water consumption by 37.5 billion gallons.

No Compelling Rationale for Early Action. It is unclear why expediting half of the proposed appropriations several months earlier is essential, given that grants are not expected to be awarded until February 2022. Additionally, allocating the proposed funding in two grant solicitations of \$20 million would add administrative complexity for the department and applicants.

LAO Recommendation. *Adopt Full \$40 million in the 2021-22 Budget.* The LAO. Recommends that the Legislature approve the proposed funding, but to minimize the administrative complexity by appropriating all of the funds in the budget year.

Staff Comments. According to this BCP, under projected outcomes — for the current year (2020-21), the number of estimated number of applications received, processed, projects awarded, pre-project consultations, and scope of works and grant agreements all are “0.” In comparison, projected outcomes in the budget year (2021-22) and BY+1 (2022-23), the estimates are in the hundreds in each category.

If the early action of this proposal is approved, the department anticipates getting out the SWEEP solicitation to receive applications starting in June so there would be work that takes place in the current year. Although work would be done in the current year to release the solicitation, the applications would be reviewed and awarded in 2021-22 and 2022-23. It takes approximately three months between funding being authorized and solicitations being released to applicants. Current funding is intended to allow projects to be implemented in the fall, approximately three months earlier than if funding was in BY only.

Staff Recommendation. Hold open.

Issue 14: Technical Assistance Program for Underserved Farmers

Governor’s Proposal. The Governor’s budget requests \$3.35 million GF in 2020-21 and \$3.35 million in 2021-22 with a two-year encumbrance period to fund a technical assistance and micro-grant program for small, mid-sized, and underserved farmers in California.

The technical assistance program includes funding for a temporary Small Farm Specialist within CDFA and a contract with University of California Agriculture and Natural Resources (UC ANR) to provide direct assistance to small, mid-sized, and socially disadvantaged and underserved farmers in seven regions around the state.

The program is intended to assist farmers with business planning, navigating regulatory compliance, and accessing state and federal funds to aid economic recovery. The grant program will be administered by CDFA and consist of grants for non-profit organizations to provide application technical assistance to small, mid-sized, and socially disadvantaged farmers and ranchers, as well as micro-grant program to assist small, mid-sized, and underserved farmers in accessing state and federal funding resources, including matching and leveraging state and federal funds, such as the state small business economic recovery grant funds and USDA micro loan program.

Background. Small-scale, mid-scale, and socially disadvantaged farmers face multiple challenges as business owners. Approximately 20 percent of California’s farmers are socially disadvantaged according the USDA Census of Agriculture. This growing number of small farm business owners have unique challenges are are likely to be under-resourced, have limited access to capital, face language and educational barriers to marketing their crops, and often to not have long-term, stable access to land. These farmers face challenges finding markets for their crops, navigating regulatory programs designed to fit larger farm operations, and applying for conservation and financial programs for operations.

Since 1979, UC ANR Small Farm Program has assisted small, diversified and socially disadvantaged farmers through technical assistance, outreach, and research. In some parts of the state, these advisors are the only entity supporting small farmers and regulatory compliance, access to assistance and incentive programs, marketing, and research-based information on small acreage crop production. Small farms advisor provide culturally relevant, bilingual, one-on-one technical assistance that is critical to long-term success for socially disadvantaged farmers. Currently, there are only three small farm advisors throughout the state.

LAO Comments. *Most Farms in California Are Small and Midsized.* According to the US Department of Agriculture (USDA), roughly 85 percent of farms in California are considered small or midsized. While most farms fall into these two categories, small and midsized farms account for only 12 percent of the state’s total market value of agricultural production. These groups are defined by the following:

- *Ownership.* Under the USDA definition, to qualify as a small or midsized farm, the majority of the business must be owned by the operator and related individuals.
- *Revenues.* Small farms are those with a gross cash farm income — annual income before expenses — of less than \$350,000, while midsize farms are those with a gross cash income between \$350,000 and \$1 million.

California Farm Equity Act of 2017. SB 1348 (Aguiar-Curry), Chapter 620, Statutes of 2017, increased support for farmers who are socially disadvantaged — defined as a farmer who belongs to a group that

has been subjected to racial, ethnic, or gender discrimination.

- *Disadvantaged Farmers in California.* CDFA estimates that socially disadvantaged farmers make up roughly 20 percent of the state's 124,000 total farmers.
- *Disadvantaged Farmers Not Familiar With Available Resources.* In a recent report, CDFA found that many socially disadvantaged farmers are not familiar with available resources such as grants and technical assistance.

University Program Provides Technical Assistance to Small Farmers. The University of California Division of Agriculture and Natural Resources (UC ANR) operates a statewide network of local cooperative extension sites and centers that are dedicated to conducting research, outreach, and education. Within this network is the Small Farm Program, which has one staff at each of four locations that provide technical assistance to small and socially disadvantaged farmers, including assistance with grant funding and licensing.

Proposal Aligns With Past Legislative Priorities. The Legislature has indicated that supporting disadvantaged farmers is a priority through past legislation. This proposal aligns with this by providing grants that are directly targeted to disadvantaged farmers and by augmenting the existing technical assistance network that supports them.

Key Details Remain Unclarified for Grant Programs. In the LAO's review, the proposal does not clarify several pieces of information that would assist the Legislature in its evaluation.

- *Some Federal Overlap.* The recent federal relief package provides funding — a total of \$75 million nationwide — for a USDA competitive grant program that also funds organizations that provide technical assistance to disadvantaged farmers. This may make some parts of the Governor's proposal duplicative with federal efforts.
- *Funding Between Grant Programs.* This proposal does not indicate how funding will be split between the two new grant programs being proposed. The Legislature may want to better align spending with its own priorities.
- *Definition of Small Farmers.* The proposal does not indicate how CDFA will define small and midsized farmers for its proposed grant program that would provide direct assistance for these farmers. Using the USDA's definition would encompass a large portion of farmers in the state, which would make funding more difficult to target.

No Compelling Rationale for Proposed Early Action of \$3.4 Million. In the LAO's view, early action might be warranted if the Administration demonstrates that early approval would ensure that high-priority projects or services are implemented more quickly to meet an urgent need. However, it is unclear why expediting appropriations several months earlier is essential for these programs given that neither will be used to support services immediately. According to the Administration's timeline, grants would not be awarded until October 2021. Additionally, contract funding for UC ANR is to expand services, which would take several months to implement.

LAO Recommendations. *Report at Budget Hearings on How Grants Will Be Distributed.* The LAO does not raise any concerns with the intent of the proposal. However, the LAO recommends the Legislature require the department to report at budget hearings on (1) how this proposal complements federal grants that were recently augmented under the federal relief package, (2) how it will define small and midsized farmers, and (3) how it will split funding between the two new grant programs being proposed.

Approve Any Funding in the 2021-22 Budget. If the Legislature were to approve any funding under this proposal, the LAO recommends that it appropriate this amount in the budget year. Early action is likely not warranted given that funding will not be used to support immediate services in the current year.

Staff Recommendation. Hold open.

3930 DEPARTMENT OF PESTICIDE REGULATION (DPR)**8570 CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE (CDFA)****Issue 15: Transition to Safer, Sustainable Pest Management**

Governor's Proposal. The Governor's budget requests \$16.75 million (\$8.25 million GF and \$8.5 million DPR Fund) and 44 positions in 2021-22 for DPR, and \$11.75 million GF in 2021-22 for CDFA as part of a comprehensive proposal to support the state's transition to safer, sustainable pest management. Additional DPR proposes to replace the current flat-fee mill assessment on pesticide sales with a risk-based tiered mill assessment, where higher toxicity pesticides are assessed a higher fee. Once fully phased in by 2024-25, the tiered mill assessment is anticipated to generate approximately \$45 million in additional revenue annually to the DPR Fund. The additional revenue is intended to fund various DPR and CDFA programs and will increase support to the County Agricultural Commissioners (CACs) for local pesticide use enforcement activities to accelerate the state's transition away from harmful pesticides.

The tiered mill assessment is proposed to be based on a product's "signal word" as determined by the US Environmental Protection Agency (US EPA) and is proposed to be phased in over four years, using phased down GF to support during this transition. When the tiered mill is fully implemented, products without any signal word or a "Caution" signal word will be assessed 26 mills; products with a "Warning" signal word will be assessed 40 mills; and products with "Danger" and "Poison/Danger" signal words will be assessed at 45 mills. The additional revenues are intended to fund the following efforts:

- Enhanced implementation of integrated pest management (IPM) practices.
 - DPR's IPM program (\$8.25 million and 15 positions).
 - CDFA's IPM research, education, and extension grant programs (\$3.75 million ongoing).
 - CDFA, through cooperative agreements with the California State University Agricultural Research Institute (CSU ARI) and University of California Agriculture and Natural Resources (UC ANR), to expand research, education, and extension capacity for IPM (\$8 million ongoing).
- Strengthened DPR enforcement activities (\$3 million DPR Fund and 18 positions in 2021-22 ongoing).
- Increased support to CACs for local pesticide use enforcement activities from 7.6 mills to 10 mills (estimated to be an approximately \$9.5 million increase).
- Enhanced Pesticide Air Monitoring Network (AMN) (\$4 million DPR Fund and seven positions in 2021-22 ongoing).
- Increased community engagement by DPR, including with communities identified by the Community Air Protection Program (as authorized by AB 617 (C.Garcia), Chapter 136, Statutes of 2017, (\$1.5 million DPR Fund and four positions beginning in 2021-22 and \$1.5 million DPR Fund and seven positions in 2022-23 ongoing).
- Sufficient revenues to rep are the DPR Fund's structural fund imbalance and provide a prudent reserve.

Background. DPR’s mission is to protect human health and the environment by regulating pesticide sale and use and by fostering reduced-risk pest management. DPR currently supports its work through a flat-fee mill assessment.

The following table shows the amount of mill assessment revenues generated by signal word from 2015-16 to 2019-20.

Fiscal Year	Total Mill Collected	Mill Collected from None/Caution	Mill Collected from Warning	Mill Collected from Danger, and Danger/Poison
15/16	\$73,677,279	\$46,416,686	\$10,314,819	\$16,945,774
16/17	78,876,191	49,692,000	11,042,667	18,141,524
17/18	77,670,174	48,932,209	10,873,824	17,864,140
18/19	80,243,637	50,553,491	11,234,109	18,456,037
19/20	83,641,239	52,693,980	11,709,773	19,237,485

Source: Department of Finance

The overall trends are fairly consistent from year to year based on available data: none/caution account for 63 percent of sales; warning accounts for 14 percent; and danger and danger/poison account for 23 percent.

In 2020, DPR had 7,669 products registered with none-caution signal words, 1,703 products with warning signal words, and 4,144 products with danger and poison/danger signal words.

Pesticide Mill Assessment and the DPR Fund. The mill assessment was established in 1971 to create an industry-funded structure that would support the activities of a pesticide regulatory program. A mill is 1/10 of one cent and is assessed on every dollar of pesticide sold in the state. The mill assessment was last increased in 2004 and is currently capped by statute at 21 mills (\$0.021/dollar) on the sales of all registered pesticides, regardless of their toxicity. While DPR has several other funding sources, the mill assessment accounts for 80 percent of the DPR Fund revenues. Over the last several years, there has been significant growth in the scope of DPR’s programs and activities without any comparable change in funding.

Enforcement and Air Monitoring Programs. DPR oversees a multi-tiered enforcement program. US EPA enacts laws establishing baseline pesticide requirements that are enforced at the state and county levels through cooperative agreements. DPR maintains a pesticide Air Monitoring Network to identify pollutants and support measures to mitigate human health exposures. The current network provides air monitoring data for 31 pesticides and several breakdown products in three communities that represent the areas of highest agricultural use of some of the most potentially hazardous pesticides.

Community Engagement. In 2019-20, DPR participated in community events, health fairs, and pesticide safety events, sharing information related to public and worker safety laws. Also, DPR hosted workshops and attended meetings with local groups to build partnerships, seek input, and respond to concerns involving pesticide use. DPR and the California Air Resources Board have collaborated to monitor pesticide concentrations.

LAO Comments. Overview of Pesticides. Various Products Are Considered Pesticides. Under state and federal law, a pesticide is any substance intended to control, destroy, repel, or otherwise mitigate a pest, such as insects, bacteria, weeds, and rodents.

- Agricultural Pesticides. Pesticides include insecticides, herbicides, and other agricultural and garden chemicals.
- Non-Agricultural Pesticides. Pesticides also include many industrial and home cleaning products like pool cleaners and disinfectants. (A product is not considered a pesticide if it is meant to be used in or on a person.)

Pesticides Provide Benefits. Pesticides play an important role in protecting people and their environment. For instance, the agricultural sector uses pesticides to control pests that can destroy or damage crops.

However, Certain Pesticides Have Some Negative Effects. The use of certain pesticides can have negative effects, such as killing nontarget species, water contamination, and short-term adverse health effects. Additionally, research has grown in recent years linking the use of certain pesticides to long-term adverse health effects. For instance, individuals who occupationally use certain pesticides have been found to have a higher risk of developing Parkinson's disease.

Integrated Pest Management (IPM). *IPM Encourages Use of Other Pest Control Practices.* IPM is designed to reduce — though not necessarily eliminate — the use of pesticides through a combination of techniques, such as using beneficial organisms to eliminate pest populations. IPM promotes the judicious use of pesticides when other methods do not work and when monitoring indicates that pest levels have risen to the point where pesticides are needed.

Various State Entities Promote IPM. The state has funded several grants and programs through various state entities to promote IPM research and outreach.

- DPR. DPR administers several IPM grants, such as the Pest Management Research Grant Program, which funds research to develop practices that reduce the use of pesticides of high regulatory concern. The department also has several IPM programs, such as the School IPM Program that promotes the adoption of IPM practices at schools and child care centers.
- CDFG. CDFG also administers several IPM grants, such as the Biologically Integrated Farming Systems Grant Program, which funds on-farm demonstrations and evaluations of IPM practices.
- Academic Institutions. The University of California Division of Agriculture and Natural Resources (UC ANR) and the California State University Agricultural Research Institute (CSU ARI) conduct IPM research and outreach, such as conducting field trials, training pest control managers, and working with farmers to implement the use of nonchemical pest control methods.

Pesticide Regulations and State Funding. *Federal, State, and Local Roles in Pesticide Regulation.* Various government entities play a role in regulating pesticide sale and use.

- Federal. The US Environmental Protection Agency (US EPA) is responsible for setting minimum pesticide use standards; registering pesticides at the federal level that have been determined to not harm people, nontarget species, or the environment; and sets pesticide labeling requirements that indicate how to handle and safely use products.
- State. DPR is responsible for (1) evaluating and registering pesticides at the state level, (2) licensing individuals and businesses that apply pesticides, (3) evaluating health impacts of pesticides, (4) monitoring the environmental impacts of pesticides in air and water, (5)

monitoring pesticide residues on produce, and (6) enforcing state and federal laws related to pesticides.

- Local. County Agricultural Commissioners (CAC) are responsible for enforcing pesticide laws and regulations in concert with DPR. The state is responsible for overseeing enforcement efforts by CACs.

Federal Labeling Includes Acute Toxicity Warnings. US EPA requires most registered pesticides to have a “signal word” on its product label. The signal word indicates a product’s relative acute toxicity to humans and ranges from (1) Caution, (2) Warning, (3) Danger, and (4) Danger/Poison. Some pesticides do not have a signal word due to their very low acute toxicity.

DPR Air Monitoring Stations. In 2011, DPR started the Air Monitoring Network (AMN) to sample ambient air for pesticides year round and to assess chronic exposures. (Prior to starting AMN, this was largely done on a seasonal basis.) DPR currently has three monitoring stations that are funded on an ongoing basis from special funds.

- Additional Five Stations Previously Funded. Five additional AMN stations were approved with limited-term funding that ended in 2019-20. The Governor’s 2020-21 budget included a proposal that would have funded these five sites on an ongoing basis with special funds, but the proposal was withdrawn due to budget constraints.

DPR Fund. DPR Is Supported by Its Own Special Fund. The DPR Fund supports roughly 90 percent of the department’s budget. The fund receives 20 percent of its revenues from pesticide-related licensing and registration fees and 80 percent from a mill assessment levied on pesticides.

- Mill Assessment. The mill assessment is applied to agricultural and non-agricultural pesticides at the point of first sale into the state. The assessment is currently at 21 mills, or 2.1 cents per dollar, and was last adjusted in 2004. Of the total mill assessment, 7.6 mills are allocated to CACs for their pesticide compliance and enforcement activities.

DPR’s Major Fund Source Has Structural Imbalance. The growth in expenditures from the DPR Fund has outpaced growth in revenues, creating a structural imbalance in the fund. Absent any changes, the Administration estimates that the fund will go insolvent in 2022-23.

Tiered Mill Assessment. Reasonable to Set Rates Based on Signal Words. Acutely toxic pesticides can harm not only the people directly involved in selecting the pesticides, but also other people, such as farmworkers. In principle, an assessment structure with different rates tied to signal words — as the Governor has proposed — could address this problem. Additionally, the proposed structure is relatively simple and uses information that is readily available to the businesses that pay the mill assessment, so it does not raise major implementation concerns.

- Rate Structure Does Not Address Other Effects of Pesticides. As the LAO understands it, there is not a close link between a pesticide’s acute toxicity to human health and its other adverse effects (such as chronic toxicity or environmental effects). Consequently, the extent to which the proposed rates would address these other problems is unclear.

Proposed Rates Not Large Enough to Send Strong Market Signal. Upon full implementation, the proposal likely would widen price differences between the most toxic and least toxic pesticides by roughly two percent. The LAO has not found evidence that would support precise estimates of the market response to this price change. That said, the price difference is so small that even a proportionally strong

market response would not have large effects on the mix of pesticides used in the state. Discouraging the use of the most toxic types of pesticides likely would require much larger rate differences between tiers.

Four-Year Phase-In Unusually Long. The proposed mill increase is smaller than recent state excise tax increases on tobacco, cannabis, and transportation fuel. These taxes increased in one or two steps, but the Governor's proposal would phase in the mill increase in four steps. Although a slow phase-in would reduce short-term costs for buyers and sellers of pesticides, it would have some notable drawbacks.

- General Fund Support. Relative to a faster phase-in, this aspect of the proposal would increase the General Fund cost in order to fully fund the increased spending proposals.
- Potentially Weaker Market Signal. In addition, phasing in the mill over this longer period could further weaken the market signal sent by the rate increase.

Spending Proposals. Additional Spending Proposals Are Reasonable. The LAO finds that the Governor's proposals for increased spending merit legislative consideration based on estimated workload, potential to increase the use of IPM, and public health benefits.

- IPM Grants and Programs. Providing state funding towards grants and programs that further IPM research, implementation, and outreach has merit in the long run. While these programs will not provide immediate reductions, they can be an important part of the state's long-term goal of reducing pesticide usage.
- AMN. The proposal aligns with past legislative priorities by providing an ongoing source of funding for previously approved AMN stations. AMN provides the state with year-round data on pesticide levels in ambient air in various agricultural communities. Thus, expanding this network has potential of increasing protections and public health in more communities throughout the state.
- Enforcement. Additional funding for enforcement activities is reasonable since it would allow DPR and CACs to conduct more activities related to upholding state and federal pesticide laws and regulations. A workload analysis from the department indicates that the additional funding largely would support monitoring and investigating pesticide use violations and reviewing illegal residue cases.
- Community Engagement. The department has indicated that there has been increased workload associated with community outreach. For instance, the department states that an increasing number of communities have inquired about pesticide emissions and have asked for technical assistance from DPR. Based on a workload analysis from the department, the LAO finds that increasing funding for this effort is reasonable.

Administration's Spending Proposals Leave DPR Fund with Diminished Reserves in 2021-22. Despite additional revenues from the tiered assessment, the DPR Fund is estimated to end the budget year with \$842,000 in reserves — less than one percent of estimated revenues. While the proposal would begin building reserves starting in 2022-23, it leaves little flexibility in the budget year if revenues come in lower than expected or if there are unanticipated expenditure increases.

General Fund Support. Proposed Spending Requires Relatively Large General Fund Support Early On. In contrast to the plan to phase in the tiered mill assessment, the Administration proposes to fully implement all of its new spending proposals in the budget year. This results in a relatively large

imbalance between spending and revenues over the next three years. This is especially true in the budget year, which results in the proposed General Fund augmentation of \$20 million.

LAO Recommendations. *Phase in Revenues More Quickly. Phase in Tiered Mill Assessment Over One or Two Years.* Phasing in the rate increases over four years — combined with the Administration’s increased spending proposals — would result in substantial General Fund costs for each of the next three years. The LAO recommends the Legislature phase in any rate increase in one or two years instead.

- Potential Alternatives to Governor’s Proposal. The figure below illustrates two alternatives in which the state ultimately would levy the same rates as the Administration proposes, but phased in faster. Under these alternatives, a one-year phase-in, while a two-year phase-in would increase the rates in roughly equal parts in 2021-22 and 2022-23.

Fiscal Effects of Alternatives

(In Millions)*

Fiscal Year	New Mill Revenues	New Spending	General Fund Cost
Governor’s Proposal			
2021-22	\$18	\$38	\$20
2022-23	28	38	17
2023-24	35	38	10
2024-25	45	38	—

Alternative 1: One-Year Phase-In

2021-22	\$45	\$38	—
2022-23	45	38	—
2023-24	45	38	—
2024-25	45	38	—

Alternative 2: Two-Year Phase-In

2021-22	\$23	\$18**	—
2022-23	45	38	—
2023-24	45	38	—
2024-25	45	38	—

* All estimates assume no growth in pesticide sales from 2019-20 to 2024-25.

**Reflects spending on programs that the Governor proposes to fund with the DPR Fund in 2021-22.

Consider Key Questions in Design of Tiered Structure. As the Legislature considers a tiered mill assessment, the LAO recommends that it consider these questions:

- Is Signal Word the Best Basis for a Tiered Tax? Levying rates based on signal words is a reasonable way to address the acute toxicity of pesticides. The Legislature may wish to explore the feasibility of alternatives that could address a broader range of pesticide-related concerns,

such as environmental harms and chronic toxicity.

- Should Rates Reflect Revenue Target or Market Signal? The Governor's proposed rate increases would raise enough revenue to fund the proposed spending and to address the structural deficit in the DPR Fund. If, however, the Legislature shares the Governor's interest in using the mill assessment to send a market signal discouraging use of the most toxic pesticides, then it could consider much larger rate differences between tiers. (The rates could be set to raise the same amount of revenue as the Governor's proposal, or a higher or lower amount.)

Phase in Spending to Match Projected Revenues From Increased Mill. Phase in Proposed Spending as Revenues Increase. The LAO finds that the Governor's spending under this proposal is reasonable given that it assists the state in reducing pesticide usage and expands the state's efforts in upholding pesticide laws and regulations. However, the LAO recommends the Legislature align any new spending with the rate at which revenues are generated. This would (1) allow mill revenues to fully fund proposed spending, (2) eliminate the General Fund costs, and (3) potentially provide more immediate relief to the DPR Fund.

Staff Recommendation. Hold open.

SUBCOMMITTEE NO. 2

Agenda

Senator Bob Wieckowski
Senator Brian Dahle
Senator Mike McGuire
Senator Henry Stern



Tuesday, February 23, 2021
8:00 a.m.
State Capitol - Room 3191

Part B

Consultant: James Hacker

PROPOSED FOR VOTE-ONLY

<u>Item</u>	<u>Department</u>	
8660	California Public Utilities Commission	
Issue 1	AB 841 Oversight	2

PROPOSED FOR DISCUSSION

<u>Item</u>	<u>Department</u>	
	Various Departments	
Issue 2	Governor's Zero Emission Vehicle Proposals	3
3360	California Energy Commission	
Issue 3	AB 841 Implementation	8
Issue 4	Continuation of the School Bus Replacement Program (SB 11)	10
Issue 5	Electric Program Investment Charge (EPIC) Follow-On Funding	11
8660	California Public Utilities Commission	
Issue 6	Funding for Program Claims Management System (PCMS)	14

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

ISSUES PROPOSED FOR VOTE-ONLY

8660 CALIFORNIA PUBLIC UTILITIES COMMISSION (PUC)

Issue 1: AB 841 Oversight

The budget includes \$338,000 for fiscal year 2021-22 and \$336,000 for 2022-23 and ongoing from the Public Utilities Commission Utilities Reimbursement Account (PUCURA) for two permanent positions to implement AB 841 (Ting), Chapter 372, Statutes of 2020. AB 841 requires the PUC to create a new ratepayer-funded tariff to deploy electric distribution infrastructure needed to support electric vehicle (EV) charging, and a new program to upgrade air conditioning, ventilation, and plumbing equipment at existing public schools. The request for resources is slightly lower than the \$463,000 estimated to administer the program that the PUC provided during legislative consideration of the bill last year.

Staff Recommendation: Approve As Budgeted.

ISSUES PROPOSED FOR DISCUSSION

3360 CALIFORNIA ENERGY COMMISSION
3900 CALIFORNIA AIR RESOURCES BOARD
0950 GOVERNOR'S OFFICE OF BUSINESS AND ECONOMIC DEVELOPMENT

Issue 2: Governor's Zero-Emission Vehicle (ZEV) Proposals

Background. Since 2006, California has set several important goals to reduce greenhouse gas (GHG) emissions and address the threat posed by the global climate crisis and to the public health of Californians. These goals have predominantly been set via Executive Order, rather than legislation. These include:

- Reducing GHG emissions to 40 percent below 1990 levels by 2030.
- Reducing short-lived climate pollutant emissions, such as methane, to 40 to 50 percent below 2013 levels by 2030.
- Achieving a carbon-neutral economy by 2045.
- Setting specific goals to boost the supply of ZEVs and charging and fueling stations, including:
 - Putting at least 1.5 million ZEVs on the road by 2025.
 - Installing 200 hydrogen-fueling stations and 250,000 battery-electric vehicle chargers, including 10,000 direct-current fast chargers, by 2025.
 - Putting 5 million ZEVs on the road by 2030.

Executive Order N-79-20 set additional and specific zero-emission vehicle targets, including:

- 100 percent of in-state sales of new passenger cars and trucks by 2035
- 100 percent of the state's fleet of medium- and heavy-duty vehicles in the state by 2045 where feasible and by 2035 for drayage trucks
- 100 percent of the state's fleet of off-road vehicles and equipment operations by 2035, where feasible.

The state has historically pursued these goals with a combination of regulations, grant programs for infrastructure (such as the CEC's Clean Transportation Program and CARB's Heavy Vehicle Infrastructure Program (HVIP)), by rebates for individual purchases of zero emission vehicles, such as the Clean Vehicle Rebate Program (CVRP), and CARB's Heavy Vehicle Incentive Program (HVIP). These programs have operated parallel efforts by regulated utilities and private interests to expand ZEV infrastructure, including ratepayer-funded efforts at Investor-Owned Utilities, settlement agreements (like Electrify America's investments funded by the Volkswagen emissions settlement), and private investment (like Tesla's charging network).

Last year, CARB launched the Clean Fuel Rewards Program, which transitioned an existing incentive that varied across the state into a stable consumer incentive up to \$1,500 off the purchase or lease of ZEVs. This program is funded by the Low Carbon Fuel Standard, in partnership with electric utilities, and is not part of the annual budget act.

Governor's Budget. The Administration has proposed a significant investment in zero-emission vehicles in the 2021-22 budget. This includes:

- Securitization of approximately \$1 billion of future revenues to fund the construction of electric vehicle charging
- and hydrogen fueling stations necessary to accelerate zero-emission vehicle adoption. This would be funded by extending certain transportation-related fees, securitizing the resulting revenue, and administering grant programs for charging or fueling infrastructure via the CEC's Clean Transportation program.
- \$435 million in one-time Greenhouse Gas Reduction Fund (GGRF) resources for clean vehicle programs that focus on low-income Californians and reducing air pollution from heavy-duty vehicles in disadvantaged communities, including:
 - \$150 million for Clean Cars 4 All and Transportation Equity Projects that include efforts to scrap and replace older, high-polluting cars, low-income car share programs, and vanpools for agricultural workers, among others.
 - \$315 million for heavy duty vehicles to accelerate adoption of clean trucks and buses, which reduce air pollution in disadvantaged communities.
- Certain other minor funding proposals, including \$50 million at DGS to install charging infrastructure at state facilities.

Staff Comments. Past investments in ZEVs have been significant, but frequently scattered and not closely coordinated (either with other state programs or with private efforts). These proposals represent an opportunity to consider the state's entire ZEV approach as a whole.

The Administration's proposal is commendable for scale and its ambition, as well as its commitment to advancing the adoption of zero emission vehicles in California. However, before the legislature acts on these proposals, a number of questions should be answered.

Are these the right goals? To achieve the state's climate goals, the Administration has asserted that the state's goal is that 100 percent of in-state sales of new passenger cars and trucks will be zero-emission by 2035, that 100 percent of medium- and heavy-duty vehicles in the State be zero-emission by 2045 for all operations (where feasible) except for drayage trucks, which will be zero-emission by 2035, and that 100 percent of off-road vehicles and equipment will be zero emission by 2035 where feasible. The Legislature should consider whether these are the right vehicle targets and the right time frame, or if there are faster, more efficient, or more equitable ways to reach the state's climate goals - for example by expanding transit service or access to ridesharing services.

Are these the right investments to reach these goals? To reach the stated goals, the Administration has chosen to focus heavily on funding charging infrastructure and medium and heavy-duty vehicles. Notably, the Governor's Budget proposes no additional funding for CVRP. The cap and trade expenditure plan has included funding for CVRP every year from 2014-15 to 2019-20. EO N-79-20 required the completion of a Zero Emission Vehicle Market Development Strategy, which the Administration has indicated it will use to continue to evaluate the role of the CVRP in meeting the state's zero-emission vehicle goals.

In the meantime, there is existing funding and other programs in place that provide rebates for light-duty ZEVs, including:

- The Clean Fuel Rewards Program, described above. This program is funded by the Low Carbon Fuel Standard in partnership with electric utilities.
- As of February 18, 2021, the CVRP has approximately \$46 million in existing program funds that are projected to fund standard rebates for an additional three months.
- The federal electric vehicle tax rebate provides a credit of up to \$7,500 back on federal taxes. The companies that have been successful in the EV market have capped out in federal funds and no longer provide this credit. It is not clear whether this will be extended under the new federal Administration.

Questions remain whether these remaining funds should be augmented by additional state resources to continue to support the purchases of light duty zero emission vehicles, or if an increase in infrastructure funding provides a larger benefit. The Legislature should also consider the extent to which existing vehicle incentives complement or coordinate with infrastructure investments, and ways to improve that coordination, even absent additional funding.

Additionally, it is worth noting the potential role of regulation in reaching the state's climate goals. For example, CARB is beginning the process of updating its Advanced Clean Cars regulation, which could help advance additional adoption of light-duty ZEVs. Similar efforts are underway in the medium- and heavy-duty vehicle segments. These regulations are likely to make a significant impact in reaching the state's ZEV and climate goals. It is worth considering these budget actions in the context of these regulatory structures, and how budget action can complement or supplement those regulations.

Are these the right funding mechanisms? The Administration has proposed two sources of funding for these investments: cap and trade revenue and the securitization of certain transportation fees. This securitization proposal has two parts to it:

- The Governor's budget proposes to extend the sunset on various vehicle-related fees—commonly known as AB 118 or AB 8 fees—from the end of 2023 through 2046. These fees support several different environmental programs, most of which are targeted at climate change and/or air quality.
- The Governor proposes to securitize a portion of the AB 8 revenue that goes to the California Energy Commission's (CEC's) Clean Transportation Program (CTP) to accelerate \$500 million for ZEV fueling infrastructure, with additional authority to securitize up to \$1 billion.

Both of these proposed funding mechanisms have potential issues. Cap and trade revenue is occasionally unstable, as demonstrated by the swings in program revenue during the covid-19 pandemic, and may not provide enough revenue on its own to reach the state's goals. The securitization proposal raises a number of additional questions, including:

- What are the equity issues with extending these fees and using them for ZEV infrastructure? Should the state use revenue
- from a fee that everyone in California has to pay as a condition of vehicle registration, even those who can't afford ZEVS, to support infrastructure that only benefits those who ZEVs? Would it be more equitable to use it for ZEV rebates, or some other purpose entirely?
- What kind of financing costs will the state pay to bond against this revenue? How will that impact the overall impact of the program?

- Can the state securitize this revenue without an action by the state’s voters?
- Does this approach provide enough money to get to the state’s goals?

The answer to these questions may inform the legislature’s decision to follow the securitization approach, or to take an alternate route, such as expanded cap and trade spending or a General Fund augmentation.

LAO Comments. In their review of the CEC’s securitization proposal, the LAO provided the following comments that are relevant to this discussion:

- ***Should Funding for AB 8 Programs Be Extended?*** The fees support key emission reduction activities, including many programs that are not specifically targeted at ZEVs. However, there have been significant policy changes since they were last extended. The Legislature will want to consider the Governor’s proposal in the context of its overall climate and air quality strategies.
- ***What Is the Best Source of Funding for Mobile Source Programs?*** Assembly Bill 8 fees are a reasonable source of funding for these programs, but the Legislature could consider modifying the current fee structure in ways that shift the burden borne by different households and/or businesses. For example, this could include assessing fees in a way that more closely reflects the amount of pollution coming from different types of vehicles.
- ***Which Programs Should Be Funded?*** The proposal lacks detailed outcome information that is presented in a way that could be used to identify the mix of programs that achieves the Legislature’s climate and air quality goals most effectively. More information might be available in the coming months. Absent such information, it will be difficult for the Legislature to weigh the wide variety of relevant policy and program design questions.
- ***Should Funding Continue to Focus on ZEV Infrastructure?*** If the Legislature supports long-term ZEV adoption goals, continuing to focus CTP funding on fueling infrastructure has merit. Fueling infrastructure is a key barrier to ZEV adoption and some research has shown that supporting infrastructure is a relatively effective approach for promoting ZEVs.
- ***Does Accelerating Funding for Infrastructure Make Sense?*** Several aspects of the proposal to securitize future CTP funding have merit, but long-term funding needs are still unclear. The Legislature will need to weigh a short-term increase in funding with a long-term reduction in project funding.

Staff Recommendation: Hold all ZEV proposals open.

3360 CALIFORNIA ENERGY

The Energy Resources Conservation and Development Commission (Energy Commission) is responsible for ensuring a reliable supply of energy to meet state needs while protecting public health, safety, and the environment. Activities include the following: making public policy recommendations regarding energy; collecting targeted energy data and ensuring data is managed responsibly; developing and implementing research, development, demonstration, and deployment policies and programs that promote strategic energy investments; ensuring energy facilities approved by the Energy Commission are designed, constructed, operated, and decommissioned in a manner that protects the environment and public health and safety, and in compliance with all applicable laws, ordinances, regulations, and standards; adopting building efficiency standards, and adopting and enforcing appliance efficiency standards; promoting development and deployment of zero-emission and near zero-emission transportation technology; and supporting climate change goals through integrated resource planning, renewable energy development, and system integration.

Budget Overview. The 2021-22 Governor’s budget includes \$993.6 million to support 682 positions. This is an increase of roughly \$225 million and 25 positions, mostly due to a proposed increase in funding for Zero Emission Vehicle infrastructure.

Code	Program	Positions	Dollars*
2380	Regulatory and Planning	196.5	\$33,897
2385	Energy Resources Conservation	244.7	\$345,440
2390	Development	241.1	\$614,267
Totals, Positions and Expenditures (excluding Infrastructure)		682.3	\$993,604
Infrastructure Expenditures		-	\$-
Totals, Positions and All Expenditures		682.3	\$993,604

Issue 3: AB 841 Implementation

Governor’s Budget. The budget includes \$3.74 million and 23.6 positions to implement the requirements of AB 841 (Ting), Chapter 372, Statutes of 2020. The budget also includes trailer bill language establishing a fund for AB 841 resources and providing a continuous appropriation to CEC for those funds.

Background. AB 841 mandates that the CPUC require electrical corporations with 250,000 or more customer accounts in the state, and gas corporations with 400,000 or more customer accounts in the state, to establish the School Energy Efficiency Stimulus Program within each of its energy efficiency portfolios. The School Energy Efficiency Stimulus Program establishes and authorizes the CEC to act as program administrator for two new grant programs: the School Reopening Ventilation and Energy Efficiency Verification and Repair Program (SRVEVR) and the School Noncompliant Plumbing Fixture and Appliance Program (SNPFA).

The SRVEVR program provides grants to local educational agencies to reopen schools with functional ventilation systems that are tested, adjusted, and, if necessary or cost effective, repaired, upgraded or replaced to increase efficiency and performance. The SNPFA program provides grants to local educational agencies to replace non compliant plumbing fixtures and appliances that fail to meet water efficiency standards, waste potable water and waste energy used to convey water, with water-conserving plumbing fixtures and appliances. The SRVEVR and SNPFA programs are funded by monies reassigned from large electrical and gas corporations’ energy efficiency rolling portfolio budgets. These funds are transferred to the CEC within 60 days after the completion of the prior energy efficiency program year. The CEC may use up to five percent, not to exceed \$5 million per year, to administer the programs.

Program funding is estimated to be between \$250 million and \$350 million per year, leading to an anticipated overall program budget between \$750 million and over \$1 billion dollars. Funds are to be allocated 75 percent for the SRVEVR program and 25 percent for the SNPFA program.

Provisions of AB 841 also impact the CEC’s funding programs for electric vehicle infrastructure. Specifically, it requires that a crew used to install electric vehicle charging infrastructure, approved or funded by the CEC, the CPUC, or the CARB, include electricians certified by the EVITP. AB 841 further requires the CEC to conduct joint workshops and make specific determinations if the EVITP curriculum and testing should be supplemented to include updated or additional topics necessary to ensure safe installation of charging infrastructure.

Staff Comments. The CEC has indicated that this proposal has two components:

- School Energy Efficiency Stimulus Program: \$3.65 million per year to support 23.0 permanent positions and \$200,000 in technical support funding. This is intended to provide overall program

administration and oversight, as well as support student assistants and outreach efforts. Student assistants will support a new call center for the grant programs. The new grant programs will require extensive outreach efforts to reach target populations and significant tracking and program oversight that may require tools such as Geographic Information Systems.

- Electric Vehicle Charging Infrastructure: 0.6 permanent position and \$90,000 annually from the Alternative and Renewable Fuel and Vehicle Technology Fund to support safety analysis and joint public workshops to determine if the Electric Vehicle Infrastructure Training Program (EVITP) curriculum and testing should be supplemented.

The Administration has indicated that the CEC will administratively establish positions in the current year to meet critical and immediate needs. A notification to the Joint Legislative Budget Committee will be forthcoming to obtain current year expenditure authority via Section 28.00 of the Budget Act of 2020.

AB 841 created a major new state investment in energy efficiency that may save energy and the related consumer expense, create jobs in a time of economic crisis, and provide direct support to schools and school children in underserved communities. Providing resources to implement this bill is reasonable and consistent with legislative priorities. However, given the scope of the program and its potential impacts, the committee should consider the extent to which this proposal matches its expectations, if it is supported by the potential workload, or if there are more efficient options for implementation.

Additionally, while a continuous appropriation would increase CEC's flexibility in administering these funds, it would limit legislative oversight.

Staff Recommendation: Hold Open.

Issue 4: Continuation of the School Bus Replacement Program (SB 110)

Governor's Budget. The budget includes two-year funding of \$0.75 million annually for five temporary positions from the Alternative and Renewable Fuel and Vehicle Technology Fund to continue school bus 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, provided for the transfer of \$550 million annually from the General Fund to the Clean Energy Job Creation Fund for five fiscal years beginning with the 2013–14 fiscal year.

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 projects in public schools and community colleges that create jobs in California improving energy efficiency and expanding clean energy generation. SB 110 also allocated up to \$75 million to the CEC to develop a program to replace the oldest school buses in California.

Partial year funding was authorized in 2017-18 (Chapter 181, Statutes of 2017 (SB 113)) to begin necessary solicitation research and development activities for the School Bus Replacement Program. Authority for three-year funding to develop and implement the School Bus Replacement Program was authorized in the Budget Act of 2018. These temporary resources will expire June 30, 2021; however, funding for school bus replacement activities are authorized through June 30, 2023. Delivery of buses, collection of data, and management of grant agreements will take place through March 31, 2023.

Staff Comments. The CEC received applications for electric school buses from over 200 school districts. These applications included requests for replacement of 1,549 diesel school buses. The CEC was able to provide funding for 235 electric school buses, with an additional \$60,000 in infrastructure funding per bus. Approximately 90 percent of the awardees will serve routes that travel through disadvantaged communities. Additionally, because not all eligible applicants have the bus route profiles suited for an electric school bus, the CEC offered \$6.1 million in supplemental Clean Transportation Program funding for compressed natural gas (CNG) bus replacements, with up to \$165,000 per bus and \$500,000 for fueling infrastructure.

The CEC estimates that seven positions are necessary to continue the management and oversight of the program. This request includes five temporary positions for two years to perform the work necessary through to the end of the program. Two additional positions have been redirected to the program from the CEC's Clean Transportation Program to support this. Given that the program is not slated to end until 2023, extending these resources is reasonable. However, questions remain about the redirected positions, and whether the related workload is necessary, or if additional resources are necessary.

Staff Recommendation: Hold Open.

Issue 5: Electric Program Investment Charge (EPIC) Follow-On Funding

Governor's Budget. The budget includes trailer bill language allowing the CEC to issue follow-on funding for the Electric Program Investment Charge (EPIC) program outside of the typical competitive funding process.

Background. The EPIC Program was created by the Public Utilities Commission in 2012 to support the development of new, emerging, and pre-commercialized clean energy technologies in California. These projects must be designed to produce electricity ratepayer benefits in the form of increased reliability, improved safety, and/or reduced electricity costs. EPIC consists of three program areas: Applied Research and Development (Applied R&D), Technology Demonstration and Deployment (TD&D), and Market Facilitation. Ratepayers from the state's three largest investor-owned utilities – Pacific Gas and Electric (PG&E), Southern California Edison (SCE), and San Diego Gas and Electric (SDG&E) – fund the program. The Energy Commission manages 80 percent of the program, with PG&E, SCE, and SDG&E administering the remainder. EPIC provides roughly \$130 million in research funding per year.

EPIC typically provides funding to projects via a competitive process. The 2020 Budget Act included provisional language to provide short-term authority to the CEC to provide "follow-on" funding to EPIC projects. This allowed the CEC to non-competitively extend funding to projects that have already received a competitive allocation if doing so would allow the projects to keep operating until the next competitive round of funding becomes available. As this was Budget Bill language, the CEC's authority to offer follow-on funding was limited to the 2020-21 budget year.

Staff Comments. At the time the provisional language was passed there were a handful of EPIC projects, most notably the CalSEED small project funding mechanism, that were in danger of running out of EPIC funding before the next competitive allocation. Because many of these projects are located within small businesses there was a concern that this would result in the companies folding and the state losing promising early-stage technologies.

The CEC has indicated that researchers are still impacted by various shelter-in-place requirements that reduce access to laboratory facilities. Some of the projects require demonstrations and measurement and verification at occupied homes or businesses. The ability to access these sites has been impacted by shelter-in-place requirements. For many of these businesses, access to capital will be especially challenging until economic recovery is complete.

Several research programs at the Air Resources Board and the Water Boards already have this kind of authority, as do numerous federal programs. However, the 2020 Budget Act expressly limited this authority to one year and to "bridge" funding. While follow-on funding may be a reasonable response to some of the business interruptions resulting from the COVID pandemic, it would represent a departure from the traditional program structure, and one that would result in significantly more discretion for the CEC in making funding decisions.

LAO Comments.

EPIC Follow-on Funding. Providing this type of authority could make sense, but the Legislature might want to consider adding a requirement that CEC notifies the Legislature before providing follow-on funding. This could be similar to the JLBC notification process CEC uses when awarding sole source contracts.

Staff Comments: Hold Open.

8660 CALIFORNIA PUBLIC UTILITIES COMMISSION (PUC)

The California Public Utilities Commission (PUC) regulates critical and essential services such as privately-owned telecommunications, electric—including utility wildfire safety—natural gas, and water companies, in addition to overseeing railroad/rail transit and transportation companies. The PUC is the only agency in the state charged with protecting private utility consumers. As such, the PUC regulates services and utilities, protects consumers, safeguards the environment, and assures Californians' access to safe and reliable utility infrastructure and services.

Budget Summary. The 2021-22 budget provides roughly \$1.7 billion to support 1,299.7 positions. This is an increase of roughly \$19 million and four positions relative to the 2020-21 budget.

Code	Program	Positions	Dollars*
6680	Regulation of Utilities	582.6	\$813,127
6685	Universal Service Telecommunications Programs	48.7	\$724,748
6690	Regulation of Transportation	149.1	\$91,714
6695	Public Advocate's Office	182.9	\$50,979
9900100	Administration	336.4	\$78,470
9900200	Administration - Distributed	-	\$-78,470
Totals, Positions and Expenditures (excluding Infrastructure)		1,299.7	\$1,680,568
Infrastructure Expenditures		-	\$-
Totals, Positions and All Expenditures		1,299.7	\$1,680,568

Issue 6: Funding for Program Claims Management System (PCMS)

Governor's Budget. The budget includes \$1,628,000 from several special funds for fiscal year 2021-22 for project funding and \$290,000 from several special funds for 2022-23 and onwards for ongoing maintenance and support for the Programs Claims Management System (PCMS), an IT project that has been on hold since 2017.

Background. Chapter 372, Statutes of 2005 (AB 1182) requires businesses be allowed to interact with the CPUC in an efficient manner such as by supplying information to the Commission via the Internet and helping to decrease the costs of regulation by reducing the need to reproduce such information on paper. The Electronic Filing and Administration Support (eFAST) program was authorized in 2007 and funded in 2016-17 to provide a technology platform that would meet these requirements and replace existing systems and processes that are cumbersome, antiquated, and paper-driven. The CPUC experienced multiple issues during the implementation of the eFAST pilot project related to the use of the system.

Due to these issues, the eFAST pilot project was completed with a reduced scope of features. The California Advanced Services Fund (CASF) pilot project, a sub-component of PCMS, was initially developed as a prototype to assess the viability of using the Oracle-based platform. After the pilot project was completed, the CPUC performed an assessment and determined that the existing solution was not viable for completing the remaining components for the eFAST platform. The CPUC collaborated with the California Department of Technology (CDT) to perform additional market research and complete a new alternatives analysis which recommended using the cloud-based Salesforce platform to implement the remaining components of the eFAST platform, including the Programs Claims Management System, which is designed to automate the Public Purpose Programs, and includes telecommunications universal access programs.

Staff Comments. The proposed restart of the Program Claims Management System follows a cloud-based approach that successfully restarted the Transportation Carrier Portal project. As such, it is a proven technology that may allow the CPUC to better protect public safety, promote reliable utility service at a reasonable rate, and increase transparency to the public, while improving business processes and transparency within the CPUC.

CPUC has indicated that the PCMS project is expected to be completed and implemented by the end of next fiscal year, June 30, 2022. CDT has reviewed and approved the PCMS project documents, and will be engaged in an oversight capacity since PCMS is a reportable project. While the project certainly has merit, there is some risk with program implementation, given the project history and staggered restart of various components. Out year costs may also be somewhat uncertain.

Staff Recommendation: Hold Open.

Senator Bob Wieckowski, Chair
Senator Brian Dahle
Senator Mike McGuire
Senator Henry I. Stern



Tuesday, March 2, 2021
8:00 a.m.
State Capitol – Room 3191

Consultant: Joanne Roy

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

VOTE-ONLY

0540 CALIFORNIA NATURAL RESOURCES AGENCY (CNRA)

Issue 1: Natural Resources Agency Bond and Technical Proposals

Governor’s Proposal. The Governor's budget requests for appropriations and reappropriations from various bonds, reversions, reversions with associated new appropriations, and other technical adjustments to continue implementation of existing authorized programs. The chart below details each item.

Natural Resources Bonds Adjustments (Whole Dollars)				
Department	Request Title	Bond Fund	Amount	Request Description
CNRA	Proposition 1 Technical Adjustment	1	-46,000	The Natural Resources Agency requests a technical update to current levels of baseline funding to ensure that available balances are not exceeded.
CNRA	Reallocate Unappropriated Balance	12	-128,131	Reallocation of the balance of this appropriation to the California Department of Fish and Wildlife for Wildlife Habitat Restoration and Public Recreation for Underserved Communities.
CNRA	Reallocate Unappropriated Balance	12	-216,205	Reallocation of the balance of this appropriation to the California Department of Fish and Wildlife for Wildlife Habitat Restoration and Public Recreation for Underserved Communities.
CNRA	Reallocate Unappropriated Balance	12	-220,723	Reallocation of the balance of this appropriation to the California Department of Fish and Wildlife for Wildlife Habitat Restoration and Public Recreation for Underserved Communities.
CNRA	Reallocate Unappropriated Balance	12	-39,662	Reallocation of the balance of this appropriation to the California Department of Fish and Wildlife for Wildlife Habitat Restoration and Public Recreation for Underserved Communities.
CNRA	Reallocate Unappropriated Balance	12	-15,266	Reallocation of the balance of this appropriation to the California Department of Fish and Wildlife for Wildlife Habitat Restoration and Public Recreation for Underserved Communities.
CNRA	Reallocate Unappropriated Balance	12	-52,191	Reallocation of the balance of this appropriation to the California Department of Fish and Wildlife for Wildlife Habitat Restoration and Public Recreation for Underserved Communities.
CNRA	Reallocate Unappropriated Balance	12	-31,330	Reallocation of the balance of this appropriation to the California Department of Fish and Wildlife for Wildlife Habitat Restoration and Public Recreation for Underserved Communities.
CNRA	Reallocate Unappropriated Balance	12	-31,529	Reallocation of the balance of this appropriation to the California Department of Fish and Wildlife for Wildlife Habitat Restoration and Public Recreation for Underserved Communities.
CNRA	Reallocate Unappropriated Balance	12	-1,876	Reallocation of the balance of this appropriation to the California Department of Fish and Wildlife for Wildlife Habitat Restoration and Public Recreation for Underserved Communities.
CNRA	Reallocate Unappropriated Balance	12	-2,176	Reallocation of the balance of this appropriation to the California Department of Fish and Wildlife for Wildlife Habitat Restoration and Public Recreation for Underserved Communities.
CNRA	Reallocate Unappropriated Balance	12	-8,134	Reallocation of the balance of this appropriation to the California Department of Fish and Wildlife for Wildlife Habitat Restoration and Public Recreation for Underserved Communities.
CNRA	Reallocate Unappropriated Balance	12	-6,667	Reallocation of the balance of this appropriation to the California Department of Fish and Wildlife for Wildlife Habitat Restoration and Public Recreation for Underserved Communities.

CNRA	Reallocate Unappropriated Balance	12	-31,529	Reallocation of the balance of this appropriation to the California Department of Fish and Wildlife for Wildlife Habitat Restoration and Public Recreation for Underserved Communities.
CNRA	Reallocate Unappropriated Balance	12	-15,784	Reallocation of the balance of this appropriation to the California Department of Fish and Wildlife for Wildlife Habitat Restoration and Public Recreation for Underserved Communities.
CNRA	Ocean Protection Council: Prop 68 Local Assistance Grant Funds (Chapter 9)	68	6,500,000	The Ocean Protection Council request continuation of bond funds for projects that improve biodiversity and climate resilience by increasing coastal and marine ecosystem health, including projects related to marine protected areas, sustainable fisheries, plastic pollution, and kelp forest recovery, consistent with Proposition 68 and the Strategic Plan to Protect California's Coast and Ocean for 2020-2025.
CNRA	Reversion	84	up to (\$39,323)	Request to partially revert Item 0540-101-6051/20 up to (\$39,323).
CCC	Reallocate Unappropriated Balance	12	-44,681	Reallocation of the balance of this appropriation to the California Department of Fish and Wildlife for Wildlife Habitat Restoration and Public Recreation for Underserved Communities.
CCC	Reallocate Unappropriated Balance	12	-329,610	Reallocation of the balance of this appropriation to the California Department of Fish and Wildlife for Wildlife Habitat Restoration and Public Recreation for Underserved Communities.
DOC	Reallocate Unappropriated Balance	12	-960	Reallocation of the balance of this appropriation to the California Department of Fish and Wildlife for Wildlife Habitat Restoration and Public Recreation for Underserved Communities.
DOC	Agriculture and Open Space Mapping: reversion	13	-150,000	The Department of Conservation requests a reversion to ensure bond section limits not exceeded
DOC	Extend appropriation by 1 year, through June 30, 2022, so grant funds can be fully expended.	40	Balance	The Department of Conservation request a Reappropriation of one year for California Farmland Conservancy Program.
CDFW	Proposition 1 Adjustments for Watershed Restoration	1		The Department of Fish and Wildlife requests a reappropriation of Proposition 1 funding to support watershed restoration.
CDFW	Proposition 12 Reallocation for Wildlife Habitat Restoration and Public Recreation for Underserved Communities.	12	-1113676	Reallocation of the balance of this appropriation to the California Department of Fish and Wildlife for Wildlife Habitat Restoration and Public Recreation for Underserved Communities.
CDFW	Proposition 84 Adjustments for the Biodiversity Conservation Program	84	Balance	The Department of Fish and Wildlife requests a reappropriation of Proposition 84 funding to support biodiversity conservation program.
CDFW	Proposition 84 Adjustments for the Hunting, Fishing, and Public Use Program	84	Balance	The Department of Fish and Wildlife requests a reappropriation of Proposition 84 funding to support the Hunting, Fishing, and Public Use Program.
WCB	Proposition 1 Local Assistance Funding for Stream Flow Enhancement	1	29800000	<p>The Wildlife Conservation Board request continuation of Proposition 1 funding to continue investment of state resources in enhancing stream flows to achieve critical conservation outcomes through competitive grants for multi-benefit ecosystem and watershed protection and restoration. The appropriate projects and strategies for enhancing stream flows will vary across geographies and conservation objectives but will typically include one or more of the following tools:</p> <ul style="list-style-type: none"> - water transactions (e.g., lease, purchase, source-switch, seasonal exchange); - irrigation efficiency and water infrastructure improvements (e.g., diversion, conveyance, and on farm projects); - reservoir reoperations, both at existing and new storage; - improved surface and ground water management, including conjunctive use; - reconnecting flood flows with restored flood plains; and

				- wet meadow restoration.
WCB	Proposition 1 Adjustments for the San Joaquin River Conservancy	1	Balance	The Wildlife Conservation Board requests a reappropriation of Proposition 1 funding to support continuation of existing local assistance programs.
WCB	Proposition 1 Adjustments for Stream Flow Enhancement	1	Balance	The Wildlife Conservation Board requests a reappropriation of Proposition 1 funding to support continuation of existing local assistance programs.
WCB	Proposition 12 Adjustments for Natural Community Conservation Planning	12	61,272	The Wildlife Conservation Board requests continuation of Proposition 12 funding for Project Delivery and local assistance.
WCB	Proposition 12 Adjustments to Match for Threatened or Endangered Species Partnerships	12	151,699	The Wildlife Conservation Board requests continuation of Proposition 12 funding for Project Delivery and local assistance.
WCB	Proposition 12 Adjustments for Habitat for Threatened and Endangered Species	12	33,086	The Wildlife Conservation Board requests continuation of Proposition 12 funding for Project Delivery and local assistance.
WCB	Proposition 12 Adjustments for Specified Central Coast Listed Species	12	145	The Wildlife Conservation Board requests continuation of Proposition 12 funding to support Specified Central Coast listed species.
WCB	Proposition 12 Adjustments for the San Joaquin River Conservancy Program	12	1,798	The Wildlife Conservation Board requests continuation of Proposition 12 funding to support the San Joaquin River Conservancy program.
WCB	Proposition 12 Adjustments to the Natural Community Conservation Planning Program	12	-956	The Wildlife Conservation Board requests a reversion of Proposition 12 funding to support a new appropriation.
WCB	Proposition 12 Adjustments for Habitat for Threatened and Endangered Species	12	-821	The Wildlife Conservation Board requests a reversion of Proposition 12 funding to support a new appropriation.
WCB	Proposition 12 Adjustments to the Habitat for Threatened and Endangered Species Program	12	-1,805	The Wildlife Conservation Board requests a reversion of Proposition 12 funding to support a new appropriation.
WCB	Proposition 12 Reversion to Support a New Appropriation	12	-2,516	The Wildlife Conservation Board requests a reversion of Proposition 12 funding to support a new appropriation.
WCB	Proposition 12 Adjustments for Specified Central Coast Listed Species	12	-127	The Wildlife Conservation Board requests a reversion of Proposition 12 funding to support a new appropriation.
WCB	Proposition 12 Adjustments for Habitat for Threatened and Endangered Species	12		The Wildlife Conservation Board requests a reappropriation of Proposition 12 State Operations funding for continued Project Delivery Funding and local assistance.
WCB	Proposition 12 Adjustments for Specified Central Coast Listed Species	12		The Wildlife Conservation Board requests a reappropriation of Proposition 12 funding for continued Project Delivery Funding and local assistance.
WCB	Proposition 12 Adjustments to Match for	12		The Wildlife Conservation Board requests a reappropriation of Proposition 12 funding for continued Project Delivery Funding and local assistance.

	Threatened or Endangered Species Partnerships			
WCB	Proposition 12 Adjustments for Natural Community Conservation Planning	12		The Wildlife Conservation Board requests a reappropriation of Proposition 12 State Operations funding for Project Delivery Funding and local assistance.
WCB	Proposition 12 Continued Funding for Project Delivery and Local Assistance	12	73,876	The Wildlife Conservation Board requests continuation of Proposition 12 funding for Project Delivery and local assistance.
WCB	Proposition 12 Adjustments for Specified Central Coast Listed Species	12	90,865	The Wildlife Conservation Board requests continuation of Proposition 12 funding for Project Delivery and local assistance.
WCB	Proposition 12 Continued Funding for Project Delivery and Local Assistance	12	157,259	The Wildlife Conservation Board requests continuation of Proposition 12 funding for Project Delivery and local assistance.
WCB	Proposition 68 Adjustments for Pacific Flyaway Fish Passage and Sierra Nevada and Cascade Mountains Programs	68	22750000	The Wildlife Conservation Board requests continuation of Proposition 68 local assistance funding to support existing programs.
WCB	Proposition 68 Adjustments for Pacific Flyaway Fish Passage and Sierra Nevada and Cascade Mountains Programs	68	8,500,000	The Wildlife Conservation Board requests continuation of Proposition 68 local assistance funding to support continuation of Pacific Flyway Habitat Protection and Restoration projects.
WCB	Proposition 68 Adjustments for Wildlife or Fish Passage Competitive Grants	68	2,750,000	The Wildlife Conservation Board requests continuation of Proposition 68 local assistance funding to support continuation of grants for wildlife and fish passage projects.
WCB	Proposition 68 Adjustments for Sierra Nevada and Cascade Mountains Competitive Grants	68	15500000	The Wildlife Conservation Board requests continuation of Proposition 68 local assistance funding to support continuation of projects that support the protection, restoration, and improvement of upper watershed lands in the Sierra Nevada and Cascade Mountains.
WCB	Proposition 84 Adjustments for the San Joaquin River Conservancy	84	Balance	The Wildlife Conservation Board request to reappropriate Proposition 84 funding for San Joaquin River Conservancy Projects and Acquisitions.
SCC	Reappropriation of remaining balance, 2017 Budget Item 3760-101-0005 Close down Prop 12 by 06/30/2024	12		The Conservancy requests reappropriation for the continued funding of local assistance grant projects.
Parks	Statewide Bond Costs	12	-194,000	The Department of Parks and Recreation requests a reduction of Proposition 12 funding for bond affordability purposes.
Parks	Statewide Bond Costs	12	807,000	The Department of Parks and Recreation requests additional funding to provide statewide bond management and oversight for the bond fund.
Parks	Reversion Parks Capital Outlay Projects	12	-4417000	The Department of Parks and Recreation requests reversion of appropriated funds to correct a technical error from a previous reversion and new appropriation. This change results in no impact to previously expressed total project costs.
Parks	Reversion Parks Capital Outlay Projects	12	-215,000	The Department of Parks and Recreation requests reversion of appropriated funds to correct a technical error from a previous reversion and new appropriation. This change results in no impact to previously expressed total project costs.

Parks	Reallocate Unappropriated Balance	12	-834	Reallocation of the balance of this appropriation to the California Department of Fish and Wildlife for Wildlife Habitat Restoration and Public Recreation for Underserved Communities.
Parks	Reallocate Unappropriated Balance	12	-6,254	Reallocation of the balance of this appropriation to the California Department of Fish and Wildlife for Wildlife Habitat Restoration and Public Recreation for Underserved Communities.
Parks	Reallocate Unappropriated Balance	12	-1,771	Reallocation of the balance of this appropriation to the California Department of Fish and Wildlife for Wildlife Habitat Restoration and Public Recreation for Underserved Communities.
Parks	Reallocate Unappropriated Balance	12	-1,458	Reallocation of the balance of this appropriation to the California Department of Fish and Wildlife for Wildlife Habitat Restoration and Public Recreation for Underserved Communities.
Parks	Reallocate Unappropriated Balance	12	-3,389	Reallocation of the balance of this appropriation to the California Department of Fish and Wildlife for Wildlife Habitat Restoration and Public Recreation for Underserved Communities.
Parks	Reallocate Unappropriated Balance	12	-6,254	Reallocation of the balance of this appropriation to the California Department of Fish and Wildlife for Wildlife Habitat Restoration and Public Recreation for Underserved Communities.
Parks	Reallocate Unappropriated Balance	12	-6,254	Reallocation of the balance of this appropriation to the California Department of Fish and Wildlife for Wildlife Habitat Restoration and Public Recreation for Underserved Communities.
Parks	Consolidate all P40 grant pot PD balances into two pots	40		N/A
Parks	Reversion request of \$136,000 from 2019 Budget Item 3790-301-6029, Project: 0000633	40	-136,000	The Department of Parks and Recreation requests partial reversion of the specified project funds to remedy an over-committed bond allocation.
Parks	Reversion request of \$37,000 from 2019 Budget Item 3790-301-6029, Project: 0003197	40	-37,000	The Department of Parks and Recreation requests partial reversion of the specified project funds to remedy an over-committed bond allocation.
Parks	Statewide Bond Costs	50	11,000	The Department of Parks and Recreation requests additional funding to provide statewide bond management and oversight for the bond fund.
Parks	Statewide Bond Costs	68	219,000	The Department of Parks and Recreation requests EY and outyear funding to provide statewide bond management and oversight for the bond fund.
SMMC	Reappropriation. Extension of encumbrances and expenditure period	1	Balance	The Conservancy requests reappropriation for the continued funding of local assistance grant projects.
SMMC	Reappropriation of remaining balance, 2014 Budget Item 3810-301-0005 Close down Prop 12 by 06/30/2024	12		The Conservancy requests a reappropriation of remaining balance, 2014 Budget Item 3810-301-0005 Close down Prop 12 by 06/30/2024
SMMC	Reappropriation of remaining balance, 2015 Budget Item 3810-301-0005 Close down Prop 12 by 06/30/2024	12		The Conservancy requests a reappropriation of remaining balance, 2015 Budget Item 3810-301-0005 Close down Prop 12 by 06/30/2024
SMMC	Reappropriation of remaining balance, 2015 Budget Item 3810-30101-0005 - Close down Prop 12 by 06/30/2024	12		The Conservancy requests a reappropriation of remaining balance, 2015 Budget Item 3810-30101-0005 - Close down Prop 12 by 06/30/2024
SMMC	Reappropriation of remaining balance	12		The Conservancy requests a reappropriation of remaining balance, 2015 Budget Item 3810-30102-0005 - Close down Prop 12 by 06/30/2024
SMMC	Reappropriation of remaining balance	12		The Conservancy requests a reappropriation of remaining balance, 2015 Budget Item 3810-30103-0005 Close down Prop 12 by 06/30/2024

SMMC	Reallocate Unappropriated Balance	12	-312	Reallocation of the balance of this appropriation to the California Department of Fish and Wildlife for Wildlife Habitat Restoration and Public Recreation for Underserved Communities.
SMMC	Reappropriation. Extension of encumbrances and expenditure period	40		The Conservancy requests reappropriation for the continued funding of local assistance grant projects.
SMMC	Reappropriation. Extension of encumbrances and expenditure period	50		Reappropriation. Extension of encumbrances and expenditure period. All funds are encumbered by projects expected to be completed summer of 2022.
SMMC	Reappropriation	84	Balance	The Conservancy requests reappropriation for the continued funding of local assistance grant projects.
SMMC	Reappropriation	84	Balance	The Conservancy requests reappropriation for the continued funding of local assistance grant projects.
SMMC	Reappropriation	84	Balance	The Conservancy requests reappropriation for the continued funding of local assistance grant projects.
SJRC	Increase in Prop 84 support funding for Planning and Monitoring.	84	250,000	The Conservancy requests additional funding for planning and monitoring.
BHC	BHC Prop 1 Reappropriation	1	Balance	The Conservancy requests reappropriation for the continued funding of local assistance grant projects.
BHC	BHC Prop 40 Reappropriation	40		The Conservancy requests reappropriation for the continued funding of local assistance grant projects.
BHC	New appropriation for Planning and Monitoring.	84	110,000	The Conservancy requests additional funding for planning and monitoring.
BHC	Reappropriation	84	Balance	The Conservancy requests reappropriation for the continued funding of local assistance grant projects.
CVMC	Reappropriation of remaining balance, 2015 Budget Item 3850-101-6083, reappropriated per Chap. Stats. 2018	1	Balance	The Conservancy requests reappropriation for the continued funding of local assistance grant projects.
CVMC	Reappropriation of remaining balance, 2018 Budget Item 3850-101-6083	1	Balance	The Conservancy requests reappropriation for the continued funding of local assistance grant projects.
CVMC	Reappropriation of remaining balance, 2018 Budget Item 3850-101-0005	12		The Conservancy requests reappropriation for the continued funding of local assistance grant projects.
CVMC	Reallocate Unappropriated Balance	12	-54	Reallocation of the balance of this appropriation to the California Department of Fish and Wildlife for Wildlife Habitat Restoration and Public Recreation for Underserved Communities.
CVMC	Reappropriation of remaining balance, 2018 Budget Item 3850-101-6029	40		The Conservancy requests reappropriation for the continued funding of local assistance grant projects.
SNC	Proposition 1 Reversion	1	-20,903	The Sierra Nevada Conservancy requests this reversion to stay within Proposition 1 bond allocations.
DWR	Regional Assistance Programs	1	437,000	The Department of Water Resources request funding for continued program delivery support for the implementation of local projects that support the Sustainable Groundwater Management Act.
DWR	Regional Assistance Programs	1	-131,549	The Department of Water Resources request a reversion to afford a new request that would support the implementation of local projects that support the Sustainable Groundwater Management Act.
DWR	Regional Assistance Programs	1	1,500,000	The Department of Water Resources request funding to support continuation of local assistance projects in implementing the Sustainable Groundwater Management Act.

DWR	Regional Assistance Programs	1	-1500000	The Department of Water Resources request a reversion to afford a new request that would support the implementation of local projects that support the Sustainable Groundwater Management Act.
DWR	Regional Assistance Programs	68	74,000	The Department of Water Resources requests an appropriation to continue the Urban Streams Restoration Program, which supports community-local agency partnerships to address local flood risks, restore urban streams, and recreate new open space environments that enhance the communities and watersheds. The USRP uses allocated funds to support engagement with disadvantaged communities and assist in building local capacity for urban creek revitalization. This request will augment the program's existing appropriations to support grant management, provide additional technical assistance, and prospect for new projects to support with remaining bonds.
DWR	Regional Assistance Programs	68	375,000	The Department of Water Resources requests a continuation of funding to support groundwater sustainability planning and management within medium and high priority basins and assist in the development and implementation of Groundwater Sustainability Plans GSP(s) in reaching sustainability in accordance with SGMA.
DWR	Regional Assistance Programs	68	-193,967	The Department of Water Resources requests a reversion to allow for the affordability of the new Urban Streams Restoration Program request.
DWR	Regional Assistance Programs	68	-100,000	The Department of Water Resources requests a reversion to allow for the affordability of the new Urban Streams Restoration Program request.
DWR	Regional Assistance Programs	68	-104,335	The Department of Water Resources requests a reversion to allow for the affordability of the new Urban Streams Restoration Program request.
DWR	Regional Assistance Programs	68		The Department of Water Resources requests a continuation of funding to support groundwater sustainability planning and management within medium and high priority basins and assist in the development and implementation of Groundwater Sustainability Plans GSP(s) in reaching sustainability in accordance with SGMA.
DWR	Regional Assistance Programs	84	1,000,000	The Department of Water Resources request continuation of Proposition 84 funding to support planning and monitoring within the Integrated Regional Water Management Grant Program
DWR	Regional Assistance Programs	84	217,000	The Department of Water Resources request continuation of Proposition 84 funding to support Planning and Monitoring activities for the San Joaquin River Water Quality Improvement Program.
DWR	Regional Assistance Programs	84	33,000	The Department of Water Resources request continuation of Proposition 84 funding for Planning and Monitoring activities to support the Urban Streams Restoration Program.
DWR	Regional Assistance Programs	84	-120,753	The Department of Water Resources requests a partial reversion to fund a proposed increase to DWR's 2021-22 support appropriation and outyears for Planning and Monitoring activities for the Delta Water Quality Grants Program.
DWR	Regional Assistance Programs	84	-207,902	The Department of Water Resources requests a partial reversion to fund a proposed increase to DWR's 2021-22 support appropriation and outyears for Planning and Monitoring activities for the Delta Water Quality Grants Program.
DWR	Regional Assistance Programs	84	-138,000	The Department of Water Resources requests a partial reversion to fund a proposed increase to DWR's 2021-22 support appropriation and outyears for Planning and Monitoring activities for the Delta Water Quality Grants Program.
SSJDC	Community and Economic Development Program Implementation	68	318,000	The Conservancy requests continuation of Proposition 68 funding to assist grantees in developing and implementing grant programs.
SSJDC	Community and Economic Development Program Implementation	68	-300,000	The Conservancy requests a reversion necessary to ensure adequate funding is available for new appropriation.
SSJDC	Community and Economic Development Program Implementation	68	146,000	The Conservancy request continuation of Proposition 68 funds to support community and economic enhancements.
SSJDC	Community and Economic Development Program Implementation	68	-293,000	The Conservancy requests a reversion necessary to ensure adequate funding is available for new appropriation.

SSJDC	Community and Economic Development Program Implementation	68	-146,000	The Conservancy requests a reversion necessary to ensure adequate funding is available for new appropriation.
SSJDC	Community and Economic Development Program Implementation	68	-607,000	The Conservancy requests a reversion necessary to ensure adequate funding is available for new appropriation.
SDRC	Reappropriate remaining Prop 1 funds	1	0	The Conservancy requests reappropriation for the continued funding of local assistance grant projects.

Various CNRA Technical Adjustment Requests				
Department	Request Title	Amount	Fund	Request Description
WCB	Natural Resources Bonds and Technical Proposals: Baseline Reimbursement Adjustment	350000	Reimbursement (0995)	WCB is requesting a baseline increase in reimbursement authority of \$350,000 to provide sufficient authority to accept reimbursements for staff support from the San Joaquin River Conservancy (SJRC), the California Department of Fish and Wildlife (CDFW) on programs and projects under the Sport Fish Restoration Act (SFRA), and the Department of Forestry and Fire Protection.
Coastal Commission	Natural Resources Bonds and Technical Proposals: Whale Tail License Plate Marketing	\$55,000	Environmental License Plate Fund (0140)	The Coastal Commission requests \$55,000 from the Environmental License Plate Fund (ELPF) on an ongoing basis, to continue marketing for the WHALE TAIL License Plate. This in an extension of previously approved resources.
CalFire	Resources Agency Technical Proposals: Greenhouse Gas Reduction Fund Reappropriations	Remaining balances	Greenhouse Gas Reduction Fund (3228)	CAL FIRE requests reappropriation of the following items to provide additional time to implement critical forest health and fire prevention programs and projects: (1) Item 3540-001-3228, Budget Act of 2017 for Fire Protection; (2) Item 3540-001-3228, Budget Act of 2018 for Resource Management; (3) Item 3540-003-3228, Budget Act of 2018 for Resource Management; and (4) Item 3540-003-3228, Budget Act of 2019 for Resource Management.
SNC	Sierra Nevada Conservancy Fund Cash Flow Transfer Technical Correction	\$ -	Sierra Nevada Conservancy Fund (8120)	A net-zero technical correction for the Sierra Nevada Conservancy's budget galley to more accurately display expenditure authority from the Sierra Nevada Conservancy Fund. Expenditure authority of \$1,450,000 is provided to the Conservancy on an annual basis for the sole purpose of helping to meet the Conservancy's cashflow needs associated with receiving grant funds and other reimbursements in arrears, which was facilitated by a one-time transfer in the 2019 Budget Act. The annual Budget Act specifies this amount is available solely for the purposes of helping the Conservancy manage grants and other agreements that require the Conservancy to expend funds in advance of receipt of grant-related reimbursements. To more accurately reflect the intent and purpose of this expenditure authority, and to more accurately display the fund condition, an offsetting negative adjustment of \$1,450,000 has been added to a non-Budget Act item. This is more accurate from a budgeting perspective given the expenditure authority is intended for cashflow purposes only and will ultimately be reimbursed within the same fiscal year. The Budget Act authority for the Conservancy will remain at the same level; this correction is for technical budgeting display purposes only.
SDRC	One-Time Appropriation of Reverted Funding	\$40,000	Environmental License Plate Fund (0140)	One-time appropriation of reverted funds from prior years. This will ensure SDRC's ability to continue existing and future grants.
OPC	Natural Resources Bond and Technical Proposals: Extension of Liquidations	\$ -	Ocean Protection Trust Fund (6076)	An extension of liquidation of approximately \$4 million which have been encumbered to support long-term monitoring and outreach and education projects for the state's network of marine protected areas. Many of these projects are experiencing delays due to COVID and grantees require additional time to complete data collection, project implementation, and invoice for work conducted.

OPC	Natural Resources Bond and Technical Proposals: Extension of Liquidations	\$ -	General Fund (0001)	An extension of liquidation of approximately \$2.5 million, which have been encumbered as part of a \$9.5M grant to support long-term monitoring for the state's network of marine protected areas. Many of these research projects are experiencing delays due to COVID and grantees require additional time to complete data collection and invoice for work conducted.
DPC	Natural Resources Bond and Technical Proposals: Great Master Trail Reappropriation	\$ -	Environmental License Plate Fund (0140)	A reappropriation of approximately \$200,000 for the Great Master Trail Plan as a result of staff that were assigned to this work are now a COVID-19 Contact Tracers. Loss of staff will delay completion of the Master Plan beyond the liquidation period of the funds.
DSC	Natural Resources Bond and Technical Proposals: Reappropriation	\$ -	General Fund (0001)	This request is for an extension of liquidation of approximately \$796,000 to continue implementation of existing authorized programs. Delays were due to inability to complete field or lab work due to COVID19.
DSC	Natural Resources Bond and Technical Proposals: Reappropriation	\$ -	Environmental License Plate Fund (0140)	This request is for an extension of liquidation of approximately \$279,000 to continue implementation of existing authorized programs. Delays were due to inability to complete field or lab work due to COVID19.
Parks	Division of Boating and Waterways Reappropriations	\$ -	Public Beach Restoration Fund (3001)	These funds have been encumbered to support ongoing but incomplete public beach restoration projects.
Parks	Reappropriation of Legislative Investments	\$ -	General Fund (0001)	Local assistance grants from this item have been awarded. The reappropriation request is for the portion of the funding used for administrative oversight of grant projects.
Parks	Reappropriation of Recreational Trails Program	\$ -	Recreational Trails Fund (0858)	Reappropriation of this funding is requested due to unanticipated project delays.
CEC	Reappropriation of Alternative and Renewable Fuel and Vehicle Technology Fund (ARFVTF)	\$ -	Alternative and Renewable Fuel and Vehicle Technology Fund (3117)	Reappropriation of this funding to extend the liquidation period by one year is necessary because projects have been delayed as a result of the COVID-19 response.

Staff Recommendation. Approve as budgeted.

Issue 2: Youth Community Access Grant Program Positions

Governor's Proposal. The Governor's budget requests three new permanent positions to support the Youth Community Access grant program. Positions will be funded with existing funding authority.

Background. The Youth Community Access program is an annual program requiring staff to provide outreach, technical assistance, management of solicitation, award processes, and management of grant projects. It is anticipated this program will award between 70-90 grants in the first year, with an additional 70-90 per year annually thereafter.

These competitive grants are intended to fund projects that support youth access to natural or cultural resources, with a focus on low-income and disadvantaged communities. Programs include, but are not limited to, community education and recreational amenities to support youth substance use prevention and early intervention efforts.

Staff Recommendation. Approve as budgeted.

3125 CALIFORNIA TAHOE CONSERVANCY**Issue 3: Conceptual Feasibility Planning**

Governor's Proposal. The Governor's budget requests \$500,000 in Proposition 84 funds for conceptual and feasibility planning for future watershed improvements and forest health and fuels reduction capital outlay projects. This will provide a blanket of funds needed for Initial conceptual and feasibility planning for existing and future projects. The Conservancy was established in 1984 for the purposes of protecting and restoring Lake Tahoe's natural environment, including water quality, air quality, and wildlife habitat; acquiring, restoring, and managing lands; preserving the scenic beauty and recreational opportunities of the region; and providing public access.

Staff Recommendation. Approve as budgeted.

Issue 4: Minor Capital Outlay

Governor's Proposal. The Governor's budget requests \$850,000 (\$4,000 in Proposition 84 funds, \$450,000 in Habitat Conservation Funds, \$246,000 in Proposition 40 funds, and \$150,000 in Proposition 50 funds) for various minor capital outlay projects. These projects involve stabilizing and improving previously acquired property, including reducing forest fuels, ensuring public safety and completing upgrades on developed facilities to meet Americans with Disability Act compliance.

Staff Recommendation. Approve as budgeted.

3720 CALIFORNIA COASTAL COMMISSION**Issue 5: Essential Accounting, Business Services, and Operational Resources**

Governor's Proposal. The Governor's budget requests \$1.067 million Coastal Act Services Fund annually for three years. This includes an extension of \$787,000 for previously authorized funding to support operational costs and continuation of a previously approved position, and \$280,000 for two new positions that will address expanding workload in the Accounting Unit and the Fiscal & Business Services Unit. The 2017 budget included two-year limited term resources for operational costs and two personnel for workload functions. The funding was limited-term due to uncertainty within the CASF fund condition at that time. The 2019 Budget extended these resources another two years, expiring at the end of the 2020-21 fiscal year. This request is for the extension of the existing funding level for three additional years and does not include future projected cost increases.

Staff Recommendation. Approve as budgeted.

3600 DEPARTMENT OF FISH AND WILDLIFE (DFW)**Issue 6: Ocean Resources Enhancement and Hatchery Program Support (AB 1949)**

Governor's Proposal. The Governor's budget requests \$135,000 in 2021-22, and \$124,000 in 2022-23 and ongoing from the Federal Trust Fund to implement AB 1949 (Boerner Horvath), Chapter 345, Statutes of 2020. AB 1949 makes a number of revisions to the Ocean Resources Enhancement and Hatchery Program, such as revising and clarifying the membership of the Ocean Resources Advisory Panel, their roles and responsibilities. The bill also adds an independent scientific advisory committee and requires a solicitation of additional input from a variety of different stakeholders. The requested funds would be used to develop and facilitate an independent scientific committee and the associated administrative, contracting, and reporting duties.

Staff Recommendation. Approve as budgeted.

Issue 7: State Owned Program Income Revenue and Expenditures

Governor's Proposal. The Governor's budget proposes an adjustment to move revenue and expenditures from the Wildlife Restoration Fund to a Fish and Game Preservation Fund dedicated account, resulting in a net authority increase in the amount of \$114,000. This adjustment supports the department's compliance with the Code of Federal Regulations for revenue earned on federally funded, state-owned lands. This proposal includes trailer bill language to authorize the shift of funds to the Fish and Game Preservation Fund.

Staff Recommendation. Approve as budgeted.

3760 STATE COASTAL CONSERVANCY**Issue 8: Appropriation from the Violation Remediation Account**

Governor's Proposal. The Governor's budget requests a one-time appropriation of \$1.5 Violation Remediation Account, a subaccount of the State Conservancy Fund, to fund coastal resource enhancements and public access projects statewide. Funds would be appropriated for local assistance and capital outlay. Funds are requested to be available for encumbrance through June 30, 2024 and for expenditure through June 30, 2026.

Staff Recommendation. Approve as budgeted.

Issue 9: Increase to Local Assistance Blanket Federal Trust Fund Authority

Governor's Proposal. The Governor's budget requests a \$2 million increase ongoing to the blanket Federal Trust Fund authority, increasing from \$8 million to \$10 million. The increase is needed in order to accommodate the federal grants that the State Coastal Conservancy will be receiving over the next several years.

Staff Recommendation. Approve as budgeted.

3480 DEPARTMENT OF CONSERVATION

Issue 10: Continuation of Funding for Regulatory Field Inspection

Governor’s Proposal. The Governor’s budget requests a baseline funding increase of \$3.932 million Oil, Gas, and Geothermal Administrative Fund in order to sustain increased inspection and enforcement to protect public health and safety, 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.

The 2018-19 Regulatory Field Inspection Budget Change Proposal (BCP) requested 21 positions and permanent funding for these inspection and enforcement activities. The Legislature approved funding for a limited-term basis of three years. This 2021-22 BCP seeks to make the 2018 Budget Act funding permanent.

Permanent funding is requested to: (1) create a stronger field presence so regulators oversee all tests, well work, spills or surface expressions, and all other actions mandated to be witnessed in person; and, (2) regularly inspect all critical wells to help protect the health and safety of people and the environment.

Background. CalGEM maintains an active field presence to ensure that oil and gas operations are protected, properly regulated, efficient, and safe.

Prior to the addition of the 21 positions from the 2018-19 positions from the 2018-19 BCP, field staffing levels only allowed 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. Witnessing pipeline and tank integrity is much less than well testing and is generally relegated to testing after pipelines and tanks have ruptured or leaked. Prior to the 21 positions being added in the 2018-19 BCP, some wells, pipelines, and tanks had not been inspected in years.

Increasing number of “critical” wells. There are over 70,000 active production and injections wells and approximately 35,000 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," and, as such, must be appropriately managed. Many wells that were not deemed critical when they were drilled are now being considered critical due to urban encroachment.

District	Well Count	% Critical	# Critical	Percent of Critical Wells In the State
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%

Currently, field engineering resources are unable to witness 100 percent of operations mandated by statute, regulation and/or agreements with other agencies as “Shall Witness.” The remainder of operations designated as “May Witness” include those with sufficient risk, especially when they are deemed critical wells that merit witness rates of, or approaching, 100 percent.

Currently, field engineering resources are unable to witness 100 percent of operations mandated by state, regulation and/or agreements with other agencies as “Shall Witness.” The remainder of operations designated as “May Witness” include those with sufficient risk, especially when they are Critical Wells that merit witness rates of, or approaching, 100 percent. This proposal includes resources to help achieve those targets. CalGEM has had to strategically balance overtime hours among staff to ensure witnessing occurs, to address current workload requirements. Under current staffing conditions, field engineers continue to accumulate Compensating Time Off.

Staff Recommendation. Approve as budgeted.

Issue 11: Multi-Benefit 3D Geologic Framework Mapping

Governor’s Proposal. The Governor’s budget requests four positions and three-year limited term funding of \$3 million (\$1 million per year) Strong-Motion Instrumentation and Seismic Hazards Mapping Fund in order to develop Multi-Benefit three-dimensional (3D) geologic framework mapping. This technology is intended to improve the state’s capabilities for future evaluation of carbon sequestration, sustainable groundwater management, seismic hazard mitigation, and mineral resource evaluations. The limited-term \$1 million for three years to analyze, plan, and develop a new program within DOC’s California Geologic Survey (CGS), and include implementing a pilot project and identifying the long-term level of effort for meeting the objectives listed above.

Background. 3D mapping not only assesses the surface rocks, rock types, characteristics and orientations, vegetation, soil types, slope, but also the three dimensional structure of the rocks and rock characteristics that provide insights and understanding for a variety of critical state issues such as groundwater recharge, assessment of ideal formations for carbon storage, and wildfire impacts and emergency management. Currently, CGS addresses surface conditions and characteristics but not the 3D setting. CGS work to date addresses the immediate issues relating to surface geology but little on the longer-term impacts for latent emergent hazards deep underground, timescales of groundwater recharge and contamination potential, and future (sustainable) development minimizing risks to life and property.

Staff Recommendation. Approve as budgeted.

3820 SAN FRANCISCO BAY CONSERVATION AND DEVELOPMENT COMMISSION (BCDC)

Issue 12: Continuation of Enforcement Support Staffing

Governor's Proposal. The Governor's budget requests an extension of \$511,000 Bay Fill Cleanup and Abatement Fund (Abatement Fund) annually for three years to continue supporting BCDC's enforcement program. This proposal includes trailer bill language to allow enforcement activities as an eligible use of the Bay Fill Cleanup and Abatement Fund.

Background. *BCDC Jurisdiction and Its Enforcement Processes.* The BCDC was established in 1965 to regulate development in and around the San Francisco Bay (Bay) to protect the bay's health and ensure public access. State law authorizes BCDC — which consists of 27 commissioners and 48 staff members — to issue and enforce, via fines and penalties, permits for certain actions, including placing or removing material in or from the Bay. State law authorizes BCDC to approve projects — which may range from residential and commercial endeavors to piers and ports — throughout the Bay and its shorelines. Permit applications for minor repairs or improvements are typically processed by staff, and the commissioners regularly hold formal hearings to approve or reject permits for major developments. According to the State Auditor's 2019 Report, BCDC reported that it approved 630 permits for major projects and almost 3,900 administrative permits for minor projects from 1970 to 2018. BCDC also administers the Abatement Fund to pay for fill removal, resource enhancement, and any other remedial cleanup or abatement actions.

BCDC has adopted regulations that allow many permit violations through a standardized fine process. BCDC's enforcement unit investigates allegations related to unauthorized bay fill or construction, obstruction, or misuse of public access amenities, and other permit or statutory violations. To resolve certain violations, enforcement staff may issue new permits or amend existing permits. Staff may also fine violators who do not correct violations within a grace period, with the amount of the fine increasing over time until the violator corrects the problem or the fine reaches the \$30,000 maximum for individual violations. Because a single enforcement case often contains multiple violations, a violator may accrue fines greater than this maximum. A violator may appeal a staff-level fine by requesting a hearing with the commissioners or by submitting a request for fine reduction to the executive director and BCDC Chair. Staff do not collect fines until violators have corrected the violations, and if a violator refuses to take corrective action, staff may refer the case to the commissioners for a hearing. The commissioners may then decide to forward the case directly to the Office of the Attorney General for litigation.

State regulations require BCDC commissioners, rather than staff, to process violations that have caused significant harm to the Bay. The enforcement committee reviews the violation report prepared by staff and any supporting documentation, holds hearings, and recommend that the commissioners issue a cease-and-desist order to stop the activity causing the violation.

Bay Fill Cleanup and Abatement Fund. The Abatement Fund receives funds from several sources, including from commission fines, for the purpose of removing fill, enhancing resources, and performing remedial cleanup or abatement actions in the Bay. State law authorizes the commission to transfer money from the Abatement Fund to other coastal trust funds for Bay cleanup.

Legislative Audit Recommendations. In 2018, the Legislative Audit Committee requested the California State Auditor to investigate BCDC's enforcement program. The resulting 2019 State Auditor's report found that BCDC's had a backlog of 230 enforcement cases, some of which were more than a decade old, and that staff opened 14 more cases on average than they closed annually from 2012 through 2017. Furthermore, it found that BCDC's approach to identifying individual violations has led to inconsistencies in its imposition of fines. As noted above, BCDC issues fines up to a maximum of \$30,000 per violation, but a single case may involve multiple violations and thus incur multiple fines. The report found that BCDC is not always consistent in how it fines violators who have multiple infractions. The report further found that the BCDC has used the Abatement Fund almost exclusively to support staff salaries and operational costs, rather than for Bay cleanup projects. The report states that the BCDC used a total of \$240,000 from the Abatement Fund to pay salaries in three of four fiscal years, including \$99,000 in 2017-18 when the fund balance was \$1.4 million.

The audit resulted in a number of findings and recommendations for the Legislature, including:

- 1) Require BCDC, by 2020-21, to create or implement:
 - a. Procedures to ensure that managers perform documented review of staff decisions in enforcement cases.
 - b. Timelines for resolving enforcement cases.
 - c. A penalty matrix for applying fines and civil penalties.
 - d. Regulations to define single violations, and a method for resolving minor violations.
- 2) Restrict the use of funds from the Abatement Fund solely for physical cleanup rather than enforcement salaries, and to identify alternate funding sources for funding staff and enforcement activities, such as the General Fund (GF).
- 3) Provide BCDC with the authority to record notices of violations on the titles of properties that have been subject to enforcement action once BCDC has completed all fo the actions recommended to it by the Audit.

Since the audit was published in February 2019, BCDC has made progress in evaluating and identifying improvements to its enforcement program and included implementing recommendations from the State Auditor's report. For example, BCDC hired an Enforcement Program Manager to work on procedural improvements, including procedures to prioritize enforcement cases, milestones to reflect defined periods within which cases must make consistent progress towards case resolution, and to provide bimonthly reports on enforcement case resolution progress to the commissioners.

Staff Comments. As noted in the State Auditor's report, the commission has rarely used the Abatement fund for cleanup efforts because the fund's balance has historically been too low for it to provide a significant contribution to conservation entities. The executive director stated that he was, at the time, waiting for the Abatement Fund's balance to reach \$1.5 million, at which point he intended to transfer \$1 million to the California Coastal Conservancy or a similar entity, while still keeping a reserve in the fund. The commission has used the Abatement Fund almost exclusively to support staff salaries and operational costs. State law does not specify personnel expenses as an allowable use for the fund; however, on several occasions, the Legislature and the Department of Finance have approved such use.

It is not uncommon for the state to use penalties to fund staff running enforcement programs. This proposal includes trailer bill language that can be considered technical in nature and would authorize the fund to be used for enforcement activities, which would align statute with what has been a long-standing practice.

Staff Recommendation. Approve as budgeted.

3860 DEPARTMENT OF WATER RESOURCES (DWR)**Issue 13: Climate Vulnerability and Adaptation Strategy for a San Joaquin Basin Watershed**

Governor's Proposal. The Governor's budget requests \$4.19 million one-time (\$2.1 million from Proposition 68 and \$2.09 million from the Environmental License Plate Fund) to conduct an assessment to prepare for climate vulnerability in the San Joaquin Basin. This proposal has three components: (1) working with local partners on a flood-focused climate vulnerability and adaptation strategy for a San Joaquin Basin watershed; (2) supporting Regional Flood Management Planning groups to identify multi-sector, multi-benefit projects; and (3) evaluate lower San Joaquin River flood risks. Work will be performed by five existing positions and consultants.

Staff Recommendation. Approve as budgeted.

Issue 14: Delta Emergency Preparedness Response and Recovery Program

Governor's Proposal. The Governor's budget requests \$9.5 million (\$6.5 million for 2021-22, \$1.5 million for 2022-23, and \$1.5 million for 2023-24) in Proposition 1 funding to continue the work of the Delta Grants & Flood Emergency Preparedness, Response, & Recovery Program. This funding will support local assistance grants and two existing positions to improve regional self-reliance by enhancing existing flood emergency preparedness, response, and recovery capabilities of local agencies within the Delta. The funding will also support existing staffing to manage projects and perform maintenance on State Delta Emergency Facilities that increase the state's capability to efficiently store, manage, and quickly deploy its material inventories when necessary to support flood emergency response in the region.

Staff Recommendation. Approve as budgeted.

Issue 15: Delta Levees System Integrity Program Support

Governor's Proposal. The Governor's budget requests \$89.2 million in Proposition 1 (\$12.86 million for state operations and \$76.34 million for local assistance) and \$13.092 million in Proposition 68 for local assistance to continue the Delta Levees System Integrity Program, which protects the public and water supply for 27 million people while enhancing Delta habitat. This funding will support activities including state operations and local assistance grants for levee maintenance, repairs, improvement, habitat mitigation, and enhancement projects in the Sacramento-San Joaquin Delta.

Staff Recommendation. Approve as budgeted.

Issue 16: Floodplain Management, Protection and Risk Awareness Program

Governor's Proposal. The Governor's budget requests \$28.5 million one-time from Proposition 68

(\$3.1 million for state operations and \$25.4 million for local assistance) to support the planning and implementation of integrated watershed based collaborative flood risk management activities through the Floodplain Management, Protection and Risk Awareness Program.

Staff Recommendation. Approve as budgeted.

Issue 17: Groundwater Recharge Technical Assistance

Governor's Proposal. The Governor's budget requests \$2 million from Proposition 68 (\$650,000 annually for two year, and \$700,000 in 2023-24) for state operations to work with local agencies to holistically plan and assess water availability, conveyance infrastructure, on-farm recharge sites, opportunities for adjusting upstream reservoir operations based on weather forecasts, requirements for environmental river flows, among many other factors. This planning work is critical to the successful implementation of groundwater recharge projects.

Staff Recommendation. Approve as budgeted.

Issue 18: Proposition 50 Delta Water Quality and Fish Facilities

Governor's Proposal. The Governor's budget requests \$2 million from Proposition 50 (\$650,000 annually for two year, and \$700,000 in 2023-24) for state operations to work with local agencies to holistically plan and assess water availability, conveyance infrastructure, on-farm recharge sites, opportunities for adjusting upstream reservoir operations based on weather forecasts, requirements for environmental river flows, among many other factors. This planning work is critical to the successful implementation of groundwater recharge projects.

1. Improvements to the quality of municipal water supply sources for the City of Stockton.
2. Improvements to Delta water quality, including but not limited to projects that address conditions contributing to harmful algal blooms, low dissolved oxygen, mercury contamination from upstream mines, and invasive aquatic species.
3. Enhanced ecological conditions for threatened and endangered fish species, including but not limited to projects that reduce entrainment associated with unscreened agricultural diversions in the Cache Slough region.

Staff Recommendation. Approve as budgeted.

Issue 19: River Restoration Activities to Protect California's Species and Ecosystems

Governor's Proposal. The Governor's budget requests \$17.85 million in Reimbursement Authority (\$6.6 million in 2021-22, \$4.75 million in 2022-23, \$5.9 million in 2023-24 and \$300,000 in 2024-25 and 2025-26) and \$22.6 million in Federal Fund Authority (\$7.9 million in 2021-22, \$8.7 million in 2022-23, \$3 million in 2023-24, \$2 million in 2024-25 and \$1 million in 2025-26) to support state operations within its Integrated Water Management programs. The request is intended to allow DWR to receive and

use fund from the Federal Government to continue work on the Riverine Stewardship Program and the San Joaquin River Restoration Program in order to protect, restore, and enhance the natural environment.

Staff Recommendation. Approve as budgeted.

Issue 20: Security and Emergency Management Program

Governor's Proposal. The Governor's budget requests two full-time positions for the Security and Emergency Management Program (SEMP) to support DWR's emergency management program and improve emergency preparedness through the development and implementation of a department-wide emergency training and exercise program. These two positions will be funded by the State Water Project (SWP), redirecting existing budgetary resources to establish two dedicated emergency training positions: (1) Emergency Management Coordinator/Instructor I and (1) Emergency Management Coordinator/Instructor II. The costs associated with annual contractor support for emergency training and exercises, and other resources will be redirected to support a dedicated training and exercise program that results in a zero net increase in costs.

Staff Recommendation. Approve as budgeted.

Issue 21: State Water Project: Aging Infrastructure

Governor's Proposal. The Governor's budget requests authority for 150 permanent full-time positions funded by the SWP to be phased in over four years as follows: 67 positions in 2021-22; 35 positions in 2022-23; 32 positions in 2023-24; and 16 positions in 2024-25. The requested positions will provide DWR with the resources and means to:

- 1) Increase maintenance, refurbishment, repair, and replacement of aging infrastructure.
- 2) Continue to develop and implement DWR's Asset Management Program.
- 3) Perform studies, expand existing maintenance and facility inspections, execute preventative design and construction efforts, develop new or update existing guidelines and standards, adopt new technologies and system enhancements.
- 4) Continue to address the adverse effects of subsidence along the SWP by implementing design, environmental permitting, and construction activities that will optimize resiliency and improve operational flexibility of the SWP as well as support safe and reliable delivery of water.
- 5) Implement new Dam Safety Emergency Action Planning, emergency preparedness, and physical security enhancements.

Staff Recommendation. Approve as budgeted.

Issue 22: State Water Project Facilities Fish & Wildlife Enhancement and Recreation — Perris Dam Remediation Plan

Governor’s Proposal. The Governor's budget requests \$4.4 million Proposition 84 to support 7.2 existing positions and fund development, rehabilitation, acquisition and restoration related to providing public access to recreation and fish and wildlife enhancement (RFWE) resources at Perris Dam, a SWP facility. The total project cost is \$252.4 million of which the RFWE component is 32.2% or \$81.27 million. This program will also be supported by approximately \$22.9 million in SWP funds for 2021-22.

Staff Recommendation. Approve as budgeted.

Issue 23: Systemwide Flood Improvement Project

Governor’s Proposal. The Governor's budget requests \$1 million one-time from Proposition 1 to support existing staff and contract work needed for the lower Yolo bypass project. Work will include levee setbacks, creation or enhancement of floodplains and bypasses, land acquisition and levee improvements and repairs.

Staff Recommendation. Approve as budgeted.

Issue 24: Urban Flood Risk Reduction — State Cost Share for Emergency Supplemental Funding

Governor’s Proposal. The Governor's budget requests \$67 million GF in 2021-22, \$113.8 million in 2022-23, \$17.2 million in 2023-24, and \$26.9 million in 2024-25 to support the state cost-share requirement of the American River Commons Features (ARCF) 2016 project, a critical flood risk reduction project that is being implemented by the United States Army Corps of Engineers (USACE).

This request will support project payments to USACE, real estate acquisitions, utility relocations, and contract work needed to meet responsibilities as outlined in the Project Partnership Agreement with USACE, as well as funding for three existing positions to address resource needs for large flood projects.

Background. *The American River Common Features 2016 (ARCF 2016) Project.* The ARCF 2016 Project is part of the Urban Flood Risk Reduction program and is a critical flood risk reduction project that is being implemented by the United States Army Corps of Engineers (USACE).

The ARCF 2016 Project consists of the construction of levee improvement measures that address seepage, stability, erosion, and overtopping concerns identified for the East levee of the Sacramento River downstream of the American River to Freeport (Pocket Area), East levee of the Natomas East Main Drainage Canal, Arcade Creek, and Magpie Creek, as well as erosion control measures along the American River, and widening of the Sacramento Weir and Bypass to deliver more flood flows into the Yolo Bypass. The ARCF 2016 Project makes a significant reduction in the overall identified flood risk in the Central Valley.

Legislative Analyst’s Office (LAO) Comments. *Proposal Would Help Mitigate Potential Damage.* Taking steps now to mitigate existing flood risk — as well as the increasing hazards expected to result from climate change — could prevent both significant and costly damage as well as threats to public safety in future years.

State Funding for ARCF Project Would Leverage Significant Additional Funding. The proposed funding would draw down roughly \$1.3 billion in federal and local funds and allow for completion of this project. Failing to provide this funding likely would nullify the federal commitment to fund and undertake the project, leaving the region at a heightened risk of flooding.

Significantly Increases Flood Protection in High-Risk, Heavily Populated Capital Region. The project would help protect 514,000 people and over \$55 billion dollars worth of infrastructure and assets.

LAO Recommendation. *Approve Flood Management Proposals.* The LAO finds that the Governor’s this proposal likely would protect public safety, mitigate future damage, and leverage significant federal funds. The LAO recommends the Legislature adopt the Governor’s proposal.

Staff Recommendation. Approve as budgeted.

DISCUSSION

0540 CALIFORNIA NATURAL RESOURCES AGENCY (CNRA)

Issue 25: Proposition 68: Habitat Funding

Governor's Proposal. The Governor's budget requests \$125 million of Proposition 68 funds for its Protecting California's Rivers, Streams and Watersheds Program. Proposition 68 authorized more than \$4 billion in funding for natural resources-related programs including habitat conservation, expanded access to parks and water resilience projects. Of this, \$200 million was designated to support multi-benefit water quality, water supply and watershed protection and restoration projects. The \$125 million requested represents the remainder of the funds available for this purpose in the bond. (Of the \$200 million that Proposition authorized, \$5 million is reserved for bond administration costs.)

Under the Administration's proposal, the agency would determine how to allocate the funding for habitat projects and statewide commitments.

CNRA Plans to Allocate Funding Through New Competitive Grant Program. According to LAO, CNRA indicates that it would focus the funds on multi-benefit efforts that could ultimately be included in future VAs and that improve the health of the Sacramento River, San Joaquin River, and Sacramento-San Joaquin Bay Delta. CNRA would select projects based on how well they meet criteria it has developed:

- Advance at least one recognized species recovery plan or effort.
- Be almost certain to deliver identified benefits to target species.
- Provide durable, long-term benefits.
- Be feasible to implement within a clear, reasonable time frame.
- Be planned for completion by an experienced project team.
- Be supported by a wide variety of governmental and nongovernmental partners.

Background. Proposition 68. Also known as the California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access For All Act, Proposition 68 was approved on June 5, 2018. This measure provides \$4 billion in general obligation bonds for a variety of critical needs in the areas of natural resources and environmental protection. Proposition 68 includes specific dollar amounts for a number of purposes, one of which is for \$200 million for voluntary agreements (Public Resources Code (PRC) Section 80114).

PRC Section 80114. PRC Section 80114 (d), provides CNRA with the ability to use the funding for projects as long as they meet the purposes of Water code Sections 79732 and 79736. Specifically, subdivision (d) specifies that, "If no voluntary agreements are submitted [to the State Water Resources Control Board by the Department of Fish and Wildlife] on or before June 1, 2018, any remaining funds [from the \$200 million originally allocated] shall be available to [CNRA] for the purposes of Sections

79732 and 79736 of the Water Code.” Water Code Section 79732 refers to 13 purposes for expenditures of bond funds.

Prior Appropriation from PRC Section 80114. The Budget Act of 2019 appropriated \$70 million to CNRA from Section 80114 of Prop 68. CNRA has encumbered \$50 million of those funds for 15 fish passage and habitat restoration projects along Central Valley rivers. CNRA established a set of criteria for those projects seeking funding. In order to qualify, the projects would have to meet the following selection criteria:

- Advance at least one recognized species recovery plan or effort;
- Be almost certain to deliver identified benefits to target species;
- Provide durable, long-term benefits;
- Be feasible to implement within a clear, reasonable timeframe;
- Be planned for completion by an experienced project team; and
- Be supported by a wide variety of governmental and non-governmental partners.

LAO Comments. State Has Attempted to Negotiate Voluntary Agreements (VAs) for River Flows and Habitat Conditions. Over the past several years, CNRA has been helping lead an effort to negotiate VAs between the state, water users (such as irrigation districts and water agencies), and environmental groups. These are intended to help implement the State Water Resources Control Board (SWRCB’s) forthcoming update to the Bay-Delta Water Quality Control Plan, which establishes water quality control measures and flow requirements needed to provide reasonable protection of beneficial uses — including ecosystem health and human needs — in the watershed.

VAs Intended to Achieve Restoration Goals Without Relying Solely on Water Flow Restrictions. An important goal of the VAs is to improve conditions for fish and wildlife — particularly those that are threatened and endangered — through measures beyond SWRCB flow requirements. This would be done through a combination of restoration projects — such as improving spawning habitat or installing fish screens — as well as water users agreeing to reduce pumping to improve environmental flows during certain conditions and times of the year.

Seeking to Create Water Supply Certainty for Water Users. To the degree that VA efforts would improve conditions for fish in the Sacramento and San Joaquin River systems, SWRCB could incorporate them into its water flow requirements and potentially adopt more flexible regulatory restrictions on the timing and amount of water that users could remove from the rivers.

Future of VAs Currently Unclear. The Administration states that it is still committed to pursuing the VA process and seeking agreements that can be incorporated into SWRCB’s regulatory decision-making process. However, uncertainties about potential changes to state and federal regulatory requirements for endangered species have complicated these discussions. Negotiations among all of the involved parties are not currently occurring.

Proposition 68 Included \$200 Million to Implement VA Projects. The bond authorizes these funds for projects to implement VAs executed by the participating collaborative partners and submitted to SWRCB by June 1, 2018.

Bond Allows Funds to Be Spent on Other Habitat Restoration Projects. Proposition 68 states that if no VAs are executed and submitted by a specified date, the funds can be used for projects that protect and restore California’s rivers, lakes, streams, and aquatic ecosystems.

Funds Can Also Be Used for Specific Statewide Obligations. In lieu of VAs, the bond also allows these funds to be used for restoration projects related to five specific commitments into which the state has entered: the Salton Sea Restoration Act, the Klamath Hydroelectric Settlement Agreement, the Central Valley Project Improvement Act, the San Joaquin River Restoration Settlement Act, and the Tahoe Regional Planning Compact.

Legislature Appropriated \$70 Million for VAs in 2019-20. Because no VAs were executed and submitted to SWRCB by June 2018, CNRA instead allocated funds for projects that met the other allowable uses specified in Proposition 68. Specifically, CNRA selected 15 projects totaling \$50 million to improve fish habitats in several Central Valley rivers and waterways. The agency has not yet designated uses for the remaining \$20 million.

Significant Need for Restoration Projects Along Central Valley Rivers. Multiple native fish species — including salmon and steelhead — have experienced severe population declines over the past few decades, due in part to habitat loss and degradation. As such, a strong rationale exists for spending state money to improve conditions along the Sacramento and San Joaquin Rivers and their tributaries to help these species recover.

Proposed Approach Would Allow Administration Broad Discretion Over How Funds Get Used. Because the bond language governing the allowable uses of these funds is very broad, the Governor's proposal would allow CNRA to determine exactly how to prioritize use of these funds across potential projects and whether to expend a portion on one or more of the specified statewide obligations.

Competitive Grant program Would Provide Some Transparency, but Still Defers Important Decisions to CNRA. The proposed approach of developing a competitive grant program to allocate these funds is more structured and transparent than CNRA selecting projects without public prioritization and scoring process — as it did for the \$50 million provided in 2019-20. However, neither the bond nor proposed budget bill language provides much guidance over specific priorities or areas of focus for designing the program. As such, the proposal would leave these up to CNRA to determine. Moreover, neither the bond nor budget language requires that CNRA allocate funds through a competitive grant program.

Legislature Could Provide Statutory Guidance to Ensure Expenditures Reflect Its Priorities. Should the Legislature have particular priorities for these funds — such as specific endangered species upon which it wants to focus, or one or more of the allowable statewide obligations — it could direct CNRA to focus on those objectives through language in the budget bill.

Could Define Priorities for Grant Program. Additionally, the Legislature could codify project prioritization criteria to guide development of a competitive grant program for allocating these funds. These criteria could include the selection priorities suggested by the Administration — should the Legislature find them reasonable — as well as any additional or alternative areas of focus.

LAO Recommendation. *Appropriate \$125 Million Proposition 68 Funds to Address Legislature's Priorities for Habitat Restoration.* The LAO recommends the Legislature approve the proposed funds to help improve habitat conditions for threatened and endangered species, but add budget bill language to provide guidance for CNRA on how to prioritize use of the funds. For example, this could include language (1) requiring that funds be allocated through a competitive grant program, (2) specifying prioritization criteria to be used for selecting projects, and/or (3) identifying amounts to be used for specific statewide obligations.

Staff Recommendation. Hold open.

0540 CALIFORNIA NATURAL RESOURCES AGENCY (CNRA)
3560 STATE LANDS COMMISSION (SLC)
3840 DELTA PROTECTION COMMISSION (DPC)
3845 SAN DIEGO RIVER CONSERVANCY
3860 DEPARTMENT OF WATER RESOURCES (DWR)

Issue 26: Environmental License Plate Fund (ELPF)-related Proposals

Governor's Proposals. The Governor's budget proposes the following, which all appropriate ELPF for specified purposes:

- a) ***0540 California Natural Resources Agency: New Resources Building Move and Demobilization Costs.*** The Governor's budget requests a total of \$4.543 million ELPF one-time for the move to the new CNRA headquarter facility, which will house multiple agency departments. The funds would be used to secure services to perform tasks associated with completing required decommissioning and moving activities for office furniture/equipment and staff members. Total cost for the move activities and the physical decommission activities for office furniture/equipment related to the buildings being vacated and 4,100 staff members was done utilizing cost factors provide to CNRA by DGS' moving consultant. Cost was calculated on \$1,108 per person x 4,100 = \$ 4.5428 million.
- b) ***3560 State Lands Commission: Bolsa Chica Lowlands Restoration Project.*** The Governor's budget requests \$2 million ELPF one-time to fund continued operations and management responsibilities for the Bolsa Chica Lowlands Restoration Project in Orange County. Operations and management costs average \$2 million annually, including required dredging, consultants, repairs, and other operational costs. Without continued funding, the Commission will be unable to perform required management activities, leading to a seasonal accumulation of sand at the mouth of the ocean inlet and forcing its closure. Closure of the inlet would have catastrophic impacts to the wetland habitat, its endangered species, and other valuable public resources, resulting in a significant net loss to the state's coastal wetlands and endangering the \$157 million investment. Closure may also cause flooding in the adjacent neighborhood and a pre-existing on-site oil operation, a significant liability to the state.
- c) ***3840 Delta Protection Commission: Contracted Fiscal Services Support.*** The Governor's budget requests \$131,000 ELPF one-time to support the transition of accounting, budget, human resources, and procurement services to be provided by the Department of General Services' (DGS') Contracted Fiscal Services division.
- d) ***3845 San Diego River Conservancy: Department of General Services (DGS) Human Resources (HR) Services.*** The Governor's budget requests \$11,000 ELPF for DGS's contracted HR services. DGS provides budgeting, accounting, and human resource services for the conservancy.
- e) ***3845 San Diego River Conservancy: One-Time Appropriation of Reverted Funding.*** The Governor's budget requests \$40,000 ELPF appropriation in order to fulfill existing grant agreements. The Conservancy received two multi-year grants, one from the State Coastal

Conservancy in June 2018 and the second from the State Water Quality Control Board in January 2018. These grants were reimbursable agreements, whereby the Conservancy provided funding under its own grants to non-profit agencies for project implementation and retained 10% withholding from each invoice. The withheld amounts must be paid upon closure of the completed project. However, the accumulated withholding was deposited in the fund but the appropriation authority has since reverted. The new appropriation will fulfill the Conservancy's obligations under existing grant agreements.

- f) **3860 Department of Water Resources: Climate Vulnerability and Adaptation Strategy for a San Joaquin Basin Watershed.** The Governor's budget requests \$40,000 ELPF in order to fulfill existing grant agreements. The Conservancy received two multi-year grants, one from the State Coastal Conservancy in June 2018 and the second from the State Water Quality Control Board in January 2018. These grants were reimbursable agreements, whereby the Conservancy provided funding under its own grants to non-profit agencies for project implementation and retained 10% withholding from each invoice. The withheld amounts must be paid upon closure of the completed project. However, the accumulated withholding was deposited in the fund but the appropriation authority has since reverted. The new appropriation will fulfill the Conservancy's obligations under existing grant agreements.

Background. ELPF. The ELPF was established in 1979 and supports various resources and environmental protection programs. The fund is primarily supported from the sale and renewal of personalized motor vehicle license plates, as well as a portion of fees on the sale and renewal of certain specialty license plates.

Public Resources Code (PRC) Section 21190 requires ELPF money to be used only to support identifiable projects and programs of specified entities, such as state agencies, and restricts the use of these funds to the following purposes:

- Control and abatement of air pollution.
- Acquisition, preservation, restoration of natural areas or ecological reserves.
- Environmental education.
- Protection of no game species and threatened and endangered plants and animals.
- Protection, enhancement, and restoration of fish and wildlife habitat and related water quality.
- The purchase of real property consisting of sensitive natural areas for the parks systems and deferred maintenance projects at state parks.
- Reduction or minimization of the effects of soil erosion and the discharge of sediment into the waters of the Lake Tahoe region, including the restoration of disturbed wetlands and stream environment zones.

LAO Comments. Legislature Funded Construction of New Natural Resources Building. The new facility, located in downtown Sacramento, will be completed in mid-2021. Employees of CNRA and eight of its departments will move from the current Natural Resources office building and satellite offices over the remainder of the calendar year.

Funds Move of State and Equipment to New Building (\$4.5 Million). The budget provides one-time funding from ELPF to relocate an estimated 4,100 employees and their equipment from the current offices to the new building. ELPF is funded by fees paid by drivers who choose to (1) personalize their license plate and/or (2) purchase a "legacy plate."

Might Not Be an Allowable Use of ELPF. State law specifies that ELPF may only be used for projects

and programs that meet specified purposes, such as restoration of natural areas, protection of threatened and endangered species, deferred maintenance at state parks, and public education. It does not appear that funding the relocation of staff and equipment is consistent with any of the specified allowable uses. (In addition, the Governor proposes a total of \$142,000 from ELPF for administrative costs at the Delta Protection Commission and San Diego Conservancy that are similarly questionable.)

ELPF Projected to Have Small Fund Balance. The Administration's fund condition statement for ELPF estimates that the fund will have a \$2.1 million fund balance at the end of 2021-22. While positive, this fund balance is small representing just three percent of estimated revenues. In part, the small fund balance reflects one-time budget proposals totaling \$8.8 million from ELPF, including the \$4.5 million to move to the new Natural Resources building.

Prior-Year Numbers Not Final. According to the Administration, it has not finalized prior-year calculations for revenues or expenditures, and it asserts that revenues will be higher than estimated, and expenditures will be lower than estimated. If correct, the fund balance could be higher than what is shown in the fund condition statement. However, the Administration has not yet provided the Legislature with information to substantiate this.

Revenue Uncertainty. The pandemic could affect the demand for personalized and legacy license plates, which might be considered discretionary purchases for drivers facing economic hardships. To the extent that occurs, it would depress ELPF revenues, potentially over multiple fiscal years.

LAO Recommendation. Shift Move Costs From ELPF to Other Fund Sources. The LAO recommends using an alternative funding approach to support the costs of moving to the new Natural Resources building. (The LAO also recommends using an alternative approach for the DPC and SDRC proposals.) Doing so would ensure compliance with state law. Moreover, a shift could be structured to reduce overall costs to ELPF, thereby increasing confidence that the fund will continue to be solvent at the end of 2021-22. The LAO provides two options for legislative consideration:

- ***Option 1: Swap with GF.*** The budget includes numerous GF proposals to support activities that clearly would be allowable for ELPF, such as a one-time \$20 million proposal to fund deferred maintenance at state parks. The budget could instead fund the move with GF and use a mix of GF and ELPF for deferred maintenance. This would have no net impact on either the GF or ELPF but would ensure use of ELPF consistent with state law.
- ***Option 2: Spread Costs Among Various Funds That Support Resources Programs Being Moved.*** CNRA and the departments being moved to the new building are supported by the GF and numerous special funds, and most of these funds can be used to support departments' administrative costs. The budget could apportion the proposed \$4.5 million to these funds in proportion to the number of employees being moved for each department and the relative share of department costs borne by their special funds. This approach would reduce ELPF costs but increase costs on other funds, including GF. However, these would be one-time costs, and the impact to each individual fund would be relatively small.

Staff Comments. BCPs on NRA Building Move, DPC's Fiscal Services Support, and San Diego River Conservancy's DGS HR Services. While some of the proposals intending to use ELPF clearly meet the requirements of PRC Section 21190, Legislative Counsel has determined that the proposals for CNRA's building move, the DPC's fiscal services support, and San Diego River Conservancy's DGS HR services are not appropriate uses of ELPF.

According to Legislative Counsel, PRC Section 21190 requires funding from ELPF needs to be tied to

a project or program that has a clearly identified purpose as enumerated in the section. The license plate fund is a special trust fund — The Legislature established discreet goals for the fund. The enumerated purposes show that ELPF is not supposed to be used for General Fund purposes. These three BCPs are related to general operating costs.

The Administration's interpretation of PRC Section 21190 is that if the *mission of the entity* fulfills a purpose identified in PRC Section 21190, then the use of ELPF is legal. However, this is not the most logical or persuasive argument. The Administration does not give enough meaning to every word in the section — one has to look at all the phrases collectively and harmonize them together. For example, this interpretation does not work for the University of California (UC), which is identified as an eligible recipient. UC's mission is not environmentally-related— UC's mission is education. UC would be eligible for ELPF funding as long as the money would be used for a specific enumerated purpose like scientific research on the risks to California's natural resources caused by the impacts of climate change. The Administration's interpretation does not make sense grammatically when considering the section as a whole and how the sentences are constructed. Legislative Counsel rejects the Administration's interpretation of PRC Section 21190.

Another concern raised by Legislative Counsel is whether these three proposals support the integrity of the fund. ELPF is essentially a trust fund and appropriations from it should meet the expectations of the people who donated the money from paying an extra fee for their license plate. Is an office move or HR expense considered an identifiable program or project that serves the purpose of the fund or does it breach the trust of the donator? There does not appear to be a nexus between the administrative purposes of these three proposals and a specific environmental project/program that benefits all the people in California. It is important to preserve the fund for trust purposes, which these three fail to do by proposing to use ELPF moneys for general operating costs. They may benefit the employees and the departments, but do not benefit the public by and large.

Natural Resources Agency New Facility Relocation. Last year, the Governor's January Budget proposed \$9.646 million GF one-time to conduct critical activities and acquisitions associated with its required move to the new facility. The May Revision (MR) decreased this proposal by \$4.823 million GF to reduce the level of resources associated with the agency's move to the new facility. Funding for the move was approved as modified in MR. This year, the Governor's budget proposes to use ELPF instead of GF for the move.

Staff Recommendation. Approve as budgeted (b), (e), and (f). Hold open (a), (c), and (d)

3480 DEPARTMENT OF CONSERVATION (DOC)**Issue 27: CalGEM Oversight**

Governor’s Proposal. The Governor’s budget requests 26 positions and a baseline increase of \$4.826 million Oil, Gas, and Geothermal Administrative Fund (OGGAF), phased in over three years (12 positions and \$2.369 million in 2021-22, 22 positions and \$4.061 million in 2022-23, and 26 positions and \$4.826 million in 2023-24 and ongoing) to strengthen enforcement of existing laws and regulations, limit the state’s liability, and improve public transparency.

Increased Staffing for Various Programs (\$2.4 Million). According to the LAO, the Administration proposes to add \$2.4 million in 2021-22 (growing to \$4.8 million upon full implementation in 2023-24) from OGGAF for CalGEM regulatory oversight and enforcement, increased public transparency, and implementation of legislation. This funding would support 12 positions in 2021-22, growing to 26 positions upon full implementation. Specifically, the funding would support the following activities:

- *Field Presence.* The proposal includes nine positions upon full implementation. The positions would perform the following regulatory functions: (1) witness field operations, (2) review UIC projects and applications, (3) review and manage the aquifer exemption approval packages, (4) process permit applications, and (5) perform construction site reviews.
- *Enforcement Program.* The proposed funding includes five positions upon full implementation to identify and implement enforcement actions. Enforcement staff would perform several functions including collecting and organizing evidence, gathering and evaluating well ownership and lease information, and identifying responsible parties to support the issuance of orders.
- *Pipelines and Facilities Program.* The proposal includes three positions upon full implementation to collect and analyze information that operators are required to provide, such as maps and data on oil and gas pipelines and tank facilities as well as pipeline management plans. The staff would utilize this data to identify, map, and categorize wells and facilities to guide regulatory activities. According to the division, this would allow it to better (1) plan for inspections; (2) identify hazards; (3) collect, manage, and analyze facility condition information; (4) retain data on abandonment costs; and (5) prioritize well abandonment projects.
- *Public Transparency.* The proposed funding includes four positions upon full implementation to (1) gather, analyze, and provide quality control checks on data to respond to the Legislature, public, and media in a more timely manner, and (2) lead public engagement with community organizations and local governments to update public safety and health rules designed to protect communities near oil and gas production operations.
- *Flame Resistant Clothing.* The proposal includes funding for personal protective equipment to protect field staff when entering oil operators’ spaces.
- *Legislation Implementation.* The proposed funding includes three positions upon full implementation to (1) collect and review data on liability, cost estimates to plug and abandon wells, and financial viability from operators as required by SB 551 (Jackson), Chapter 774, Statutes of 2019, and (2) perform risk assessments of operators’ abilities to remediate wells and revise financial assurances, as required by AB 1057 (Limon), Chapter 771, Statues of 2019.

- *Idle Wells Program.* The proposal includes two positions upon full implementation to meet requirements imposed by new idle well regulations. The staff (1) centralize the idle wells program and standardize forms and processes used by division staff and operators, and (2) increase tracking of operator compliance.

Background. CalGEM regulates oil and gas operations, administers laws for the conservation of petroleum and resources to ensure the safe development and recovery of energy resources. CalGEM regulates onshore and offshore field operations by evaluating permit applications to drill, rework, and plug and abandon wells, and by providing permit conditions to prevent damage to state resources and protect oil field workers and surrounding communities. CalGEM also advises local governments when new development is planned over, near, or adjacent to historic oil field operations.

Last year, CalGEM requested a total of 128 positions over three fiscal years from the 2020-21 BCP, with an increase of 53 positions scheduled for 2020-21. However, the BCP was withdrawn due to the economic downturn resulting from the COVID-19 pandemic. Ultimately, the Administration and the Legislature agreed on 25 positions for 2020-21 as a first-year alternative, with no increases agreed to for the second and third years.

This 2021-22 BCP represents many of the same positions requested for the first year in the 2020-21 BCP. Both the 2020-21 positions and the proposed 26 positions in this request are for activities related to private oil companies, including increasing CalGEM's field presence to perform regulatory inspections, enhancing CalGEM's regulatory programs, meeting legislative mandates, such as ensuring there is adequate financial coverage for idle and orphaned wells, and improving transparency. CalGEM requests these positions to help meet its regulatory requirement.

The Budget Act of 2020 added 25 positions to CalGEM. CalGEM has filled four of the 25 positions and posted job bulletins for all other positions. The postings close in February 2021 after which the interview and hiring process begin. CalGEM anticipates having the majority of the positions filled by mid-March.

LAO Comments. *CalGEM Regulates Oil and Natural Gas Production.* CalGEM regulates onshore and offshore oil, natural gas, and geothermal wells. The division is responsible for ensuring the safe development of oil, natural gas, and geothermal resources in the state through utilization of sound engineering practices that protect the environment, prevent pollution, and ensure public safety. In order to fulfill its mandate to regulate oil and natural gas operators, the division performs various regulatory activities.

Reviews and Approves or Denies Permits. Oil and natural gas operators must obtain permits from the division in order to perform a variety of common activities including (1) drilling new wells, (2) reworking or deepening existing wells, and (3) plugging and abandoning wells. The division typically evaluates 7,000 to 10,000 permit applications per year.

Witnesses Field Operations. State law and regulations require division staff to witness about 30 different oil and gas production operations and the testing of certain equipment (referred to as "shall-witness" operations). For example, the plugging and abandonment of a well encompasses numerous steps that are required to be witnessed by field inspectors. State law and regulations also allow the division to witness certain oil and natural gas production operations and testing equipment (referred to as "may-witness" operations). In 2019, there were 50,080 shall- and may-witness operations.

Evaluates Aquifer Exemptions. An operator is required to secure an aquifer exemption before injecting oil and natural gas production fluids into the ground. This is allowed if the aquifer is not a current or

future source of drinking water. The approval of an aquifer exemption consists of six sequential review and approval steps by multiple agencies — including CalGEM, SWRCB, and US Environmental Protection Agency — and takes at least one year to complete. The division is currently involved in 17 aquifer exemption package reviews that are at various stages in the approval process.

Regulates Underground Injection Control (UIC). The UIC program regulates the permitting, drilling, inspecting, testing, a new sealing of about 55,000 UIC wells in California that fall into two categories: (1) wells that inject water or steam for enhanced oil recovery and (2) wells that return briny water — typically unusable for drinking or irrigation — from oil and natural gas production back underground. According to the division, there are over 850 UIC projects statewide that require review. These projects are generally defined by a geological zone or area and can be as small as a few well SOR as large as thousands of wells that inject fluids.

Performs Construction Site Well Reviews. The division developed the construction site well review program to assist local permitting agencies in identifying and reviewing the location and condition of oil and natural gas wells located near or beneath proposed construction sites. According to the division, this function is important in urban areas, such as Los Angeles, where oil fields are typically older — sometimes more than 100 years old — and urbanization is rapidly occurring. In 2019-20, the division processed 238 construction site reviews which take from days to months to complete depending on the size and complexity of the review and the availability of data on the wells at or near the construction site.

Regulates Pipeline and Facilities. After oil and natural gas is pumped from the ground, it goes through a production facility that prepares it for sale to refineries or gas utilities. The division's pipelines and facilities unit oversees these facilities and regulates all oil and natural gas production equipment between the wellhead, where oil and natural gas leaves the ground, and the sales meters, where ownership or custody changes hands.

Issues Notice of Violation (NOV) and Enforcement Orders. The division's enforcement program was established in 2018-19 to centralize and standardize the division's set wide enforcement efforts. Field inspectors issue NOVs to operators who are out of compliance with state laws or regulations. If a noncompliant operator refuses to voluntarily take action to remedy a violation, enforcement staff can draft orders to comply in coordination with the department's legal staff.

Regulates Idle Wells. Idle wells are wells that have not produced for two years or more and have not been properly plugged and abandoned. They can leak oil or natural gas, which can pose risks to life, health, property, and natural resources if they are not adequately monitored and tested regularly. The division manages plans for the elimination and testing of idle wells, which require division staff to monitor and ensure all work is being completed by operators in a timely manner. In addition, staff witness well testing to ensure it is done appropriately. New idle well regulations that went into effect April 1, 2019 are expected to increase the number of idle wells tested per month from about 200 in 2020 to over 700 in 2023. Overall oil and gas production in the state has declined in the past several decades.

Recent Legislation Expanded the Division's Regulatory Role. In 2019, the Legislature passed and the Governor signed several pieces of legislation that increased the division's regulatory authority and required the division to perform additional evaluations. The key pieces of legislation — and some of their major provisions — are as follows:

- *AB 1057 (Limon), Chapter 771, Statutes of 2019.* AB 1057 authorizes the division to require increased financial assurances from an operator and mandates that operators provide additional

documentation when ownership of wells or facilities changes.

- *SB 463 (Stern), Chapter 773, Statutes of 2019.* SB 463 requires operators of natural gas storage wells to apply for a permit to perform a well stimulation treatment and to provide the division with a complete inventory of materials that could be emitted from the well in the event of a leak. In addition, the division is required to review and, if necessary, revise its natural gas storage well policy and regulations.
- *SB 551 (Jackson), Chapter 774, Statutes of 2019.* SB 551 requires each operator of an oil or natural gas well to submit a report that estimates the operator's total costs to plug and abandon all of its wells to decommission all attendant production facilities, including site remediation. The division is also required to conduct inspections of certain idle wells and deserted production facilities and to report its findings from these inspections to the Legislature.

2020-21 Budget Included Some Resources to Address Increased Workload. In 2020-21, CalGEM received \$7 million ongoing from OGGAF and 25 permanent positions to support the increased workload associated with implementation of the legislation mentioned above as well as other improvements for greater regulatory enforcement, increased oversight of gas and oil production, and improved public transparency.

Proposal Addresses Growing Workload Associated with Regulatory Changes. The LAO finds that the positions and funding requested are reasonable based on the existing backlogs of field inspections, gap between enforcement action and capacity, and volume of information and data requests from the public. In addition, recent legislation has increased oversight requirements, which, in turn, has increased the division's workload. Some examples of the existing backlogs and increased oversight requirements include:

- *Field Presence.* The division currently has backlogs in several areas of field presence work due to limited staffing capacity, including 17 acquirer exemption applications, 80 UIC project reviews, and 3,384 well summary reviews. CalGEM estimates that the requested resources will allow it to clear these backlogs over several months for certain types of work, like well summary reviews, to a couple of years for aquifer exemption applications. These resources would also help prevent future backlogs.
- *Enforcement.* The department reports that in 2018-19, division staff recommended 87 enforcement actions, but limited staffing resulted in only 49 enforcement orders being issued. The department reports that the requested resources would allow the division to increase the issuance of enforcement orders from about half of the recommendations to roughly three-quarters.
- *Pipelines and Facilities.* Although recent state regulations require operators to provide maps of pipelines and facilities to CalGEM, the division lacks the staffing capacity to process and use such geospatial data to identify and prioritize for inspection the areas that pose the greatest risk to the public and the environment. With the requested resources, the division projects to be able to process and inspect at least 40 percent of pipelines and facilities over the next couple of years.
- *Public Transparency.* In 2020, the department received an average of more than 50 inquiries from the Legislature, media, and public each month. The department has two dedicated positions to address these types of requests, and responses were often delayed due to lack of capacity.

- *Legislative Mandates.* AB 1057 and SB 551 required the division to perform new activities previously not included in its workload. For example, the division is now required to develop cost estimates to plug wells and decommission facilities, evaluate and verify operators' financial security reporting for liability estimates, and conduct field inspections of facilities to validate operators' reporting. Although the 2020-21 budget provided additional funding and positions to begin these activities, the augmentations were not sufficient to address the full extent of the workload.
- *Idle Wells* Recent idle well regulations expanded the division's responsibilities in inspecting, testing, and overseeing the plugging of idle wells. However, the department reports noncompliance with recent regulations has been an issue — about three-quarters of the recommended enforcement actions in the division are predated to idle wells. According to the department, additional resources would improve compliance by standardizing communication with operators and proactively identifying and engaging with operators at risk of noncompliance.

Division's Workload Could Vary Due to a Number of Factors. CalGEM's annual field and oversight workload is somewhat uncertain and can change over time for a number of reasons. Factors that can affect the division's annual workload include:

- *Market Factors.* The amount of oil and gas produced in California varies depending on the price and demand for such goods. Generally, significant production slowdowns in the state's oil and natural gas industry result in a decrease in certain types of field presence-related workload for the division.
- *Geography of Production.* Travel time associated with field inspections vary depending on the locations of gas and oil production activities, which can affect the number of activities staff can perform. For example, in the Southern district, traffic congestion in the Los Angeles metro area can increase the travel time from one activity to the next.
- *Complexity of Reviews.* Some project reviews — such as aquifer exemptions — require years to complete, whereas others — such as well summary reviews — take only hours. The types of project reviews included in the division's workload is highly dependent on the action of oil and gas operators, and could vary from year to year.
- *New Programs.* There is inherent uncertainty regarding workload associated with the implementation of any new regulation or legislation, as there is limited prior experience.

LAO Recommendations. Approve Proposal. The LAO recommends the Legislature approve the budget request of \$2.4 million and 12 positions (growing to \$4.8 million and 26 positions over three years) to meet the increased workload associated with regulatory changes. The LAO finds that these resources are justified on a workload basis and are consistent with recent statutory requirements.

Require the Department to Provide Data on Key Performance Metrics. Although the division has justified its request for additional resources, the amount of field and oversight workload could vary depending on several factors. Accordingly, the LAO recommends that the Legislature adopt supplemental reporting language that requires the department to provide an update on the division's performance in several areas of operations by January 1, 2025, after full implementation of this proposal. This reporting would provide accountability by requiring the department to show the degree to which it improved regulatory review and compliance, fully implemented legislation, and improved the timeliness of public information requests. This report could include annual data on key performance metrics

including:

- Share of “shall” and “may” operations at critical and non critical wells witnessed reported annually.
- Number of aquifer exemption applications, UIC project reviews, and well summary reviews unprocessed by the end of each year.
- Gap between the recommended and issued enforcement actions.
- Share of pipelines and facilities mapped and inspected.
- Progress implementing AB 1057 and SB 551, including the number of financial assurances reviewed, information on well and facilities ownership changes, and the number of operator reports (that estimate the costs to plug all wells and decommission attendant facilities) received and verified by the department.
- Monthly average of legislative, public, and media request received and average time involved in responding to such requests.

Staff Recommendation. Hold open.

3600 DEPARTMENT OF FISH AND WILDLIFE (DFW)

Issue 28: Presentation on Service Based Budget (SBB) Review — Final Report

Background. *Service Based Budgeting.* SB 854 (Committee on Budget and Fiscal Review), Chapter 51, Statutes of 2018, directed DFW to conduct a SBB review.

SBB is a budgeting approach that identifies the tasks needed to accomplish the department's mission. This review is intended to help inform the future budget based on staff time needed to complete these tasks. The SBB approach is task-based, labor-focused, and organized by the department's services to the public. Below are four key aspects of SBB:

- *Organized by Service.* DFW identifies the services that represent all of the activities that occur within the department to meet DFW's mission.
- *Task-Based.* Subject matter experts develop a list of service-specific activities, referred to as tasks, that align with each service.
- *Labor-Focused.* SBB collects labor hours desired per task (mission level), and currently spent per task (current level).
- *Annual Process.* SBB tasks and service levels should be reviewed each year in advance of the budget cycle.

The department's review studied and the service standards designed to meet its mission, cost estimates and staffing requirements to meet its mission, and a comparison of the mission level needs against existing staffing. The SBB process analyzed the department's existing revenue structure and supported activities, identifying where a different funding source or revenue structure could be allowable or more appropriate for an activity. The department developed a tracking system to gather staffing data and continuously analyze service levels across its programs. An internal department leadership team guided the SBB process, which was also advised by an external advisory committee.

Comparing What the Department Currently Does To Meet Its Mission. According to the SBB final report, the SBB data allows the department to perform a quantitative comparison of the labor hours for its current level of service with the labor hours to meet its mission level of service. While the comparison is made based on labor hours, gaps between the current and mission level service levels do not directly equate to staffing shortages. Instead, they represent constraints or challenges in DFW meeting its mission.

Service Area	% Fulfilled by Current Level	% Gap to Mission
Administrative Support	74	26
Education & Outreach	56	44
Land & Facilities	36	64
Public Use & Enjoyment	33	67
Law Enforcement	33	67
Operational Support	33	67
Permitting & Environmental Protection	29	71
Species & Habitat Conservation	26	74

As shown in the figure above, SBB data demonstrates that the department is under-resourced to meet its mission. On the whole, data suggests that the department requires approximately three times its current level of staffing to meet its mission. While operational improvements and process efficiencies can be undertaken to reduce staffing needs, the data illustrates a significant gap between current and mission levels of service. The gap varies by service area, with the largest gap being in the department's Species & Habitat Conservation service area. Various species monitoring-type tasks show the greatest difference between the mission and current level of service. These gaps are consistent with prior legislative and other efforts that recognized the department's lack of sustainable funding for non-game efforts. They also correspond with the perceived areas of need reported by stakeholders for the SBB effort.

LAO Comments. *SBB Review Determined Existing Service Levels Fall Short of Meeting Mission.* DFW determined that the number of staff hours currently being spent are far below what would be needed to meet mission levels in most service areas.

Current Services Are Less Than One-Third of Mission Levels in Most Areas. Existing service levels in the species and habitat conservation, permitting and environmental protection, law enforcement, and public use and enjoyment service areas each fall short of mission levels by at least 1.4 million hours a year.

Largest Shortfall Is in Species and Habitat Conservation Service Area. DFW staff currently spend about 750,000 hours per year on species and habitat conservation activities, compared to the 2.9 million hours that the department estimates would be needed to meet its mission in this area.

Fiscal Downturn Precluded Ongoing Augmentations in 2020-21. The Governor's January budget for 2020-21 proposed a \$19 million ongoing increase to DFW's habitat and conservation activities to address its service gaps, but that proposal was withdrawn from consideration in the final budget package.

Current-Year Budget Provided Some One-Time Funds. While the ongoing augmentations were not provided in the current year, the 2020-21 budget ultimately did include \$6.2 million GF one-time for various purchases and activities (a reduction from the \$20 million in one-time funds that the Governor originally proposed in January 2020).

Issue 29: Biodiversity Enhancements/Strategic One-Time Investments, Wildlife Habitat Restoration and Public Recreation for Underserved Communities

Governor's Proposal. The Governor's budget requests:

- \$41.75 million GF one-time to make progress toward safeguarding California's biodiversity, increasing access opportunities on state lands, and finding long-term solutions to restore our natural ecosystems. These strategic investments are supported by information from its service-based budget review and will allow DFW to modernize infrastructure, fleet operations, and support systems to build climate resiliency within state-owned lands.
- \$3.34 million Proposition 12 one-time to restore and enhance wildlife habitat and provide visitor amenities on selected state lands to enhance biodiversity conservation and provide equitable access for diverse communities.

Background. The Service-Based Budgeting (SBB) Project at DFW. The Budget Act of 2018 required DFW to undergo a SBB review. The service-based budget process is intended to analyze DFW's ability to meet service levels required to achieve its mission, accounting for existing statutes, state and federal requirements, public and stakeholder expectations, the need for scientific rigor, reasonable operations necessary for ecosystem-based management and biodiversity conservation, and policy considerations based on best available science. This process identified service standards to meet DFW's mission, described the tasks needed to accomplish the identified mission service standards, compared current service levels to identified mission service standards, and considered one-time improvement actions to reduce gaps in service.

The SBB review is intended to inform the future budget based on staff time needed to complete these tasks. The SBB project is projected to conclude in 2021, when the SBB Review Report is due to the Legislature.

Governor's Executive Order N-82-20. On October 7, 2020, Governor Newsom signed Executive Order N-82-20, which directs state agencies to deploy a number of strategies to store carbon in the state's natural and working lands and remove it from the atmosphere. The order also sets a goal to conserve 30 percent of the state's land and coastal water by 2030 to fight species loss and ecosystem destruction.

The proposals include investments in a range areas. The proposals requests \$45.1 million (\$41.8 million GF and \$3.3 million in Proposition 12) for equipment, technology, process and efficiency improvements and others. Specifically, the proposals requests for the following (all from the GF except where noted):

- ***Equipment Related to Human Wildlife Conflict*** — Purchase equipment, such as flagging for fences to protect livestock from wolves and traps to catch and relocate wildlife, to prevent and address negative interactions between wildlife and people. (\$7.0 million)
- ***Fixed Wing Aircraft*** — Replace old plane used for species monitoring and law enforcement. (\$4.5 million)
- ***Equipment at Fish Hatchery Operations*** — Purchase egg-sorting machines and fish-stocking vehicles at fish hatcheries to increase reliability and efficiencies. (\$7.0 million)

- ***Equipment and Facilities at State-Owned Wetlands*** — Upgrade water conveyance systems and maintenance equipment to increase water and energy efficiencies and improve habitat conditions. (\$9.8 million, including \$840,000 from Proposition 12.)
- ***Vegetation Mapping*** — Make progress on an existing DFW initiative to develop statewide fine-scale vegetation map, which is used for multiple planning and habitat conservation efforts. (\$5.5 million)
- ***Marine Patrol Vessel*** — Replace old boat used for species monitoring and law enforcement. (\$4.5 million)
- ***Visitor Amenities at State Lands*** — Enhance amenities, such as by adding restrooms, at DFW lands, with focus on sites with high visitation rates near “under-served communities.” (\$6 million, including \$2.5 million from Proposition 12.)
- ***Fishing and Hunting License System*** — Deploy mobile application that displays state hunting and fishing regulations, and undertake initial steps to develop new electronic licensing platform. (\$750,000)

According to the proposals, these investments will implement the Governor’s Executive Order N-82-20 and better allow DFW to conserve the environment and maintain biodiversity.

The department further asserts that the proposed investments are supported by information from its SBB review. The SBB’s findings highlight that the greatest areas of needed capacity include restoration and enhancement to improve habitat and species diversity and resilience to climate change, as well as development of public recreational and educational programs, outreach, partnerships, and site amenities to foster engagement with Tribal, local, and underserved communities.

LAO Comments. *Helps Reduce Some Existing Service Gaps Without Committing Ongoing Funding.* Overall, the Governor’s proposals seem reasonable and could yield multiple benefits.

Proposals Could Yield Multiple Benefits. The equipment and land management upgrades likely would decrease staffing and maintenance costs and improve effectiveness. Addressing human-wildlife encounters would protect the needs of both groups, as well as reduce department staffing requirements. Enhancing visitor amenities would improve public access. Mapping vegetation would inform future species and habitat management decisions.

Amount of Benefit Uncertain. DFW could not quantify the degree to which these proposals would improve its ability to meet its mission in the different SBB service areas. For example, purchasing new hatchery egg-sorting machines should be able to close the gap between “mission” and “current” SBB service levels, both by *reducing* the number of staff hours needed to meet DFW’s mission (though negating the need for staff to conduct manual sorting) and *increasing* current service levels (through staff being freed up to accomplish additional tasks). However, DFW stated that using the SBB system to calculate the degree to which its proposals would reduce existing service gaps would take too much time, and they would not be able to quantify the improvements until their next SBB review cycle.

Does Not Focus on Service Area Where DFW Has Largest Gap. While a few components of the proposed package would address species and habitat conservation— most notably vegetation mapping

— most do not. DFW states this is because most of the needed work in that area would require additional staff and ongoing funding, and that the state’s fiscal condition precludes such augmentations.

Unclear How Administrative Plans to Address Deficiencies. DFW has not presented a long-term plan for how it will make progress on carrying out its mission related to species and habitat conservation. Moreover, these responsibilities likely will increase with the challenges presented by a changing climate.

Legislature Could Consider Alternative Package of One-Time Investments. While DFW’s proposed package of activities is reasonable, it is not the only option. The Legislature could select an alternative mix of one-time activities to support.

Example: Target Funding for Other Conservation Activities. The Legislature could work with DFW to design a one-time funding package that is more targeted around species and habitat conservation activities, including potentially providing up-front funding to cover multiyear, high-priority activities (such as developing recovery plans for particular threatened species).

Example: Shift Funding to Augment Proposed Conservation Efforts. The Legislature could opt to upgrade visitor amenities at fewer DFW sites than proposed by the Governor and instead spend more on vegetation mapping to complete a greater portion of the state. (Roughly 60 percent of the state has been mapped thus far; DFW estimates that its proposal would help complete an additional 15 percent to 20 percent).

Hunting and Fishing License Proposal Likely Could Be Funded — At Least Partially — by Special Funds. The creation of a mobile application for hunters and anglers is reasonable. Since it would provide value for users, the existing fees DFW collects from these groups could be an appropriate funding source for this project.

LAO Recommendations. Approve a One-Time DFW Funding Package That Reflects Legislative Priorities. Given the department’s significant deficiencies in meeting its mission service levels, the LAO finds spending one-time funds to upgrade DFW’s service levels to be worthwhile. The Legislature could approve the Governor’s proposal, which the LAO believes is a reasonable mix of activities that could yield multiple benefits. Alternatively, the Legislature could modify the proposal to fund a different mix of activities based on what it views to be the highest statewide priorities.

Direct DFW to Identify Special Funds to Support Hunting and Fishing License Proposal. The LAO recommends that the Legislature direct DFW to report back by May 15, 2021 with potential alternative sources of funding that oculi support this proposal. To the degree that special funds could offset some or all of the \$750,000 proposed from the GF, that freed up funding could be redirected to other GF priorities, either within DFW or in other policy areas.

Require DFW to Report Back With Long-Term Options to Address Service Deficiencies. The LAO recommends directing DFW to report to the Legislature with specific ideas for making progress on addressing the service deficiencies highlighted by the SBB review, particularly for habitat and species conservation, including options for long-term funding. This report could be incorporated into the SBB presentation DFW is required to make in legislative oversight hearings by April 2021.

Staff Recommendation. Hold open.

3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CALFIRE)
3790 DEPARTMENT OF PARKS AND RECREATION (PARKS)
3860 DEPARTMENT OF WATER RESOURCES (DWR)

Issue 30: One-Time Deferred Maintenance Allocation

Governor’s Proposal. The Governor's budget requests \$105 million GF one-time to address deferred maintenance projects that represent critical infrastructure deficiencies. More specifically, the Governor’s budget proposal includes the following appropriations for deferred maintenance:

- CalFire: \$10 million
- Parks: \$20 million
- DWR: \$75 million

The additional one-time funding is intended to reduce the deferred maintenance backlog and allow deferred maintenance projects to be completed.

Background. Deferred maintenance needs for these departments are as follows:

- **CalFire.** The department has an existing \$157 million backlog of deferred maintenance projects which includes critical infrastructure and providing basic needs such as heat, air, water, and safety system maintenance.
- **Parks.** The department currently has a deferred maintenance backlog of approximately \$1.27 billion with over 5,000 projects.
- **DWR.** The 2017 Central Valley Flood Protection Plan identified the deferred maintenance needs for continued operations of the State Plan of Flood Control flood Management system in the Central Valley at \$12 billion over 30 years (this amount may be distributed between local, state, and federal entities).

At the time of the writing of this agenda, the Administration was in the process of finalizing a list of potential projects that would be supported with this funding. Examples of the types of projects that will be funded with this proposal are as follows:

- **CalFire.** The funding requested in this proposal will help to address critical infrastructure that houses public safety staff around the clock, throughout the year. Projects include basic needs such as heat, air, water, and safety system maintenance and repairs (e.g. fire alarm control panels, smoke and carbon monoxide detectors, fire suppression systems, etc.), fixture and structural repairs, and implementation of energy retrofit programs, all to increase energy efficiency and resource sustainability and more readily achieve statewide goals.
- **Parks.** The department’s highest priority deferred maintenance projects include, but are not limited to, water and wastewater systems, parking lots, trails, roads, restrooms, utilities (such as electrical and fire suppression systems), historic structure rehabilitations and stabilizations, roofs, and bridges.

- **DWR.** Project types include Levee Rehabilitation, Storm Damage DWR Emergency Rehabilitation and State Plan of Flood Control Channel and Rehabilitation and Capacity Restoration.

The \$105 million proposed for CalFire, Parks, and DWR deferred maintenance is part of a \$250 million GF proposal for one-time deferred maintenance funding statewide. Funding is allocated for deferred maintenance by evaluating what the overall statewide need is against the amount of total one-time funding that is available. Factors considered to refine the allocation include:

- Criticality of projects – fire and life safety, ADA compliance, health and safety issues, and emergency response.
- Type of facilities involved – critical care, 24/7.
- Special needs of departments.
- Department capacity (staff /resources) to complete the projects within the three-year timeframe.
- Whether or not the department has other fund sources available for deferred maintenance funding.

According to the Administration, the number of projects a department can handle largely depends on the types of projects selected, complexity, and on how long the funding is available. The deferred maintenance allocation proposed in the 2021-22 Governor’s Budget is available for encumbrance or expenditure until June 30, 2024. The departments will have up to three years to support deferred maintenance projects with this funding and will address high priority projects during the requested time frame.

Some of these deferred maintenance projects have multiple benefits. For example, CalFire projects funded with this request would be selected based on essential operational needs and addressing the greening infrastructure goals such as facility sustainability and carbon footprint reduction. The selected CalFire projects are intended to address major operational problems and concurrently provide energy and operational efficiency and reduce long-term consumption of resources and energy use. For Parks, nearly all of the projects directly or indirectly support public access and/or have environmental benefits. DWR projects support public safety and flood risk reduction.

Staff Comments. Both the Administration and the LAO expect an estimated windfall — or one-time surplus — of \$15 to \$26 billion GF in 2021-22. A growing GF operating deficit is also anticipated in the fiscal years immediately following.

Deferred maintenance problems can grow more expensive the longer they get delayed. It also appears that these projects have multiple benefits such as improving energy efficiencies and flood protection. It may behoove the state to invest more than \$105 million in deferred maintenance with the anticipated one-time surplus and looming operating deficit in the near future considering the backlog is significantly higher for each of these departments than the appropriations proposed.

Staff Recommendation. Hold open.

3860 DEPARTMENT OF WATER RESOURCES (DWR)**Issue 31: Sustainable Groundwater Management Program**

Governor’s Proposal. The Governor’s budget requests \$60 million GF (\$30 million in 2020-21 and \$30 million in 2021-22) to continue implementation of the Sustainable Groundwater Management Program. Specifically, the requested resources are for grants to support local planning and implementation of Groundwater Sustainability Plans across critically over-drafted basins.

LAO Background. *Sustainable Groundwater Management Act (SGMA).* The three laws that make up SGMA — SB 1168 (Pavley), Chapter 346, Statutes of 2014, AB 1739 (Dickinson), Chapter 347, Statutes of 2014, and SB 1319 (Pavley), Chapter 348 — were enacted with the goal of achieving long-term groundwater resource sustainability. SGMA represents California’s first comprehensive statewide requirement to monitor and operate groundwater basins to avoid depletion.

Requirements Apply to Certain Basins. SGMA’s requirements apply to 94 of the state’s 515 groundwater basins that DWR found to be “high and medium priority” based on various factors, including overlying population, irrigated acreage, number of wells, and reliance on groundwater.

Applies Where Most Groundwater Is Pumped. The 94 high- and medium-priority basins account for 98 percent of California’s annual groundwater pumping.

Groundwater Use in Some Basins Is Critically Out of Balance. DWR has identified 21 of the basins to which SGMA applies as being “critically overdrafted” (COD), meaning a continuation of current practices likely would result in significant adverse impact.

Requires Development of Sustainability Plans. Local groundwater sustainability agencies (GSAs) — formed by a single or combination of local public agencies with existing water or land management duties — are responsible for developing and implementing long-term groundwater sustainability plans (GSPs).

Plans Define How Basins Will Achieve Sustainability. GSPs must define specific guidelines and practices to govern the use of individual groundwater basins — including both extraction and replenishment — to sustainable levels such that undesirable results are avoided. Such results include subsidence and wells going dry.

Local Agencies Developing and Beginning to Implement Management Plans. GSAs representing 19 of the 21 COD basins submitted GSPs or approved alternative plans to DWR in January 2020 and are beginning to implement strategies to manage their basins sustainably. (Two of the COD basins are involved in court adjudication to manage their basins instead of SGMA and did not submit GSPs.) The remaining high- and medium-priority GSAs must submit and begin to implement GSPs by January 2022.

Implementation Over Next Couple of Decades. COD basins must achieve the sustainability goals articulated in their GSPs by 2040, and other high- and medium-priority basins must do so by 2042.

State Has Provided Significant Funding To Support SMGA-Related Activities in Recent Years. In addition to funding for DWR staff to provide technical assistance and oversight, previous budgets have

appropriated \$140 million from Propositions 1 and 68 for grants to aid GSAs in *developing* GSPs, and \$88 million from Proposition 68 to begin *implementing* their plans.

Much of the Grant Funding Has Been Awarded. DWR has allocated all of the Proposition 1 planning grant funding, and plans to award \$26 million for COD basins to implement their GSPs via a competitive grant program in May 2021. The remaining \$62 million in Proposition 68 implementation funds — plus an additional \$10 million from Proposition 68 that the Legislature has not yet appropriated — is being reserved for non-COD basins in future years.

LAO Comments. *Proposal Addresses Important State Priority.* COD basins face the double challenge of experiencing the most severe imbalance between groundwater usage and available groundwater resources, as well as the most expedited SGMA time lines to begin addressing that imbalance. Additional funding could help facilitate success in these initial phases of SGMA implementation.

Allocation Approach Makes Sense. The proposed approach of allocating funding through the existing Proposition 68-funded competitive grant program — rather than developing a new program — would minimize administrative hurdles and help to ensure that proposed projects are assessed using a transparent selection approach consistent with the priorities in the SGMA legislation.

No Compelling Rationale for Early Action. It is unclear why expediting appropriation of half the funding a few months is essential, given these are not emergency projects and the first round of Proposition 68 is still in the process of being awarded.

Splitting Funding Adds Unnecessary Administrative Complexity. Allocating the proposed funding in two additional grant solicitations of \$30 million — compared to one solicitation of \$60 million — would add administrative complexity for the department and applications.

LAO Recommendation. *Adopt Full \$60 Million in the 2021-22 Budget.* The LAO recommends that the Legislature provide additional financial assistance to GSAs to help ensure effective implementation of SGMA, but minimize administrative complexity by appropriating all the funds in the budget year for one consolidated grant program rather than providing half of the requested funds through early action in the current year as proposed by the the Governor.

Staff Recommendation. Hold open.

SENATE SUBCOMMITTEE 2

Issue 32: Senate Subcommittee 2 Wildfire Prevention & Resilience Early Action Plan

Subcommittee 2 Proposal. The Subcommittee proposes \$554 million in early action (current year, 2020-21) to address wildfire prevention and resilience issues. Overall, the proposal includes:

- \$254.5 million Resilient Wildlands
- \$139 million Wildfire Fuel Breaks
- \$ 53 million Community Hardening
- \$10.5 million Science-Based Management
- \$13 million Forestry Sector Economic Stimulus
- \$32 million Cooling Centers, Clean Air/Hydration Shelters
- \$17 million Forest Health and Watershed Protection and Restoration
- \$35 million Fire Crews

The figure below provides a breakdown of the Subcommittee’s Wildfire Early Action Plan and shows the Governor’s wildfire proposal (with separate columns for the Governor’s plan for 2020-21 and 2021-22) for comparison.

WILDFIRES PREVENTION & RESILIENCE EARLY ACTION

(In Millions)

Category	Agency/Dept	Purpose	Governor's Early Action Plan	Govr's Budget Year Proposal	SEN. Sub 2 Early Action Plan (All GF)	Senate Sub. 2 Early Action (E/A) Plan Details
Resilient Wildlands	CalFire	Forest Health	\$5	\$20	96	
			\$65	\$80	0	
	CalFire	Forest Improvement Program for Small Landowners	\$0	\$40	20	
			\$10		0	
	CalFire	Forest Legacy & Reforestation Nursery	\$8	\$17	8	
	CalFire	Urban Forestry	\$10	\$13	10	
	CalFire	Tribal Engagement	\$1	\$19	1	
	Parks, CDFW & SLC	Stewardship of State-Owned Land	\$19	\$123	49	Governor's Plan: DFW (E/A \$9m); Parks (E/A: \$10); Sub. 2 E/A Plan: Parks — \$22m DFW — \$27m DFW — Of the \$27m, specify \$16m as follows: \$2m - Equipment \$4.8m - 12 PY for 2-year limited-term to help expedite environmental review and permitting.

						<p>\$3.5m - Hire contractors to work on DFW land.</p> <p>\$5.5 - Temp help (seasonal crews) Extend encumbrance periods for both DFW & Parks for 18 months (for this as well as other categories).</p> <p>Add BBL/TBL to expedite contracting and procurement similar to provision in 2014 Executive Order for droughts — Address review timelines and delays with DGS procurement and contracting processes — "To ensure that equipment and services necessary to wildfire prevention be procured quickly, the provisions of Government Code and the Public Contract Code applicable to state contracts, including but not limited to, advertising and competitive bidding requirements are suspended. Approval by the Dept. Of Finance is required prior to execution of any contract entered into pursuant to these directives."</p>
	Sierra Nevada Conservancy		\$20	\$50	25	
	Tahoe Conservancy		\$1	\$11	3	
	Santa Monica Mountains Conservancy		\$0	\$0	12	
	San Gabriel & Lower LA Rivers & Mountains Conservancy		\$0	\$0	18.5	<p>\$4.5m for River Wilderness Park Phase 1 improvements including restoration/enhancements of site inclusive of native plants, bioswales, and permeable paving.</p> <p>\$2m for San Gabriel Mountains River Ranger Pilot Program partnership with US Forestry Service, Nature4All, council for Watershed Health (\$2m total, \$500,000 annually for 4-year limited term).</p>
	State Coastal Conservancy				12	
Wildfire Fuel Breaks	CalFire	CalFire Unit Fire Prevention Projects	\$10	\$40	30	
	CalFire	Fire Prevention Grants	\$50	\$80	30	
	CalFire	Prescribed Fire & Hand Crews	\$15		25	
				\$35	0	
	CA Conservation Corps	Forestry Corps	\$0	\$15	15	
			\$5	0		

	DOC	Regional Forest & Fire Capacity	\$25	\$60	39	Of the \$39m, specify \$16m for demonstration projects in upper watersheds with an emphasis on water supply and quality — Combo of special treatment strategies as well as monitoring systems to capture the benefit. Make available broadly to watersheds that serve as "significant sources." This will bring projects in North Coast, Southern Sierra, San Bernardino National Forest, and Central Coast. Add BBL: "Of the funds provided in this section, \$16 million shall be available for upper watershed restoration demonstration projects within watersheds that are a significant source of water supply for the state and have an emphasis on achievement of water supply or water quality benefits. Funding made available by this section shall be available for encumbrance or expenditure until June 30, 2023."
Community Hardening	CalOES & CalFire	Home Hardening (Senate Plan: Prehazard mitigation grants for early warning/evacuation systems, fire and disaster response planning, infrastructure, structural hardening, microgrids)	\$25	\$0	49	
	CalFire	Defensible Space Inspectors	\$0	\$6	1	
	CalFire/UC	Land Use Planning and Public Education Outreach	\$0	\$7	3	
Science-Based Mgmt.	CalFire	Ecological Monitoring, Research & Adaptive Management	\$3	\$17	6.5	
	NRA	Remote Sensing	\$0	\$15	3	
	ARB	Permit Efficiencies	\$0	\$4	1	
Forestry Sector Econ Stimulus	lbank	Climate Catalyst Fund	\$47	\$2	5	
	CalFire/Workforce Development Board	Workforce Development (Senate: Career development for fire prevention, management, emergency response, restoration, etc.)	\$6	\$18	8	
	OPR	Market Development	\$3	\$0	0	
	OPR	Cooling centers, clean air/ hydration centers, emergency shelters, backup solar - GF			32	
	WCB	Forest health and watershed protection and restoration			17	

	CalFire	Increase Fire Crews			35	The Senate proposal is related to the Governor's BCP for "CalFire Emergency Response & Preparedness: CalFire/Conservation Corps Fire Crews," which adds CalFire and CCC fire crews. The Senate proposes to begin adding the 16 CalFire fire fighter hand crews in 2020-21. (\$35m in 2020-21 and \$137.3m 2021-22, \$116.3m in 2022-23 and ongoing).
		TOTAL	\$323	\$677	\$554	

Blue = GOV - GF
 Green = GOV - Greenhouse Gas Reduction Fund

Staff Comments. A few notes about the Subcommittee’s proposed Wildfire Early Action Plan:

- **Stewardship of State-Owned Land.** The Subcommittee’s proposal includes \$22 million for Parks and \$27 million for DFW. Both of these departments own land throughout the state. Parks owns 1.5 million acres, 94 percent of which is managed for natural resource values. DFW owns one million acres of land throughout the state, of which 900,000 acre are in high- and extremely high fire risk zones. Vegetation management on DFW lands provides an economic opportunity throughout the state to hire local entities to do the work through contracting and individuals for seasonal crews. The Senate proposal includes a total of \$27 million for DFW and specifies \$16 million of which to be appropriated as follows:
 - \$2 million for equipment.
 - \$4.8 million for 12 personnel years (PYs) for a two-year limited-term to help expedite environmental review and permitting (\$200,000 annually for each PY).
 - \$3.5 million to hire contractors to work on DFW land.
 - \$5.5 million for to hire a seasonal crews (temp help).
 - Extends the encumbrance periods for DFW and Parks for 18 months.
 - Adds language to expedite contracting and procurement similar to a provision in the Executive Order for droughts in 2014, which addresses review timelines and delays with DGS procurement and contracting processes.
- **Conservancies.** The Subcommittee’s proposal includes \$70.5 million funding for conservancies. This will help ensure that a variety of natural lands throughout the state will benefit from wildland resilience funding.
- **Regional Forest and Fire Capacity (RFFC) Program.** The Subcommittee’s proposal includes \$39 million, of which \$16 million is for demonstration projects in upper watersheds with an emphasis on water supply and quality. This would include a combination of special treatment strategies as well as monitoring systems to capture the benefit. Most of the demonstration projects have been more in the wildland-urban interface or focused on vegetation treatment, so this proposal adds a new dimension to the RFFC program. This funding would specifically go towards projects that focus on the water benefit. This may also help encourage water agencies partners that want to help but simply do not know how. Among other places, this funding could benefit projects in the North Coast, Southern Sierra, San Bernardino National Forest, and Central Coast regions.

- ***CalFire Increase of Fire Crews.*** The Subcommittee’s proposal includes \$35 million in 2020-21 and \$137 million in 2021-22 and \$116.3 million in 2022-23 and ongoing. This is based off of the Governor’s January budget change proposal, “CalFire Emergency Response & Preparedness: CalFire/California Conservation Corps (CCC) Crews.” The Governor’s BCP requests a total of \$143.266 million GF in 2021-22 and \$124.493 million GF (phased in over five years) and 617 positions ongoing, to add 30 additional hand crews to provide vegetation management, hazardous fuel reduction projects, and wildland fire suppression. More specifically, the Governor’s request includes 16 CalFire Fire Fighter crews, eight year-round CCC crews, and six seasonal CCC crews. The Subcommittee proposal would adopt the CalFire portion of the Governor’s proposal earlier (during the current year, 2020-21) than requested by the Governor (budget year, 2021-22).

Staff Recommendation. Direct the Subcommittee Chair, along with the Budget Chair and the support of the President pro Tempore, to engage in negotiations with the Administration and counterparts in the Assembly on the subject of an Early Action Wildfire package. The Subcommittee Plan outlined in agenda item shall be the basis for the Subcommittee Chair’s negotiation, but the dollar amounts listed should not be considered a ceiling. The ultimate goal of this subcommittee is to approve a “three party agreement” that provides resources in the current fiscal year to meaningfully improve the state’s ability to mitigate the impacts of wildfires through the 2021-22 budget year and beyond. Nothing in this motion should be construed to impart that Early Action on wildfire items will negate the need for significant and meaningful commitment of resources to combat wildfires from also being included in the Budget Act of 2021.

CALIFORNIA LEGISLATURE

STATE CAPITOL
SACRAMENTO, CALIFORNIA
95814

SENATE TRANSPORTATION COMMITTEE & SENATE BUDGET SUB-COMMITTEE #2 JOINT INFORMATIONAL HEARING

CALIFORNIA'S ZERO EMISSION VEHICLE STRATEGY

APRIL 9, 2021
2:30PM
AGENDA

I. Welcome and Opening Remarks

- Senator Gonzalez, Chair, Senate Transportation Committee
- Senator Wieckowski, Chair, Budget Subcommittee 2 - Resources, Environmental Protection, Energy and Transportation

II. Defining the magnitude of the effort needed

- Ross Brown, Principal Fiscal & Policy Analyst, Legislative Analyst's Office
- Simon Mui, Deputy Director, Clean Vehicles & Fuels Group, Climate & Clean Energy Program, Natural Resources Defense Council
with Chuck Shulock, President, Shulock Consulting

III. Administrative actions to bridge the gap

- Tyson Eckerle, Deputy Director, Zero Emission Vehicle Market Development at the Governor's Office of Business and Economic Development
- David Hochschild, Chair, California Energy Commission
with Hannon Rasool, Deputy Director Fuels & Transportation Division, CA Energy Commission
- Liane M. Randolph, Chair, California Air Resources Board
- Clifford Rechtschaffen, Commissioner, California Public Utilities Commission

IV. Perspectives on prioritization

- Stephen Ritchie, Director, UC Institute of Transportation Studies & Professor of Civil and Environmental Engineering, UC Irvine
- Meredith Alexander, Policy Director, CALSTART
- Bill Magavern, Policy Director, Coalition for Clean Air

V. Public Comment

Senator Bob Wieckowski, Chair
Senator Brian Dahle
Senator Mike McGuire
Senator Henry I. Stern



Thursday, April 29, 2021
Upon Adjournment of Floor Session
State Capitol - Room 3191

Consultant: Joanne Roy

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SENATE BUDGET PLAN ON DROUGHT, SAFE DRINKING WATER, WATER SUPPLY RELIABILITY, AND RATEPAYER ASSISTANCE		20
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DISCUSSION

3960 DEPARTMENT OF TOXIC SUBSTANCES CONTROL (DTSC)

Issue 1: DTSC Governance and Fiscal Reform (BCP and TBL)

Governor's Proposal. The Governor's budget requests for the following:

- \$3 million one-time General Fund and 15 positions to establish the Board of Environmental Safety (BES) and Ombudsperson Office within DTSC.
- Statutory changes to: (1) revise the Environmental Fee rates and the hazardous waste fee rates and structure and (2) authorize the BES to set future fee rates under a capped fee-setting authority, based on appropriations by the Legislature.
- \$22.5 million one-time General Fund backfill for the Hazardous Waste Control Account (HWCA).
- \$13 million one-time General Fund backfill for the Toxic Substances Control Account (TSCA).
- \$300 million General Fund one-time to investigate and clean up brown fields across the state, with a special focus on remediation sites to develop new housing.

This proposal is complex. The Legislative Analyst's Office (LAO) provides more details about the main components of the Governor's proposal (BES, HWCA, TSCA, and brownfields cleanup), as follows:

Board of Environmental Safety (BES)

BES. The budget trailer legislation to establish the BES within DTSC includes a five-member board composed of a full-time chairperson and four part-time paid members. Additionally, the board would be supported by 12 staff performing a combination of technical and administrative duties. Beginning in January 2022, the BES would be required to conduct no fewer than six public meetings per year. The Governor's proposed budget trailer legislation specifies the board's responsibilities, including the following functions:

- *Set Annual Charges for HWCA and TSCA Based on Budgeted Appropriations.* BES would adopt regulations to establish a schedule of charges for (1) hazardous waste facilities, generators, and handlers subject to HWCA charges and (2) entities subject to the tax that supports TSCA. The board would be authorized to update these charges annually beginning in 2023-24, based on legislative changes to appropriation levels.
- *Hear and Decide Permit Appeals.* BES would hear and decide appeals of hazardous waste facility permit decisions made by DTSC.
- *Provide Opportunities for Public Hearings.* BES would be required to hold public hearings on DTSC's actions pertaining to individual permitted or remediation sites.
- *Provide Direction to DTSC.* BES would review and approve the director's annual priorities — including performance metrics — for each of DTSC's programs. The director would provide

annual updates to the board on the department's progress towards meeting these priorities.

- *Develop a Multiyear Schedule for Discussion of Long-Term Goals.* BES would discuss long-term goals for various components of DTSC's operations, including improvements to (1) the efficiency of DTSC's hazardous waste facility permitting process, (2) DTSC's ability to meet its duties and responsibilities, (3) the site mitigation program and how contaminated properties are prioritized for cleanup, and (4) DTSC's implementation of its enforcement activities.
- *Provide Ombudsperson Services to the Public and Regulated Community.* The legislation would establish an Office of the Ombudsperson within the board to (1) receive complaints and suggestions from the public, (2) evaluate complaints, (3) report findings and make recommendations to the director and the board, and (4) provide assistance to the public when appropriate.
- *Annual Report to Secretary of California Environmental Protection Agency (CalEPA).* The board would be required to transmit to the Secretary of CalEPA an annual review of the department's performance.

Governor's Proposal Includes Several Policy Changes. The Governor's proposed trailer bill legislation also includes several policy changes for the department. These changes would implement the following: (1) require the department to update a state hazardous waste management plan by March 2027 and every three years thereafter; (2) accelerate time lines for the department to complete hazardous waste facility permit renewals, as well as implement other accountability measures; and (3) strengthen financial assurance requirements for entities that handle hazardous waste.

HWCA

General Fund Transfer to Address HWCA Shortfall in 2021-22. The Governor's budget proposes to transfer \$22.5 million from the General Fund in 2021-22 to keep HWCA solvent. This would allow DTSC to continue its regulatory activities at existing levels in the budget year. Short-term funding is needed since the proposal to raise HWCA charges would not take full effect in the budget year, resulting in a lag before sufficient new revenues materialize. With the proposed augmentation, HWCA would begin 2021-22 with an estimated fund balance of \$8.6 million and end the year with an estimated balance of \$1.3 million.

HWCA Charge Restructure and Increases to Take Effect in 2022-23. The Governor proposes budget trailer legislation that would make four significant changes to the existing HWCA fee structure:

- Replace the existing generator, disposal, Environmental Protection Agency (EPA) identification verification, and manifest user fees with a new generation and handling fee. The new generation and handling fee would be based on a price-per-ton model — instead of the current tiered model — and set at \$46 per ton.
- Increase the existing facility fees. The primary facility fees would more than double under the Administration's proposal.
- Eliminate various exemptions for which entities are subject to paying the charges.
- Revise the timing of payments to coincide with the fiscal year in which the Legislature appropriates DTSC's funding (rather than by calendar year, which is how current payments are structured).

These changes would take effect in 2022 and provide additional revenue for 2022-23. The Administration estimates that its proposal would provide an additional \$49.6 million for HWCA starting in 2022-23, more than doubling the amount of revenue from the existing fees, enough to close the structural deficit and to accommodate new spending.

Eliminates Some Exemptions, but Continues to Exempt Smaller Generators From Paying. The Governor's proposal would eliminate various exemptions that currently exist for both the facility and generator fees. For example, current exemptions for entities that handle used oil would be eliminated under the new generation and handling fee. However, the proposal would continue to allow entities that generate less than five tons of hazardous waste per year to be exempt from paying the generation and handling fee. This is a change from the Governor's 2020-21 proposal, which would have removed that exemption. DTSC's states it is proposing to retain this exemption to minimize the economic impact on small businesses that are recovering from the pandemic. Moreover, DTSC indicates that the administrative costs associated with collecting payments from these smaller generators would outweigh the revenues it estimates it could collect. Because the proposal retains this exemption, the Administration believes that a vote on the HWCA reform package would require a two-thirds vote of the Legislature.

Revenue Increases Address Structural Deficit and Provide for Additional Program Spending. The Administration intends to use the additional \$49.6 million in new HWCA revenues to (1) address the structural deficit in the fund (\$22.5 million), (2) provide additional funding to address resource gaps identified in the department's workload analysis (\$22.5 million), (3) build reserve levels within the fund (\$3.1 million), and (4) provide ongoing funding for administrative costs related to the new board (\$1.5 million). The amounts intended to be used for increased programmatic expenditures and the board reflect the department's current estimates. However, the use of these funds would need to be authorized in the 2022-23 budget based on proposals submitted to and approved by the Legislature. That is, the proposal currently before the Legislature would authorize charge increases to *generate* an additional \$22.5 million for the workload expansions but not the authority to *spend* those revenues.

New Board Would Establish Future HWCA Charge Levels According to Appropriation Authority Set by Legislature. The Governor would grant the proposed BES with authority to set charge levels for HWCA in future years beginning in 2023-24. This would allow revenues to keep pace with growth in DTSC's regularly workload. Specifically, the board would set charges annually to align HWCA's revenues with the amount of expenditures authorized by the Legislature through the annual budget act. The Administration indicates that the board would hold public meetings following the release of the Governor's January budget and May Revision to discuss how proposals would affect the level of charges, with adjustments officially being made in the fall after the budget act is passed. While the board would have the authority to set these charges annually, the Administration's proposed language sets a maximum level for each charge. These caps would be set two times higher than the rates being proposed in 2022-23. For instance, the initial rate for the generation and handling fee would be set at \$46 per ton, and the maximum charge level would be set at \$92 per ton. The caps would be adjusted annually for inflation according to the Consumer Price Index beginning in 2024-25. If in some future year BES has set a charge levels at the maximum allowable amount and finds that revenues are insufficient to meet DTSC's regulatory workload and legislatively authorized expenditure levels, then the Legislature would need to take additional action to authorize higher charges.

TSCA

General Fund Transfer to Address TSCA Shortfall in 2021-22. The Governor's budget proposes to transfer \$13 million from the General Fund to keep TSCA solvent while the proposed tax increase is being implemented. Short-term funding is needed due to a lag between when the proposed changes to

the environmental fee would take effect and when the revenues will materialize. With the proposed funding, TSCA would begin the 2021-22 fiscal year with an estimated balance of \$13.4 million and end the year with estimated reserves of \$3.1 million.

TSCA Tax Restructure and Increase to Take Effect in 2022-23. The Governor proposes budget trailer legislation that would make two significant changes to the environmental fee to take effect in 2022: (1) exempt businesses with fewer than 100 employees from paying the tax (extending the existing exemption to businesses with 50 to 99 employees) and (2) increase tax rates for businesses with more than 500 employees. The Governor would maintain existing tax rates for businesses with 100 to 499 employees. Additionally, the proposal would revive the timing of payments to coincide with the fiscal year in which the Legislature appropriates DTSC's funding (rather than being charged on a calendar-year basis). The Administration estimates that the resulting changes would provide an additional \$54.6 million for TSCA beginning in 2022-23.

Certain components of this proposal differ from what the Governor proposed for TSCA in 2020-21. Specifically, the previous proposal included rate increases for all businesses that currently pay the tax. The Administration has indicated that the decision to exempt smaller businesses from paying the environmental fee and to maintain existing rates for midsized businesses primarily is to reduce their economic impacts as they are recovering from the effects of the pandemic.

Revenue Increases Address Structural Deficit and Provide for Additional Program Spending. The Administration intends to use the additional \$54.6 million in new TSCA revenues to (1) provide additional funding to address resource gaps identified in the department's workload analysis (\$36.5 million), (2) address the structural deficit in the fund (\$13 million), (3) build reserve levels within the fund (\$3.6 million), and (4) provide ongoing funding for administrative costs related to the new board (\$1.5 million). The amounts intended to be used for increased programmatic expenditures would need to be authorized in the 2022-23 budget based on proposals submitted to and approved by the Legislature.

New Board Would Establish TSCA Tax According to Appropriation Authority Set by Legislature. As with HWCA, the Administration would task the new BES with ongoing authority to set future tax rates for TSCA beginning in 2023-24. The board would adjust the tax annually to align TSCA's revenues with the expenditure authority the Legislature includes in the budget act. The Administration indicates that BES would hold public meetings following the release of the Governor's January budget and May Revision to discuss how proposals would affect the environmental fee, and the board would make adjustments in the fall after the budget act is passed. The Administration's proposed language also sets a maximum level for the tax. The caps would be set two times higher than the initial rates being reposed for 2022-23. For instance, the initial rate for businesses with more than 1,000 employees would be \$56,000 per year, but the maximum level would be set at \$112,000 per year. The cap would be adjusted annually for inflation according to the Consumer Price Index beginning in 2024-25. Once the cap is reached, the Legislature would have to take action to authorize additional tax increases to align with higher expenditure levels.

Brownfields Cleanup

\$300 Million for Brownfield Activities and Workforce Development. The Governor's proposal includes one-time General Fund resources to address brownfields, to be allocated in the following ways:

- ***State Investigations and Brownfield Cleanups (\$220 Million).*** DTSC would use these funds to investigate and clean up various projects where no financially viable responsible party can be

found. The department estimates this funding would enable it to take action on 170 additional sites over the next four years.

- **Brownfield Grant Program (\$76 Million).** The Governor proposes to establish a new competitive grant program to provide funding to local governments, tribes, nonprofit organizations, and private entities primarily to investigate as well as clean up brownfield sites. The department estimates it could provide 130 grants over the next four years with this funding.
- **Workforce Development (\$4 Million).** The proposal would establish a new workforce development program. The funding would go to various organizations (such as technical schools and community-based organizations) to train individuals to perform environmental remediation work, such as site sampling technicians.

Funding Would Focus on Communities That Are Disproportionately Burdened by Contamination. The proposal indicates that funding for all three components will be targeted for “environmental justice (EJ) communities” that are burdened by multiple sources of pollution and are disproportionately vulnerable to their effects. Because the state has not defined EJ communities in statute, DTSC indicates that it will develop a working definition for such neighborhoods for the purposes of targeting this funding.

Proposal Seeks to Address State’s Housing Shortage. DTSC indicates that its proposal has two primary goals—(1) to investigate and clean up contaminated sites in EJ communities and (2) to develop these sites for future housing. The latter is to help address the state’s severe shortage of affordable housing.

Funding Would Be Contingent on Adoption of Governance and Fiscal Reform Package. The Administration has indicated that it views funding for this proposal to be contingent upon the enactment of the Governor’s governance and fiscal reform package for DTSC. That is, the Governor indicates that he will support inclusion of this \$300 million for addressing brownfields only if the Legislature also approves his proposals to add a new governing board and increase the HWCA and TSCA charges.

Background. DTSC Has Three Major Program Areas. DTSC is responsible for protecting public health and the environment by overseeing the state’s response to releases of hazardous substances and disposal of hazardous waste. DTSC investigates, removes and remediates contamination as part of that mission. DTSC operations fall under three major program areas:

1. **Site Mitigation and Restoration Program.** This program is responsible for the cleanup and restoration of contaminated sites throughout the state; including legacy landfills (e.g., Stringfellow Acid Pits and the BKK Landfill), the Santa Susana Field Lab, military bases, former industrial properties, and school sites. It is funded primarily by TSCA.
2. **Hazardous Waste Management Program.** This program is responsible for several important DTSC functions. It issues permit decisions for proposed new hazardous waste facilities and the approximately 110 existing hazardous waste facilities in California that treat, store, and dispose of hazardous waste. The program’s staff conducts inspections and takes enforcement actions to ensure compliance with hazardous waste laws and regulations. This program oversees the hazardous waste generator program. In addition, it provides hazardous waste management-related policy support, regulatory and statutory interpretation, financial assurance, and data management support for internal and external stakeholders. The program also provides emergency response support for hazardous materials-related emergencies throughout California.
3. **Safer Consumers Products and Workplaces Program.** This program is responsible for reducing toxic chemicals in consumer products, creating new business opportunities in the emerging green

chemistry industry, and helping consumers and businesses identify what chemicals are in the products they buy. Through this program, DTSC identifies and prioritizes chemicals of concern in consumer products, evaluates alternatives, and specifies regulatory responses to reduce chemicals of concern in products.

Funding Sources for DTSC. DTSC's funding comes primarily from HWCA and TSCA:

- HWCA is a repository for revenues from cost recovery activities and fees paid by various hazardous waste generators, transporters, and facilities. With the exception of the Activity Fee for Permitting, the rest of the fees were last amended in statute in 1998 or earlier. The fees collected and deposited into HWCA are:
 - Generator fee (constitutes 45 percent of HWCA)*
 - Disposal fee (constitutes 10 percent of HWCA)*
 - Facility fees (constitutes 9 percent of HWCA)*
 - EPA ID Verification (constitutes 9 percent of HWCA)**
 - Manifest fees (constitutes 4 percent of HWCA)**
 - Transportable Treatment Unit fee***
 - Cost recovery activities
 - Fee for service for Permitting

**These fees are subject to an annual CPI adjustment and are collected by the California Department of Tax and Fee Administration.*

***These fees are not subject to an annual CPI adjustment and are collected by DTSC.*

****This fee is subject to an annual CPI adjustment and is collected by DTSC.*
- TSCA is a repository for revenues from cost recovery, penalties, interest, and the Environmental Fee. Revenues from the Environmental Fee constitutes 80 percent of TSCA with the rest making up the remaining 20 percent. The Environmental Fee was established in 1989 and is subject to an annual CPI adjustment.

Both HWCA and TSCA Have Been Operating With a Structural Deficit. Expenditures out of HWCA and TSCA has exceeded revenues for many years. HWCA became insolvent in fiscal year 2018-19 and TSCA became insolvent in fiscal year 2019-20. A number of factors contribute to the operating structural deficit in both accounts. They include increasing legislative mandates, an outdated fee structure that no longer corresponds to the proportion of waste generated or disposed, increasing costs relating to the state obligated cost share for National Priority List sites, and a backlog of unresolved response costs worth approximately \$194 million at over 1,600 cleanup sites over a 25-year period.

General Fund Backfills for Both Accounts. The Budget Act of 2019 provided HWCA with \$27.5 million in General Fund to backfill the shortfall and maintain existing operations. The Budget Act of 2020-21 included \$12 million in General Fund for TSCA to backfill the shortfall and maintain existing operations. In the Governor's proposed budget for 2021-22, \$22.5 million in General Fund is proposed to backfill HWCA and \$13 million in General Fund is proposed to backfill TSCA.

In Addition to Its Fiscal Deficiencies, DTSC Has Been Criticized for Lack of Transparency and Ineffective Implementation of Its Statutory Mandates. Specific incidents across California have exposed and continue to expose failings in DTSC's implementation of its core programs, as well as its support programs. Such incidences include the mishandling of the hazardous waste facility permitting and enforcement of Exide and the Quemetco battery recycling facilities; delayed site remediation; failed public participation and transparency activities; and personnel issues have all led to decreased

stakeholder confidence and public trust in DTSC's ability to meet its mandate to protect public health and the environment.

In August 2014, the State Auditor issued a report citing DTSC's neglected cost-recovery efforts. According to the audit, DTSC failed to collect an estimated \$194 million in cleanup costs from polluters since 1987, failed to send out nearly \$142 million in bills, and for the \$52 million in assessments the DTSC did mail, but never collected.

Furthermore, community groups that live near hazardous waste facilities are concerned that DTSC is not properly enforcing state and federal law and is allowing facilities that have numerous violations of state law and regulation, or have an expired permit, to continue to operate. Due to a growing backlog of applications to renew hazardous waste permits, many facilities are operating on "continued permits." These facilities operating on a continued permit are likely using outdated technologies, practices, and safeguards and are potentially releasing hazardous wastes into the environment.

Over the past five years DTSC has sought to reduce the permit backlog for hazardous waste facilities. In 2014 the Legislature appropriated additional limited-term staff to help reduce the permit backlog, noting there were 24 continued permits. Despite those limited-term positions, as of January 2019, there were 29 continued operating permits – with four of those being expired for a decade or more.

Additionally, the regulated community is concerned about the length of time it takes DTSC to process a permit, with processing a permit extending years beyond the expiration date of their permit, which impacts the costs associated with processing a permit.

DTSC Conducted a Workload Analysis to Establish the Resources Needed to Meet DTSC's Statutory Mandates. To support discussions on the activities DTSC should be performing to increase its protection of public health and the environment, DTSC analyzed its resources for core programs and released a report on its findings in January 2021. The data include current staffing levels, available employee hours, and program deliverables, such as total number of permits issued, facilities investigated, and sites cleaned. The analysis also identifies areas where DTSC has made significant improvements in how it delivers its programs. The analysis provides transparency on how DTSC is using its current resources and where it is insufficiently resourced to deliver on its mission and statutory authorities. The following activities were identified in the Executive Summary of the Workload Analysis as the highest priority activities that are under-resourced:

- Pollution Prevention
- Hazardous Waste Transporter Inspections and Oversight
- Permitted Facilities and Violation Scoring Procedures
- Enforcement
- Orphan Site Cleanup and Site Discovery

One of the primary challenges for the department has been adequate funding for these activities. As noted in the report, DTSC's responsibilities have grown significantly since 1991, but the department's staffing levels have remained relatively stagnant. The report states that over time, DTSC's ability to carry out its mission has been compromised by the combination of unfunded additional statutory and regulatory authorities, fiscal constraints, and a static fee structure — Most of the fees that support DTSC's programs were last updated in statute in 1998, yet 92 statutory authorities and mandates have been adopted since that time. Because the existing fee structure was not developed to cover DTSC's current responsibilities and program costs, the department has struggled to deliver services aligned with its statutory duties.

Brownfields Cleanup. The LAO has provided the following background on brownfields cleanup:

Likely Tens of Thousands of Brownfields Across the State. The term brownfield generally describes a property that is underutilized due to the presence or potential presence of a hazardous substance, pollutant, or contaminant. Common examples of brownfield sites are former dry cleaners, gas stations, and chemical storage facilities. According to a report from DTSC, there are roughly 15,000 known contaminated sites across California. However, these numbers likely underestimate the number of brownfields in the state given the difficulty in estimating the number of properties that are underutilized as a result of *suspected* contamination. Some research estimates that this number could be between 150,000 to 200,000 sites.

Brownfields Have Disproportionate Impact on Low-Income Communities of Color. Studies have shown that brownfield sites are disproportionately located in neighborhoods that have lower average incomes and more people of color. Brownfields negatively impact these communities in two ways. First, brownfields can affect public health in surrounding communities if contamination is able to spread through air or water. Second, the presence or even perception of contamination at brownfield sites often hinders redevelopment because parties interested in developing a property are concerned with its associated cleanup costs—which can reach hundreds of thousands of dollars or more—and potential liability issues. This results in these sites being underutilized—particularly in economically disadvantaged communities that already struggle to receive private investment.

DTSC Addresses Brownfields Through a Variety of Programs. DTSC administers several programs to address brownfields, some of which are supported by funding from the United States Environmental Protection Agency (US EPA). DTSC’s major brownfield programs include the following:

- ***Site Mitigation and Restoration.*** DTSC investigates sites with known or suspected contamination and ensures removal or control when contamination is found. DTSC has the authority to issue orders to require responsible parties to cooperate with site investigations and remediation. State and federal funds are used when a site lacks a known or financially viable responsible party.
- ***Voluntary Cleanups.*** Voluntary cleanups are initiated by motivated parties, such as developers, local agencies, or nonprofit organizations, to investigate and remediate brownfield sites and reimburse DTSC’s oversight costs.
- ***Grants and Loans.*** DTSC offers loans and grants—largely supported by US EPA funding—to assist with addressing environmental investigations and cleanups at properties throughout the state. Grants can provide up to \$200,000, while loans can provide up to \$2.5 million. Funding is generally available for local governments, tribes, nonprofit organizations, and private entities.

Related and Past Legislation.

SB 42 (Wieckowski) establishes a Board of Environmental Safety within DTSC. This bill is pending before the Senate Environmental Quality Committee.

AB 1 (Garcia) creates the Board of Environmental Safety within the CalEPA to provide policy direction to and oversight of DTSC and raises and recasts existing fees within the Hazardous Waste Control Account (HWCA). This bill is pending before the Assembly Environmental Safety and Toxic Materials Committee.

AB 995 (Garcia, 2020) would have created the Board of Environmental Safety within the CalEPA to provide policy direction to and oversight of DTSC and would have raised and recast existing fees within HWCA. This bill was vetoed by the Governor.

AB 2094 (Kalra, 2018) would have required DTSC to, on or before January 1, 2021, adopt regulations establishing inspection frequencies for permitted hazardous waste treatment, storage, and disposal facilities; hazardous waste generators; and, transporters. This bill was held in the Senate Appropriations Committee.

AB 2345 (Reyes, 2018), as it was heard before the ESTM Committee, would have made statutory changes to improve the process for the permitting of hazardous waste facilities. This bill was later amended to require the California Energy Commission to require each large electrical corporation to establish a tariff or tariffs that provide for bill credits for electricity generated by eligible renewable generating facilities and exported to the electrical grid. This bill was held in Senate the Rules Committee.

AB 2606 (Fong, 2018) would have required DTSC to process a hazardous waste facility renewal permit in an expedited manner if DTSC determines certain conditions apply. This bill was held in the Senate Appropriations Committee.

AB 248 (Reyes, 2017) would have made statutory changes to improve the permitting process for hazardous waste facilities. This bill was vetoed by the Governor.

AB 1179 (Kalra, 2017) would have required DTSC to, on or before January 1, 2020, adopt regulations establishing inspection frequencies for permitted hazardous waste treatment, storage, and disposal facilities and for hazardous waste generators and transporters. This bill was vetoed by the Governor.

SB 774 (Leyva, 2017) as it was heard before the ESTM Committee, would have created the California Toxic Substances Board within DTSC to provide oversight of California's hazardous waste management and the remediation of contaminated sites. This bill was later amended to require the California State University Trustees to oversee a competitive process to award funds to the Wildland and Wildland Urban Interface Wildfire Research Grant Program and appropriate \$5 million from the General Fund to the Trustees in order to oversee the program. This bill was vetoed by the Governor.

SB 812 (De León, 2014) would have modified the permitting process and public participation requirements for hazardous waste facilities. Would have established a Bureau of Internal Affairs to oversee DTSC and investigate departmental misconduct and a DTSC Citizen Oversight Committee to receive and review allegations of misconduct. This bill was vetoed by the Governor.

LAO Comments. The LAO provides the following assessments about this proposal:

BES

Concept of Establishing a Board Has Merit. A board that holds regular public meetings could improve transparency around DTSC's operations and provide the public and stakeholders with a regular venue to raise issues and discuss their concerns. The board structure could also help to promote greater accountability by requiring the DTSC director to regularly report on the department's progress towards meeting annual priorities and long-term goals.

Governor's Proposed Board Differs Somewhat From Legislature's Approach. While largely mirroring the board structure the Legislature would have established through AB 995 (C. Garcia), which was

vetoed last year, the board proposed by the Governor would differ from the Legislature's approach in the following ways:

- ***Board Would Establish Future Charge Levels for HWCA and TSCA.*** The Legislature's approach required the Secretary of CalEPA to convene a task force to review the revenue structures that support HWCA and TSCA and to report recommendations to the Legislature for future changes through the budget process. In contrast, the Governor's proposal empowers the board to make future changes based on legislative appropriation levels.
- ***Board Would Be Under DTSC, Not CalEPA.*** The Legislature's approach would have had the board report directly to the Secretary of CalEPA, whereas the Governor proposes having the board housed within DTSC.
- ***Board Member Appointments Would Not Require Legislature's Approval.*** The Governor would not require any of the five board members to be appointed by the Legislature or receive Senate confirmation, whereas the Legislature's approach would have required that three board members be subject to Senate confirmation, one member be appointed by the Senate Rules Committee, and one member be appointed by the Speaker of the Assembly.
- ***Board Member Qualification Requirements Slightly Different.*** The Governor would require one board member to be selected from the general public, whereas the Legislature's approach would have required professional qualifications for all members.
- ***No Annual Report to the Legislature.*** Assembly Bill 995 would have required the board to transmit to the Legislature and the Secretary of CalEPA an annual review of the department's performance measured against the board's objectives, whereas the Governor's proposal only requires reporting to the Secretary of CalEPA.

Governor's Proposal Excludes Components That Could Increase Transparency and Accountability to Legislature. Three of the AB 995 provisions that the Governor's proposal leaves out could provide opportunities to increase the proposed board's accountability and transparency to the Legislature. Specifically, the Governor's approach denies the Legislature the opportunity to (1) appoint board members, (2) vet and approve the Governor's board appointees through the Senate confirmation process, and (3) be provided a required annual report on DTSC's performance. Given that increasing oversight over DTSC has been a high priority for the Legislature, these differences contained in the Governor's proposal would limit the extent to which a new board would reflect *legislative* priorities and enable the Legislature to stay informed about DTSC's progress.

Governor's Proposal Now Reflects Some Other Legislative Priorities. The Governor's 2021-22 proposal incorporates many of the policy changes that were adopted in AB 995 that were not included in the Administration's approach from last year, such as requiring DTSC to update the statewide hazardous waste management plan. The inclusion of these changes better aligns the Administration's proposal with priorities that the Legislature has previously identified as being important reform measures for DTSC.

HWCA

HWCA Primarily Funds DTSC's Regulatory Activities. HWCA is one of the department's two major special funds. The fund primarily supports the department's Hazardous Waste Management Program, which regulates the generation, storage, transportation, and disposal of hazardous waste through permitting, compliance monitoring, and enforcement of noncompliance.

HWCA Receives Revenues From Several Fees. HWCA currently receives revenues from various fees levied on hazardous waste generators, waste disposal entities, and other facilities that handle hazardous waste. The amounts charged ranges due to differing rate structures. For instance, the generator fee is an

annual charge that is tiered based on the amount of hazardous waste an entity generates. While these charges generally are applied to the different categories of businesses displayed in the figure, in some cases exemptions apply. For example, hazardous waste generators that generate fewer than five tons of waste annually are not required to pay the generator fee. Major revenue sources for HWCA totaled about \$47 million in 2019-20 and are anticipated to be roughly the same amount in 2020-21. Combined with revenues from other sources, such as cost recovery charges, total revenues for HWCA were roughly \$56 million in 2019-20—not including the General Fund backfills.

HWCA Faces Structural Imbalance. In recent years, the growth in expenditures from HWCA has outpaced the growth in revenues, creating a structural imbalance in the fund. The Administration indicates these trends are primarily due to increasing statutory requirements and responsibilities for the department, as well as increasing operational costs that have exceeded inflationary adjustments to the fees that support HWCA. For instance, SB 673 (Lara), Chapter 611, Statutes of 2015, required DTSC to establish and implement new permitting criteria to improve enforceability, transparency, and equity in permit decisions. The total costs associated with DTSC’s activities supported by HWCA are estimated to be about \$77.5 million in 2020-21. To meet its costs and keep the fund solvent, DTSC received General Fund backfills for HWCA totaling \$27.5 million in 2019-20 and \$19.5 million in 2020-21.

Both Governor and Legislature Sought to Address HWCA Imbalance in 2020-21. The Governor’s 2020-21 budget included a proposal to restructure and increase charges that support HWCA. The proposed HWCA reform ultimately was not included in the budget package approved by the Legislature. AB 995 also included a HWCA reform component that would have restructured and increased charges in a way that was nearly identical to the Governor’s proposal. AB 995 also would have required the Secretary of CalEPA to convene a task force to review the charges under HWCA and to provide recommendations to the Legislature on additional reform options for the future. As noted earlier, AB 995 was vetoed by the Governor.

DTSC’s Workload Analysis Indicates Resource Gaps. In January 2021, the department released a workload analysis that provided information on DTSC’s current staffing, funding, and workload, as well as a discussion of identified resource gaps for high-priority programs and activities. The analysis identified roughly \$20 million in resource gaps within the Hazardous Waste Management Program—the program primarily supported by HWCA—of which a significant portion was related to shortcomings in the department’s ability to inspect hazardous waste facilities and to pursue enforcement cases for violations. This assessment suggests that even with the recent General Fund backfills, HWCA is not providing sufficient resources to enable DTSC to meet its statutorily required regulatory workload.

General Fund Support Would Keep HWCA Solvent in 2021-22. The proposed one-time General Fund backfill of \$22.5 million would keep HWCA solvent in the budget year and allow DTSC to continue undertaking its existing level of activities. Because of the delay in when the restructured charges and increases go into effect, providing short-term funding for the fund likely is necessary if the Legislature wants DTSC to continue performing its regulatory function at existing levels in 2021-22.

Proposal Would Solve Existing Shortfall. The Governor’s proposal would address the structural problems within HWCA on an ongoing basis starting in 2022-23. Specifically, the proposed increases would provide sufficient new revenues for HWCA to address the fund’s current operating imbalance and cover DTSC’s existing workload on an ongoing basis, as well as build up a prudent level of operating reserves.

Incorporating Revenue Increases to Expand Programmatic Expenditures in 2022-23 Is Reasonable. The LAO finds the Administration’s proposal to also incorporate estimated costs for future programmatic expansions into its new charges to be justified. The LAO finds that the programmatic expenditures anticipated for 2022-23 appear reasonable based on DTSC’s workload analysis of existing regulatory requirements and funding deficiencies. Additionally, the Legislature will be able to conduct

further oversight over the specific proposed expenditures when the department submits budget requests next year to authorize the use of these funds in 2022-23.

Moreover, authorizing the proposed charge increases to go in effect in 2022 is reasonable because doing so would make sufficient resources available to support the new activities beginning in 2022-23. Absent such action, the board would not be able to raise charges to generate increased revenues until 2023-24, resulting in an additional year wait before DTSC would be able to increase staffing levels and commence the additional work proposed.

New Generation and Handling Fee Has Several Benefits. The proposal includes eliminating several existing fees and replacing them with a new generation and handling fee. The LAO finds that the new charge would have several advantages over the current structure. First, the new charge structure would distribute costs across hazardous waste generators more equitably when compared to current fees. For instance, the generator fee's current tiered structure allows businesses that generate different amounts of hazardous waste to pay the same annual charge. For example, an entity that currently generates 500 tons of hazardous waste would pay the same amount as one that generates 900 tons. The new generation and handling fee would correct this by charging businesses based on a price-per-ton model. Second, the new charge could encourage reductions in hazardous waste in the long run. This is because the model of placing a charge on every ton of hazardous waste generated creates an incentive for businesses to pursue innovative ways to reduce their waste and thereby lessen their regulatory costs.

Retaining Exemption for Small Generators Is Reasonable. The LAO also finds that the Administration's decision to retain the exemption for generators that generate less than five tons to be reasonable. The exemption does not completely align with the "polluter pays" principle under which entities who engage in regulated activities should be responsible for paying regulatory and oversight costs. However, assessing the charge on small generators would not make fiscal sense because the administrative cost to collect from these entities would be greater than the estimated revenues generated. According to the department, there are 67,000 small generators—making up about 90 percent of generators—but which produce only 2 percent of the total hazardous waste in the state. The LAO also finds that retaining this exemption could provide some relief to smaller businesses that are struggling due to the pandemic. (However, as we discuss in more detail related to TSCA changes below, these types of exemptions are not necessarily the most effective way to provide fiscal relief to pandemic-impacted businesses.)

Allowing New Board to Adjust HWCA Charge Levels Is a Reasonable Approach. While the Governor's approach differs from AB 995, the LAO finds that allowing the new board to set future charge levels annually has some key benefits and still would allow for ample legislative involvement. First, it creates more stability for HWCA by establishing a way for revenues to annually align with expenditure levels established by the Legislature through the budget act. For instance, if revenues were to decline or grow more slowly than expenditures, the board could adjust charges—up until the maximum level—to prevent a structural deficit from occurring. Second, this approach provides the Legislature with greater confidence that it can assign necessary responsibilities to the department without placing excessive pressure on HWCA. For example, approving ongoing positions or augmentations for the department could ultimately be funded through the board's ability to increase charges. Given that HWCA is largely used for the department's regulatory responsibilities, creating this type of alignment between authorized expenditures and revenues that are collected from regulated entities is reasonable. Third, since the board will discuss charge adjustments at public meetings that align with the budget process, the Legislature will be able to weigh prospective impacts on rates before making decisions on new expenditure proposals.

TSCA

TSCA Funds Several DTSC Programs. TSCA is the department's other primary special fund source. TSCA largely funds DTSC's activities related to investigating and cleaning up contaminated sites. The fund also supports the department's Safer Consumer Products program, which attempts to reduce human and environmental exposure to toxic chemicals by working with industry to develop safer alternatives.

TSCA Funded by Tax on Businesses. Major sources of revenue for TSCA include various charges, fines, and penalties. Roughly 80 percent of TSCA's revenues come from an annual tax levied on most businesses with 50 or more employees. (The remaining amount comes from cost recovery revenues, penalties, and interest.) The amount of the tax applied is scaled based on the number of employees and is adjusted annually for inflation. For example, in 2021, businesses with between 50 and 74 employees pay \$357 whereas larger businesses with between 500 and 999 employees pay \$4,985. (While the charge is generally referred to as an environmental fee, it aligns with the State Constitution's definition of a tax.) The underlying premise for the widespread nature of the tax is that all businesses contribute to hazardous waste through the use of basic products that were either manufactured using chemical processing techniques or that become hazardous waste after they have been discarded. In 2019-20, the tax generated about \$56 million for TSCA, and is anticipated to be roughly the same amount in 2020-21.

TSCA Faces Structural Imbalance. In recent years, the growth in expenditures from TSCA has outpaced growth in its revenues, creating a structural imbalance in the fund. According to the administration, these trends are due, in part, to additional operational costs to implement expanded responsibilities the department has been assigned since 2000. For example, SB 509 (Simitian), Chapter 559, Statutes of 2008 established the Safer Consumer Products program, which is currently funded at about \$16 million annually, mostly from TSCA. Additionally, California faces increasing cost pressures related to required state contributions to federal cleanup projects, which typically are funded out of TSCA. In contrast, the tax that funds TSCA has not been increased—apart from inflationary adjustments—since 1997. Expenditures from TSCA in 2020-21 are anticipated to total \$63.1 million. (This does not include expenditures related to the former Exide Technologies facility, which is largely supported by General Fund loans to TSCA.) To keep the fund solvent in 2020-21, the budget provided TSCA with a General Fund backfill of \$7.8 million.

Governor and Legislature Proposed Differing Approaches for TSCA. The Governor's 2020-21 budget included a proposal to increase the tax that supports TSCA. Like the Governor's board and HWCA proposals, the proposed increase was also ultimately omitted from the final budget package adopted by the Legislature. In contrast to the board and HWCA—for which the Legislature and the Governor had somewhat similar proposals—AB 995 did not include a specific TSCA proposal. However, the legislation did include a requirement that the Secretary of CalEPA convene a task force to review the funding structure that supports TSCA and to provide recommendations to the Legislature on potential reform options through the budget process.

Department's Workload Analysis Indicates Resource Gaps. As discussed earlier, the department recently released a workload analysis on DTSC's existing staff and funding, as well as identified resource gaps for its programs and activities. In this assessment, the department identified resource gaps related to cleanup activities associated with identifying contaminated sites, site inspections and establishing initial remediation actions. The additional costs associated with these activities were estimated to be between \$43.5 million and \$138.2 million annually, depending on how many additional contaminated sites the state chooses to address.

General Fund Support Would Keep TSCA Solvent in 2021-22. The Governor's proposed \$13 million General Fund transfer would keep TSCA solvent and allow DTSC to continue its current program expenditures as the tax increase is implemented. Providing short-term funding for the fund is necessary if the Legislature wants DTSC to continue performing its existing level of activities in 2021-22.

Proposal Would Solve Existing Shortfall. The Governor’s proposal would address the existing structural problems with TSCA. Specifically, the proposed increases would provide sufficient new revenue for TSCA to address the fund’s current operating imbalance and cover DTSC’s existing workload on an ongoing basis, as well as build up a prudent level of operating reserves.

Amount of Tax Increase Should Be Driven by Legislature’s Programmatic Priorities. The LAO finds that the department’s estimated programmatic expansions for 2022-23 seem reasonable and are based on its workload analysis. For instance, the amount provided for site cleanup staff—the majority of estimated ongoing spending beginning in 2022-23—would allow the department to conduct 50 to 150 site discoveries and 60 to 130 site initiation actions annually. However, determining the “right” level of funding needed for TSCA is somewhat more subjective than for HWCA. In contrast to HWCA—for which a strong nexus exists between charges and DTSC’s regulatory workload—TSCA is largely supported by a broad-based tax that can fund a wide variety of department activities. That is, the workload to be supported by TSCA is driven by the Legislature’s decisions for what activities it wants DTSC to perform with the fund, rather than by what is needed to enforce regulatory requirements. For example, the Legislature has added new responsibilities to the fund in recent years, such as the Safer Consumer Products program. Therefore, the process of establishing a new tax increase should include an assessment of which activities the Legislature believes TSCA should support, a determination of the corresponding amount of revenues needed to support these activities, and the impact on the businesses paying the environmental fee. Should the Legislature determine that the specific activities and service levels proposed by the Governor align with its priorities, then it may find the proposed level of tax increase to also be reasonable. However, should the Legislature believe that TSCA should support a different mix of activities with higher or lower associated costs, then a tax structure generating a different level of revenue might be more appropriate.

Merits of Pandemic Relief Measures Are Unclear. The Administration indicates that its decision to include relief measures for smaller businesses—by exempting small business and maintaining the existing rate for midsized businesses—is related to the pandemic. The LAO finds that this approach likely is not the best way for the state to provide pandemic relief. For instance, the size of a business—the basis on which the environmental fee is assessed—does not necessarily indicate the degree to which a business has faced financial losses due to the pandemic, which is more likely to vary based on the business’ industry. The LAO notes as well that the state and federal government have provided direct fiscal relief to small businesses through a variety of other programs. Moreover, we note that the Governor’s proposal would be implemented on an ongoing basis. It is unclear why the proposal does not include any provisions to sunset these changes or to revisit them at some point in the future—for example, after the state has entered into an economic recovery—which would ensure that the tax is more evenly borne by the wide array of businesses that contribute to hazardous waste.

Allowing New Board to Adjust Tax Is a Reasonable Approach. As discussed with regard to HWCA, the LAO believes the Administration’s approach of allowing the new board to set the tax annually would provide some important benefits—establishing a mechanism for revenues to keep pace with annual expenditure levels set by the Legislature and providing confidence that the department can be tasked with future responsibilities without placing excessive cost pressures on TSCA. Additionally, because the board will meet to discuss tax adjustments at public meetings that align with the budget process, the Legislature will be able to understand how future TSCA expenditure proposals would affect tax rates as it deliberates their merits.

Brownfields Cleanup

Legislature Need Not Consider Proposal as Being Contingent on Reform Package. While the Governor has presented this proposal as being contingent upon the enactment of the governance and fiscal reform package for DTSC, the proposals are not fiscally linked. Because the Governor would fund

this proposal using General Fund, the existing structural imbalances in HWCA and TSCA would not preclude the Legislature from appropriating funds to clean up brownfields, regardless of what it decides to do with the Governor's proposed governance and fiscal reform package.

Additional Support for Brownfield Investigations and Cleanups in EJ Communities Has Merit. Because they could provide multiple benefits to EJ communities, we find that the funding being proposed for state cleanup projects and the brownfield grant program have merit. For instance, cleaning up brownfield sites can reduce the health and environmental risks that stem from contamination in communities that can least afford to remediate the contamination themselves. Moreover, the cleanup *also* could help to encourage economic development in struggling areas by making more land available for housing and commercial activity. In this way, targeting funding for projects in EJ communities can help alleviate the disproportionate environmental and economic burdens that these communities experience.

Could Be Difficult to Prioritize Both Environmental and Housing Goals. The Governor's stated dual goals of reducing health and environmental risks associated with contaminated sites and increasing the supply of housing are both worthwhile endeavors for the state. However, meeting both could be difficult, as site selection might differ depending on which goal is prioritized. For instance, sites that may have high levels of contamination might be in areas that are not zoned for or would not be feasible to build housing. For example, many sites of former dry cleaners likely are located in areas zoned for commercial, not residential, development. Conversely, prime locations for developing additional housing are not necessarily the sites of the most significant environmental risks for nearby residents and, therefore, might not be the highest priority for improving public health. It is unclear at this time on how the department plans to prioritize between these two goals when selecting state projects and when designing grant guidelines. Given the significant number of brownfield sites across the state, the proposed one-time funding would not allow the department to address all known needs in all communities. This makes understanding and having confidence in the administration's plan for how it will prioritize funding for both state investigations and the grant program all the more important.

Additional Coordination Could Assist Housing Goals. DTSC's core mission is to protect people and the environment from the harmful effects of toxic substances by restoring contaminated resources—yet this proposal is also seeking to develop new housing. The department likely is not the most suitable agency to best achieve this second goal—at least not on its own. Selecting sites that have the best potential to be developed for housing would require significant coordination between DTSC and other state and local entities. While the current proposed budget trailer legislation requires the department to consult with HCD to develop guidelines for the grant program, it does not include language governing how HCD will be involved in selecting sites for DTSC's own cleanup and investigation actions. Clarifying how exactly DTSC and HCD will coordinate—potentially through statutory language—could provide the Legislature with greater confidence that housing goals will be met.

Grant Portion of the Proposal Might Be Duplicative of Other Housing Proposals. In addition to the proposed funding for DTSC, the Governor has proposed \$500 million for HCD to develop housing-related infrastructure, including for environmental remediation. Given that DTSC's proposed grants would also be for cleanup activities, these efforts could be somewhat duplicative. Additionally, having similar grants administered by two separate departments could cause confusion amongst departments and applicants. How these two programs would be coordinated under the Governor's proposal is still somewhat unclear.

Need for Workforce Development Program Is Unclear. The Administration has not yet provided evidence that the state is lacking a sufficient pipeline of environmental remediation workers to justify the need for this new program. Moreover, funding a workforce development program would be problematic if there are not enough ongoing job opportunities to support those who do become trained

by the program. The department has indicated that workforce development funding will be distributed according to where cleanup projects will be undertaken with the proposed new funding. Given that this funding is proposed on a one-time basis, the associated cleanup project workload will be limited-term in nature. Whether the job market could sustain newly trained workers over the long run is unclear.

LAO Recommendations. The LAO recommends the following:

BES

Approve Proposal to Establish Board, but Include Components That Increase Legislative Oversight. The LAO recommends the Legislature establish a board in order to improve DTSC's transparency and accountability, and thereby help restore confidence in the department within the regulated community and the public. However, the LAO recommends that the Legislature require that (1) the Senate and Assembly each have the opportunity to appoint a board member, (2) gubernatorial board members be subject to Senate confirmation, and (3) the board report annually to the Legislature on the department's performance. These changes would strengthen the Legislature's ability to oversee the board and department and ensure that the reforms being implemented are resulting in performance and outcome improvements.

HWCA

Approve One-Time General Fund Augmentation in 2021-22. The LAO recommends that the Legislature approve the Governor's proposed \$22.5 million in one-time General Fund to backfill HWCA. Providing the backfill would keep HWCA solvent and allow DTSC to continue its existing programmatic workload in the budget year.

Adopt HWCA Charge Restructure and Increases. The LAO recommends that the Legislature approve the Governor's HWCA charge restructure and increase, which would solve HWCA's structural deficit and provide additional revenues to enable the department to address several of the resource gaps it has identified.

Approve Governor's Proposal to Grant Board With Ability to Adjust Charge Levels in Future Years. The LAO recommends that the Legislature approve the Governor's proposal to provide the new board with the ongoing ability to adjust charge levels. Allowing the board to set charges annually would create more stability for HWCA and help ensure that revenues will be able to keep pace with legislatively approved expenditures. Additionally, because the board would discuss adjustments during the legislative budget process, the Legislature would be able to weigh the merits and associated charge impacts of proposals requesting funding from HWCA before approving them.

TSCA

Approve One-Time General Fund in 2021-22. Because it would keep TSCA solvent and allow the department to continue with its current expenditure levels, the LAO recommends that the Legislature approve the proposed \$13 million General Fund backfill for TSCA in the budget year.

Design a TSCA Package That Reflects Legislative Priorities. As the Legislature deliberates over how it will increase taxes for TSCA, the LAO recommends that it consider the following questions:

- ***What Programs and Activities Should TSCA Support?*** Does the Legislature want the new tax rates to cover just existing activities, or are there additional high-priority activities it wants to

fund from TSCA? Do the Governor's proposed activity expansions align with the Legislature's priorities?

- ***How Much Funding Should Be Provided to Support These Activities?*** How much revenue needs to be raised in order to meet the Legislature's priorities? What level of additional taxes is the Legislature comfortable requiring businesses to pay?
- ***Should Pandemic Relief Measures Be Included?*** Should the tax exemption be extended to businesses with 50 to 99 employees? Should rates be maintained for businesses with 100 to 499 employees?
- ***Should Pandemic Relief Measures Be Revisited in Future Years?*** If included, should pandemic relief measures be continued on an ongoing basis as proposed by the Governor, or should there be some mechanism to revisit these measures in the future? For example, should there be a sunset date for tax exemptions on midsized businesses?

Adopt a Tax Package That Raises Sufficient Revenues to Pay for Desired Expenditures. To address the ongoing structural imbalance, the LAO recommends the Legislature adopt a tax structure for TSCA that aligns with its expenditure priorities. This could include adopting rates that are lower or higher than what the Governor is proposing, but that ultimately align with the Legislature's spending priorities for TSCA.

Approve Governor's Proposal to Grant Board With Ability to Adjust Tax in Future Years. The LAO recommends the Legislature approve the Governor's proposal to provide the new board with the ongoing ability to adjust tax levels. Allowing the board to set the tax annually would create more stability for TSCA and help ensure that revenues will be able to keep pace with legislatively approved expenditures. Additionally, information from the board on how annual budget proposals would affect tax rates would allow the Legislature to consider whether the merits of a proposed activity justify imposing a higher tax on the business community.

Brownfields Cleanup

Consider the Merits of This Proposal Independently From Reform Package. The LAO recommends that the Legislature evaluate whether or not this proposal is worthy of adopting on its own merits and not view this proposal as being contingent on the Governor's reform package for DTSC.

Consider Key Policy Questions When Evaluating Proposal. Overall, the LAO believes that the Governor's proposal has merit given the significant number of brownfields and their disproportionate impact on low-income communities of color. However, the LAO believes there are several key questions that the Legislature should consider in designing a spending approach for these funds.

- ***What Intended Goal Is the Highest Priority for Funding?*** The Legislature may want to identify a clear primary goal to ensure that funding is well-targeted and aligns with its highest priorities. For example, this could include indicating whether addressing serious environmental contamination should take precedence over developing sites for new housing, or vice versa. Identifying a clear goal—such as through budget bill language—would also allow the Legislature to better track the success of the program against its expected outcomes.
- ***How Will Grant Funding Complement and Support Other Proposals?*** The Legislature will want to consider how the proposed grants interact with other housing proposals in the Governor's budget—such as funding in HCD's budget for housing infrastructure, including environmental remediation—as well as any legislative housing initiatives. This proposal should complement and support other efforts and not create a complicated or duplicative program for departments and applicants.

Request Additional Information at Budget Hearings. The LAO recommends the Legislature require DTSC to report at budget hearings on how the department will coordinate with the appropriate housing entities and the state's current needs for additional workforce training. Specifically, the LAO believes it would be beneficial for DTSC to report on the following:

- ***How Would Department Ensure Housing Objectives Are Met?*** If the Legislature believes that an important goal for this funding is to spur housing development at brownfield sites, it will want to ensure DTSC has developed an effective plan for how it will coordinate with the appropriate agencies to ensure that state cleanup projects are targeted at sites where housing development is most feasible. Based on the department's responses, the Legislature could also consider adopting additional budget bill language to help guide and ensure coordination across departments.
- ***Does Demonstrated Need Exist for Developing Remediation Workforce?*** In deciding whether to fund this component, the Legislature will want the department to show that there will be enough ongoing jobs to employ trainees once they finish the program.

Staff Recommendation. Hold open.

SENATE BUDGET PLAN ON DROUGHT, SAFE DRINKING WATER, WATER SUPPLY RELIABILITY, AND RATEPAYER ASSISTANCE

Issue 2: Senate Budget Plan on Drought, Safe Drinking Water, Water Supply Reliability, and Ratepayer Assistance

Senate Proposal. The Senate proposes the Senate Budget Plan on Drought, Safe Drinking Water, Water Supply Reliability, and Ratepayer Assistance for a total of \$3.41 billion in one-time state and federal funds (Federal “American Rescue Plan” funds, one-time state General Fund, and appropriation of general obligation bonds (Propositions 1 and 68), as follows:

Immediate Community Assistance for Water and Drought Relief: \$500 million.

- Establish the California Community Water Emergency Investment Fund at the Department of Water Resources (DWR), consisting of \$500 million to provide one-time grants to smaller communities for the purposes of making immediate drinking water, water quality, and water supply investments in those communities.

These funds would be allocated on a competitive basis, capped at \$5 million per community, and be prioritized for lower income and disadvantaged communities that can spend the funds for projects such as cisterns and local onsite water storage, connections to larger water systems, well deepening and consolidation programs, and water efficiency for community gardens and other water consumptive uses. Funds can be used to provide technical assistance to low-income and disadvantaged communities.

Emergency Drought Water-Use Efficiency: \$500 million.

- \$500 million to DWR for grants to water agencies to implement residential, commercial, and agricultural water efficiency projects. Projects include replacement of high water consumption landscapes and other water efficiency investments.
 - \$250 million to DWR for competitive grants to local water agencies to implement residential and commercial water-use efficiency projects. Priority shall be given to low-income households and disadvantaged communities.
 - \$250 million to DWR for competitive grants for agricultural water-use efficiency projects including building and upgrading irrigation and treatment ponds. \$40 million of which shall be allocated for purposes of the State Water Efficiency and Enhancement Program (SWEET) at the California Department of Food and Agriculture.

SWEET provides financial assistance in the form of grants to implement irrigation systems that reduce greenhouse gases and save water on California agricultural operations. Eligible system components include (among others) soil moisture monitoring, drip systems, switching to low pressure irrigation systems, pump retrofits, variable frequency drives and installation of renewable energy to reduce on-farm water use and energy.

Sustainable Groundwater Management: \$350 million.

- \$300 million to DWR for competitive grants that support implementation of the Sustainable Groundwater Management Act (SGMA) (Part 2.74 (commencing with Section 10720) of Division 6 of the Water Code).
- \$50 million to the Wildlife Conservation Board (WCB) for grants pursuant to the Ecosystem Restoration on Agricultural Lands Program for groundwater sustainability projects that create, protect, or restore wildlife habitat and support implementation of SGMA.

Resilient Water Infrastructure Projects: \$200 million.

- \$200 million to DWR for competitive grants for projects that provide multiple benefits, including water supply reliability, ecosystem benefits, system reliability benefits, groundwater management and enhancements. Eligible projects include conjunctive use projects; groundwater recharge; well rehabilitation or other well improvements in support of groundwater banking or recharge; transfers of water for environmental purposes; restoration of upper watersheds that are a significant source of water supply for the state; and other projects that provide improved regional resilience to climate change and drought conditions.

Recycled Water: \$200 million.

- \$200 million to the State Water Resources Control Board (SWRCB) for competitive grants for projects related to water reuse and water recycling, and other purposes pursuant to Chapter 9 (commencing with Section 79765) of Division 26.7 of the Water Code.

Examples of eligible projects include: treatment, storage, conveyance, and distribution facilities for potable and nonpotable recycling projects; contaminant and salt removal projects; dedicated distribution infrastructure to allow use of recycled water; pilot projects for brew potable reuse and other salt and contaminant removal technology; multibenefit recycled water projects that improve water quality; and technical assistance and grant writing assistance for disadvantaged communities.

Stormwater Management: \$200 million.

- \$200 million to SWRCB for competitive grants for multi-benefit stormwater management projects. Eligible projects may include, but shall not be limited to, green infrastructure, rainwater and stormwater capture projects, and stormwater treatment facilities. Development of plans for stormwater projects shall address the entire watershed and incorporate the perspectives of communities adjacent to the affected waterways, especially disadvantaged communities.

Priority for grant funding shall be given for multi-benefit stormwater projects within disadvantaged communities that include waterways identified on SWRCB's 303(d) list of impaired waters prepared pursuant to 33 USC 1313(d) and California Water Code Section 13191.3(a). At a minimum, 40 percent of funding shall be allocated for projects that directly benefit and occur within a disadvantaged community.

Section 303(d) of the federal Clean Water Act authorizes the US EPA to assist states, territories, and authorized tribes in listing impaired waters and developing Total Maximum Daily Loads (TMDLs) for these waterbodies. A TMDL establishes the maximum amount of a pollutant allowed in a waterbody and serves as the starting point or planning tool for restoring water quality.

California Water Code Section 13191(a) requires SWRCB to prepare guidelines for the purpose of listing and delisting waters and developing and implementing the TMDL program and TMDLs pursuant to the federal Clean Water Act.

Protecting Fish & Wildlife from Drought Impacts: \$285 million.

- \$100 million to WCB for grants pursuant to the guidelines of the Streamflow Enhancement Program for the purposes of protecting fish and wildlife from them impacts of drought including for short-term acquisition and construction of transfer of water.
- \$100 million to WCB for grants pursuant to the Inland Wetlands Conservation Program to protect fish and wildlife from the impacts of drought including for wildlife friendly agriculture and to improve conditions on wildlife revues and wetland habitat areas to achieve full compliance with the terms of subsection (d) of Section 3406 of the Central Valley Project Improvement Act (Public Law 102-575) and other Central Valley managed wetlands.

Section 3406(d) pertains to the Central Valley refuges and wildlife habitat areas and supports the objectives of the Central Valley Habitat Joint Venture by directing the Secretary of the Interior to provide water supplies of suitable quality to maintain and improve wetland habitat areas in specified areas of the Central Valley.

- \$35 million to the Department of Fish and Wildlife (DFW) to protect fish and wildlife from immediate drought impacts.
 - \$20 million to DFW to support real-time management of drought response and to process regulatory approvals for drought management actions consistent with the findings in the report pursuant to Section 51 of SB 839 (Committee on Budget and Fiscal Review), Chapter 340, Statutes of 2016, which requires the California Natural Resources Agency to produce a report summarizing lessons learned from the state's response to drought.
 - \$15 million to DFW for the Coastal Monitoring Program (CMP) to monitor the effects of drought on coastal salmon populations.

The CMP is a comprehensive program that provides a better understanding of California's salmon and steelhead populations, utilizing modeling in combination with a variety of in-river sampling and survey methods. DFW and the National Oceanic and Atmospheric Administration (NOAA) Fisheries lead the implementation of this program in coastal watersheds. Nearly all of California's salmon and steelhead populations have been listed under the California and Federal Endangered Species Act due to drastic declines in recent decades. The CMP is designed to document salmonid status on a statewide scale using standardized methods, with data centralized in a statewide database.

- \$50 million to the Department of Parks and Recreation (Parks) for drought-related projects on Parks-managed lands to preserve and protect the state’s fish and wildlife resources.

Water Quality: \$100 million.

- \$50 million to SWRCB for competitive grants for groundwater remediation, including perfluoroalkyl substances (PFAS) contamination, and other purposes pursuant to Chapter 10 (commencing with Section 79770) of Division 26.7 of the Water Code, which pertains to groundwater sustainability.
- \$50 million to SWRCB for grants and loans to public agencies or public-private partnerships for projects that will improve water quality. Eligible projects include, but are not limited to, septic to sewer conversions and wastewater treatment.

Water Data and Forecast Improvement: \$75 million.

- Funding to DWR/SWRCB for water management technology equipment — such as remote sensing for snowpack and precipitation gauges for real-time operations of reservoirs — to improve ability to manage/forecast runoff and for monitoring of key drought-related measures of water and water quality including:
 - \$20 million to SWRCB to implement Water Code Section 144, which requires the DWR and SWRCB to develop a plan to establish a network of stream gauges, and deploy prioritized stream gauges to improve water management and respond to the impacts of drought on fish and wildlife.
 - \$15 million to DWR for projects that improve precipitation forecasting for use in forecast informed reservoir operations, groundwater recharge, and flood risk management, including, but not limited to, projects under Article 8 (commencing with Section 347) of Chapter 2.5 of Division 1 of the Water Code, which pertains to atmospheric rivers research, mitigation, and climate forecasting.
 - \$15 million to DWR for projects that support advanced technologies to measure snowpack and forecast runoff.
 - \$15 million to the Division of Water Rights at SWRCB to support real-time management of drought response and to process regulatory approvals for drought management actions consistent with the Water Rights Drought Effort Review (WARDER) Report.

The report is a compilation of comments and recommendations that were collected as part of the WARDER effort, which included a series of interviews with water users and managers to gather input on SWRCB’s Division of Water Rights actions during the previous drought, and to solicit recommendations for Division priorities during a future drought. Comments and recommendations related to issues such as communication (e.g., communicating watershed conditions, legal and policy considerations (e.g., SWRCB authority and role during a drought, the water rights system, curtailments, and water transfers and exchanges), and data (e.g., reporting, data systems, estimating a watershed’s

supply, determining water demand and availability), and interagency collaboration.

- \$10 million to SWRCB for monitoring, reporting and developing means to reduce harmful algal blooms in the Delta.

Helping Ratepayers, Community Water Systems, Waste Water Treatment Works, and Public Utilities Recover from COVID-19 Economic Impacts. (\$1 billion)

- Appropriate federal American Recovery Act funds to the Department of Community Services and Development (CSD) to help utility customers and utilities address backlogged bills and arrearages associated with COVID economic impacts. The action will include trailer bill language that designates the agency and process for disbursement of ratepayer relief funds, cutting “green tape” for environmentally beneficial projects.

Other Actions

- Accelerate appropriation of existing water bond priorities Propositions 1 and 68 funds where demand is still high (stormwater management projects, water recycling, and drinking water capital projects).
- Urge the Water Commission to convene and reallocate \$145 million in existing Proposition 1 funds originally set aside for Temperance Flat Dam for other sustainable water storage investments in the Central Valley.

Funding Sources. The details regarding funding sources for each program are pending but with the intent of using a significant amount of one-time General Fund moneys. In addition to funding that may be available from the federal American Recovery Act, Congress is currently working on an infrastructure package, which could provide potentially increased federal dollars for water infrastructure projects.

Background. Much of California is in drought or near-drought. This is the second year in a row of dry conditions — and the eighth year in the last 10. The snowpack is less than half of normal this year and areas throughout the state are well below normal precipitation — San Francisco has had 37 percent of normal precipitation, San Diego at 30 percent, Sacramento at less than 40 percent, and Los Angeles at 39 percent.

On April 21, 2021, the Governor proclaimed a state of emergency to exist in Mendocino and Sonoma counties due to drought conditions in the Russian River Watershed where reservoirs are at record lows. The proclamation also directs additional actions to coordinate with California Native tribes; accelerate funding for water enhancement, conservation and species protection projects; work with counties to encourage and track reporting of household water shortages including dry residential wells; provide technical and financial assistance for water systems at risk of water shortages; support the agricultural economy and food security; and evaluate and take action to protect terrestrial and aquatic species.

The 2012-2016 Drought. The state last experienced a severe drought for five years between 2012-2016. That drought was the second time that a statewide emergency proclamation for drought impacts was issued.

Drought Impacts. According to the Legislative Analyst’s Office (LAO), the 2012-2016 drought affected various sectors in different ways. Sector-specific water needs and access to alternative water sources led to notable distinctions in the severity of the drought’s impacts across the state.

For example, while the drought led to a decrease in the state’s agricultural production, farmers and ranchers moderated the drought’s impacts by employing short-term strategies, such as fallowing land, purchasing water from other, and — in particular — pumping groundwater. In contrast, some rural communities — mainly in the Central Valley — struggled to identify alternative water sources upon which to draw when their domestic wells have gone dry.

Multiple years of warm temperatures and dry conditions had severe effects on environmental conditions across the state, including degrading habitats for fish, water birds, and other other wildlife, killing millions of the state’s trees, and contributing to more prevalent and intense wildfires. For urban communities, the primary drought impact was a state-ordered requirement to use less water, including mandatory constraints on the frequency of outdoor watering.

According to the LAO, the state funded both short- and long-term drought response activities and deployed numerous resources — fiscal, logistical, and personnel — in responding to the 2012-2016 drought. LAO has provided the following figure outlining \$3.4 billion in the state’s drought response appropriations from 2013-14 through 2016-17:

State Drought Response Appropriations	
<i>2013-14 Through 2016-17 (In Millions)</i>	
Activity	Amount
Water Supply	
Support groundwater management and clean-up	\$843
Improve/increase water recycling, wastewater treatment, stormwater management, and desalination	609
Fund Integrated Regional Water Management projects	473
Improve drinking water infrastructure	311
Subtotal	(\$2,235)
Emergency Response	
Expand/enhance fire protection	\$379
Provide food and other assistance to drought-affected communities and farmworkers	99
Provide emergency drinking water	68
Conduct statewide drought assistance, monitoring, and response	55
Make emergency improvements to drinking water systems	47
Remove and dispose of dead trees	41
Monitor/enforce water rights and conservation regulations	20
Various other activities	21
Subtotal	(\$730)
Water Conservation	
Increase urban water efficiency and conservation	\$166
Increase agricultural water efficiency and conservation	122
Fund innovative water efficiency technologies	30
Conduct conservation outreach and public messaging	23
Increase water efficiency at state facilities and wildlife refuges	28
Subtotal	(\$369)
Environmental Protection	
Emergency fish and stream activities	\$70
Eradicate water hyacinth	4
Study and model flows	3
Subtotal	(\$78)
Total	\$3,410
LAOA	

Report to the Legislature on the 2012-2016 Drought. Pursuant to SB 839 (Committee on Budget and Fiscal Review), Chapter 340, Statutes of 2016, California Natural Resources Agency (CNRA) released, “Report to the Legislature on the 2012-2016 Drought,” in March 2021 outlining the lessons learned from the 2012-2016 drought.

According to the report, since the last drought, several legislative and regulatory changes were enacted, including:

- Enactment in 2014 of the Sustainable Groundwater Management Act to require local agencies to bring overdrafted groundwater basins into sustainable conditions by 2042.
- Legislation to establish new standards for indoor, outdoor, and industrial use of water.
- Funding for disadvantaged disadvantaged communities lacking access to safe drinking water through the Safe and Affordable Drinking Water Act.
- Increase the frequency of water use reporting.
- Give the state authority to order failing public water systems to consolidate with better-run systems.
- Tighten landscape efficiency standards for new developments.

Implementation of these laws and regulations are intended to help with extended dry conditions in the future.

According to the report, effective response depends heavily on capacity built before drought deepens. This includes reducing the drought vulnerability of water users and ecosystems, making key policy decisions in advance, improving hydroclimate forecasting to provide longer lead times for decision-making, having at hand the information necessary to make well-informed decisions, and creating the capacity to communicate effectively across governments and to the public about a rapidly changing situation.

The report provides the following recommendations on state action:

- Provide longer lead times for State financial assistance to local agencies.
- Dedicate staff to ongoing drought preparedness and response work.
- Improve accounting for Wildlife needs before and during drought.
- Improve the quality and timeliness of forecasting and data.
- Restore forest health in upper watersheds.

These recommendations are intended to address long-standing water problems and strengthen the state's ability to cope with a changing climate.

Funding. According to the report, a major legislative response action during the 2012-2016 drought was providing emergency funding in the state budgets of 2014 and 2015. In March 2014, a budget amendment for 2013-14 authorized \$687.4 million for drought relief, with \$549 million for accelerated expenditure of Proposition 84 and Proposition 1E bond funds for grants to local agencies for integrated regional water management projects. In March 2015, an amendment for the 2014-15 budget authorized more than \$1 billion for additional relief, including water conservation and recycling assistance, emergency food aid, and small drinking water emergencies. Also, SB 88 (Committee on Budget and Fiscal Review),

Chapter 27, Statutes of 2015, authorized SWRCB to require consolidation of water systems consistently failing to provide an adequate supply of safe drinking water as well as provide for more thorough measurement and reporting of diversions to SWRCB.

Water Use. According to the Public Policy Institute of California (PPIC) (*Water Use in California*, May 2019), water use is shared across three main sectors — statewide, average water use is about 50 percent environmental, 40 percent agricultural, and 10 percent urban, although the percentage of water use by sector varies dramatically across regions and between wet and dry years.

PPIC states that California needs to adapt to increasing drought intensity. Agriculture relies heavily on groundwater during droughts — particularly in the Central Valley — but more sustainable groundwater management is needed to maintain this key drought reserve. An increase in tree and vine crops — which need to be watered every year — is making farming more vulnerable to water shortages. State law now requires water users to bring their groundwater basins into long-term balance by the early 2040s. This will likely require farm water use to fall in regions that have been over-pumping, including the southern Central Valley and the Central Coast. In urban areas, the greatest potential for further water savings lies in long-term reductions in landscape irrigation — a shift requiring changes in plantings and watering habits. Finally, state and federal regulators need new approaches to reduce harm to fish and wildlife during increasingly intense droughts. This will require better drought planning, investments in new habitat, and setting aside water during wet years for ecosystem uses in dry years.

Staff Comments. After the second dry winter in two years, California is again facing severe drought conditions as we transition into the summer and fall months. Communities will likely go without, or ration, water, our farms and the state’s agriculture sector will suffer, and California’s ecosystems are degraded with species on the brink of extinction.

Water managers throughout the state are bracing for very dry conditions and are scrambling to ensure water supply and water quality throughout the state. State and federal water agencies already have announced water supplies for urban areas, agriculture, and the environment will be a fraction of their usual amounts.

These extremely dry water conditions, coupled with COVID-19 and its impacts on all sectors of the California economy, suggest immediate actions and investments that can be made to help state, regional, and local water needs are critically important.

At the same time, California is fortunate with the remarkable amounts of one-time federal funds from the American Rescue Plan and from a one-time amount of General Fund available for immediate investments to help the state.

Water is the life blood of California and its economy. Due to climate change and other factors, the state is once again facing a historic challenge over water supply and water quality due to drought.

This proposal incorporates the following key guiding principles:

- Focus on the here and now. Immediately appropriate available federal (American Recovery Act) funds, one-time state General Funds, and available, existing bond funds for drought relief across sectors, for ratepayer assistance for debt and unpaid bills during the pandemic, and for water supply reliability.
- Focus on off-the-shelf, one-time expenditures that can occur as soon as possible.

- Focus on consensus. This is a package that should unite water users, conservation groups, agriculture, and water agencies.

Putting these one-time funds out for “no regrets” water investments is both essential to the state’s health and significantly beneficial for the state’s residents and businesses.

Staff Recommendation. Approve as proposed.

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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

0540 CALIFORNIA NATURAL RESOURCES AGENCY (CNRA) AND VARIOUS DEPARTMENTS

Issue 1: Natural Resources Agency Bond and Technical Proposals (April Finance Letter (AFL))

Governor's Proposal. An AFL requests for appropriations and reappropriations from various bonds, reversions, reversions with associated new appropriations, and other technical adjustments to continue implementation of existing authorized programs.

Staff Recommendation. Approve as requested.

3100 EXPOSITION PARK

Issue 2: Amendment to Budget Bill Item 3100-001-0267, Support (AFL)

Governor's Proposal. An AFL requests that Item 3100-001-0267 (Exposition Park Improvement Fund) be amended by adding provisional language authorizing up to \$11.9 million General Fund transfer authority to the Exposition Park Improvement Fund to offset unanticipated revenue loss resulting from public health-related closures to the COVID-19 pandemic. Additionally it is requested that provisional language be added notwithstanding Provision 2 of Item 9850-011-0001, Budget Act of 2020, to allow \$2.5 million of the General Fund available for transfer to be used in repayment of a 2020-21 loan.

The pandemic has resulted in significant loss for the Exposition Park Improvement Fund, which relies primarily on special event rentals and parking fees associated with currently prohibited public gatherings and museum visitation. Progressive extensions on public health restrictions have made it necessary to address this revenue shortfall beyond prior current year authorizations.

Staff Recommendation. Approve as requested.

3125 CALIFORNIA TAHOE CONSERVANCY

Issue 3: Upper Truckee River Sunset Stables Reach 6 Restoration Project (AFL)

Governor's Proposal. An AFL requests that Item 3125-301-0890 (Federal Trust Fund) be added in the amount of \$500,000 to fund a study on restoration and recreation opportunities, and to complete an environmental review for a section of the Upper Truckee River and adjacent floodplain. The study will provide strategies that reduce sediment and nutrient flow into Lake Tahoe, enhance aquatic and terrestrial habitat, protect biodiversity, sequester carbon, improve public access, and restore climate resilience in the Reach 6 area of the Upper Truckee River.

Staff Recommendation. Approve as requested.

3600 DEPARTMENT OF FISH AND WILDLIFE (DFW)**Issue 4: Dedicated Fish and Game Preservation Fund Realignment (AFL)**

Governor's Proposal. An AFL requests that Item 3600-001-0200 (Fish and Game Preservation Fund) be increased by \$3.858 million ongoing and 19 positions to align program expenditures with the associated revenues of four dedicated accounts within the Fish and Game Preservation Fund. These resources will help DFW maintain structural balance and support increased workload.

Staff Recommendation. Approve as requested.

Issue 5: Nutria Eradication Program Staffing (AFL)

Governor's Proposal. An AFL requests that Item 3600-001-0200 (Fish and Game Preservation Fund) be increased by 17 permanent positions to replace the temporary positions used to support the Nutria Eradication and Control Program field operations.

Staff Recommendation. Approve as requested.

Issue 6: Reimbursement and Federal Trust Fund Authority Increase (AFL)

Governor's Proposal. An AFL requests that Item 3600-001-0200 (Fish and Game Preservation Fund) be amended by increasing reimbursements by \$8.9 million and Item 3600-001-0890 (Federal Trust Fund) be increased by \$2.5 million to provide adequate authority for DFW to receive and expend reimbursement and federal grant funds necessary to DFW's operation. Specifically, this will enable the department to accept federal grants from the US Fish and Wildlife Service and other federal partners, and reimbursement from various state and private entities for the purpose of species and ecosystem conservation programs.

Staff Recommendation. Approve as requested.

3790 DEPARTMENT OF PARKS AND RECREATION (PARKS)**Issue 7: Local Park Projects: Extensions of Liquidation**

Local Park Projects: Extensions of Liquidation. Requests have been made by various local entities for liquidation extensions of state funding they received for individual park projects as follows:

#	Grantee	Project	Fund Source	Current Grant Balance	Liquidation Date Needed	Expected Date of Completion
1	City of Twentynine Palms	Project Phoenix	General Fund	\$4,390,199	June 30, 2022	Spring 2022
2	Earth & Space Sciences Center	Powerhouse Science Center	2006 Bond Act, Proposition 84	\$3,448,587	June 30, 2022	Summer 2021
3	California Museum of History	California Museum	General Fund	\$848,891	June 30, 2022	Spring 2022
4	Fox Fullerton Theatre Foundation	Fox Fullerton Theater Project	General Fund	\$2,417,294	June 30, 2022	Winter 2021
5	City of Los Angeles	Mid Valley Multipurpose Intergenerational Center	General Fund	\$106,187	June 30, 2022	Fall 2021
6	City of Los Angeles	Cesar Chavez Park	General Fund	\$1,500,000	June 30, 2023	Spring 2023
7	City of Lodi	Lodi Lake Park Erosion Control	General Fund	\$909,641	June 30, 2023	Fall 2022
8	Anaheim YMCA	Anaheim Family YMCA Active Living Center	General Fund	\$1,000,000	June 30, 2022	Summer 2021
9	Mountains Recreation and Conservation Authority	Pacoima Wash Greenway — El Dorado Park	2006 Bond Act, Proposition 84	\$897,381	June 30, 2023	Spring 2023
10	City of Whittier	1. Greenway Trail Lighting 2. Lee Owens Park Splashpad 3. Palm Park Fitness Equipment 4. Guirado Park Fitness Equipment	General Fund	\$450,000 \$500,000 \$68,000 \$82,000 <hr/> \$1,400,000	June 30, 2022	Fall 2021

Staff Recommendation. Approve as requested.

Issue 8: Parks, Woolsey Wildfire Repair-Phase II (Issue 148) (AFL)

Governor's Proposal. An AFL requests that Item 3790-001-0001 (General Fund) be decreased by \$10 million, Item 3790-001-0392 be decreased by \$23.35 million and amended by increasing reimbursements by \$23.35 million, and Item 3790-004-0001 (General Fund) be increased by \$10 million, to account for a technical adjustment needed for the Woolsey Wildfire Repair-Phase II Governor's Budget proposal. Provisional language in 3790-004-0001 be amended to conform to this action.

Staff Recommendation. Approve as requested.

Issue 9: Law Enforcement Records Management System License Renewal (Issue 133) (AFL)

Governor's Proposal. An AFL requests that Item 3790-001-0392 (State Parks and Recreation Fund) be increased by \$1.423 million and two positions to provide for support, maintenance, and annual renewal of the department's Record Management System (RMS) license. Parks requires an RMS to be in compliance with the National Incident-Based Reporting System/California Incident-Based Reporting System.

Staff Recommendation. Approve as requested.

Issue 10: Oceano Dunes State Vehicular Recreation Area: Le Sage Bridge Replacement (Issue 138) (AFL)

Governor's Proposal. An AFL request that Item 3790-301-0263 (Off-Highway Vehicle Trust Fund) be increased by \$47,000 for the working drawings phase of the Oceano Dunes State Vehicle Recreation Area: Le Sage Bridge Replacement project. This supplemental appropriation is necessary to address natural resources permitting activities, increased engineering costs, and the need for expanded geographical information system support and data management.

Staff Recommendation. Approve as requested.

Issue 11: Fort Ord Dunes State Park: New Campground (Issue 142) (AFL)

Governor's Proposal. An AFL requests that Item 3790-301-0263 (Off-Highway Vehicle Trust Fund) be increased by \$7.016 million for the construction phase of the Fort Ord Dunes State Park: New Campground project. This supplemental appropriation is necessary to address higher than anticipated construction bids. As such, the department has applied for a total of \$7.016 million in federal grant funds.

Staff Recommendation. Approve as requested.

Issue 12: El Capitan State Beach: Entrance Improvements (Issue 144) (AFL)

Governor's Proposal. An AFL requests that Item 3790-301-0392 (Off-Highway Vehicle Trust Fund) be amended by increasing reimbursements by \$2.556 million and Item 3790-301-6051 (Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Fund of 2006 [Proposition 84]) be added to in the amount of \$1.298 million for the construction phase of the El Capitan State Beach: Entrance

Improvements project. The AFL also requests that Item 3790-495 be added to revert \$2.648 million from existing spending authority from Schedule 2 of Item 3790-301-6051 (Proposition 84), Budget Act of 2019. This continuing project will reduce conflicts between pedestrians, bicyclists, and vehicles, improve the entrance road to accommodate larger recreational vehicles, replace the entrance kiosk, and improve circulation at the park entrance.

Staff Recommendation. Approve as requested.

Issue 13: Old Sacramento State Historic Park: Boiler Shop Renovation (Issue 141) (AFL)

Governor's Proposal. An AFL requests that Item 3790-301-6051 (Proposition 84) be added in the amount of \$16.96 million and Item 3790-301-6088 be increased by \$5.626 million for the construction phase of the Old Sacramento State Historic Park: Boiler Shop Renovation project. This is a continuing project. Provisional language is requested to be added to Item 3790-301-6088 (California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access for All Fund [Proposition 68]) to conform to this action.

Staff Recommendation. Approve as requested.

Issue 14: Picacho State Regional Area: Park Power System Upgrade (Issue 143) (AFL)

Governor's Proposal. An AFL requests that Item 3790-301-6088 (Proposition 68) be increased by \$387,000 and Provision 1 be amended for the preliminary plans phase of the Picacho State Regional Area: Park Power System Upgrade 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. 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.

Staff Recommendation. Approve as requested.

3860 DEPARTMENT OF WATER RESOURCES (DWR)

Issue 15: San Joaquin River Restoration Program

Governor's Proposal. An AFL requests that Item 3860-301-6083 (Water Quality, Supply, and Infrastructure Improvement Fund of 2014 [Proposition 1]) be increased by \$6.5 million to support implementation of a fish passage project for the San Joaquin River Restoration Program. There is an associated reversion to support this appropriation in the CNRA AFL.

Staff Recommendation. Approve as requested.

Issue 16: Systemwide Flood Risk Reduction Program

Governor's Proposal. An AFL requests that Item 3860-301-6088 (Proposition 68) be added in the amount of \$4 million to support the Tisdale Weir Rehabilitation and Fish Passage project within the Systemwide Flood Risk Reduction Program. There is an associated reversion to this appropriation in the CNRA AFL.

Staff Recommendation. Approve as requested.

3900 AIR RESOURCES BOARD (ARB)**Issue 17: Extension of Liquidation for AB 617 Community Air Grants**

Governor's Proposal. An AFL requests that Item 3900-493 be amended to extend the liquidation period of Item 3900-101-3228 (Greenhouse Gas Reduction Fund [GGRF]), Budget Act of 2017 and Item 3900-101-3228 (GGRF), Budget Act of 2018 until June 30, 2023.

This funding provides technical assistance grants to community-based organizations to support community participation in the program established pursuant to AB 617 (C. Garcia), Chapter 136, Statutes of 2017.

The Department of Finance has provided the following updates to these appropriations:

- The 2017 Budget Act included a \$5 million appropriation and ARB awarded 14 Community Air Grants during 2017-18. The remaining aggregate balance of unliquidated funds for 8 of these grants is approximately \$886,000.
- The 2018 Budget Act included a \$10 million appropriation and ARB awarded 42 Community Air Grants during 2018-19. The remaining aggregate balance of unliquidated funds for 24 of these grants is approximately \$3.096 million.

Staff Recommendation. Approve as requested.

Issue 18: Reappropriations

Governor's Proposal. An AFL requests that Item 3900-493 be added to reappropriate the unencumbered balances of the following items for purposes specified with funding available for encumbrance or expenditure until June 30, 2022:

- Item 3900-001-0115 (Air Pollution Control Fund), Budget Act of 2020 to support the integrated multi-pollutant emissions inventory project developed pursuant to AB 617. Amount to be reappropriated: \$2.4 million.
- Item 3900-101-3228 (GGRF), Budget Act of 2019 to provide technical assistance grants to community-based organizations to support community participation in the program established by AB 617. Amount to be reappropriated: \$11.308 million.

- Item 3900-001-6054 (Ports Infrastructure, Security, and Air Quality Improvement Account, Highway Safety, Traffic Reduction, Air Quality, and Port Security Fund of 2006 [Proposition 1B]), Budget Act of 2014 and Item 3900-101-6054, Budget Act of 2018 to replace older, dirtier freight vehicles and equipment with cleaner technologies to maximize emission reduction benefits and support the deployment of advanced technology equipment that yields early or extra emission reductions beyond those required by regulations. Amount to be reappropriated: \$12.321 million.

It is also requested that Item 3900-494 be added to reappropriate the unencumbered balance of the Item 3900-101-6054 (Proposition 1B), Budget Act of 2019 to replace older, dirtier freight vehicles and equipment with cleaner technologies to maximize emission reduction benefits and support the deployment of advanced technology equipment that yields early or extra emission reductions beyond those required by regulations. This request includes making this funding available for encumbrance or expenditure until June 30, 2023.

The 2019 Budget Act included a \$10 million appropriation, but due to the disruptions from the COVID-19 pandemic, ARB's solicitation of applications and awarding of grants remains incomplete. Therefore, no funds from this appropriation have been encumbered yet and the remaining unencumbered balance is \$10 million.

Staff Recommendation. Approve as requested.

3940 STATE WATER RESOURCES CONTROL BOARD (SWRCB)

Issue 19: Federally Designated National Pollutant Discharge Elimination System (NPDES) — Commercial Industrial and Institutional Stormwater Permitting Program

Governor's Proposal. An AFL requests that Item 3940-001-0193 (Waste Discharge Permit Fund) be increased by \$606,000 and three positions on going to implement a new US Environmental Protection Agency residual designation authority to regulate stormwater from currently unregulated commercial, industrial, and institutional facilities. The additional resources will allow SWRCB to develop and implement an NPDES General permit at the Los Angeles Regional Water Quality Control Board.

Staff Recommendation. Approve as requested.

Issue 20: Augmentation to Underground Storage Tank (UST) Cleanup Fund, Site Cleanup Subaccount and School District Account

Governor's Proposal. An AFL requests that Item 3940-001-0439 (UST Cleanup Fund) be increased by \$200.728 million and five positions, Item 3940-001-3264 (Site Cleanup Subaccount) be increased by \$804,000 and four positions, Item 3940-101-3134 (School District Account, UST Cleanup Fund) be added in the amount of \$2 million, and Item 3940-101-3264 (Site Cleanup Subaccount) be increased by \$16.717 million to expand and accelerate reimbursement of correction action costs in the UST Cleanup Program. The fund and associated accounts are available to assist UST owners and operators with costs to clean up contaminated soil and groundwater caused by leaking petroleum USTs. To accelerate activity in this

program, SWRCB is activating the remaining 800 claims from the Priority List and will require an increase in budgetary authority to accommodate the increased need associated with these claims. The additional resources will allow SWRCB to reimburse corrective action costs for eligible claimants and result in accelerated reimbursements for claimants.

Staff Recommendation. Approve as requested.

3970 DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY

Issue 21: Reappropriation and Additional Funding for Bonzi Sanitary Landfill Closure

Governor's Proposal. An AFL requests that Item 3970-001-0387 (Integrated Waste Management Account, Integrated Waste Management Fund) be increased by \$2.636 million and item 3970-012-0387 be reduced by \$2.636 million to provide additional funding for the closure of the Bonzi Sanitary Landfill and offset the increased expenditure by reducing the transfer amount from the Integrated Waste Management Account, Integrated Waste Management Fund to the Soldi Waste Disposal Site Cleanup Trust Fund.

It is also requested that Item 3970-492 be added to reappropriate up to \$4.2 million in item 3970-001-0387 (Integrated Waste Management Account), Budget Act of 21017, and extend the liquidation period to June 30, 2025.

Staff Recommendation. Approve as requested.

8570 CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE (CDFA)

Issue 22: Technical Adjustment: Technical Assistance Program for Underserved Farmers (AFL)

Governor's Proposal. An AFL requests that Item 8570-002-0001 (General Fund) be increased by \$1.26 million and Item 8570-101-0001 (General Fund) be decreased by \$1.26 million to reflect a technical, net-zero adjustment that will shift a portion of funding included in a Governor's Budget proposal from a local assistance item to a state operations item. This adjustment is necessary for CDFA to administer this portion of the program as contract funding rather than grant funding.

The Governor's budget requests \$3.35 million GF in 2020-21 and \$3.35 million in 2021-22 with a two-year encumbrance period to fund a technical assistance and micro-grant program for small, mid-sized, and underserved farmers in California.

The requested amount for early action of \$3.35 million GF in 2020-21 was approved in SB 85 (Committee on Budget and Fiscal Review), Chapter 14, Statutes of 2021.

The technical assistance program includes funding for a temporary Small Farm Specialist within CDFA and a contract with University of California Agriculture and Natural Resources (UC ANR) to provide direct

assistance to small, mid-sized, and socially disadvantaged and underserved farmers in seven regions around the state.

The program is intended to assist farmers with business planning, navigating regulatory compliance, and accessing state and federal funds to aid economic recovery. The grant program will be administered by CDFA and consist of grants for non-profit organizations to provide application technical assistance to small, mid-sized, and socially disadvantaged farmers and ranchers, as well as micro-grant program to assist small, mid-sized, and underserved farmers in accessing state and federal funding resources, including matching and leveraging state and federal funds, such as the state small business economic recovery grant funds and USDA micro loan program.

Staff Recommendation. Approve as requested.

DISCUSSION

SENATE AGRICULTURE BUDGET PLAN

Issue 23: Senate Agriculture Budget Plan

Senate Proposal. The Senate proposes an Agriculture Budget Plan of \$502 million General Fund, as follows:

Transition to Safer, Sustainable Pest Management (\$90 million). In lieu of the Administration's proposed tiered increase in the mill assessment, the Senate proposes to retain the current assessment and use one-time GF to backfill the shortfall and fully fund the programs and activities in the Governor's proposal for a two-year limited-term of \$40 million annually. Programs and activities include the following:

- Enhanced implementation of integrated pest management (IPM) practices.
 - Department of Pesticide Regulation's (DPR's) IPM program (\$8.25 million and 15 positions).
 - California Department of Food and Agriculture's (CDFA's) IPM research, education, and extension grant programs (\$3.75 million ongoing).
 - CDFA, through cooperative agreements with the California State University Agricultural Research Institute (CSU ARI) and University of California Agriculture and Natural Resources (UC ANR), to expand research, education, and extension capacity for IPM (\$8 million ongoing).
- Strengthened DPR enforcement activities (\$3 million DPR Fund and 18 positions in 2021-22 ongoing).
- Increased support to County Agriculture Commissioners (CACs) for local pesticide use enforcement activities from 7.6 mills to 10 mills (estimated to be an approximately \$9.5 million increase).
- Enhanced Pesticide Air Monitoring Network (AMN) (\$4 million DPR Fund and seven positions in 2021-22 ongoing).
- Increased community engagement by DPR, including with communities identified by the Community Air Protection Program (as authorized by AB 617 (C.Garcia), Chapter 136, Statutes of 2017, (\$1.5 million DPR Fund and four positions beginning in 2021-22 and \$1.5 million DPR Fund and seven positions in 2022-23 ongoing).
- Sufficient revenues to repair the DPR Fund's structural fund imbalance and provide a prudent reserve.

The Senate Agriculture Budget Plan provides General Fund funding for two years in order to allow DPR and CDFA to proceed with these efforts immediately while providing additional time to further analyze how to increase the mill assessment.

- ***Funding Agricultural Replacement Measures for Emission Reductions (FARMER) Program (\$170 million).*** The Senate proposes \$170 million General Fund one-time to the Air Resources Board (ARB) for the FARMER program, which is a grant program that provides funding to replace agricultural equipment in order to reduce pollution.
- ***Agricultural Burning (\$180 million).*** The Senate proposes \$180 million General Fund total — \$60 million annually for a three-year limited term.

The goals of this grant program is to reduce air pollution and help develop alternatives to agricultural burning that will ultimately become the methods for regulatory compliance. This proposal includes budget bill language to do the following:

- Require ARB and local air districts to implement this grant program in a manner that achieves these goals most effectively.
 - Require ARB to establish general guidelines for local air districts to help achieve the goals of this program.
 - Require ARB to provide funding to local air districts for the purpose of distributing grants.
 - Require ARB to report to the Legislature by December 1, 2022, on the degree to which the program is reducing emissions and supporting the development of alternatives to agricultural burning.
- ***Critical Infrastructure for Biodiversity Reliance: DNA Barcode Reference Library for California Insects (\$12 million).*** The Senate proposes \$12 million General Fund one-time to CDFA for the purpose of creating a DNA barcode reference library for California insects. This proposal will barcode and preserve existing specimens; secure new specimens from priority locations such as the Central Valley; expand opportunity via professional and informal training; and deliver data to accomplish Executive Order N-82-20.

This proposal provides the state a comprehensive DNA barcode reference library of its pollinators, butterflies, pests, and other arthropods. This will be an infrastructure of: a coordinated system of DNA barcodes, linked to baseline collections of California's insect diversity housed in secure facilities, with a public database to support farmers and land managers. Current efforts are funded via grants and donations, and one-time additional funding from the state will accelerate the effort, delivering benefits in years instead of decades.

- ***Alternative Manure Management Program (AMMP) (\$50 million).*** The Senate proposes \$50 million General Fund one-time to CDFA for grants through AMMP to implement non-digester practices to reduce or avoid methane emissions, such as solid separation, conversion from flush to scrape manure collection, and enhanced pasture-based management practices.

Agriculture-Related Drought Relief. In a separate, but related, Senate proposal on drought relief, which was heard on April 29, 2021, Subcommittee 2 approved the Senate Budget Plan Drought, Safe Drinking Water, and Water Supply Reliability, and Ratepayer Assistance package of \$3.4 billion. The drought proposal includes funding for agricultural purposes, such as \$250 million for the State Water Efficiency Enhancement Program (SWEEP), which provides competitive grants for agricultural water-use efficiency projects. *(For more detail on the Senate Budget plan on Drought Relief, Safe Drinking Water, and Water*

Supply Reliability, and Ratepayer Assistance, please refer to the Subcommittee 2 agenda for the April 29, 2021 hearing.)

Background. California’s agricultural industry consists of approximately 77,500 farms and ranches that provide over 400 different commodities. Over a third of the country’s vegetables and two-thirds of the country’s fruits and nuts are grown in the state.

According to the CDFA 2019 Crop Year Report, California’s farms and ranches received more than \$50 billion in cash receipts for their output. California agricultural exports totaled \$21.7 billion — top commodities for export included almonds, pistachios, dairy and dairy products, wine and walnuts.

California organic product sales totaled more than \$10.4 billion in 2019. Organic production encompasses over 2.5 million acres in the state and California is the only state in the nation with a US Department of Agriculture (USDA) National Organic Program.

Transition to Safer, Sustainable Pest Management

Subcommittee 2 heard the Administration’s “Transition to Safer, Sustainable Pest Management” January Budget proposal in February. For more details about the proposal, please refer to the February 23, 2021 hearing agenda.

Integrated Pest Management (IPM). IPM Encourages Use of Other Pest Control Practices. IPM is designed to reduce — though not necessarily eliminate — the use of pesticides through a combination of techniques, such as using beneficial organisms to eliminate pest populations. IPM promotes the judicious use of pesticides when other methods do not work and when monitoring indicates that pest levels have risen to the point where pesticides are needed.

Various State Entities Promote IPM. The state has funded several grants and programs through various state entities to promote IPM research and outreach.

- **Department of Pesticide Regulation (DPR).** DPR administers several IPM grants, such as the Pest Management Research Grant Program, which funds research to develop practices that reduce the use of pesticides of high regulatory concern. The department also has several IPM programs, such as the School IPM Program that promotes the adoption of IPM practices at schools and child care centers.
- **CDFA.** CDFA also administers several IPM grants, such as the Biologically Integrated Farming Systems Grant Program, which funds on-farm demonstrations and evaluations of IPM practices.
- **Academic Institutions.** UC ANR and CSU ARI conduct IPM research and outreach, such as conducting field trials, training pest control managers, and working with farmers to implement the use of nonchemical pest control methods.

Pesticide Regulations and State Funding. Federal, State, and Local Roles in Pesticide Regulation. Various government entities play a role in regulating pesticide sale and use.

- **Federal.** The US Environmental Protection Agency (US EPA) is responsible for setting minimum pesticide use standards; registering pesticides at the federal level that have been determined to not harm people, nontarget species, or the environment; and sets pesticide labeling requirements that indicate how to handle and safely use products.

- State. DPR is responsible for (1) evaluating and registering pesticides at the state level, (2) licensing individuals and businesses that apply pesticides, (3) evaluating health impacts of pesticides, (4) monitoring the environmental impacts of pesticides in air and water, (5) monitoring pesticide residues on produce, and (6) enforcing state and federal laws related to pesticides.
- Local. CACs are responsible for enforcing pesticide laws and regulations in concert with DPR. The state is responsible for overseeing enforcement efforts by CACs.

DPR Fund. DPR Is Supported by Its Own Special Fund. The DPR Fund supports roughly 90 percent of the department's budget. The fund receives 20 percent of its revenues from pesticide-related licensing and registration fees and 80 percent from a mill assessment levied on pesticides.

- Mill Assessment. The mill assessment is applied to agricultural and non-agricultural pesticides at the point of first sale into the state. The assessment is currently at 21 mills, or 2.1 cents per dollar, and was last adjusted in 2004. Of the total mill assessment, 7.6 mills are allocated to CACs for their pesticide compliance and enforcement activities.

DPR's Major Fund Source Has Structural Imbalance. The growth in expenditures from the DPR Fund has outpaced growth in revenues, creating a structural imbalance in the fund. Absent any changes, the Administration estimates that the fund will go insolvent in 2022-23.

LAO Finds Additional Spending Proposals Are Reasonable. The LAO finds that the Governor's proposals for increased spending merit legislative consideration based on estimated workload, potential to increase the use of IPM, and public health benefits.

- IPM Grants and Programs. Providing state funding towards grants and programs that further IPM research, implementation, and outreach has merit in the long run. While these programs will not provide immediate reductions, they can be an important part of the state's long-term goal of reducing pesticide usage.
- AMN. The proposal aligns with past legislative priorities by providing an ongoing source of funding for previously approved AMN stations. AMN provides the state with year-round data on pesticide levels in ambient air in various agricultural communities. Thus, expanding this network has potential of increasing protections and public health in more communities throughout the state.
- Enforcement. Additional funding for enforcement activities is reasonable since it would allow DPR and CACs to conduct more activities related to upholding state and federal pesticide laws and regulations. A workload analysis from the department indicates that the additional funding largely would support monitoring and investigating pesticide use violations and reviewing illegal residue cases.
- Community Engagement. The department has indicated that there has been increased workload associated with community outreach. For instance, the department states that an increasing number of communities have inquired about pesticide emissions and have asked for technical assistance from DPR. Based on a workload analysis from the department, the LAO finds that increasing funding for this effort is reasonable.

FARMER Program. According to ARB, producers, custom operators, first processors, and rental companies own and operate approximately 160,000 pieces of off-road, diesel-fueled, mobile agricultural equipment statewide, in addition to stationary equipment, and on-road vehicles used in agricultural

operations. Emissions from these vehicles and equipment are a significant source of air pollution. Reducing these emissions are necessary to meet federal ozone and particulate matter air quality standards, particularly in the San Joaquin Valley where the agricultural sector is a critical part of the local and state economy, but also contributes to the poor air quality.

In 2017, the Budget Act included \$135 million to ARB to reduce agricultural sector emissions by providing grants, rebates, and other financial incentives for agricultural equipment and vehicles used in agricultural operations. As a result, ARB developed the FARMER Program

ARB oversees the FARMER Program, which provides funding through local air districts for agricultural harvesting equipment, heavy-duty trucks, agricultural pump engines, tractors, and other equipment used in agricultural operations.

According to ARB, as reported through September 30, 2020, the FARMER Program has provided \$206.5 million in implemented projects statewide with 65 percent of funding benefitting disadvantaged and low-income communities. Implemented projects include:

- 254 Agricultural trucks (11 percent of dollars invested)
- 57 Irrigation pump engines (1 percent of dollars invested)
- 2,487 Tractors/harvesters (78 percent of dollars invested)
- 1,916 Agricultural utility terrain vehicles (10 percent of dollars invested)

Emissions reduced attributable to the FARMER Program:

- 124,000 metric tons of carbon dioxide equivalent in greenhouse gas emissions
- 780 tons of fine particulate matter (PM 2.5)
- 12,900 tons of nitrogen oxide (NOx)

FARMER funding is given to projects are based on cost-effectiveness, potential reduction of criteria pollutants and toxic air contaminants, contribution to regional air quality improvement, ability to achieve greenhouse gas emissions reductions, and ability to promote the use of clean alternative fuels and vehicle technologies.

Agricultural regions are often surrounded by disadvantaged and low-income communities and employ many of the residents living in these communities. The FARMER Program helps address the air quality and climate change impacts of vehicles and equipment used in agricultural operations.

Agricultural Burning. Agricultural burning is the intentional use of fire for vegetation management in areas such as agricultural fields, orchards, rangelands, and forests. It includes the burning of grass and weeds in fence rows, ditch banks and berms in no-till orchard operations; the burning of fields being prepared for cultivation; the burning of agricultural wastes; and the operation or maintenance of a system for the delivery of water for agricultural operations.

Farmers do agricultural burning to remove crop residues left in the field after harvesting grains, such as hay and rice, as well as for removal of orchard and vineyard pruning and trees. Farmers use burning also as a way to remove weeds, prevent disease, and control pests. For some crops, including rice and pears, burning is the most efficient way to control disease. Burning is allowed on Permissive Burn Days, which are issued based on the forecast of air quality and meteorological conditions that can affect smoke dispersion. All burn permit holders must comply with fire protection agency requirements.

Most recently, in February 2021, ARB unanimously approved a plan to begin phasing out almost all agricultural burning in the San Joaquin Valley by 2025. The resolution calls for a six-month transition period to create an enforcement plan that includes mapping out economic feasibility of alternatives to open burning and finding more sources of fundings to help farmers transition away from burning. The goal is to effectively eliminate burning, which releases fine particulate matter (PM 2.5) into the air, causing or contributing to a number of adverse health impacts including asthma. ARB estimates that to carry out the plan, it will cost \$15 million to \$30 million annually.

Alternatives to agricultural burning can cost substantially more, such as bringing in wood chippers to process their waste piles into pieces small enough to be incorporated back into the soil. Hauling slash away to landfills or biomass power plants is also more expensive than burning.

DNA Barcode Reference Library of California Insects. California is a biodiversity hotspot, with about 30,000 pollinator and insect species. However, pollinators, butterflies, and arthropods are dying at an alarming rate. Wildfire, climate, water and air pollution, pesticides, habitat loss, and other factors are driving profound change, pushing some ecosystems to the point of catastrophic collapse. Disappearance of beneficial insects is a loss of pest control services, accelerates pest invasions, and destabilizes ecosystems.

Loss of pollinators harms California agriculture. For example, many crops in California (e.g. almonds, apples, avocados, and grapes) are dependent on honey bees to pollinate. In 2019, almond crops were valued at \$6.09 billion, the second highest valued agricultural commodity. It takes about two honey bee colonies per acre to pollinate almonds. In a January 2020 *Ag Alert* article (produced by the California Farm Bureau), assistant editor, Christine Souza, noted that California had about 1.2 million bearing acres of almond trees and stated, “As another 300,000 almond acres come into production in the next few years, beekeepers and farmers say an additional 600,000 beehives will be needed for pollination. Achieving that could be somewhat daunting, as beekeepers report annual bee losses due to challenges such as reduced forage, the Varroa mite and pesticide-related issues.”

According to the US Department of Agriculture, as of December 31, 2017, there were 1.14 million honey bee colonies in the state. There were 30,000 fewer honey bee colonies between 2017 and 2019, a loss of about 2.6 percent of the state’s honey bee colony population. Previous surveys showed a loss of 19 percent of honey bee colonies in the state between 2015 and 2017, about 270,000 colonies lost. Without long-term research, it is hard to assess what the trends are and what particularly contributes to losses in population. The overall health of bees is related to complex interactions among multiple factors including nutrition, pesticide applications, and disease.

However, the methods for monitoring insects are centuries old and not up to the task of collecting, identifying, and counting thousands of species at the scale and pace required. Consequently, species declines or arrival of harmful pest happens when it is too late for meaningful response. We detect biodiversity crises only for easily recognized species, and even then only when they reach the “apocalypse” level (e.g. 99 percent decline of Monarch butterflies since the 1980s). We lack the ability to detect, understand, and act.

Although, because of recent breakthroughs in DNA sequencing, it is now at a scale and level of cost-efficiency that revolutionizes the ability to detect and act. High-throughput DNA sequencing pipelines now can rapidly map and monitor pollinators and other arthropods, using DNA “barcodes.” DNA barcodes are analogous to grocery store barcodes — every organism has its own unique barcode built into the DNA of each cell. New technologies allow sequencing the barcode for every species by sampling just one specimen.

Once built, a reference library of DNA barcodes can identify insects by sampling traces of DNA from the environment, to quickly provide data in real time about localized declines of new invaders. For example, these tools can detect which species pollinate what plant, or eats which pest.

The proposed infrastructure will significantly improve biodiversity monitoring and pest prevention. Farmers, scientists, and land managers will be able to know results in days. Inexpensive, automated biodiversity monitoring stations will be able to track changes or detect pests.

CDFA would be the appropriate agency to help create the insect barcode library. The department runs the California Arthropod Collection, which is one of the state’s largest facilities. Also, CDFA has an important role in identifying insects and then using the information to deal with pest outbreaks, including its robust integration with County Agricultural Commissioners and other local elements of the network. This proposal establishes critical infrastructure for biodiversity resilience.

Alternative Manure Management Program (AMMP). CDFA’s AMMP provides competitive grants to California dairy and livestock operations for technologies and specific management practices that result in long-term methane emissions reductions and maximize environmental benefits.

Alternative manure management practices involve handling and storing manure in ways that do not include use of an anaerobic digester, and support management of manure in a dry form. Currently, eligible practices for funding through AMMP include: pasture-based management; alternative manure treatment and storage (such as compost bedded pack barns); and solid separation or conversion from flush to scrape in conjunction with some form of drying or composting of collected manure.

Thus far, 114 AMMP incentive projects have been funded and are expected to reduce greenhouse gas emissions by an estimated 1.1 million metric tons of CO₂e over five years.

Drought Relief. Much of California is in drought or near-drought. This is the second year in a row of dry conditions — and the eighth year in the last 10. The snowpack is less than half of normal this year and areas throughout the state are well below normal precipitation — As of April, San Francisco has had 37 percent of normal precipitation, San Diego at 30 percent, Sacramento at less than 40 percent, and Los Angeles at 39 percent.

According to the Public Policy Institute of California (PPIC) (*Water Use in California*, May 2019), average water use in California is roughly 50 percent environmental, 40 percent agricultural, and 10 percent urban, although the percentage of water use by sector varies dramatically across regions and between wet and dry years. Some of the water used by each of these sectors returns to rivers and groundwater basins where it can be used again. More than nine million acres of farmland in California are irrigated, representing roughly 80 percent of all water used for businesses and homes.

PPIC states that agriculture relies heavily on groundwater during droughts — particularly in the Central Valley — but more sustainable groundwater management is needed to maintain this key drought reserve. An increase in tree and vine crops — which need to be watered every year — is making farming more vulnerable to water shortages. State law now requires water users to bring their groundwater basins into

long-term balance by the early 2040s. This will likely require farm water use to fall in regions that have been over-pumping, including the southern Central Valley and the Central Coast.

Staff Recommendation. Hold open.

SENATE WILDFIRE PREVENTION AND RESILIENCE PACKAGE

Issue 24: Senate Wildfire Prevention and Resilience Package

Senate Proposal. The Senate proposes a long-term wildfire mitigation plan of \$5 billion total (\$4 billion GF and \$1 billion Greenhouse Gas Emissions Fund (GGRF)). The Senate proposal does the following:

- 1) Establishes the Wildfire Prevention and Resilience Fund (WPRF) and transfers \$4 billion GF into WPRF, which is subject to annual legislative appropriation, and transfers \$4 billion GF into WPRF.
- 2) States that \$1 billion (\$800 million WPRF and \$200 million from GGRF) shall be appropriated annually for five years.
- 3) Appropriates \$800 million from WPRF and \$200 million from GGRF in 2021-22 to specific wildfire prevention and resiliency programs.
- 4) Provide accountability measures and assessment of effectiveness.

More specifically, the Senate Wildfire Prevention and Resilience Package includes the following:

Adoption of Trailer Bill Language

- Create a new fund, the WPRF.
- Specify that moneys in the WPRF, upon appropriation by the Legislature, may be used for projects and programs that promote healthy wildlands, reduce the risk of catastrophic wildfires, and make communities more resilient to wildfires.
- Specify that interest from the moneys in WPRF shall accrue to WPRF.
- State that \$800 million appropriation from WPRF and a \$200 million appropriation from GGRF shall be made in each Budget Act through 2025-26 fiscal year to support projects and programs that promote healthy wildlands reduce the risk of catastrophic wildfires, and make communities more resilient to wildfires.
- Require reporting to enhance accountability and assess effectiveness. (*Details below.*)

Budget Bill Language and Appropriations in 2021-22 Budget Act

- Transfer \$4 billion one-time from the General Fund to WPRF.
- Appropriate \$800 million from WPRF and \$200 million from GGRF in BY to specific programs to promote healthy wildlands, reduce the risk of catastrophic wildfires, and make communities more resilient to wildfires. (*Please see chart below for breakdown of \$1 billion budget year proposal.*)
- Extend the encumbrance periods to June 30, 2023 and liquidation periods to June 30, 2025.

Accountability Measures and Assessment of Effectiveness

- Require CNRA, in consultation with other departments administering wildfire prevention and resilience programs, to annually produce a report on all programs funded as part of this wildfire package. This report shall be provided to the budget committees in each house and the LAO, as well as posted on the Agency's public website by December 1 of each year. The purpose of the annual report is to inform the Legislature and the public on the Administration's implementation of the programs receiving funding, as well as to provide information that will be useful for future decision making regarding efforts to reduce wildfire risks and damages.
- For each program receiving funding as part of the wildfire package, requires the report to include the following information for both the most recent fiscal year and total through the most recent fiscal year:
 - Summary of the projects implemented, including quantification of the number of projects funded. Where relevant, the summary of projects implemented should include information on the total number of acres treated, grants or loans awarded, home retrofits, or other quantifiable deliverables. The information provided should be broken out by project type if the program supports different types of activities.
 - Summary of costs to implement programs, by program type. This should specify how much of the costs were for different types of expenditures, such as state staff, contracted services, equipment, and grants or loans.
 - Summary of how projects were selected. This should include information on prioritization criteria used to select projects.
 - Summary of geographic distribution, including number and costs of projects by region of the state.
- Specifies that this reporting requirement expires following provision of the final report, which shall be the annual report that includes information on the final expenditure of all funds appropriated as part of this package.

Overall Assessment of Effectiveness

- Require a final report to the Legislature on the overall effectiveness of these wildfire prevention and resilience funding efforts by December 1, 2025. The goal of this reporting is to inform the Legislature on how effective different types of programs and projects funded as part of the Wildfire Prevention and Resilience Package were at reducing wildfire risks and damages and to inform future funding for such purposes. Key components should include:
 - Coordination by CNRA.
 - This would be an ex post evaluation to assess the extent to which wildfire prevention and resilience projects funded by the package actually reduced the spread or damages associated with wildfires that occurred in locations that contained funded projects.

- Require CNRA to contract with the University of California to produce the report.
- Coordinate with researchers and Administration to help develop research strategy and protocols so that programs are designed with evaluation in mind at the outset, in order to ensure efforts will result in meaningful data and analysis.
- Authorize dedicated funding to ensure proper research implementation, which may fund a combination of state staff and research contracts, such as with universities. Although it is unclear what costs would be, conversations with researchers and Administration would inform this determination.
- Specify that the intention is for reports to include analysis of effectiveness, as well as recommendations about future implementation based on lessons learned.

Senate \$1 Billion Wildfire Prevention and Resilience Spending Plan for 2021-22. The following chart outlines the Senate's Wildfire Prevention and Resilience Spending Plan for the budget year in the far right column. As noted above, the proposal creates a new fund, WPRF, which would consist of moneys transferred from the General Fund. For ease of comparison, the figure includes the Governor's January Budget \$1 billion proposal and the \$536 million Early Action Plan enacted on April 13, 2021 (SB 85 (Committee on Budget and Fiscal Review), Chapter 14, Statutes of 2021).

Wildfire and Forest Resilience Proposals - Comparison Chart
(In Millions)

Category	Agency/Dept	Purpose	Governor's Early Action Proposal	Gov's Budget Year Proposal	SB 85 Early Action Plan	Senate Budget Year Proposal
Resilient Wildlands	CAL FIRE	Forest Health	\$5	\$20	\$90	\$125
			\$65	\$80	\$65	\$0
	CAL FIRE	Forest Improvement Program for Small Landowners	\$0	\$40	\$0	\$50
			\$10	\$0	\$10	\$0
	CAL FIRE	Forest Legacy & Reforestation Nursery	\$8	\$17	\$8	\$20
	CAL FIRE	Urban Forestry	\$10	\$13	\$10	\$15
	CAL FIRE	Tribal Engagement	\$1	\$19	\$1	\$19
	Parks & Recreation	Stewardship of State-Owned Land	\$10	\$75	\$15	\$90
	Fish & Wildlife	Stewardship of State-Owned Land	\$9	\$36	\$15	\$90
	State Lands Commission	Stewardship of State-Owned Land	\$0	\$12	\$0	\$0
	Sierra Nevada Conservancy	Project Implementation in High Risk Regions	\$20	\$50	\$20	\$60
			\$0	\$0	\$0	\$0
	Tahoe Conservancy	Stewardship of State-Owned Land	\$1	\$11	\$1	\$11
			\$0	\$0	\$0	\$0

	Santa Monica Mountains Conservancy	Project Implementation	\$0	\$0	\$12	\$10
	San Diego River Conservancy		\$0	\$0	\$12	\$10
	San Gabriel & Lower LA Rivers & Mountains Conservancy	Project Implementation	\$0	\$0	\$12	\$10
	State Coastal Conservancy		\$0	\$0	\$12	\$10
	San Francisco Bay Area Conservancy Program within the State Coastal Conservancy		\$0	\$0	\$0	\$10
Wildfire Fuel Breaks	CAL FIRE	CalFire Unit Fire Prevention Projects	\$10	\$40	\$10	\$40
	CAL FIRE	Fire Prevention Grants	\$50	\$80	\$50	\$80
			\$0	\$0	\$73	\$0
	CAL FIRE	Prescribed Fire & Hand Crews	\$15	\$35	\$15	\$40
	California Conservation Corps	Forestry Corps	\$0	\$15	\$0	\$25
			\$0	\$5	\$0	\$0
Department of Conservation	Regional Forest & Fire Capacity	\$25	\$60	\$50	\$60	
Community Hardening	Cal OES & CAL FIRE	Home Hardening	\$25	\$0	\$25	\$30
	CAL FIRE	Defensible Space Inspectors	\$0	\$6	\$2	\$7
	CAL FIRE & University of California	Land Use Planning and Public Education Outreach	\$0	\$7	\$0	\$8
Science-Based Management	CAL FIRE	Ecological Monitoring, Research & Adaptive Management	\$3	\$17	\$3	\$20
	CNRA	Remote Sensing	\$0	\$15	\$0	\$15
	CARB & Waterboards	Permit Efficiencies	\$0	\$4	\$0	\$5
	UC	Satellite data real-time employment	\$0	\$0	\$0	\$5
	OPR	Wildfire/Climate Adaptation Planning	\$0	\$0	\$0	\$8
Forestry Sector Economic Stimulus	IBank	Climate Catalyst Fund	\$47	\$2	\$16	\$33
	CAL FIRE & Workforce Development Board	Workforce Development	\$6	\$18	\$6	\$20
	OPR	Market Development	\$3	\$0	\$3	\$6
	GO-Biz	Transportation grants for timber/wood removal	\$0	\$0	\$0	\$10
Other	CNRA	Urban greening programs	\$0	\$0	\$0	\$0
	OPR	Cooling centers, clean air/hydration centers, emergency shelters, backup solar	\$0	\$0	\$0	\$8
	WCB	Forest health and watershed protection and restoration	\$0	\$0	\$0	\$50
	CAL FIRE	Increase Fire Crews	\$0	\$0	\$0	\$0

TOTAL - All Funds	\$323	\$677	\$536	\$1,000
Total - General Fund	\$198	\$477	\$411	\$0
Total - Cap & Trade (GGRF)	\$125	\$200	\$125	\$200
Total - WPRF	\$0	\$0	\$0	\$800

The chart above does not specify the funding source (WPRF or GGRF) for each programs in the Senate budget year spending plan. However, the total amount proposed to be appropriated for 2021-22 from each fund is as follows: \$800 million WPRF and \$200 million GGRF.

Background. CalFire has provided recent wildfire activity statistics, as follows:

- Between January 1, 2021 and April 25, 2021, wildfire activity in the state was as follows:
 - CalFire — 1,354 fires for 2,219 acres
 - Federal — 192 fires for 1,707 acres
 - Combined — 1,546 fires for 3,926 acres (an increase of 623 fires and 1,940 acres from 2020)
- Five-Year Average (CalFire) during the same time period — 654 fires for 1,865 acres

This past wildfire season, over 4 million acres burned, five of the six largest fires in state history burned simultaneously, and at one point, as many as 250,000 people were displaced. The 2020 fire season strained California’s emergency response capacity.

According to the Legislative Analyst’s Office (LAO), importantly, several of the 2020 wildfires have been among the largest and most damaging since California has begun consistently tracking these statistics in the 1930s. This includes the August Complex fire (Tehama County), which burned over one million acres, making it the largest recorded fire in the state’s history.

According to the LAO, there are various activities related to wildfire prevention, mitigation, response, and recovery:

- **Prevention.** Education, forest health, public safety power shutoff, and wildfire mitigation plans.
- **Mitigation.** Hazardous fuel reduction, forest health, home hardening, wildfire mitigation plans, and defensible space.
- **Response.** Hazardous fuel reduction, CalFire fire protection, and mutual aid system.
- **Recovery.** Insurance, financial assistance, and debris clean up.

CalFire has provided the following statistics for work performed to date in the fiscal year against its goals (as of March 31, 2021):

- Prescribed Fire — 10,586 acres, 35.29 percent of goal
- Fuel Reduction Work — 8,965 acres, 44.83 percent of the goal

- Defensible Space Inspections — 120,618 inspections, 48.25 percent of the goal.

According to the LAO, total spending on CalFire protection (suppression), resource management, and fire prevention has grown from \$800 million in 2005-06 to an estimated \$3.3 billion in 2020-21. CalFire's base fire protection budget has grown steadily from over this period. Emergency fire suppression spending varies from year to year based on the severity of the wildfire season. Spending on resource management and fire prevention makes up a much smaller share of department spending but has increased in recent years with the addition of spending from the Greenhouse Gas Reduction Fund (GGRF).

Key State Budget Augmentations for CalFire in Recent Years

2018-19 Through 2020-21 (In Millions)

Purpose	Year	Amount	Duration	Fund Source
Fire Response				
Blackhawk helicopters: acquisition	2018-19	\$285.20	One-time	General Fund
Blackhawk helicopters: staffing and operations	2018-19	13.8	Ongoing	General Fund
13 year-round fire engines: staffing	2019-20	32.6	Ongoing	General Fund
13 year-round fire engines	2019-20	8.6	One time	General Fund
Innovative procurement sprint: project solicitation and testing	2019-20	15	One time	General Fund
Air tankers contract and staff	2019-20	13*	Ongoing	General Fund
Heavy fire equipment operator staffing	2019-20	10.6	Ongoing	General Fund
Relief Staffing	2020-21	85.6	Ongoing	General Fund
Innovative procurement sprint: fire projection software	2020-21	4.4**	Ongoing	General Fund
Fire Prevention and Forest Management				
Forest health and fire prevention grants	2019-20	165***	Annually, five years	GGRF
Prescribed fire crews	2019-20	35	Annually, five years	GGRF
Wildfire prevention and recovery legislation	2019-20	10****	Ongoing	GGRF
Forest management	2019-20	8.9	One time	Proposition 68

Source: Legislative Analyst's Office

*Increasing to \$49.7 million upon full implementation in 2023-24.

**Increasing to \$7.6 million ongoing.

***Grant funding was not included in the 2020-21 budget because the Legislature did not adopt a GGRF expenditure plan.

****Decreases to \$6.4 million ongoing.

Summary of 2020-21 Funding for Wildfire Prevention and Protection. The 2020-21 budget totals \$2.46 billion to address wildfire prevention and protection issues.

CalFire. According to the LAO, CalFire is responsible for wildland fire protection in State Responsibility Areas (SRAs), which are primarily privately owned wild lands that encompass about one-third of the state.

CalFire employs around 4,000 permanent and 2,500 seasonal firefighters, operates an aviation program (aircraft, helicopters, and air tankers), and runs about 250 fire stations and air attack bases.

The 2020-21 budget includes \$2.5 billion for CalFire, a significant portion of which — \$2.1 billion — is for wildfire response (The department also engages in other activities, such as wildfire prevention and forest health.) This budget for wildfire response has two components — the “base budget” and an amount budgeted for emergency fire suppression known as the Emergency Fund (E-Fund). CalFire’s base budget pays for everyday firefighting operations of the department, including salaries, facility maintenance, and other regularly scheduled costs. Included in the base budget are the costs associated with the “initial attack” on a wildfire — that is, the firefighting operations generally undertaken in the first 24 hours of an incident. Notably, the 2020-21 budget augmented CalFire’s base budget by \$85.6 million for additional firefighter and support staffing.

For a breakdown of wildfire-related appropriations in the 2020-21 budget, please refer to the following tables:

2020-21 Wildfire Prevention and Protection Funding Summary

(Dollars in Thousands)

	General Fund	Other Fund	Total
Cal OES Fire Preparedness & Response	\$88,855	\$1,176	\$90,031
CAL FIRE Fire Protection	\$1,640,042	\$530,689	\$2,170,731
CAL FIRE Fire Prevention & Resource Management	\$15,404	\$187,902	\$203,306
Total	\$1,744,301	\$719,767	\$2,464,068

Source: Department of Finance

2020-21 Cal OES Fire Preparedness & Response Funding

(Dollars in Thousands)

	General Fund	Other Fund	Total
Community Power Resiliency	\$50,000	-	\$50,000
Wildfire Forecast and Threat Intelligence	\$2,000	-	\$2,000
Integration Center (SB 209)			
Prepositioning for Regional Response and Readiness	\$25,000	-	\$25,000
Annual Fire Engine Replacement Budget	\$1,175	-	\$1,175
Cal OES Fire and Rescue Program*	\$10,680	-	\$10,680
Fire and Rescue Mutual Aid System (Support and Engine Maintenance)	-	\$1,176	\$1,176
Total	\$88,855	\$1,176	\$90,031

Source: Department of Finance

*Reflects budgeted amounts for both fire suppression and prevention.

2020-21 CalFire Fire Protection Funding

(Dollars in Thousands)

	General Fund	Other Fund	Total
Fire Protection (Baseline, Less Fire Prevention)	\$1,035,313	\$627,189	\$1,662,502
Emergency Fund Appropriation*	\$372,700	-\$96,500	\$276,200
Helicopter Fleet Replacement**	\$69,707	-	\$69,707

CAL FIRE Relief Staffing	\$85,571	-	\$85,571
Innovation Procurement Sprint	\$4,355	-	\$4,355
Subtotal (2020 Budget Act)	\$1,567,646	\$530,689	\$2,098,335
Additional Firefighting Capacity - 2020 Fire	\$72,396	-	\$72,396
Season Emergency Fund Augmentation***			
Total (Inclusive of E-Fund Augmentation)	\$1,640,042	\$530,689	\$2,170,731

Source: Department of Finance

*Negative amount in "Other Fund" column reflects anticipated reimbursements for emergency fire suppression activities.

**Reflects costs to purchase remaining three helicopters (staffing and operating funding is included in the Fire Protection(Baseline)).

***Reflects a July 2020 Emergency Fund augmentation not included in the 2020-21 Budget Act.

2020-21 CalFire Fire Prevention & Resource Management Funding

(Dollars in Thousands)

	General Fund	Other Fund	Total
Fire Prevention Subprogram (Baseline)*	-	\$43,046	\$43,046
Resource Management Program (Baseline)**	\$15,404	\$70,243	\$85,647
SB 901 Forest Health and Fire Prevention Programs and Projects***	-	\$74,613	\$74,613
Total	\$15,404	\$187,902	\$203,306

Source: Department of Finance

*The CAL FIRE Fire Prevention Subprogram includes programs that focus on the most effective, methods, materials, and procedures to mitigate hazards, prevent wildfires, and enforce pertinent laws, which includes fire engineering and fire prevention education.

**The CAL FIRE Resource Management Program includes subprograms and projects focused on improving the health of forested lands, which includes implementing vegetation management projects, providing technical assistance to non-industrial landowners, operating the demonstration state forests, regulating timber harvesting, urban forestry and other related activities.

***Reflects the deferral of the Cap and Trade package, including \$125.4 million Greenhouse Gas Reduction Fund for CAL FIRE Forest Health and Fire Prevention Programs and Projects.

Wildfire Prevention and Resiliency Early Action Plan. SB 85 (Committee on Budget and Fiscal Review), Chapter 14, Statutes of 2021, includes a total of \$536 million (\$411 million General Fund and \$125 million Greenhouse Gas Reduction Fund (GGRF)) in early action (current year, 2020-21) to address wildfire prevention and resilience issues. The early action plan includes:

a. **Resilient Wildlands.** \$283 million as follows:

- i. \$155 million to the Department of Forestry and Fire Protection (CalFire) for the Forest Health Program. This program provides grants to undertake projects to improve forest health, including forest fuels reduction, prescribed fire, pest management, reforestation, biomass utilization, and conservation easements.
- ii. \$10 million to CalFire for the Forest Improvement Program for Small Landowners. This program is designed to assist small timberland owners — those with 20,000 to 50,000 acres — manage their lands for forest health and wildfire resilience.
- iii. \$8 million to CalFire for the Forest Legacy & Reforestation Nursery. The Forest Legacy Program funds conservation grants and easements with private landowners to protect forest land from conversion to non-forest uses, as well as supports management practices that promote forest health and wildfire reliance through the terms of the easement agreements. The reforestation nursery provides seedlings of native tree species for re-planting post wildfires.

This nursery assists small, non industrial landowners recover their forests.

- iv. \$10 million to CalFire for the Urban Forestry Program, which provides grants to local governments and nonprofits for projects that include the planting of trees or other vegetation, improve the long-term management of urban forests, or better utilize wood waste.
- v. \$1 million to CalFire for tribal engagement. CalFire proposes to initiate a one-time effort within its Forest Health Program to provide resources for forest health projects on tribal lands.
- vi. \$30 million for stewardship of state-owned lands — \$15 million each to the Department of Parks and Recreation and the Department of Fish and Wildlife to perform wildfire reduction activities, such as thinning vegetation and implementing controlled burns; and help restore lands recently burned.
- vii. \$20 million for the Sierra Nevada Conservancy for the Watershed Improvement Program, which funds large-scale projects to restore the health of the watersheds in the 25-million acre Sierra Nevada region. The program is intended to foster coordination across state, federal, and local governments, as well as other stakeholders within the region.
- viii. \$1 million for the Tahoe Conservancy for forest management projects.
- ix. \$48 million to four conservancies (\$12 million each), including the State Coastal Conservancy, Santa Monica Mountains Conservancy, San Diego River Conservancy, and the San Gabriel & Lower Los Angeles Rivers & Mountains, for wildfire prevention and resiliency projects.

b. **Wildfire Fuel Breaks.** \$198 million as follows:

- i. \$10 million for CalFire Unit fire prevention projects, such as forest thinning, prescribed fire, establishing or maintaining fuel breaks, and removal of fuels near roads or other critical infrastructure.
- ii. \$123 million to CalFire for the Fire Prevention Grant Program, which aims to reduce wildfire risk to homes and communities, as well as reducing carbon emissions from forest fires.
- iii. \$15 million to CalFire for prescribed fire and hand crews that work on vegetation management projects, including prescribed fires and forest thinning.
- iv. \$50 million to the Department of Conservation for the Regional Forest & Fire Capacity Program, which provides block grants to regional and statewide entities to engage with communities, develop project priority plans, prepare projects to be shovel-ready, and implement demonstration projects. These efforts are intended to support regional capacity to develop and implement projects that improve forest health and fire resilience.

c. **Community Hardening.** \$27 million as follows:

- i. \$25 million to the Governor's Office of Emergency Services and CalFire for home hardening, which includes implementation of a wildfire mitigation assistance pilot program to increase the adoption of fire resistant retrofits that improve the survival of structures in wildfires through education and a grant program supporting retrofits for low-income homeowners in high-risk areas of the state.

- ii. \$2 million to CalFire for defensible space inspectors in the State Responsibility Area lands to ensure that structures are in compliance with state defensible space requirements.
- d. **Science-Based Management.** \$3 million to CalFire for ecological monitoring, research, and adaptive management. Some projects are implemented by CalFire while others are contracted with university or other researchers.
- e. **Forestry Sector Economic Stimulus.** \$25 million as follows:
 - i. \$16 million to IBank for the Climate Catalyst Fund, which is a revolving loan fund established to finance climate-related projects.
 - ii. \$6 million to CalFire and the Workforce Development Board for workforce development. CalFire reports that a small portion of its Forest Health Program currently coordinates with other state and private entities to support the expansion of professional training programs and businesses related to the removal and reuse of woody biomass. This proposal would expand on these efforts and create a new Wood Products and Bioenergy Program.
 - iii. \$3 million to the Governor’s Office of Planning and Research to create a Woods Products Market Development Program intended to help develop a sustainable private market for woody biomass. This program has several specific deliverables including: (A) completing a framework to align the state’s wood utilization policies and priorities in 2021, (B) developing new long-term wood feedstock pilot projects, (C) partnering with Ibank to develop a focused market strategy, (D) executing an innovation competition, and (E) developing a statewide wood products workforce assessment.

Staff Comments. The Senate proposal provides a multi-year plan to holistically and effectively fund wildfire prevention and resiliency programs and projects. The proposal provides funding consistent with the Senate’s “Blueprint for a Fire Safe California” — e.g. provides short- and long-term funding for wildfire, climate, watershed and forest health; implements modern-day vegetation, forest management, and community hardening plans; and trains and deploys a fire resiliency workforce. Also, the creation of a separate fund specifically for wildfire prevention and resilience efforts helps ensure that the state has the moneys available for this five-year plan to reduce the severity of wildfires. By significantly increasing funding for wildfire prevention and resilience programs and projects, the state can save immensely on suppression costs and wildfire damage — For every dollar spent on prevention saves approximately \$6 in wildfire damages.

Staff Recommendation. Hold open.

SUBCOMMITTEE NO. 2

Agenda

Senator Bob Wieckowski, Chair
Senator Brian Dahle
Senator Mike McGuire
Senator Henry I. Stern



Tuesday, May 11, 2021
9:00 a.m.
State Capitol - Room 3191

Consultant: James Hacker

PART A

PROPOSED FOR VOTE-ONLY

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Issue 2	EPIC Program Follow-On Funding	2
Issue 3	Continuous Appropriation of Natural Gas Subaccount, Public Interest Research, Development, and Demonstration Fund	3
8660	California Public Utilities Commission	
Issue 4	Funding for Program Claims Management System (PCMS)	3

PROPOSED FOR DISCUSSION

<u>Item</u>	<u>Department</u>	
3360	California Energy Commission	
Issue 5	Contract Authority to Implement AB 841	4

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

ISSUES PROPOSED FOR VOTE-ONLY

3360 CALIFORNIA ENERGY COMMISSION (CEC)

Issue 1: Continuation of the School Bus Replacement Program (SB 110)

The budget includes two-year funding of \$750,000 annually for five temporary positions from the Alternative and Renewable Fuel and Vehicle Technology Fund to continue school bus replacement activities under the Clean Energy Job Creation Program. 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 projects in public schools and community colleges that create jobs in California improving energy efficiency and expanding clean energy generation. SB 110 also allocated up to \$75 million to the CEC to develop a program to replace the oldest school buses in California. Partial year funding was authorized in 2017-18 (Chapter 181, Statutes of 2017 (SB 113)) to begin necessary solicitation research and development activities for the School Bus Replacement Program. Authority for three-year funding to develop and implement the School Bus Replacement Program was authorized in the Budget Act of 2018. These temporary resources will expire June 30, 2021; however, funding for school bus replacement activities are authorized through June 30, 2023. Delivery of buses, collection of data, and management of grant agreements will take place through March 31, 2023. Given that the program is not slated to end until 2023, extending these resources is reasonable.

Staff Recommendation: Approve as Budgeted.

Issue 2: EPIC Program Follow-On Funding

Governor's Budget. The budget includes trailer bill language allowing the CEC to issue follow-on funding for the Electric Program Investment Charge (EPIC) program outside of the typical competitive funding process. The EPIC Program was created by the Public Utilities Commission in 2012 to support the development of new, emerging, and pre-commercialized clean energy technologies in California. The 2020 Budget Act included provisional language to provide short-term authority to the CEC to provide "follow-on" funding to EPIC projects. While follow-on funding may be a reasonable response to some of the business interruptions resulting from the COVID pandemic, it would represent a departure from the traditional program structure, and one that would result in significantly more discretion for the CEC in making funding decisions. As the LAO notes below, while this proposal has merit, it should be paired with additional opportunities for legislative oversight, to ensure that the program continues to meet the Legislature's expectations.

LAO Comments. Providing this type of authority could make sense, but the Legislature might want to consider adding a requirement that CEC notifies the Legislature before providing follow-on funding. This could be similar to the Joint Legislative Budget (JLBC) notification process CEC uses when awarding sole source contracts.

Staff Recommendation: Approve placeholder trailer bill language.

Issue 3: Continuous Appropriation of Natural Gas Subaccount, Public Interest Research, Development, and Demonstration Fund

The budget includes trailer bill language continuously appropriating funds in the Natural Gas Subaccount of the Public Interest Research, Development, and Demonstration Fund. This fund supports public interest research, development, and demonstration of emerging energy technologies. This fund is typically appropriated as part of the annual budget process. As projects expire or return unused funding, an additional appropriation is needed to reallocate unused funds. This language would allow the Energy Commission to reallocate returned funds to additional research and development projects, consistent with the statutory requirements of the fund source. This language would therefore provide CEC with additional flexibility and efficiency in managing this program. However, as the LAO notes below, a continuous appropriation does limit the Legislature's ability to perform oversight. As such, any continuous appropriation should be paired with additional oversight or reporting requirements.

LAO Comments. Relative to providing annual appropriations, this proposal would reduce legislative oversight. As a result, in our view, there needs to be a strong rationale for providing continuous appropriation authority. At this time, it is not clear that continuous appropriation authority is needed to successfully implement these programs.

Staff Recommendation: Approve placeholder trailer bill language.

8660 CALIFORNIA PUBLIC UTILITIES COMMISSION

Issue 4: Funding for Program Claims Management System (PCMS)

The budget includes \$1,628,000 from several special funds for fiscal year 2021-22 for project funding and \$290,000 from several special funds for 2022-23 and onwards for ongoing maintenance and support for the Programs Claims Management System (PCMS), an IT project that has been on hold since 2017. The proposed restart of the Program Claims Management System follows a cloud based approach that successfully restarted the Transportation Carrier Portal project. As such, it is a proven technology that may allow the CPUC to better protect public safety, promote reliable utility service at a reasonable rate, and increase transparency to the public, while improving business processes and transparency within the CPUC.

Staff Recommendation: Approve as Budgeted.

ISSUES PROPOSED FOR DISCUSSION

3360 CALIFORNIA ENERGY COMMISSION

Issue 5: Contract Authority to Support Implementation of AB 841

Governor's Budget. The budget requests \$250,000 per year in 2021-22, 2022-23 and 2023-24, for a total request of \$750,000 in contract authority from the School Energy Efficiency Program Fund to implement the requirements of AB 841 (Ting), Chapter 372, Statutes of 2020.

Background. AB 841 mandates that the CPUC require electrical corporations with 250,000 or more customer accounts in the state, and gas corporations with 400,000 or more customer accounts in the state, to establish the School Energy Efficiency Stimulus Program within each of its energy efficiency portfolios. The School Energy Efficiency Stimulus Program establishes and authorizes the CEC to act as program administrator for two new grant programs: the School Reopening Ventilation and Energy Efficiency Verification and Repair Program (SRVEVR) and the School Noncompliant Plumbing Fixture and Appliance Program (SNPFA).

Staff Comments. The CEC has indicated that it is developing the School Energy Efficiency Database System (SEEDS) to facilitate the contracting, reporting, and monitoring requirements of AB 841. Contract authority will be used for maintenance and operations services to support SEEDS. To meet the current year requirements, CEC staff are in the process of developing SEEDS to support online application submittal and reporting. However, the CEC is unable to provide maintenance and operations services with existing resources. Contract authority will support a maintenance and operations vendor, which will provide ongoing support and functionality enhancements upon SEEDS' implementation.

While this request is generally reasonable, questions of current year and budget year funding for AB 841 are still under consideration. Action on this proposal should be taken with the remainder of the AB 841-related requests.

Staff Recommendation. Hold Open.

Senator Bob Wieckowski, Chair
Senator Brian Dahle
Senator Mike McGuire
Senator Henry I. Stern



Tuesday, May 11, 2021
9:00 a.m.
State Capitol - Room 3191

Consultant: Joanne Roy

PART B

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VOTE-ONLY

0540 CALIFORNIA NATURAL RESOURCES AGENCY (CNRA)
3840 DELTA PROTECTION COMMISSION (DPC)
3845 SAN DIEGO RIVER CONSERVANCY

Issue 1: Environmental License Plate Fund (ELPF)-related Proposals

Governor's Proposals. The Governor's budget proposes the following, which all appropriate ELPF for specified purposes:

- a) **0540 California Natural Resources Agency: New Resources Building Move and Demobilization Costs.** The Governor's budget requests a total of \$4.543 million ELPF one-time for the move to the new CNRA headquarter facility, which will house multiple agency departments. The funds would be used to secure services to perform tasks associated with completing required decommissioning and moving activities for office furniture/equipment and staff members. Total cost for the move activities and the physical decommission activities for office furniture/equipment related to the buildings being vacated and 4,100 staff members was done utilizing cost factors provide to CNRA by DGS' moving consultant. Cost was calculated on \$1,108 per person x 4,100 = \$ 4.5428 million.
- b) **3840 Delta Protection Commission: Contracted Fiscal Services Support.** The Governor's budget requests \$131,000 ELPF one-time to support the transition of accounting, budget, human resources, and procurement services to be provided by the Department of General Services' (DGS') Contracted Fiscal Services division.
- c) **3845 San Diego River Conservancy: Department of General Services (DGS) Human Resources (HR) Services.** The Governor's budget requests \$11,000 ELPF for DGS's contracted HR services. DGS provides budgeting, accounting, and human resource services for the conservancy.

Staff Comment. According to Legislative Counsel, an appropriation of moneys from ELPF for use of the above budget proposals would not constitute a valid use of those moneys. None of these proposals would be limited to supporting identifiable environmental projects or programs listed in Public Resources Code Section 21190, which is a requirement for using moneys from ELPF.

Staff Recommendation. Approve (a)-(c) as budgeted, but with General Fund as the funding source in lieu of ELPF.

3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CALFIRE)

Issue 2: Capital Outlay Projects

Governor’s Proposal. The Governor’s budget proposes the following CalFire capital outlay projects:

Proposal	GF Cost in 2021-22 (In millions)	Total Estimated Cost (In millions)	Proposal Summary
Alhambra Valley Fire Station – Relocate Facility	2.5	12.408	The Governor’s budget requests \$2.5 million GF for the acquisition phase of the Alhambra Valley Fire Station: Relocate Facility project. The project will acquire a suitable parcel, relocate the Steven’s Creek Fire Station and construct a standard one-engine fire station with two-bay apparatus, an eight-bed barracks and battalion chief’s office, a generator/pump/storage building, and a flammable storage building. Additionally, the scope of work will require site work and utilities, as needed. This is a new project.
Alma Helitack Base: Relocate Facility	5	33.888	The Governor’s budget requests \$5 million GF for the acquisition phase of the Alma Helitack Base — Relocate Facility project. This project includes site acquisition and construction of a 28-bed barracks/mess hall bundling, a helicopter hangar, a helitender storage, two landing pads (one primary and one secondary pad for taking the current helicopter out of service for required maintenance), an administrative office space, an antenna, a tower base and radio, a warehouse space, a flammables storage building, a generator building, and a helicopter training tower. This is a new project and located in Santa Clara County.
Boggs Mountain Helitack Base: Relocate Facility	2	22.649	The Governor’s budget requests \$2 million GF for the acquisition phase of the Boggs Mountain Helitack Base — Relocate Facility project. This project includes site acquisition and construction of a helicopter hangar, support vehicle garage, 22-bed barracks building, generator/pump/storage building, wash rack canopy, hazmat/retardant storage, and helicopter-training tower. This is a new project located in Lake County.
Butte Fire Center: Replace Facility	2.745	59.657	The Governor’s budget requests \$2.745 million GF for the working drawings phase of the Butte Fire Center: Replace Facility project. The project includes an administration building, a CalFire bachelor office quarters, a warehouse, a California Conservation Corps utility storage garage, a six- to ten-bed corps member dormitory, a fuel island storage building, an emergency generator/fire pump building, a multipurpose gym/weight room, and a recyclable vehicle wash building. This is a continuing project located in Butte County.
Elsinore Fire Station – Relocate Facility	1.8	15.413	The Governor’s budget requests \$1.8 million GF for the acquisition phase of the Elsinore Fire Station — Relocate Facility project. The project includes site acquisition and construction of a 12-bed barracks/3-bay apparatus single building fire station, a storage building, a fuel island canopy, a generator/pump building, and a vehicle wash rack system. This is a new project located in Riverside County.

Growlersburg Conservation Camp: Replace Facility	3.05	59.265	The Governor's budget requests \$3.05 million GF one-time for the working drawings phase of the Growlersburg Conservation Camp — Replace Facility project. In conjunction with the California Department of Corrections and Rehabilitation (CDCR), the project includes the design and construction of an administration building, inmate dorm building, inmate recreation building, inmate hobby building, CalFire/CDCR barracks building, inmate kitchen and mess hall, multipurpose facility for inmate programs, inmate staging area, restrooms, showers, a warehouse, carpentry shop, auto/welding shop, vehicle storage building, sawmill shed, sawmill building, covered vehicle wash rack, vehicle wash recycling building, and related site work. This is a continuing project located in El Dorado County.
Hemet Ryan Air Attack Base: Replace Facility	1.931	37.523	The Governor's budget requests \$1.931 million GF one-time for the working drawings phase of the Hemet Ryan Air Attack Base: Replace Facility project. The project includes the construction of an air operations building, 32-bed barracks/mess hall, three-bay apparatus storage and warehouse building, hangar, protective aircraft weather canopy, and a helicopter-training tower. This is a continuing project located in Riverside County.
Higgins Corner Fire Station — Replace Facility	0.789	12.029	The Governor's budget requests \$789,000 GF one-time for the preliminary plans phase of the Higgins Corner Fire Station — Replace Facility project. The project includes site acquisition and construction of a standard, two-engine fire station, including a 12-bed barracks/3-bay apparatus building, administration building, flammable storage building, and generator/pump/storage building. This is a continuing project located in Nevada County.
Hollister Air Attack Base/Bear Valley Helitack Base: Relocate Facilities	12.15	53.55	The Governor's budget requests \$12.15 million GF one-time for the acquisition phase of the Hollister Air Attack Base/Bear Valley Helitack Base — Relocate Facility project. This project includes site acquisition and construction of an air operations building, 32-bed barracks/mess hall, 3-bay apparatus storage and warehouse building, helicopter and OV-10 hangar, protective aircraft weather canopy, helicopter training tower, and site work as needed. This is a continuing project located in San Benito County.
Howard Forest Helitack Base: Relocate Facility	0.55	17.985	The Governor's budget requests \$550,000 GF one-time for the acquisition phase of the Howard Forest Helitack Base — Relocate Facility project. This project includes a helicopter hangar, lighted helipads, support vehicle garage, 22-bed barracks building, generator/pump/storage building, wash rack canopy, hazmat/retardant storage, and helicopter-training tower. This is a new project located in Mendocino County.
Humboldt-Del Norte Unit Headquarters: Relocate Facility	1.86	57.317	The Governor's budget requests \$1.86 million GF one-time for the acquisition phase of the Humboldt-Del Norte Unit Headquarters: Relocate Facility project. This project includes an administration/training building, service center building, auto shop, covered vehicle wash rack with water recycle system and building, telecommunications building, covered parking structure for 15 vehicles (with photovoltaic panels), standard two-engine fire station with a dozer/transport dozer shed, two generator/pump/storage buildings (with generators), radio communications tower, site development, utilities, propane or natural gas system, septic system, domestic water well with water treatment and storage, fire suppression water system with water storage, landscaping and irrigation, site lighting and fencing, and telephone and radio cabling. Demolition and hazardous materials abatement, at the existing site, will be required upon completion of the new site. This is a new project in Humboldt County. Total estimated project costs are \$57.317 million.

Intermountain Conservation Camp: Relocate Facility	0.6	73.895	The Governor's budget requests \$600,000 GF one-time for the acquisition phase of the Intermountain Conservation Camp: Relocate Facility project. This project is in conjunction with the California Department of Corrections and Rehabilitation (CDCR). The project includes CalFire/CDCR administration buildings, bachelor officer quarters, inmate dormitory, inmate kitchen/mess hall, inmate recreation building, inmate laundry building, inmate staging area, CalFire warehouse, CDCR warehouse, CalFire maintenance shop building, five-bay auto shop building, five-bay emergency crew transport building, two-bay dozer/transport building, garage, inmate family visit building, generator building, pump building, fire pump building, storage building, and a flammables storage building. This is a continuing project located in Larsen County.
Kneeland Helitack Base: Relocate Facility	0.85	18.285	The Governor's budget requests \$850,000 GF one-time for the acquisition phase of the Kneeland Helitack Base: Relocate Facility project. This project includes a helicopter hangar, support vehicle garage, 22-bed barracks building, generator/pump/storage building, wash rack canopy, hazmat/retardant storage, and helicopter training tower. This is a new project located in Humboldt County.
Macdoel Fire Station: Relocate Facility	0.796	11.879	The Governor's budget requests \$796,000 GF one-time for the acquisition and preliminary plans phases of the Macdoel Fire Station - Relocate Facility project. This project includes a single-building 12-bed barracks/3-bay apparatus facility, flammable storage building, generator/pump building, hose rack, and fueling canopy. This is a continuing project located in Siskiyou County.
Minor Projects: Various	2.005	2.005	The Governor's budget requests \$2.005 million for two minor projects: 1) Owens Valley Conservation Camp: Tank and Dozer Barn Improvements — \$975,000 for preliminary plans, working drawings, and construction. This project is located in San Bernardino County. 2) West Point Fire Station/La Panza Fire Station: Construct Apparatus Buildings - \$1.03 million for preliminary plans, working drawings, and construction. This project is located in Calaveras/San Luis Obispo County.
Potrero Fire Station: Replace Facility	0.981	13.262	The Governor's budget requests \$981,000 GF for the working drawings phase of the Potrero Fire Station: Replace Facility project. This project includes one standard, two-engine fire station, consisting of a 14-bed barracks/mess hall, three-bay apparatus building, and generator/pump storage building, fuel dispensing system and fuel vault, vehicle wash rack, hose wash rack, flammable storage building, and site work and utilities. This is a continuing project located in San Diego County.
Prado Helitack Base: Replace Facility	1.51	24.6	The Governor's budget requests \$1.51 million GF for the working drawings phase of the Prado Helitack Base: Replace Facility project. This is a continuing project located in San Bernardino County. This project is for the working drawings phase of the Prado Helitack Base: Replace Facility project. The project includes construction of a helicopter hangar, warehouse/shop building, support vehicle garage, 26-bed barracks building, generator/pump storage building, wash rack canopy, hazmat/retardant storage, and helicopter training tower.

Shasta Trinity Unit Headquarters / Northern Operations: Relocate Facility	4.329	105.805	The Governor's budget requests \$4.329 million GF one-time for the preliminary plans phase of the Shasta Trinity Unit Headquarters/Northern Operations: Relocate Facility project. The project includes a new joint facility to co-locate the Shasta Trinity Unit Headquarters and several Northern Region Operations facilities. Construction will include a six-bay auto shop, covered vehicle wash rack, fire station, service center, emergency command center, flammables storage building, 70-bed dormitory, Northern Region Headquarters administration building, Technical Services administration building and shop building, telecommunications repair shop, two training buildings, 120-foot communications tower, 45 covered parking spaces, physical fitness building, and Emergency generator/pump/storage building, and site work and utilities as needed. This project is continuing and located in Shasta County.
Temecula Fire Station: Relocate Facility	0.595	12.618	The Governor's budget requests \$595,000 GF for the preliminary plans phase of the Temecula Fire Station: Relocate Facility project. This project includes a 12-bed/three-bay apparatus, single building fire station, storage building, administration building, generator/pump building, vehicle wash rack canopy, fuel island canopy, self-contained breathing apparatus repair building, and site work and utilities as needed. This is a continuing project and located in Riverside County.
Various Projects: Air Attack Bases: Infrastructure Improvements	9.616	9.616	The Governor's budget requests \$8.164 million GF for the construction phases of the Fresno Air Attack Base/Ramona Air Attack Base — infrastructure improvement projects. These projects are continuing.
TOTAL:	\$55.657	\$653.649	

Staff Recommendation. Approve as budgeted.

Issue 3: Defensible Space Inspections (AB 38)

Governor's Proposal. The Governor's budget requests \$8.3 million GF in 2021-22 and \$6.1 million GF in 2022-23 ongoing, and 26 positions ongoing to address increased workload driven by statutory requirements related to defensible space inspections and a regional capacity review set forth in AB 38 (Wood), Chapter 391, Statutes of 2019.

Defensible Space Inspections. This proposal includes 21 Forest Technicians (FTs) to conduct defensible space inspections at the request of a seller of a property to validate compliance with AB 38. FTs will issue documentation of compliance so that the seller can provide required documentation to the buyer of the property. The 21 positions were determined by estimating the number of home sales in the State Responsibility Area (SRA) requiring defensible space inspections. There are approximately 730,000 homes in the SRA and approximately 24,820 homes were sold in the SRA in 2018.

Additional positions are needed for the CalFire Training Center to accommodate the 21 FTs, including two Fire Captains to provide required training and one Office Technician to support the administration needs of the FTs receiving training. Two additional positions are needed for CalFire's Mobile Equipment Program to accommodate the addition of 21 vehicles: one Staff Services Analyst and one Auto Technician II.

CalFire is statutorily required to provide to the six Contract Counties (Orange, Los Angeles, Ventura, kern, Santa Barbara, and Marin) commensurate proportional funding funding for any funding that CalFire receives to perform wildland fire prevention and control the proportional amount for this proposal for six Contract Counties is \$1.1 million ongoing for which funding is requested in this proposal.

Staff Recommendation. Approve as budgeted.

3340 CALIFORNIA CONSERVATION CORPS (CCC)**3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CALFIRE)****Issue 4: CalFire Emergency Response & Preparedness: CalFire/CCC Fire Crews**

Governor's Proposal. The Governor's budget requests for CalFire and CCC a total of \$143.266 million (\$137.335 million GF to CalFire, \$5.931 million GF to CCC, and an offsetting reduction of \$1.8 million Collins-Dugan Reimbursement Account to CCC) in 2021-22 and \$124.493 million GF ongoing (phased in over five years) and a total of 617 positions ongoing to add 30 additional hand crews to provide vegetation management, hazardous fuel reduction projects, and wildland fire suppression. The request includes 16 CalFire Fire Fighter crews, eight year-round CCC crews, and six seasonal CCC crews.

According to the LAO:

CalFire Costs (\$137 million). The proposal includes 591 ongoing positions to establish 16 seasonal fire fighter hand crews at seven of the closed conservation camps, as well as other support of the CCC crews and other ancillary costs.

- *Fire Fighter Hand Crews.* Each crew would be staffed with 13 Fire Fighter I's — the typical seasonal fire fighter classification — for nine months of the year. In order to provide 24-hour coverage, the department would hire a total of 640 fire fighters (equivalent to 480 positions on a year-round basis). The new crews would be phased in over two years.
- *Funding to Reactivate Camps.* Each conservation camp is proposed to be staffed with maintenance, cooking, and administrative support positions. In addition a, the proposal includes \$21 million in one-time funds for facility repairs (including some funding for CCC facilities) and \$3.8 million on an ongoing basis for (1) the cost of leasing temporary facilities while repairs are being undertaken and (2) facility maintenance costs for after the camps have been reactivated.
- *Supervision of and Reimbursement for CCC Crews.* CalFire's budget request includes funding for supervisory staff to oversee the expansion of corpsmember hand crews, as well as funding to reimburse CCC for its seasonal crews.
- *Other Ancillary Costs.* The Administration proposes additional funding for vehicles, equipment, and an agreement with the California Department of Human Resources (CalHR) to conduct a study related to how the fire fighter hand crew positions are classified.

CCC Costs (\$6 million). The budget proposes to add a total of 26 positions and funding (\$8 million upon full implementation) to (1) convert six existing reimbursement crews — which can be used for a variety of projects not necessarily related to wildfires — to year-round hand crews, (2) add two new year-round hand crews, and (3) transition six existing reimbursement crews to seasonal hand crews. In total, the Administration proposes to add 14 CCC hand crews for fire response and mitigation. Each hand crew will be made up of 15 corpsmembers.

Staff Recommendation. Approve as budgeted except reject without prejudice \$2 million for CalHR classification because the study can be accomplished within existing resources.

3860 DEPARTMENT OF WATER RESOURCES (DWR)**Issue 5: Sustainable Groundwater Management Program**

Governor's Proposal. The Governor's budget requests \$60 million GF (\$30 million in 2020-21 and \$30 million in 2021-22) to continue implementation of the Sustainable Groundwater Management Program. Specifically, the requested resources are for grants to support local planning and implementation of Groundwater Sustainability Plans across critically over-drafted basins.

Staff Recommendation. In lieu of the split between fiscal years as budgeted, approve the total of \$60 million GF in 2021-22.

3960 DEPARTMENT OF TOXIC SUBSTANCES CONTROL (DTSC)**Issue 6: Exide: Cost Recovery and Residential Cleanup**

Governor's Proposal. The Governor's budget requests the following for Exide related activities. Specifically:

- For outside bankruptcy counsel to support Exide cost recovery efforts.
 - Six positions
 - \$16.5 million in 2021-22 (\$14 million General Fund and \$2.5 million Lead-Acid Battery Cleanup Fund (LABCF))
 - \$2.5 million LABCF in 2022-23 and annually thereafter.
- For cleaning 3,200 properties identified within the 1.7 miles of the former Exide Technologies facility.
 - \$31.4 million General Fund loan from the Toxic Substances Control Account. (\$23.9 million will be used to fund contracts and \$7.5 million will be used for support costs to complete cleanup activities at residences, schools, parks, daycare centers, and childcare facilities near the former Exide facility.)

Staff Recommendation. Approve as budgeted.

**3970 DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY
(CALRECYCLE)****Issue 7: Beverage Container Recycling Pilot Project Grants**

Governor's Proposal. The Governor's budget requests \$5 million Beverage Container Recycling Fund (BCRF) in 2020-21 and \$5 million (BCRF) in 2021-22 to provide grants for the Beverage Container Recycling Pilot Project Program.

With the additional funding, CalRecycle proposes to extend the program sunset date from January 1, 2022 to December 31, 2025 and allow for an additional five pilot projects for a maximum of 10 pilot projects at any one time. If a pilot project ends, a new pilot project can be approved, If monies are still available, the pilot recyclers may apply for additional funding.

Staff Recommendation. In lieu of splitting funding over two fiscal years, approve the total of \$10 million BCRF in 2021-22 to provide grants for the Beverage Container Recycling Pilot Project Program.

Issue 8: Organic Waste Reduction Implementation

Governor's Proposal. The Governor's budget requests five permanent, full-time positions and \$782,000 Cost of Implementation Account (COIA) in 2021-22, an additional four permanent, full-time positions and \$1.388 million COIA in 2022-23, and \$1.38 million COIA ongoing. This proposal also includes redirecting 38 positions from the Local Assistance and Market Development Branch to Waste Permitting, Compliance and Mitigation Division. The redirected and newly requested positions will focus on compliance and enforcement oversight to implement the regulations adopted by SB 1383 (Lara), Chapter 395, Statutes of 2016.

Additionally, the proposal includes to amend Public Resources Code Section 41821(h) to reduce the frequency of jurisdiction inspections.

Staff Recommendation. Approve as budgeted.

8570 CALIFORNIA DEPARTMENT OF FOOD & AGRICULTURE (CDFA)**Issue 9: Fairgrounds Operational Support and Deferred Maintenance**

Governor's Proposal. The Governor's budget requests \$60 million GF one-time in 2021-22 to provide fairground operational support and address fair deferred maintenance needs. Of this amount, \$50 million is for operational support of state affiliated fairs and an assessment of fairgrounds located on state-owned land to determine their potential for alternate use/development. CDFA intends to use up to \$3 million to conduct a specialized facility assessment of fairgrounds located on state-owned land to help State Affiliated Fairs determine their potential for alternate uses and/or development. The \$50 million in operational support was created based on projected needs for a 12-month period.

The proposal includes \$10 million is to address deferred maintenance needs with a priority on fairgrounds that are used to support emergency operations. Over \$176 million in deferred maintenance for fairgrounds in the Network of California Fairs was identified in the most recent assessment. The \$10 million proposed is to cover a little over 5 percent of the needs in deferred maintenance. The funds will be distributed to projects with the highest score. Critical safety and health-related projects will receive higher scores than non-critical projects. Factors in scoring included in considerations such as number of emergency activation, water conservation, and power upgrades.

Staff Recommendation. Approve as budgeted except remove requirement of "state affiliated" so that funding is available to state, county fairs, and district agricultural associations..

Issue 10: Impact Assessment and Alignment of Regulatory Reporting Requirements for Agriculture

Governor's Proposal. The Governor's budget requests a total of \$6 million GF one-time for regulatory alignment and efficiencies, including:

- 1) \$4 million GF in 2020-21, in collaboration with the California Environmental Protection Agency (CalEPA), to conduct a comprehensive evaluation of cross-cutting regulatory activities across state agencies that enforce potentially redundant compliance requirements for the agricultural community. The evaluation is intended to be a catalyst for exploring regulatory efficiencies and process improvements to align CDFA and CalEPA regulatory compliance, substantially reduce paperwork required for the farmers and ranchers, while maintaining environmental and public health protections.
- 2) \$2 million GF in 2021-22 to conduct an assessment of the scope, feasibility, and level of effort required to create and implement a single licensing and payment portal to eliminate potentially repetitive data input and streamline interactions between agricultural businesses and CDFA.

Staff Recommendation. Approve as budgeted.

Issue 11: State Water Efficiency and Enhancement Program (SWEEP)

Governor's Proposal. The Governor's budget requests \$20 million GF in 2020-21 and \$20 million GF in 2021-22 to award, administer, and monitor State Water Efficiency and Enhancement Program (SWEEP) grants with a focus on depleted groundwater basins. Of this amount, up to five percent will be available for technical assistance as required by AB 2377 (Irwin), Chapter 868, Statutes of 2018. This technical assistance will be prioritized for socially disadvantaged farmers and ranchers, and to farms that are less than 500 acres. This proposal includes budget bill language to make the funding available for encumbrance or expenditure for two years.

This one-time funding is intended to address groundwater sustainability by focusing SWEEP on improving conditions in depleted groundwater basins.

Staff Recommendation. In lieu of splitting the funds over two fiscal years, approve the total of \$40 million GF in 2021-22.

Issue 12: Technical Assistance Program for Underserved Farmers

Governor's Proposal. The Governor's budget requests \$3.35 million GF in 2020-21 and \$3.35 million in 2021-22 with a two-year encumbrance period to fund a technical assistance and micro-grant program for small, mid-sized, and underserved farmers in California.

The technical assistance program includes funding for a temporary Small Farm Specialist within CDFA and a contract with University of California Agriculture and Natural Resources (UC ANR) to provide direct assistance to small, mid-sized, and socially disadvantaged and underserved farmers in seven regions around the state.

The program is intended to assist farmers with business planning, navigating regulatory compliance, and accessing state and federal funds to aid economic recovery. The grant program will be administered by CDFA and consist of grants for non-profit organizations to provide application technical assistance to small, mid-sized, and socially disadvantaged farmers and ranchers, as well as micro-grant program to assist small, mid-sized, and underserved farmers in accessing state and federal funding resources, including matching and leveraging state and federal funds, such as the state small business economic recovery grant funds and USDA micro loan program.

Staff Recommendation. SB 85 (Committee on Budget and Fiscal Review), Chapter 14, Statutes of 2021, appropriated the \$3.35 million GF requested for 2020-21. Approve the remaining \$3.35 million GF in 2021-22, which includes the technical adjustment between items in the spring finance letter, with a two-year encumbrance period to fund a technical assistance and micro-grant program for small, mid-sized, and underserved farmers in California.

DISCUSSION

SENATE CAP-AND-TRADE SPENDING PLAN

Issue 13: Senate Cap-and-Trade Spending Plan

Senate Proposal. The Senate proposes a Cap-and-Trade Spending Plan for 2021-22 totaling \$3.227 billion for 2021-22, which includes \$1.777 billion in continuous appropriations and \$1.5 billion in discretionary spending. The Senate’s Cap-and-Trade Spending Plan is based on the Legislative Analyst’s Office (LAO) revenue estimates from Cap-and-Trade auctions.

The LAO has provided the following side-by-side comparison of the Senate’s and Governor’s proposed continuous appropriations:

		Governor's January Budget		Senate Plan	
<u>Continuous Appropriations</u>	<u>Department/Agency</u>	<u>2020-21</u>	<u>2021-22</u>	<u>2020-21</u>	<u>2021-22</u>
High-speed rail	High-Speed Rail Authority	\$499	\$532	\$627	\$741
Affordable housing and sustainable communities	Strategic Growth Council	\$399	\$425	\$502	\$592
Transit and intercity rail capital	Transportation Agency	\$200	\$213	\$251	\$296
Transit operations	Caltrans	\$100	\$106	\$125	\$148
Safe drinking water program	State Water Board	\$100	\$106	\$0	\$0
Total		\$1,297	\$1,383	\$1,505	\$1,777

For the discretionary portion of the Cap-and-Trade Spending Plan, the Senate proposes the following:

- \$1 billion Low Carbon Transportation & ZEV Strategy
- \$240 million Natural & Working Lands
- \$204 million Short-Lived Climate Pollutants
- \$89 million Climate Mitigation & Resilience
- \$15 million Climate & Clean Technology Research
- \$25 million Workforce Training
- -\$73 million Other

The following chart provides more detail about the Senate discretionary spending plan and includes the Governor’s January Budget proposal for ease of comparison:

Senate Cap-and-Trade Expenditure Plan

(Dollars in Millions)

Investment Category	Department	Program	Gov's Early Action 2020-21	Gov's Budget Year 2021-22	Gov's Proposal Total	Senate Proposal 2021-22	Details
Equity Programs	ARB	AB 617 — Community Air Protection	125	140	265	0	Senate Proposal - Replace GGRF funding of \$325 million for AB 617 purposes with General Fund (GF) for one year, 2021-22.
	ARB	AB 617 — Local Air District Implementation	0	50	50	0	
	ARB	AB 617 — Technical Assistance to Community Groups	0	10	10	0	Governor's Budget proposes a total of \$325m for AB 617, as follows: 2020-21: \$125 for local a/d incentive funding to reduce air pollution. For 2021-22: 140 for local a/d incentive funding 50 for local a/d admin costs 10 for technical assistance
	SWRCB	Safe & Affordable Drinking Water	30	24	54	0	Senate Plan fulfills SB 200 obligation with GF/federal funding for remaining years (\$1.2 billion).
Low-Carbon Transportation & ZEV Strategy	ARB	Clean Trucks, Buses & Off-Road Freight Equipment — Includes the Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project (HVIP) and the Clean Off-Road Equipment (CORE) Program.	165	150	315	500	Of the \$500 million, \$380 for HVIP (\$190 million annually for two years [budget year (BY) and BY+1]) and \$50 million for CORE Program (\$25 million

							annually for two years).
	ARB	Clean Cars 4 All & Transportation Equity Projects	74	76	150	150	\$75 million annually for two years.
	ARB	Agricultural Diesel Engine Replacement & Upgrades	90	80	170	0	Senate Agriculture Budget Plan includes \$170 million General Fund for the FARMER Program.
	ARB	CVRP	0	0	0	350	\$175 million annually for two years with the commitment of providing a third year of \$175 in 2023-24.
Natural & Working Lands	CalFire	Heathy & Resilient Forests (SB 901)	125	200	325	200	Senate Wildfire Package proposes \$200m GGFR annually for five years.
	CDFA	Healthy Soils	15	15	30	20	
	CDFA	Methane Reduction	0	0	0	10	
	DFW	Wetlands restoration	0	0	0	10	
Short-Lived Climate Pollutants	CalRecycle	Waste Diversion/Recycling Infrastructure	0	0	0	200	Organic waste grant funding to cities and counties for developing and beginning implementation of organic waste recycling programs as required by CalRecycle's new Organic Waste Reduction Regulations. (SB 1383 (Lara), Chapter 395, Statutes of 2016)

	ARB	HFC refrigerants	0	0	0	4	
Climate Mitigation & Resilience	Office of Planning and Research (OPR) and State Coastal Conservancy (SCC)	Coastal Resilience/Adaptation	0	0	0	28	\$12 million to OPR for the Integrated Climate Adaptation and Resiliency Program (ICARP) for regional planning. \$16 million to SCC for Climate Ready projects that pilot effective strategies.
	Natural Resources Agency	Urban greening	0	0	0	5	
	Conservation Corps	Energy Corps	0	0	0	6	
	Dept. Of Community Services and Development	Low-Income Weatherization Program (LWIP)	0	0	0	50	\$25m for farmworker housing weatherization
Climate & Clean Energy Research	Strategic Growth Council	Climate and Energy Research	0	0	0	15	
Workforce Training	Workforce Development	Apprenticeships for a Green Economy	0	0	0	25	
Other	ARB	Woodstove replacements	0	0	0	5	
	CalFire	State Responsibility Area (SRA) fee backfill for one year	0	0	0	-78	Substitute SRA fee backfill with GF for one year, 2021-22.
		TOTALS	624	745	1369	1500	

Components of note in, and further detail about, the Senate Cap-and-Trade Spending Plan include the following:

- **Alternative Funding: AB 617 Program.** For one year, 2021-22, in lieu of using GGRF as the funding source for AB 617 activities, the Senate proposes the following:

- \$265 million General Fund one-time for local air district incentive funding.
- \$50 million Air Pollution Control Fund (APCF) one-time for local air district administrative costs.
- \$10 million APCF one-time for technical assistance.

This proposal rejects the extension of funding for 22 limited-term positions proposed in the Governor's January budget (\$4.2 million GGRF ongoing).

- **Alternative Funding: Safe and Affordable Drinking Water Obligation.** For the remaining GGRF commitment of \$1.2 billion for the Safe and Affordable Drinking Water Program, replace with federal stimulus funds or General Fund, and include trailer bill language accordingly.
- **Alternative Funding: State Responsibility Area (SRA) Backfill.** In lieu of GGRF backfilling revenue losses associated with the State Responsibility Area fee, appropriate \$78 million General Fund one-time for 2021-22.
- **Alternate Funding: Agricultural Diesel Engine Replacement and Upgrades.** The Senate Agriculture Budget Plan (*as discussed at the Subcommittee 2 hearing on May 4, 2021*) includes \$170 million for the Funding Agricultural Replacement Measures for Emission Reductions (FARMER) Program. The FARMER program, is a grant program that provides funding to replace agricultural equipment in order to reduce pollution.
- **\$1 Billion Multiyear GGRF Funding for Low-Carbon Transportation & ZEV Strategy.** For the Low-Carbon Transportation & ZEV Strategy category of funding, the Senate proposal includes:
 - **HVIP.** \$380 million total, \$190 million annually for a two-year limited term (2021-22 and 2022-23).
 - **CORE.** \$50 million total, \$25 million annually for a two-year limited term (2021-22 and 2022-23).
 - **Clean Cars 4 All & Transportation Equity Projects.** \$150 million total, \$75 million annually for a two-year limited term (2021-22 and 2022-23).
 - **CVRP.** \$350 million total, \$175 million annually for a two-year limited term (2021-22 and 2022-23). The Senate proposal also commits to a third year of \$175 million GGRF in 2023-24 for CVRP.

Lastly, the proposal includes \$70 million in 2021-22 for the Clean Trucks, Buses & Off-Road Freight Equipment for non-HVIP and non-CORE programs.

- **Healthy & Resilient Forests (SB 901).** As part of the Senate Wildfire Prevention and Resilience Package (*as discussed at the Subcommittee 2 hearing on May 4, 2021*), the Senate Cap-and-Trade Spending Plan commits \$200 million annually for five years, totaling \$1 billion GGRF for

wildfire prevention and resilience activities.

- **Organic Waste Diversion.** The Senate proposal includes \$200 million to provide organic waste grant funding to cities and counties. The purpose of funding is to help local governments meet the organic waste diversion requirements pursuant to SB 1383 (Lara), Chapter 395, Statutes of 2016, by assisting cities and counties with local organic waste recycling program development and initial implementation activities. Example activities of design and implementation of SB 1383 organic waste recycling program include adopting ordinances, arranging for appropriate collection services, establishing inspection and enforcement programs, procuring recovered organic waste products, providing education and outreach, developing edible food recovery programs, and reporting to CalRecycle.

For distribution of funding to local governments, the Senate proposes a formula based approach on a per capita basis, which is intended to distribute the money quickly and efficiently to recipients. The proposal authorizes cities and counties to pool any or all of their allocations to work together on implementation efforts to maximize efficiency and promote local flexibility.

The Senate plan also requires CalRecycle to develop general guidance around how the funds may be used and collect information from recipients of grant funding to compile into a single report. The report should be provided to the Legislature and posted on the CalRecycle website by May 1, 2022 on the following: (1) how locals have spent the organic waste recycling funding, (2) the degree to which the funding is helping achieve SB 1383 goals, and (3) potential future funding needed to successfully implement SB 1383.

- **LWIP.** The Senate proposal includes \$50 million for LWIP. Of this amount, \$25 million is dedicated to farmworker housing weatherization.

Background. Cap-and-Trade Auction Revenue Deposited in the GGRF. According to the LAO, GGRF funds are spent on a variety of environmental programs. About 65 percent of auction revenue is continuously appropriated to certain programs and projects, including high-speed rail, transit-related activities, and a program to provide safe and affordable drinking water. About \$185 million is spent on annual state administrative costs and other ongoing statutory allocations such as backfilling revenue losses associated with 2017 legislation that suspended (1) a fee to support fire protection activities and (2) sales tax for certain manufacturing equipment. The remaining revenue is available for expenditure in the annual budget — sometimes referred to as “discretionary expenditures.”

Organic Waste Diversion. SB 1383 set methane emissions reduction targets for California in a statewide effort to reduce emissions of short-lived climate pollutants. The targets must: (1) reduce organic waste disposal by 50 percent by 2020 and 75 percent by 2025, and (2) Rescue for people to eat at least 20 percent of currently disposed surplus food by 2025. Organic waste in landfills emits: (1) 20 percent of the state’s methane, a climate super pollutant 84 times more potent than carbon dioxide, and (2) air pollutants like PM 2.5, which contributes to health conditions like asthma.

LAO Comments. Legislature Could Spend About \$1.4 Billion GGRF on Discretionary Programs While Also Maintaining A Reasonable Reserve.

- **Revenue Estimates.** The LAO estimates Cap-and-Trade auctions will generate nearly \$2.6 billion in 2020-21 and \$3 billion in 2021-22. These estimates assume that all allowances offered at remaining auctions sell at near the floor price. This scenario is generally consistent with

historic auction outcomes, with the exception of several past auctions when auction revenue was much lower. LAO discusses some of the uncertainty around these estimates in more detail below.

- ***Existing Allocations.*** Under current law and policy, much of this revenue is already allocated to such things as (1) 65 percent continuous appropriations, (2) a variety of ongoing administrative costs, and (3) statutory allocations (such as backfilling revenue losses from various fees and taxes suspended a few years ago).
- ***Amount Available for Discretionary Spending and A Reserve.*** After accounting for these existing expenditures, the LAO estimates that there will be about \$1.76 billion remaining available for a combination of (1) discretionary spending and (2) building a reserve in the fund. The amount the Legislature allocates to discretionary programs in the 2021-22 budget ultimately depends on its risk preferences. In the LAO's view, the Legislature could allocate up to about \$1.4 billion to discretionary programs while also maintaining a reasonable reserve in the fund (about \$360 million). This reserve amount would be more than 10 percent of estimated annual revenue for the fund—a benchmark the LAO has highlighted in past analyses.
- ***Revenue Estimates Are Uncertain.*** Since quarterly auction revenue has been volatile in the past, the LAO assessed alternative revenue scenarios. For example, under one scenario with a *modest* decrease in revenue, there would still be enough revenue to cover \$1.4 billion in discretionary allocations (leaving about \$150 in reserve). However, under a scenario with a relatively severe drop in revenue, the state would only be able to cover about \$1.3 billion in discretionary spending (with no reserve).
- ***Amount Available for Discretionary Spending In Future Years Likely Lower.*** The amount available for discretionary spending identified in this email effectively captures two years of spending. This is because the Legislature deferred action on most of the 2020-21 discretionary spending package. In the out years, the LAO estimates annual revenue available for discretionary spending is roughly \$800 million to \$900 million. The LAO thinks these out-year estimates could be relevant for the Legislature's long-term GGRF expenditure planning.

Staff Comments. *Discretionary Spending Amount.* As noted above, the LAO recommends \$1.4 billion in discretionary spending. The Senate Plan shifts the funding source for specified commitments away from GGRF, which allows for a \$1.5 discretionary plan while abiding by the LAO's recommendation.

AB 617. AB 617 (C. Garcia), Chapter 136, Statutes of 2017, requires ARB and local air districts to increase focus on local air pollution in overburdened communities. It requires ARB, with input from community groups, air districts, and others, to select locations from around the state to prepare community-led plans to reduce emission of toxic air contaminants (TACs) and criteria pollutants. The primary requirement for community selection is a demonstrated high cumulative exposure burden to air pollution and associated health vulnerabilities. AB 617 requires improvement of air pollution data collection and reporting for criteria pollutants and TACs; requires expedited pollution control retrofit on large stationary sources; increases penalties for air pollution violations; requires enhanced air pollution monitoring; requires ARB to adopt statewide emissions of TACs and criteria pollutants reduction strategy targeting pollution-burdened communities; and requires ARB and local air districts to implement community criteria air pollutants and TACs emissions reduction programs. In response to AB 617, ARB established the Community Air Protection Program (CAPP).

As shown by the requirements above, AB 617 addresses air pollution and TACs, not greenhouse gas emissions. It would be appropriate to not rely solely on GGRF, but instead use other sources of funding,

such as the Air Pollution Control Fund (APCF) and General Fund, to fund AB 617 air pollution reduction efforts. The General Fund is benefitting from an unexpected windfall this year and APCF shows a fund balance of \$286 million in 2021-22. The Senate proposal does not eliminate all funding for AB 617 purposes — Instead, for this budget cycle only, the Senate proposes to substitute APCF and General Fund to fund AB 617 so that over \$320 million GGRF may go towards efforts to actually reduce greenhouse gas emissions this year.

Staff Recommendation. Hold open.

SUBCOMMITTEE NO. 2

Agenda

Senator Bob Wieckowski, Chair
Senator Brian Dahle
Senator Mike McGuire
Senator Henry I. Stern



Tuesday, May 18, 2021
9:00 a.m.
State Capitol - Room 3191

Consultant: James Hacker

PART A

PROPOSED FOR DISCUSSION

<u>Item</u>	<u>Department</u>	
8660	California Public Utilities Commission	
Issue 1	CPUC Budget Overview	2
Issue 2	Broadband Proposal	3
3360	California Energy Commission	
Issue 3	CEC Budget Overview	4
Issue 4	Investments to Meet the State's Clean Energy Goals	5
	Various Departments	
Issue 5	Zero Emission Vehicle Investments	7

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

ISSUES PROPOSED FOR DISCUSSION

8660 CALIFORNIA PUBLIC UTILITIES COMMISSION

Issue 1: CPUC Budget Overview

May Revision. The May Revision includes several new budget proposals for the CPUC. Specifically, it includes:

Reauthorization of Appropriation for California Public Utilities Commission (CPUC) Response to Utility Bankruptcies—The May Revision includes \$7,500,000 one-time funding to reauthorize resources to support CPUC’s ability to respond to utility bankruptcies. These funds were originally appropriated in 2019-20 for three years, but due to technical oversight were only available for expenditure for one year. This would authorize expenditures through fiscal year 2021-22.

Accounts Receivable Unit—The May Revision includes \$314,000 ongoing to strengthen CPUC’s Accounts Receivable Unit to address findings from a recent audit.

Wildfire Forecast and Threat Intelligence Integration Center—The May Revision includes \$191,000 ongoing and one position to implement the Wildfire Forecast and Threat Intelligence Integration Center, as authorized by Chapter 405, Statutes of 2019 (SB 209).

Transfer of Wildfire Safety Division to Office of Energy Infrastructure Safety—The May Revision includes a decrease of \$10,568,000 and 32 positions ongoing to reflect the transfer of the Wildfire Safety Division to the new Office of Energy Infrastructure Safety, authorized by Chapter 81, Statutes of 2019 (AB 111).

Universal Lifeline Telephone Service Program—The May Revision includes an increase of \$5,119,000 ongoing for State Operations and a decrease of \$2,867,000 ongoing in local aid to reflect new caseload projections and an extension of COVID-19 Pandemic service protections in the LifeLine program.

Public Purpose Program Loans—The May Revision includes budget bill language and statutory changes to provide for loans between the telecommunications Public Purpose Programs to prevent insolvencies arising from the continued decline of intrastate revenues.

Golden State Energy—The May Revision includes trailer bill language to prevent the Secretary of State from reserving the name Golden State Energy for any entity other than the one created in existing law.

Staff Recommendation: Hold Open.

Issue 2: Broadband Proposal

Governor’s Budget. The May Revision includes a \$7 billion investment over three years as part of a plan to expand broadband infrastructure, increase affordability, and enhance access to broadband for all Californians. This includes:

- \$4 billion from a combination of federal ARPA funds and state funds to build out a critical statewide “middle-mile” network. The statewide network will incentivize providers to expand service to unserved and underserved areas by substantially reducing their upfront infrastructure costs, creating new opportunities for municipal fiber networks, and promoting affordability for consumers.
- A new \$500 million Loan Loss Reserve Account to assist local governments, tribes and non-profits to secure private financing for new municipal fiber networks.
- \$500 million of one-time federal ARPA funds to entities serving rural areas that are costlier to serve to expand services to include broadband.
- \$2 billion in one-time federal ARPA funds and state funds within the California Advanced Services Fund to incentivize existing and new providers to fund infrastructure for “last mile” service to the state’s remaining unserved households.

The Administration proposes to allocate this funding over several years. Specifically, the proposal is structured as follows:

- \$2 billion in federal ARPA funds in 2021-22.
- Up to \$1.5 billion in General Fund resources and \$3.5 billion in federal ARPA funds in 2022-23.

Staff Comments. The Administration has indicated that an estimated \$4 billion is needed to provide middle mile fiber connectivity to Census Designated Places (CDPs) with locations that have less than 100 Mbps downstream service. This “anchor build” estimate uses a Caltrans statewide average cost estimate of at least \$455,000 per mile. Caltrans-controlled highways directly connect the CDPs.

The Administration has estimated that there are roughly 675,000 households in California unserved by broadband at 100 megabytes per second (mbps), with roughly 8,000 miles of state-owned highway between them.

Staff Recommendation. Hold Open.

3360 CALIFORNIA ENERGY COMMISSION**Issue 3: CEC Budget Overview**

Governor's Budget. The May Revision includes several new budget proposals at the CEC. Specifically, it includes:

- **Energy Resources Program Account (ERPA)** - The May Revision proposes to raise the statutory cap on the ERPA surcharge, tie the statutory cap to the Consumer Price Index, and extend the surcharge to apply to behind-the-meter electricity consumption. ERPA is the main fund supporting the CEC. Its revenues are linked to the sale of metered electricity. As building and appliance energy efficiency produces customer savings and flattens statewide electricity consumption, ERPA revenues have decreased and the costs have been borne by fewer and fewer consumers. This increase is projected to generate \$4.5 million in additional revenues in 2021-22 and approximately \$9 million annually thereafter.
- **Investments to Reach the State's Clean Energy Goals** - The May Revision includes significant funding at the California Energy Commission for a variety of clean energy research, development and deployment, as well as transmission planning and other activities to help the state reach its clean energy goals. This includes \$835 million for research, development, and deployment of long-duration battery storage, industrial decarbonization, and other emerging technologies. This funding is covered in more detail in Issue 4 of this agenda. .
- **Zero Emission Vehicle Package** - The May Revision includes new funding at the CEC as part of the Administration's zero-emission vehicle package. This includes \$500 million for ZEV infrastructure, \$250 million for ZEV manufacturing grants, and a portion of the \$475 million for zero emission drayage trucks, transit buses, and school buses. This funding is covered in more detail in Issue 5 of this agenda.
- **Climate Resilience Package** - The May Revision includes new funding at the CEC as part of the proposed Climate Resilience Package. Specifically, the package includes \$100 million over two years for the CEC's BUILD Program for building energy efficiency. This funding is covered in more detail in Part B of this agenda.

Staff Recommendation: Hold Open.

Issue 4: Investments to Meet the State's Clean Energy Goals

Governor's Budget. The May Revision includes \$912 million (\$905 million General Fund, \$5 million reimbursements, and \$2 million special funds) intended to accelerate California's progress on meeting its clean energy goals. This includes:

- \$35 million General Fund to carry out critical resource and transmission planning to support the unprecedented levels of clean energy buildout needed to meet the state's energy and climate goals.
- \$350 million General Fund to support pre-commercial long duration storage projects that are critical to the success of California's efforts to decarbonize the electricity system.
- \$250 million General Fund for energy efficiency in the industrial sector.
- \$125 million General Fund in the Food Production Investment Program to reduce energy use at food production facilities.
- \$20 million General Fund to spur environmentally responsible development of offshore wind energy.
- \$110 million General Fund in green hydrogen production to accelerate the transition away from using fossil fuels to produce hydrogen and to displace the use of gas at power plants.

LAO Comments. The Governor is proposing a very large increase in spending for clean energy programs. To ensure the ultimate package the Legislature adopts is coordinated, strategic, and comprehensive, we recommend considering this package in tandem with other proposed packages—such as those related to cap-and-trade, climate resilience, and ZEVs—so that, in combination, all of the Legislature's climate-related priorities are reflected at its desired levels. Given the magnitude of the spending and number of activities being proposed, the Legislature may want to defer decisions on this package until later in the summer. This would allow to the Legislature time to (1) learn more about the Governor's proposals—especially for programs and initiatives that are being proposed for the first time; (2) craft implementing statutory language to ensure sufficient oversight and accountability (such as program eligibility and prioritization criteria and data to be collected); and (3) incorporate key legislative priorities. Some key factors to consider:

- Is the General Fund an appropriate source of funding for these activities? Funding for clean energy programs typically comes from ratepayers or other special funds. However, we think it would be reasonable to use one-time General Fund instead of ratepayer funding for many of the proposed activities. This is because electricity rates are already very high—which raises environmental, economic, and equity concerns. Using General Fund instead could prevent additional increases to electricity rates. In addition, many of the proposed programs provide

broad public benefits, which means there could be a reasonable role for state General Fund support.

- How much emphasis should be placed on incremental energy efficiency gains versus innovative technologies needed for deep decarbonization? Some of the proposed programs—such as industrial decarbonization—would make funding available for both energy efficiency, as well as support for newer technologies needed to meet long-term decarbonization goals (green hydrogen or carbon capture, for example). In general, we think promoting early stage technologies and demonstrations in areas where new technologies will be needed for large emissions reductions is a reasonable area of emphasis for state funding. However, focusing on energy efficiency might be able to provide more cost-effective near-term reductions. The Legislature will need to weigh these long-term and short-term tradeoffs when determining how much emphasis these programs should place on each of these strategies.
- What process will be used to evaluate the outcomes of these programs? Much of the proposed funding would go to new programs at the CEC, many of which are piloting or testing different technologies. The Legislature might want to direct the administration to report at budget hearings on how the proposed programs will be evaluated to ensure good information is available to inform future policy and budget decisions.
- Should Legislature use the General Fund surplus to offset other electricity ratepayer costs? For example, the Legislature could consider using one-time General Fund to partially offset ratepayer funding being used for existing utility programs that have broad public benefits—such as wildfire mitigation activities or EV infrastructure. This could help reduce electricity rates which, as discussed above, could have environmental, economic, and equity benefits.
- Why operate a separate carve-out program for the food processing industry? The administration proposes a general industrial decarbonization program, as well as funding for the Food Production Investment Program. The Legislature might want to consider combining funding into one program that provides funds for industrial decarbonization projects with the most merit, regardless of the specific industry.
- Are long-term planning and permitting activities truly one-time? A focus on long-term SB 100 planning and permitting makes sense in concept, but many of the departments already have resources for these activities. Additional workload information is needed to ensure the request is justified. If the additional workload is justified, the Legislature might want to consider long-term funding options since some of the work identified in the request appears to be ongoing, such as environmental permitting for renewable energy projects.

Staff Recommendation: Hold Open.

VARIOUS DEPARTMENTS**Issue 5: Zero Emission Vehicle Proposals**

Governor's Budget. The May Revision includes an additional \$826 million above the January Budget for Zero Emission Vehicles (ZEVs) and ZEV infrastructure. This brings total proposed investments in ZEVs and ZEV infrastructure to \$1.8 billion in 2021-22, and \$3.2 billion over three years. Major investments include:

- ZEV Infrastructure - The May Revision maintains the extension of existing fees which are necessary for providing a sustainable funding source for priority programs that were proposed in January, but replaces the securitization of future revenues with \$500 million one-time General Fund to support the CEC's Clean Transportation Program.
- Heavy-Duty Zero Emission Vehicles and Supporting Infrastructure—\$1.4 billion one-time General Fund and special funds over the next three years to deploy over 1,000 zero emission drayage trucks, 1,000 zero emission transit buses, and 1,000 zero emission school buses in underserved rural school districts. These investments will prioritize projects that directly benefit priority populations and improve air quality in low-income and disadvantaged communities. This funding builds on \$315 million included in the Governor's Budget for Clean Truck, Bus, and Off-Road Equipment.
- Light-Duty Zero Emission Vehicle Adoption—\$650 million one-time General Fund over the next three years to invest in consumer adoption of ZEVs through the Clean Vehicle Rebate Program and statewide expansion of Clean Cars 4 All, with a focus on low-income and disadvantaged communities. This funding is in addition to \$150 million provided in the Governor's Budget Cap and Trade Expenditure Plan.
- Zero Emission Vehicle and Infrastructure Manufacturing—\$250 million General Fund one-time over two years for manufacturing and supply chain grants to expand California's nation leading ZEV manufacturing footprint, administered by the Clean Transportation Program. This investment may be coupled with High Road Training Partnerships to increase access to high-quality jobs for workers, and increase the level of highly-skilled employees for employers.
- ZEV Market Development Strategy Implementation—\$5 million one-time General Fund to accelerate implementation of the ZEV Market Development Strategy's focus on increasing awareness and access to ZEVs in the hardest to reach communities and expanding tools that help convert this awareness into decisions to drive or ride in ZEVs.

This funding is summarized below.

Zero Emission Vehicle Package
(\$ in Millions)

Investment Category	Department	Program	Governor's Budget	May Revision 2021-22	Total 2021-22
Low Carbon Transportation & ZEV Strategy		Clean Trucks, Buses & Off-Road Equipment	\$315	\$87	\$402
	Air Resources Board	Clean Cars 4 All & Transportation Equity Projects (\$400 million total)	\$150	\$0	\$150
		Clean Vehicle Rebate Project (\$400 million total)	\$0	\$134	\$134
		Drayage Trucks & Infrastructure (\$470 million total)	\$0	\$160	\$160
	Air Resources Board & California Energy Commission	Drayage Pilot Project	\$0	\$65	\$65
		Transit Buses & Infrastructure (\$290 million total)	\$0	\$100	\$100
		School Buses & Infrastructure (\$450 million total)	\$0	\$150	\$150
	California Energy Commission	Clean Transportation Program/ ZEV Infrastructure	\$500	(\$500)	\$500
		ZEV Manufacturing Grants (\$250 million total)	\$0	\$125	\$125
	GO-Biz	ZEV Market Development Strategy	\$0	\$5	\$5
Total			\$965	\$826	\$1,791

LAO Comments. The Governor is proposing an unprecedented increase in spending for ZEV programs. Promoting ZEVs is generally consistent with various state climate and air quality goals established by the Legislature, as transportation is a major source of greenhouse gases and air pollutants. However, before approving all of some of this package, the Legislature will want to ensure the package is consistent with its broader climate and air quality strategy, as well as ensure there is an adequate process in place to evaluate programmatic outcomes. Some key factors to consider:

- *Are proposed spending categories and program designs consistent with legislative priorities?* For example, when considered alongside the proposed cap-and-trade expenditure package, a larger amount of money goes to heavy-duty vehicle programs (\$1.1 billion) than light-duty programs (\$600 million). Also, proposed CVRP funding would go entirely to the low- and moderate-income portion of the program. The Legislature will want to ensure these spending allocations and programs designs align with its priorities.

- ***How will these programs be evaluated?*** As noted in prior reports from our office and others, there is limited reliable information on the relative cost-effectiveness of different transportation emission reduction programs. The Legislature might want to consider requiring the administration to develop a plan—in consultation with outside researchers—to collect necessary data and evaluate the outcomes of these programs before the funding is awarded. This could help ensure the Legislature has better information to inform future funding and policy decisions.
- ***Should funding for heavy-duty vehicles and infrastructures be split between CARB and CEC?*** Under this proposal, both the CEC and ARB would operate programs targeting drayage trucks, transit buses, and school buses. This creates potential for poor coordination and/or excess administrative costs. The Legislature might want to consider allocating the funding to one of these agencies and designating it the lead agency responsible for program administration.
- ***What are the benefits of grants for ZEV manufacturing?*** The need for additional state support for this specific manufacturing industry is unclear. The state has other programs that already provide tax exemptions for ZEV manufacturing, such as a sales and use tax exemption program administered by the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA). In addition, although operating ZEVs in California can reduce air emissions, it is unclear whether there are any environmental benefits by promoting more ZEV manufacturing in California.
- ***What are trade-offs associated with multi-year funding?*** Multi-year funding could provide some additional market certainty for new or developing technologies. However, providing funding on a year-by-year basis could help ensure legislative oversight of program outcomes and ensure sufficient General Fund resources are available to cover out-year costs. The Legislature will want to weigh this tradeoff when considering whether to adopt a multi-year funding plan, and how to structure such a plan.
- ***Do AB 8 fees need to be extended as part of this year's budget?*** Since the May Revision does not continue the administration's proposal to securitize future AB 8 fee revenue and the fees do not sunset until 2024, the extension of these fees is not necessary to enact this year's budget. The Legislature might want to defer action on this proposal to ensure it has sufficient time to weigh the merits in the context of its overall transportation emission reduction strategy.

Staff Recommendation: Hold Open.

Senator Bob Wieckowski, Chair
Senator Brian Dahle
Senator Mike McGuire
Senator Henry I. Stern



Tuesday, May 18, 2021
9:00 a.m.
State Capitol - Room 3191

Consultant: Joanne Roy

PART B

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DISCUSSION

8570 CALIFORNIA DEPARTMENT OF FOOD & AGRICULTURE (CDFA)

Overview. CDFA promotes and protects a safe, healthy food supply; and enhance local and global agricultural trade. The following table compares the Governor’s Budget proposal in January to the May Revision for CDFA:

Governor’s CDFA Budget – Comparison of January and May
(Dollars in Millions)

	2021-22		Change from January	
	January	May	Amount	Percent
Total	\$594	\$1,147	\$554	93%
By Funding Source				
General Fund	\$249	\$778	529	212%
Special funds	225	250	25	11%
Bond funds	2	2	0	0%
Federal funds	118	118	0	0%
By Purpose				
State operations	\$410	\$606	\$196	48%
Local assistance	169	522	353	209%
Capital outlay	14	19	5	34%

The following issues are May Revision proposals related to CDFA. No votes will be taken at this hearing, but are noticed here for informational purposes to discuss CDFA’s proposed overall May Revision budget.

Issue 1: Agricultural and Rural Economic Advisor

Governor’s Proposal. The May Revision requests \$199,000 General Fund and one permanent position ongoing to support the activities necessary to develop and implement strategies for improving California’s rural, agriculturally based economies.

Background. This proposed position is intended to enable CDFA to collect data and information that allows informed policy discussions on strategies and or initiatives that will enhance rural economies through innovation, technology, education, and workforce training. The indirect roles of agriculture and rural communities require a greater focus in the context of economic development.

This Advisor is intended to participate in conferences, working groups, stakeholder meetings, and regulatory workshops with a focus on rural development, agricultural innovation and technology, recreation and tourism, and workforce development. Through this activity the Advisor is proposed to develop reports investigating the impact of the economic contributions of agriculture, resource constraints, and regulatory compliance requirements on rural agricultural economies. Lastly, the Advisor will be responsible for advising the Secretary on matters relating to rural agricultural economies and making recommendations that result in investments and policy priorities for these communities.

Issue 2: Bee Safe Program

Governor’s Proposal. The May Revision requests one-time funding of \$2.126 million General Fund in 2021-22 to continue operating a statewide Bee Safe Program to promote and protect a safe, healthy food supply through the protection of bees.

Background. The Bee Safe Program builds upon partnerships between landowners, beekeepers, pesticide applicators, county agricultural officials, technical and scientific experts, state and federal resource agencies, and state and local land managers for input on program development, outreach, and implementation. The program works with existing partners to further develop this program and meet the needs of stakeholders, support local government and economy as well as sister agencies. Under CDFA’s leadership, County Agricultural Commissioners’ offices will administer and enforce the program at the local level through cooperative agreements with CDFA.

Issue 3: Economic Recovery and High-Road Job Growth

Governor’s Proposal. The May Revision requests \$46 million General Fund (GF) in 2021-22 to aid California’s farmers, ranchers, and agriculture industry in their recovery from the economic effects of COVID-19. CDFA also requests provisional language for an extended encumbrance period.

The funds requested will be allocated to the following programs:

- \$2 million one-time – Technical Assistance Program for Underserved Farmers
- \$10 million one-time – New and Beginning Farmer Training and Farm Manager Apprenticeship Program
- \$4 million one-time – Impact Assessment and Alignment of Regulatory Reporting Requirements for Agriculture (Shift of early action proposal into 2021-22)
- \$30 million one-time – Fresno-Merced Future of Food (F3) Innovation Initiative

More specifically, the proposal includes:

New and Beginning Farmer Training and Farm Manager Apprenticeship Program. \$10 million GF in 2021-22 to establish a grant program to provide training and incubator programs for new and beginning farmers, with a focus on training farmworkers interested in becoming farmers and farm managers through an apprenticeship program.

Impact Assessment and Alignment of Regulatory Reporting Requirements for Agriculture. CDFA, in collaboration with CalEPA, requests \$4 million GF in 2021-22 to conduct a comprehensive evaluation of cross-cutting regulatory activities across state agencies that enforce potentially redundant compliance requirements for the agricultural community. This funding represents a shift from current year to budget year for funding proposed in the Governor’s Budget for early action, which was not adopted by the Legislature. The evaluation is intended to be the catalyst for exploring regulatory efficiencies and process improvements to align CDFA and CalEPA regulatory requirements, substantially reduce paperwork required of the agricultural community, while maintaining environmental and public health protections.

Fresno-Merced Future of Food (F3) Innovation Initiative. CDFA requests \$30 million General Fund one-time. F3 Innovation Initiative seeks to develop “Climate-Smart Food and Agriculture Systems” that provide solutions to economic and environmental challenges within the Central Valley. These solutions are intended to result in both technology that can be exported to solve global food production challenges and increased support for local and regional food systems, including organic production practices and small-scale and socially disadvantaged farmers.

F3 is intended to promote sustainable food systems that meet human and ecosystem needs facilitated by innovation in technologies that are affordable, appropriately scaled, and accessible to local farmers and food businesses, with applications for the global farming community. F3 is intended to simultaneously advance workforce training and educational opportunities for local farm and food system workers to ensure just and equitable innovation processes and technology adoption.

CDFA received \$2 million GF in 2020-21 to fund the establishment of the Innovation Center for Research and Entrepreneurship in Ag-Food Technology and Engineering (iCREATE), a nonprofit

organization intended to provide the program coherence and visibility, serving as the locus for both research commercialization activities and community engagement.

Now that iCREATE has been developed, CDFA requests \$30 million GF in 2021-22 to invest in the implementation of the above F3 initiatives.

LAO Comments. *Economic Recovery and High-Road Job Growth (\$46 Million).* We recommend the Legislature direct the department to provide additional information regarding the Fresno-Merced Future of Food Innovation Initiative (\$30 million of this proposal). Specifically, CDFA should provide additional information to justify the request, including how this funding will be implemented and what specific activities it will fund. Absent these details, it is difficult to analyze what the potential economic benefits the proposal would provide. If the department is unable to provide this information, we would recommend that the Legislature reject the proposal.

Issue 4: Fairground and Community Resilience Centers

Governor's Proposal. The May Revision requests \$150 million General Fund for Fairground and Community Resilience and Evacuation Centers. The purpose of this program is to advance local communities resilience in the face of natural disasters by upgrading fairgrounds and local facilities to serve as important emergency response and evacuation centers, and to provide long-term local community resilience needs.

In coordination with the Governor's office of Emergency Services, CalFIRE, the Governor's Office of Planning and Research Integrated Climate Adaptation and Resiliency Program (ICARP), CDFG would develop a Community Resilience Grant Program consisting of:

- Planning grants for local government to engage stakeholders in the development of community resiliency plans; and,
- Grants for Community Resilience Centers to allow for the upgrading local facilities, including fairgrounds, to meet the needs identified in the local community resilience plan and support critical deferred maintenance needs.

These funds would allow fairgrounds and other community facilities to be updated to meet local community resiliency needs and create greenspace for emergency evacuation, shelters, base camps during emergency events including cooling and heating centers, clean air centers, and extended emergency evacuation response centers with community kitchens, shower facilities, animal sheltering, broadband, backup power and other community needs due to wildfires, floods, and other emergencies or climate events.

This funding would also equip fairgrounds to provide continuous community benefits that enhance community resilience through civic, social, educational, and economic development programming.

Legislative Analyst's Office (LAO) Comments. *Fairground and Community Resilience Centers (\$150 Million General Fund).* The LAO recommends the Legislature request additional information from the department on what criteria will be use to allocate funding. This proposal would provide grants to (1) support local resiliency plans and (2) fund infrastructure and maintenance projects at local facilities and fairgrounds.

While the department is responsible for overseeing the network of fairs, it appears that this proposal would also provide funding to local governments.

If fairs are not the main funding priority of this proposal, the LAO recommends the Legislature have this proposal be administered by the Governor's Office of Emergency Services instead of CDFG.

Issue 5: Healthy, Resilient, and Equitable Food Systems

Governor’s Proposal. The May Revision requests one-time funding of \$67.5 million General Fund in 2021-22 to develop a healthier, more resilient, and more equitable food system. This request includes \$20 million for the California Farm to School Incubator Grant program, \$12 million for the California Urban Agriculture Grant Program, \$15 million for the California Nutrition Incentive Program, \$20 million for the Healthy Stores Refrigeration Grant, and \$500,000 for the Senior Farmers Market Nutrition Program. Additionally, CDFA requests an encumbrance period of three years and a liquidation period of three years to administer these funds. Specifically, this request seeks to:

- (1) Increase investment in the California Farm to School Network by broadening the California Farm to School Incubator Grant Program, expanding program evaluation, and increasing accessibility to grant funds.
- (2) Develop and pilot an Urban Agriculture Grant Program to assist urban farmers and community-based organizations in revitalizing urban food systems.
- (3) Fund the continuation of the California Nutrition Incentive Program in order to provide nutrition incentives to low-income shoppers, support the local economy, and allow CDFA to apply for federal matching funds.
- (4) Fund the continuation and expansion of the pilot Healthy Refrigeration Grant Program to serve new types of grantees including food banks and food donation programs in addition to corner stores and small businesses, offer increased technical assistance and store infrastructure support, allow a greater variety of items to be stocked and equipment to be purchased, continue to facilitate procurement of CA-grown produce, expand the outreach to underserved communities, and conduct a robust program evaluation.
- (5) Leverage federal Senior Farmers’ Market Nutrition Program (SFMNP) funds to provide low-income seniors with access to locally grown, fresh, nutritious, fruits and vegetables at farmers markets, roadside stands, and community supported agriculture programs. The amount of funding requested will be used to distribute SFMNP benefits to eligible seniors statewide.

LAO Comments. *Healthy, Resilient, and Equitable Food Systems (\$67.5 Million General Fund)*. The LAO recommends the Legislature include supplemental report language requiring the department to complete a report evaluating the effectiveness of the following programs within this proposal: (1) California Farm to School Incubator Grant Program, (2) Urban Agriculture Grant Program, and (3) Healthy Refrigeration Grant Program.

It is LAO’s understanding that these programs are either new or have been established recently—all of which attempt to increase access to healthy foods to underserved communities. A future report that includes information on how effective these programs are at increasing access to healthy foods in targeted communities could assist the Legislature in future funding decisions.

Issue 6: May Revision Infrastructure Package — One-Time Deferred Maintenance

Governor’s Proposal. The May Revision requests \$2 million General Fund in 2021-22 to provide maintenance support for critical infrastructure projects.

CDFA will utilize approximately \$1 million of this funding for crucial repairs at its Hawaii Fruit Fly Rearing Facility.

The remainder will be used to address other critical projects that are necessary for the safety and functionality of various CDFA facilities.

Issue 7: Sustainable California Grown Cannabis Pilot Program

Governor’s Proposal. The May Revision requests requests one-time funding of \$9 million General Fund in 2021-22 to develop and implement the Sustainable California Grown Cannabis Pilot Program (SCGC Pilot Program). Additionally, CDFA requests an encumbrance period of three years.

These funds are meant to allow the state to continue supporting the intent of the Medicinal and Adult Use Cannabis Regulation and Safety Act (MAUCRSA) by implementing a pilot program that will compile data into a Best Management Practices Manual for sustainable cannabis cultivation. The pilot project is intended to be conducted by working with outdoor cannabis cultivators in three Northern California counties.

The SCGC Pilot Program is intended to provide funding to incentivize licensed legacy outdoor cannabis growers to participate in the collection of data to benchmark best practices to reduce the environmental impact of cannabis water and energy use; pest management and fertilizer practices; and to enhance soil health. The pilot will be conducted in at least three counties with a minimum of 10 outdoor cannabis growers for valid data collection to benchmark practices.

The duration of the project will be three years. The project will compile data into a manual of Best Management Practices for Sustainable Cannabis Growing.

CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY (CalEPA)

The following table compares the Governor's Budget proposal in January to the May Revision for CalEPA and its boards, departments, and offices:

Governor's Environmental Protection Budget – Comparison of January and May
(Dollars in Millions)

	2021-22		Change from January	
	January	May	Amount	Percent
Total	\$4,650	\$8,815	\$4,165	90%
By Department				
Water Resources Control Board	\$1,113	\$3,752	\$2,639	237%
Air Resources Board	1,165	2,362	1,197	103%
CalRecycle	1,581	1,666	85	5%
Toxic Substances Control	597	815	218	37%
Pesticide Regulation	145	155	10	7%
Other departments(a)	48	64	16	33%
By Funding Source				
General Fund	\$463	\$1,232	769	166%
Special funds	3,800	4,811	1,010	27%
Bond funds	17	17	0	0%
Federal funds	370	2,756	2,386	646%
By Purpose				
State operations	\$2,060	\$2,462	\$402	20%
Local assistance	2,590	6,353	3,763	145%

(a) Includes the Environmental Protection Agency, Office of Environmental Health Hazard Assessment, and general obligation bond debt service.

Source: LAO

The following issues are May Revision proposals related to CalEPA and its boards, departments, and offices (BDOs). No votes will be taken at this hearing, but are noticed here for informational purposes to discuss CalEPA's and its BDOs' proposed overall May Revision budget.

0555 CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY (CALEPA)
0690 GOVERNOR'S OFFICE OF EMERGENCY SERVICES (CAL OES)**Issue 8: Unified Hazardous Waste and Hazardous Materials Regulatory Management Program Realignment (BCP and TBL)**

Governor's Proposal. The May revision requests, for the Governor's Office of Emergency Services (Cal OES) and CalEPA, to realign staff resources, funding, and authorities within the state's Unified Hazardous Waste and Hazardous Materials Regulatory Management Program (Unified Program) beginning in fiscal year 2021-22.

Specifically, this proposal seeks to realign the Hazardous Materials Business Plan (Business Plan) Program, the Local Emergency Response Plan Coordination (Area Plan) Program, and the California Accidental Release Prevention (CalARP) Program components.

This proposal includes a net-zero shift of \$843,000 Unified Program Account and four positions from Cal OES to CalEPA and includes trailer bill language to effectuate the realignment.

This proposal includes conforming trailer bill language.

Background. The Legislature assigned California's original hazardous materials program responsibilities to Cal OES before CalEPA was created. Upon the formation of CalEPA in 1991, the Legislature placed the state's Unified Program for local hazardous material and waste management oversight, and regulation of approximately 143,000 hazardous material handling businesses, under CalEPA.

Creation and placement of the Unified Program under CalEPA establishes the agency as the lead regulatory agency for oversight of hazardous materials management at the local level. CalEPA has developed and led the program ever since, coordinating with Department of Toxic Substances Control (DTSC) and the State Water Resources Control Board, in addition to Cal OES and Office of the State Fire Marshal (OSFM). Further, prior Administrations have affirmed the assignment of hazardous material management authority and leadership to CalEPA by designation in the 2010 State Emergency Plan, and reaffirmed in the update to the State Emergency Plan in 2017. In the intervening years, CalEPA has developed evaluation protocols and statewide information management systems to manage its respective components of the Unified Program.

Cal OES' focus related to hazardous materials has, by necessity, moved away from regulatory oversight toward enhanced hazardous materials planning and emergency mutual aid response coordination, on-site support of large or complex hazardous materials emergency and disaster operations, and support of hazardous materials response planning, training, exercises, and other support (including management of the Regional Hazardous Materials Response Program). A large number of wildfires, earthquakes, mud and debris flows, floods and other disasters (which almost always require some level of hazardous materials response or cleaning and recovery) have created growing demands for statewide emergency management over the past five years. Cal OES is not a regulatory agency and one of the purposes of this proposal is for the agency to focus efforts on its core mission.

3930 DEPARTMENT OF PESTICIDE REGULATION**Issue 9: Pesticide Notification Network**

Governor's Proposal. The May Revision requests \$10 million General Fund in 2021-22 for planning and initial development costs for a statewide Pesticide Notification Network. These resources are intended to provide funding for procuring the vendors to assist DPR in Stages 2 - 4 of the Project Approval Lifecycle (PAL), Department of Technology oversight, a System Integration vendor, and resources for temporary help. The purpose of this request is to protect the health of pesticide-impacted communities and provide equitable access to important information about pesticide use.

Developing and subsequently implementing a community Pesticide Notification Network statewide is meant to do the following:

- Enhance public transparency of and provide consistent and equitable access to information regarding local restricted material pesticide applications;
- Result in improved public health outcomes in pesticide-impacted communities; and,
- Assist County Agricultural Commissioners and DPR in enforcement of pesticide use regulations. A statewide system for notification will allow for consistency across counties, allowing growers, farmworkers, and community residents to use a single system to submit and track applications.

The development of that system through a public process is meant to provide an opportunity for all stakeholders to provide input into its design. In addition, the state's funding of the development of a statewide system is intended to minimize the impact on local resources.

3940 STATE WATER RESOURCES CONTROL BOARD (SWRCB)**Issue 10: Groundwater Sustainability Plan Review**

Governor's Proposal. The May Revision requests \$1.962 million General Fund with an extended encumbrance period through June 30, 2024, to support three existing positions that will provide detailed reviews of Groundwater Sustainability Agencies' sustainability plans in preparation for possible State intervention under the Sustainable Groundwater Management Act.

In reviewing plans, SWRCB will specifically focus on aspects that are within SWRCB's core mission and area of specialized expertise, including potential impacts to drinking water systems, groundwater quality, interconnected surface water, and water rights.

SWRCB intends to continue to coordinate closely with the Department of Water Resources (DWR) and provide input to inform DWR's review of GSPs.

Groundwater management is a key priority in the Administration's Water Resilience Portfolio and the long-term planning required by law will provide a buffer against droughts and other climate change impacts and will contribute to more reliable water supplies for drinking water, agriculture, and the environment.

Current resources, however, are insufficient to adequately review plans with sufficient lead time to be helpful in DWR's review of plans or to prepare SWRCB to be responsive to basin conditions

Issue 11: Technical Adjustments: Reappropriations

Governor's Proposal. The Governor's budget requests a reappropriation of funds as follows:

- (1) Extend the encumbrance period to June 30, 2022, and the liquidation period to June 30, 2025, for General Fund local assistance in AB 72 (Chapter 1, Statute of 2018) provision 8 for Water System Administrators;
- (2) Extend the encumbrance period to June 30, 2022, and the liquidation period to June 30, 2025, for General Fund local assistance in AB 74 (Committee on Budget), Chapter 23, Statutes of 2019, for Emergency Funds to disadvantage communities (DAC) & household HH (Provision 1), Wildfire Recovery (Provision 2), Emergency Funds-DAC (Provision 2.5), and Provision 2.6 (a) through (k) and provision 3;
- (3) Extend the encumbrance period to June 30, 2022, and the liquidation period to June 30, 2025, for General Fund local assistance established in SB 74 (Committee on Budget and Fiscal Review), Chapter 6, Statutes of 2020, for Fish Shellfish Public Health Advisories.

3960 DEPARTMENT OF TOXIC SUBSTANCES CONTROL**Issue 12: Argonaut Mine Dam Project Phase II Stormwater Upgrade Construction Supplemental Funding**

Governor's Proposal. The May Revision requests \$1.4 million Coronavirus Fiscal Recovery Fund of 2021 one-time to supplement the \$2.1 million General Fund approved in the 2020 Budget Act for Phase II of the Eastwood Multiple Arch Dam (Argonaut Dam) stormwater upgrade construction project at the Argonaut Mine in Jackson, California.

Further refinement of the design, investigation into the depth to bedrock along the placement of the piping, and the city of Jackson's utilities placement crossing the proposed stormwater drainage path resulted in a revised \$3.5 million cost estimate.

This Budget Change Proposal (BCP) requests \$1.4 million to reflect the revised estimate for construction of the stormwater drainage upgrade.

The upgrade project is intended to provide safe conveyance of stormwater from the Argonaut Dam to the north fork of Jackson Creek to prevent the potential flooding of two main state highways and the downtown commercial district. This upgrade is critical to prevent liability to the state for potential damages if stormwater discharges exceed the city's capacity.

Background. The Coronavirus Fiscal Recovery Fund of 2021 is a depository for moneys received from the federal government for the Coronavirus State and Local Fiscal Recovery Funds, authorized by the American Rescue Plan Act of 2021. Money in the fund will be used to mitigate the fiscal effects stemming from the public health emergency caused by the novel coronavirus known as COVID-19.

Issue 13: Department of Justice Increased Legal Fees

Governor's Proposal. The May Revision requests an augmentation of \$977,000 in 2021-22 and ongoing, split between the Hazardous Waste Control Account (HWCA), Toxic Substances Control Account (TSCA), and Lead-Acid Battery Cleanup Fund (LABCF) to cover increased Department of Justice (DOJ) hourly rates for client agencies, which went into effect September 1, 2019.

DTSC intends to use the additional funding to work closely with the DOJ to do the following:

- Carry out its statutory and regulatory mandate to implement the state's hazardous waste management requirements;
- To aggressively, efficiently and effectively pursue those who violate the state law, its implementing regulations, and hazardous waste facility permit conditions that govern hazardous waste management activities, and those who violate administrative orders that govern hazardous substance investigation and cleanup activities; and,
- Enforce investigation and cleanup obligations of responsible parties at contaminated properties by taking prompt action to recover costs DTSC incurs so that polluters, not the people of California, pay for environmental cleanups.

Background. The DOJ handles civil and administrative matters referred by DTSC related to DTSC's exercise of its enforcement authority. Many of these matters are DTSC enforcement matters resulting from the investigations and inspections of permitted facilities and other facilities regulated under the Hazardous Waste Control Law, or from enforcement of administrative order requirements.

In other cases, the DOJ defends DTSC in litigation filed by regulated parties challenging enforcement actions taken by DTSC. The DOJ also defends DTSC in litigation filed by regulated parties and other interested parties challenging actions taken or decisions made by DTSC, such as challenges to regulations, permitting decisions, and cleanup decisions.

DOJ rates were increased in 2019-20. As a result, HWCA, TSCA, and Lead-Acid Battery Cleanup Fund have had to absorb the increased expenditures related to the increase in DOJ hourly rates for litigation activities, including pre-trial and trial preparation, discovery, negotiation, settlement, law and motion, and trial work.

The resources requested in this BCP would provide resources needed to take enforcement actions and cost recovery actions in a more timely, effective, and efficient manner; mitigate the need to redirect resources from high priority program activities; and to help ensure DTSC can afford to pay legal fees required for a competent and diligent defense of litigation filed against it.

Issue 14: Exide: Additional Residential Cleanup Funding

Governor’s Proposal. The May Revision requests a loan of \$291 million General Fund to TSCA (\$100 million in 2021-22, \$100 million in 2022-23, and \$91 million in 2023-24) to clean up additional residential properties surrounding the former Exide Technologies facility (Exide facility) in Vernon, California with a representative lead concentration above 200 parts per million.

Under this proposal, DTSC estimates it will have the resources necessary to clean approximately 2,740 additional properties with the highest soil-lead concentrations and the greatest potential for exposure.

The cleanup process requires an initial meeting, a pre-construction meeting, review and approval of removal design plans, cleanup, and closure of the property, in addition to cleanup oversight.

DTSC uses various means for communicating with the impacted community, including producing a bi-monthly report on cleanup activities, operating a hotline where community members can call and inquire about cleanup activities, updating the DTSC Exide website, and mailing newsletters with information on a variety of topics such as data collected, properties cleaned up, and sampling status.

Issue 15: Exide: Ongoing Closure and Environmental Actions at the Vernon Facility

Governor's Proposal. The May Revision requests \$132.2 million General Fund one-time as a loan to TSCA to complete closure activities and to conduct additional needed environmental cleanup at the former Exide Technologies, Inc. facility in Vernon, California.

Of the total amount requested, \$109.8 million would be dedicated to facility closure and corrective action; the remaining \$22.2 million would be transferred to the Site Operation and Maintenance Account for long-term monitoring and operations and maintenance costs.

These funds are intended to allow DTSC to start addressing the known immediate onsite threats to public health and environment and to provide the resources for necessary safeguards to protect people from being exposed to the known contamination and from the potential spread of this contamination.

DTSC's assessment is based on currently known information. Additional closure and corrective action work could identify additional threats and the need for more remediation.

Issue 16: Implementation of the Violations Scoring Procedure Regulations

Governor’s Proposal. The May Revision requests 11 permanent positions and \$3.5 million HWCA in 2021-22, \$3.1 million HWCA in 2022-23, and \$2.6 million HWCA annually thereafter to implement the Violation Scoring Procedures (VSP) regulations adopted pursuant to SB 673 (Lara), Chapter 611, Statutes of 2015.

This proposal includes \$1.3 million in 2021-22, \$900,000 in 2022-23, and \$400,000 annually thereafter to fund Attorney General costs for litigating VSP scores and permit action decisions made by DTSC. DTSC has already begun experiencing legal actions related to its VSP scores and anticipates additional legal actions as scores have the potential to impact permitting decisions.

DTSC requests ongoing funding for 11 positions to support the ongoing VSP workload. These positions are intended to allow for permit evaluations to consider facility compliance and compliance history and mitigate potential violation impacts and will provide additional support to complete the calculation of the VSP scores, evaluate compliance histories, review, and make decisions on disputes to the VSP scoring and tier assignments, and defend DTSC in administrative and civil legal challenges.

This request is contingent upon the adoption of the DTSC Governance and Fiscal reform proposal, which is intended to provide a long-term and stable funding source to support this request.

Background. The VSP regulations support permitting decisions and validate that they are protective of human health, safety, and the environment. Additionally, they improve transparency with all stakeholders.

Currently, DTSC is reviewing 39 permits on “continued” authorization, 18 of which have been on “continued” authorization for greater than two years. DTSC does not have the resources to support the VSP regulatory requirements and oversee timely implementation of the VSP. Since the regulations took effect in January 2019, it has been difficult to accommodate the increase in workload, including many administrative and civil legal challenges, while maintaining existing commitments. DTSC’s Office of Legal Counsel redirected six attorney positions to assist with the VSP dispute documents and one attorney for the calculation of VSP scores. These redirected attorney positions had provided support to enforcement cases, permit reviews, rulemaking projects, and legislative analyses. In some instances, their redirections resulted in a complete cessation of work for those matters. Over fifty legal matters were impacted by the redirections.

DTSC is anticipating significant litigation arising from the VSP process and has already issued three final VSP dispute decisions to date. Two of the three of the VSP dispute decisions have resulted in the affected facilities filing writs of mandamus against DTSC in state court. DTSC’s lack of resources continues to delay implementation of SB 673 requirements and results in delays to core legal tasks as attorney positions are redirected.

DTSC has continually implemented process improvements and re-aligned resources to resolve staffing shortages. However, the redirected workload cannot be sustained using current resources.

Issue 17: Information Technology Security Unit

Governor’s Proposal. The May Revision requests four permanent positions and \$1.3 million (General Fund, HWCA, Unified Program Account, TSCA, State Certified Unified Program Agency Account, and Lead-Acid Battery Cleanup Fund) in 2021-22 and 2022-23, and \$880,000 annually thereafter to provide additional resources for cybersecurity.

This request is intended to allow for the continuous identification and mitigation of emerging and evolving cybersecurity threats.

This request is contingent upon the adoption of the DTSC Governance and Fiscal reform proposal, which will provide a long-term and stable funding source to support this request. Funding beyond 2021-22 will be supported by increased fee revenues provided by the DTSC Governance and Fiscal reform proposal.

Background. DTSC states that the department is significantly under-resourced to meet IT security mandates, standards, and best practices under state and federal regulations. This request would bring DTSC into compliance with state mandates and allow DTSC to begin remediating high-risk audit findings and compliance issues.

Today, DTSC must protect three critical infrastructures, 24 mission and state critical applications, and 51 other systems. Within this landscape, DTSC has complex and critical information and infrastructure assets that must be protected. For example, DTSC cleanup sites use SCADA systems for hazardous material management. A cyberattack could result in unauthorized, unplanned releases that would pose risks to public health and the environment in the surrounding community. DTSC also enforces environmental laws and performs criminal investigations. When warranted, DTSC will take civil or criminal enforcement actions against violators. Information assets associated with these cases must guard the criminal justice information to carry out enforcement.

DTSC requests four permanent positions to develop an IT Security Team that will increase existing security operations for combatting cybersecurity threats and establish and maintain a comprehensive information security framework.

Issue 18: Resource Conservation and Recovery Act (RCRA) Authorization

Governor's Proposal. The May Revision requests 17 permanent positions that will be phased-in over two years: 10 permanent positions and \$1.2 million HWCA in 2021-22 (Phase I), and seven permanent positions and \$2.5 million in 2022-23 (Phase II) and ongoing to establish the RCRA Grant Unit to address a RCRA authorization backlog and ensure continued program equivalency.

State authorization is a federal rulemaking process where US EPA delegates the primary responsibility of implementing the RCRA hazardous waste program to individual states on behalf of US EPA. Authorized states receive federal grant money annually to assist with the costs and workload of implementing the federal program. Obtaining and maintaining authorization provides a single set of hazardous waste standards for the regulated community, thus reducing ambiguity in hazardous waste standards set by both California and US EPA. Due to California's significant backlog of authorizations indicating substantial deficiency in program equivalency, US EPA Region IX set an expectation for California to become authorized for at least 10 core federal rules by September 2022.

This budget change proposal request is intended to enhance DTSC's capacity to meet US EPA's expectation to reduce this backlog and provide resources for DTSC to develop a comprehensive RCRA oversight program to eliminate the backlog. In addition, the requested funding is to:

- Develop and execute a plan to address the RCRA Authorization backlog of 37 federal rules.
- Provide dedicated staff to track and analyze federal rules as they are under development.
- Conduct internal and external outreach to stakeholders on new requirements in California.
- Protect public health and the environment through protective regulatory standards.

Background. DTSC's hazardous waste regulatory activities began in 1972 when the Legislature passed the Hazardous Waste Control Act, which among other things established the Hazardous Waste Control Program within the Department of Health Services (DTSC was later established as a state department under the Environmental Protection Agency). California's hazardous waste regulatory effort became the model for RCRA, which was adopted by Congress in 1976. In 1992, California applied for and received authorization to implement the base hazardous waste program on behalf of US EPA. With this authorization came federal grant funding to perform those activities on behalf of US EPA (the current triennial federal grant award is approximately \$23 million over three years, or about \$7.7 million annually, and DTSC must provide a 25 percent funding match). As the federal hazardous waste program expanded and US EPA amended regulatory requirements, US EPA set expectations that authorized states would continue to adopt parallel regulatory requirements and seek authorization for the revised state programs to maintain program equivalency.

When US EPA revises the federal hazardous waste program, it identifies if authorized states must adopt those conforming requirements. To maintain authorization, DTSC must evaluate, adopt, implement, and seek authorization for newly promulgated federal rules that modify the base hazardous waste program. States are generally given a deadline of one year to adopt and seek authorization for federal rules and two years if statutory changes need to be made.

As an authorized state, California is statutorily mandated to ensure that federal modifications are adopted

and authorized by US EPA to maintain program equivalency. The authorization application process also provides an opportunity for US EPA to verify the state can effectively carry out the mandates of the federal program.

Maintaining program equivalency provides the regulated community, state and local regulatory agencies, and other stakeholders with a single set of hazardous waste standards, which includes both state and federal requirements.

While DTSC has adopted many conforming requirements and sought authorization from US EPA to implement those requirements, California is currently behind on 37 rules that are required to be adopted and authorized by US EPA to continue to implement the federal hazardous waste program in California. Additionally, US EPA continues to promulgate new rules and the backlog continues to increase. In the summer of 2018, the U.S. Office of Inspector General (OIG) published a report that identified significant backlogs in authorized states, including California. As a result of this report, US EPA Region IX set an expectation for California in November of 2019 to adopt and become authorized for at least 10 core federal rules by September 2022 to make progress to reduce this backlog.

With a spotlight on all states to reduce the authorization backlog based on the OIG's 2018 report, failure for a state to address that backlog could prompt US EPA to award future federal RCRA grant funding based on the state's authorization status. Alternatively, US EPA could issue penalties to encourage states to seek authorization.

While DTSC is focused on meeting the expectations set by US EPA, DTSC acknowledges that it will not be able to meet this deadline, and the backlog of 37 federal rules will grow larger unless additional resources are provided. To avoid perpetuating this problem, DTSC is proposing to develop a comprehensive and long-term approach to mitigate authorization gaps in the future. These resources also are intended to allow California to participate in the federal rule adoption process, and as the state with greatest number of hazardous waste generators in the nation, the Administration states that this step is critical.

**3970 DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY
(CALRECYCLE)****Issue 19: Beverage Container Recycling Pilot Project Staffing Extension**

Governor’s Proposal. The May Revision requests \$129,000 in fiscal year 2021-22, \$250,000 in 2022-23, \$378,000 from 2023-24 through 2025-26, and \$312,000 in 2026-27 from the Beverage Container Recycling Fund (BCRF) to extend the temporary staffing resources needed to administer, implement, maintain, and provide fiduciary oversight with the expansion of the Beverage Container Recycling Pilot Project Program (Pilot Program).

To implement the Pilot Program, CalRecycle previously received funding in two separate BCPs, where one set of funding for temporary positions will expire in fiscal year 2021-22 and the other in 2022-23.

Background. Currently, CalRecycle has a 2021 BCP, pending the Legislature’s approval, to provide an additional funding for pilot project grants, expand the number of pilot projects from five to ten, and extend the sunset date of the Pilot Program to June 30, 2026.

This additional funding is intended to be used to expand and support additional pilot projects in the Pilot Program. This request for funding allows staff to develop the grant funding guidelines, manage the grant agreements, and provide fiduciary oversight.

Issue 20: Emergency Debris Removal Office Additional Staffing

Governor’s Proposal. The May Revision requests \$891,000 General Fund and six permanent, full-time positions in fiscal year 2021-22 and \$880,000 General Fund ongoing to manage the workload for debris removal operations. The additional positions are for CalRecycle to manage contracts, hold contractors responsible, fully reconcile funds, and coordinate federal reimbursements.

Background. Following a Governor’s declared State of Emergency and an assistance request from local governments for technical assistance, the Governor’s Office of Emergency Services (Cal OES) has frequently mission tasked CalRecycle to assist with structural debris removal and hazard tree removal services, with increasing frequency over the past 13 years.

Almost all the structural debris and hazard tree removal operations that are assigned to CalRecycle are reimbursable, either by the Federal Emergency Management Agency (FEMA) (in which CalRecycle is a subrecipient of CalOES).

FEMA requires adherence to strict guidelines for reimbursements. Staff need to ensure that contractors are held accountable, the state is closely monitoring the contractors, funds are fully reconciled, and FEMA reimbursements are maximized. The FEMA funded projects require a detailed level of coordination and diligent review to assure that every invoice and expenditure is supported, reviewed, and verified to accurately reflect the work. In addition, expenditures are often split out according to eligible and ineligible activities based on FEMA guidelines.

Since 2018, CalRecycle has provided: technical expertise; engineering support; contract management; legal; administrative; fiscal and budgetary services to conduct debris removal on 17,721 parcels across California.

CalRecycle is currently managing four structural debris and hazard tree removal operations following the devastating 2020 statewide fire siege. Concurrently CalRecycle is managing the State Hazard Tree Removal Program following the 2018 Camp Fire, the largest urban tree removal project in the United States.

Issue 21: Regulations Development Unit

Governor's Proposal. The May Revision requests five permanent, full-time positions and \$767,000 in fiscal year 2021-22 and \$757,000 ongoing from various special funds (California Used Oil Recycling Fund, California Beverage Container Recycling Fund, California Tire Recycling Management Fund, Integrated Waste Management Account, Electric Waste Recovery and Recycling Account) to establish a Regulations Development Unit to provide support, coordination, and expertise in regulations development.

Background. Since 2015, CalRecycle has seen an increase in significant statutory mandates, such as, but not limited to, SB 1383 (Lara), Chapter 395, Statutes of 2016, circular economy mandates including for carpet, paint, mattresses, pharmaceuticals and sharps, as well as post-consumer recycled plastic minimum content manufacturer standards, the elimination of the comingled rate, daily consumer load limit reductions, processor oversight, and imported material reporting requirements.

CalRecycle expects high-profile mandates requiring complex rulemaking in the near future, including for sustainable packaging. Many of these legislative mandates are the first of their kind in the country, bringing national attention to California and thus CalRecycle's rulemaking process.

Currently, various program staff in CalRecycle are initially responsible for drafting regulation text. Many staff lack extensive rulemaking experience or training and are regularly redirected from their normal work assignments to dedicate the majority of their time to rulemaking. This results in a less-than-consistent approach that is subject to process and language quality problems. It also hinders the ability of staff to execute existing programmatic obligations.

Since multiple staff from different divisions are called upon to draft parts and articles of regulations packages, this results in inconsistent language from program to program, and in some cases fails to meet Administrative Procedure Act (APA) language standards. To further exacerbate the problem, stakeholders within the regulated community oftentimes are confused in how to comply with unclear regulatory language. This results in programs operating inefficiently, in a space of confusion and risk rather than clarity and legal defensibility.

To address the problem, the Regulations Development Unit is intended to ensure that regulations development is managed by staff dedicated solely to rulemaking with the requisite knowledge and experience. The unit would be led by an Attorney IV with extensive rulemaking background.

Issue 22: San Diego Field Office Location

Governor’s Proposal. The May Revision requests one-time authority of \$255,000 from the Beverage Container Recycling Fund (BCRF) to relocate its regional office, housed in the San Diego State Office Building, as it is being disposed of in accordance with AB 1164 (Gloria), Chapter 822, Statutes of 2019, related to the disposal of surplus state real property.

CalRecycle also requests ongoing increased expenditure authority of \$53,000 in fiscal year 2022-23, \$60,000 in 2023-24, \$67,000 in 2024-25, and \$74,000 in 2025-26 from BCRF to pay for the increased lease costs.

Background. AB 1164 authorizes DGS to sell the San Diego State Office Building. The property is underutilized as a State resource in an area that is ready for more appropriate types of development and will be offered for sale to local agencies, then nonprofit affordable housing sponsors, and finally to private entities and individuals. The State will utilize the proceeds to pay down principal and interest on bonds pursuant to the Economic Recovery Bond Act.

The San Diego office houses employees from CalRecycle’s Office of Audits and the Division of Recycling. A CalRecycle presence in San Diego provides a secure office location to conduct audits of distributors and beverage manufacturers, and conduct inspections and investigations of processors, recycling centers, and other CalRecycle-certified recycling program participants.

DGS has notified CalRecycle that the building will be sold, requiring CalRecycle employees to be relocated into a new office space in July 2022. DGS is currently reviewing 18 locations for the new San Diego office.

Issue 23: Food Service Packaging Exemption (TBL)

Governor’s Proposal. The May Revision requests to exclude from the definition of “food service packaging” products defined as drugs, devices, or medical food pursuant to federal law, as provided. The proposal would also exclude from the definition, products used at specified facilities, including, but not limited to, health care facilities, residential care facilities, and community care facilities, as defined, that are intended to assist the facility’s residents or other individuals receiving care at the facility or to otherwise protect the facility’s residents’ or other individuals’ health or safety, if the facility determines that the products, or their functional equivalents, are not on the list developed by CalRecycle.

Background. SB 1335 (Allen), Chapter 610, Statutes of 2018 established the Sustainable Packaging for the State of California Act of 2018. The act prohibits a food service facility located in a state-owned facility, operating on or acting as a concessionaire on state property, or under contract to provide food service to a state agency from dispensing prepared food using a type of food service packaging unless the type of food service packaging is on a specified CalRecycle list. The act requires CalRecycle to publish and maintain on its website that contains types of approved food service packaging that are reusable, recyclable, or compostable.

The act defines “food service packaging” as a product used for serving or transporting prepared, ready-to-consume food or beverages such as plates, cups, bowls, trays, and hinged or lidded containers. The act excludes from the definition beverage containers, as defined, single-use disposable items, such as straws, cup lids, plastic bags, and utensils, and single-use disposable packaging for unprepared foods.

3970 CALRECYCLE
0509 GOVERNOR'S OFFICE OF BUSINESS AND ECONOMIC DEVELOPMENT (GO-BIZ)**Issue 24: Circular Economy Package**

Governor's Proposal. The May Revision includes a request, for CalRecycle and GO-Biz, for \$130 million General Fund one-time to administer programs that are intended to develop and implement projects to improve and optimize technology and infrastructure to build progress towards a circular economy and achieve the state's statutory climate, source reduction, reuse, and recycling goals.

Food Waste Prevention and Rescue Program (\$5 Million). The purpose of this program is to lower overall greenhouse gas emissions by expanding existing or establishing new food waste prevention and/or food rescue projects in California to reduce the amount of food disposed of in landfills. The food waste prevention projects will help prevent the generation of food waste and correspondingly, the food rescue projects will help feed people in need. The Food Waste Prevention and Rescue Program would provide funds to: 1) support the expansion of food recovery organizations and services for existing collection and redistribution infrastructure, and 2) establish food waste prevention (source reduction) projects that prevent the creation of food waste from the start.

Circular Economy Development Program (\$15 Million). This program is intended to provide funding for companies that are in the research, development, feasibility, and pilot phases of recycling projects. This program is intended to:

- Improve and optimize technology and infrastructure for the collection, processing, recycling, and remanufacturing of waste in California.
- Lead to technological advancement and infrastructure improvements to make progress toward achieving the state's statutory climate, source reduction, reuse, and recycling goals.
- Result in a portfolio of projects strategically focused to advance the development of a circular economy.

Funded projects will include, but will not be limited to:

- Conduct feasibility studies for siting and permitting of facilities in a manner that addresses project impacts to the environment and environmental justice concerns.
- Identify innovative solutions for organics collection and processing, food waste prevention and recovery, reuse, and the use of recycled products.
- Develop pilot and demonstration projects for new technologies to determine feasibility on a larger scale.

These projects are intended to articulate specific milestones to advance projects towards further phases of public and/or private funding.

Climate Catalyst Loan Program (\$50 Million). This low interest loan program would provide below market loans for equipment with an extended forbearance period of the loan. This program would also provide companies with the ability to postpone loan payments or reduce the amount of payments made each month toward the loan amount. Climate Catalyst Loans could support commercially ready, but not yet widely deployed technology. Once endowed, this revolving loan fund is intended to be an ongoing source of financing for recycling businesses.

- The Climate Catalyst loan program would provide loans at low interest rates, provide flexibility on repayment timeframes, and are available statewide.
- The Climate Catalyst Loans is meant to attract private capital into the recycling manufacturing sector and deliver multiples for public dollars invested.
- This would allow companies to build equity, increase the number of employees, and develop strong markets.
- Interest paid on the loans could be used for staffing and administration. Principal repayments of the loans would go to provide loans for new projects.
- The program could help increase in-state remanufacturing and attract new businesses to California.

Organics Grant Program (\$35 Million). The Organics Grant Program would provide funds to support the expansion of the organics recycling infrastructure such as pre-processing, composting, and digestion facilities to achieve greenhouse gas reductions. These investments are intended to result in reduced methane emissions from landfills; benefit disadvantaged communities by upgrading existing facilities and, where warranted, establish new facilities; result in air and water quality benefits in addition to emission reductions; and create jobs. The eligible projects could include:

- Construction, renovation, or expansion of facilities to increase in-state infrastructure for the composting or digestion of organics into compost, soil amendments, fertilizers, biofuels, or bioenergy.
- Construction, renovation, or expansion of facilities to increase in-state infrastructure for the pre-processing of organics if the lead applicant is the same entity that will compost or digest the pre-processed material to make compost, soil amendments, fertilizers, biofuels, or bioenergy.
- Construction, renovation, or expansion of facilities to increase in-state infrastructure for the recycling of paper, cardboard and waste lumber.

Co-digestion at Waste Water Treatment Plants Program (\$20 Million). This program is intended to accelerate the expansion of food waste co-digestion projects at waste water treatment plants and create immediate trades' jobs. Funding could be used to design and build an integrated organic food waste pre-processing and anaerobic digestion system that will divert significant amounts of food waste. This would result in recovering additional food waste from the landfill and converting it to renewable natural gas for transportation fuel. Projects could include funding pipeline injection of biomethane. These projects would result in greenhouse gas reductions, trades' jobs, and expanding processing infrastructure that is already in place. Projects would utilize existing waste water treatment plant sites. Funding would expand pre-processing infrastructure or leverage existing pre-processing infrastructure that is under-utilized to

achieve greenhouse gas emissions reductions, while significantly increasing the tonnage of California-generated organic wastes diverted from landfills to anaerobic digest

Community Composting Program (\$5 Million). This program is intended to:

- Lower greenhouse gas emissions by increasing the number and efficiency of community composting sites throughout the state.
- Promote community-based activities to increase organic material diversion in disadvantaged and low-income communities.
- Reduce the amount of food and other organic waste that is disposed of in landfills.
- Provide compost to enhance community gardens, grow fresh produce, and support neighborhood climate adaptation projects.

This program will provide funding for the following types of distributed community-based recycling infrastructure development:

- Compost bins or systems, including in-vessel composters
- Vermicomposting bins or systems
- Small-scale anaerobic digestion systems

LAO Comment. *Circular Economy Package (\$130 million General Fund).* The Governor is proposing a significant increase in spending to promote recycling and waste diversion activities. While many of the proposed activities generally are consistent with legislatively-established goals, the proposals reflect significant new programmatic efforts, and several key implementation details are lacking. Accordingly, we recommend that the Legislature direct the administration to provide additional information to inform its decisions. Some key questions are listed below. If sufficient information is not available to inform legislative decisionmaking within the timeframe of the May Revision, the Legislature could consider withholding action on some or all of the package until next year. Some key factors to consider:

- ***How can funding most effectively promote long-term recycling and waste goals?*** Proposed programs appear to support the Legislature's overall recycling and waste goals. However, it is unclear whether the proposed programs represent the most efficient or equitable way of achieving these goals. The Legislature should seek more information from the administration about the expected outcomes for these programs and why this particular mix of programs would most effectively approach to meeting the state's long-term goals. If the funding is approved, it might also want to consider requiring the administration to evaluate and report on program outcomes.
- ***Why should one-time funding be used to establish new programs?*** CalRecycle proposes funding for a mix of new and existing programs. Even though these programs could have merit, it generally takes additional time and resources to establish them. The Legislature will want to consider whether it is worth the additional costs to establish a new program that

would only receive funding on a one-time basis under the Governor’s proposal, or simply expand existing programs.

- ***Why is a new Climate Catalyst Fund loan program needed?*** CalRecycle already operates two loan programs aimed at recycling market development—the Recycling Market Development Zone Loan Program and the Greenhouse Gas Reduction Loan Program. The need for a third loan program operated by GO-Biz is unclear. Also, although the state needs a significant amount of waste and recycling infrastructure to meet some of its long-term goals, it is not clear that the primary economic barrier to building the necessary recycling infrastructure is inability to secure a loan.

CALIFORNIA NATURAL RESOURCES AGENCY (CNRA)

The following table compares the Governor's Budget proposal in January to the May Revision for CalEPA and its boards, departments, and offices:

Governor's Natural Resources Budget – Comparison of January and May
(Dollars In Millions)

	2021-22		Change from January	
	January	May	Amount	Percent
Total	\$7,905	\$12,759	\$4,854	61%
By Department				
Forestry and Fire Protection	\$2,320	\$2,420	\$100	4%
Water Resources	979	2,350	1,371	140%
Energy Commission	715	2,109	1,394	195%
Parks and Recreation	858	1,431	573	67%
General obligation bond debt service	1,412	1,309	-103	-7%
Conservation	190	971	782	412%
Fish and Wildlife	632	797	165	26%
Natural Resources Agency	186	594	408	220%
Wildlife Conservation Board	141	206	65	46%
Conservation Corps	149	152	3	2%
State Lands Commission	55	105	50	90%
Coastal Conservancy	50	64	14	28%
Sierra Nevada Conservancy	58	58	0	0%
Other resources programs(a)	162	194	32	20%
By Funding Source				
General Fund	\$4,572	\$9,320	4,748	104%
Special funds	2,064	1,646	-418	-20%
Bond funds	958	1,030	73	8%
Federal funds	311	762	451	145%
By Purpose				
State operations	\$5,846	\$7,026	\$1,180	20%
Local assistance	1,856	5,367	3,510	189%
Capital outlay	203	366	163	81%

(a) Includes state conservancies, Coastal Commission, and other departments.

Source: LAO

The following issues are May Revision proposals related to CNRA and its BDOs. No votes will be taken at this hearing, but are noticed here for informational purposes to discuss CNRA's and its BDOs' proposed overall May Revision budget.

0540 CALIFORNIA NATURAL RESOURCES AGENCY (CNRA)**Issue 25: Presidio Improvement Projects**

Governor’s Proposal. The May Revision requests \$27.5 million General Fund one-time for a grant to transform four acres at the heart of the Presidio of San Francisco from a parking lot into new parkland for families. Features will include interpretive works on the historic Buffalo Soldiers stables site, family and community group picnic sites, a family play meadow, and new paths and bikeways connecting the east and west ends of Crissy Field. Additionally, the transformed space will provide benefits through redirection of storm water away from sewers, expanding coastal habitat for native plants and animals, and expanding access to the Presidio from Chinatown through extended bus transportation.

Background. The Presidio of San Francisco is a 1,500-acre park on a former military post and is a major outdoor recreation hub that has forested areas, miles of trails, a golf course, and scenic overlooks. Other highlights include grassy Crissy Field with Golden Gate Bridge views, Civil War– era Fort Point and sandy Baker Beach. Historic buildings house the Walt Disney Family Museum, eateries, homes and businesses like Lucasfilm, and a Yoda Fountain.

LAO Comments. *California Natural Resources Agency – Presidio Improvement Projects (\$27.5 Million GF).* This project is proposed to be constructed in the Presidio, which is a National Recreation Area managed by federal agencies. The administration has not provided a clear explanation as to why it selected this project to receive direct General Fund support over other non-state projects. Typically, non-state projects are funded through the department’s local assistance program on a competitive basis. The LAO recommends the Legislature ask the following questions to the department as it considers this proposal:

- Why did the administration prioritize this project for General Fund resources over other potential state and local parks projects?
- Has the state funded federal parks in the past?
- Would this project be eligible for other funding given its federal management and historical interest by the philanthropic community?

0540 CALIFORNIA NATURAL RESOURCES AGENCY (CNRA)
3480 DEPARTMENT OF CONSERVATION (DOC)
3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CALFIRE)
3600 DEPARTMENT OF FISH AND WILDLIFE (DFW)
3790 DEPARTMENT OF PARKS AND RECREATION (PARKS)

Issue 26: New Natural Resources Building Rent Increase

Governor’s Proposal. The May Revision includes a request for CNRA, DOC, CalFire, DFW, and Parks for a total of \$6.731 million General Fund one-time, and \$6.421 million General Fund ongoing to support increased rental costs at the Natural Resources Agency’s new facility. This includes \$381,000 ongoing for CNRA, \$2.458 million ongoing for CalFire, \$2.344 million ongoing for DFW, \$1.2381 million ongoing for Parks, and \$310,000 one-time for DOC.

Background. CNRA and seven of its affiliated state entities have been physically located in multiple facilities throughout the Sacramento area for several years. In 2015, a decision was made to construct and fund a new state-of-the art Department of General Services owned twenty-one floor facility to be located on P Street in downtown Sacramento.

The new facility will become the headquarters for the CNRA and house their executives and staff members. In addition, the new facility will become headquarters for DWR, Parks, DFW, CalFire, and DOC, and house their executives and a large portion of their staff members. The building will also become home to the Board of Forestry and Fire Protection, Wildlife Conservation Board, and California Water Commission. The new facility will house 4,100 CNRA affiliated personnel.

3340 CALIFORNIA CONSERVATION CORPS (CCC)**Issue 27: Los Padres Facility Maintenance Funding**

Governor's Proposal. The Governor's budget requests \$1.435 million General Fund in 2021-22, \$136,000 in 2022-23, \$137,000 in 2023-24, and \$139,000 in 2024-25 and 2025-26 to address facility repairs and maintenance needs at the Los Padres facility, owned by the California Military Department (CMD).

Background. The Los Padres facility is currently one of nine centers that houses residential Corpsmembers. The facility is currently owned by CMD. The CCC has been at this facility since 1990. During the lease renegotiations in November 2020, CDM served the CCC with a three-year notice to vacate the premises. However, CMD understands that CCC would need time to search for another location. As a result, they are allowing the CCC to stay for the next five years.

However, to ensure the health and safety of staff and corpsmembers, funding is requested for one-time essential repairs and ongoing maintenance for the next five years. This proposal would provide the incremental funding to address these needs, while a permanent solution is being discussed.

The prior lease agreement provided an annual lease cost of \$242,000 in 2018-19. As the lease expired on June 30, 2019, lease renegotiations have been in progress for over a year. It has been agreed that lease costs will be held at the holdover amount of \$276,000 annually. Typically, CDM is required to reinvest a portion of the lease payments to maintain the facilities occupied by CCC. However, CDM has indicated a more urgent need to use the funds for ingress/egress maintenance.

3355 OFFICE OF ENERGY INFRASTRUCTURE SAFETY (OEIS)**Issue 28: Office of Infrastructure Safety Establishment and Transfer of Wildfire Safety Division and Dig Safe Board**

Governor's Proposal. The Governor's budget requests \$7.433 million Public Utilities Commission Utilities Reimbursement Account (PUCURA) (\$13.015 million ongoing), \$352,000 Safe Energy Infrastructure and Excavation Fund (SEIEF) (\$348,000 ongoing), and 34 positions in 2021-22 and ongoing to establish the new Office within CNRA on July 1, 2021, as required by AB 111 (Committee on Budget), Chapter 81, Statutes of 2019.

OEIS requests the net-zero transfer of \$10.568 million PUCURA (\$6.068 million in 2023-24 and ongoing) and 32 positions to transfer the Wildfire Safety Division from the California Public Utilities Commission on July 1, 2021 as required by AB 111.

OEIS requests the net-zero transfer of \$2.148 million SEIEF (\$4.129 million ongoing) and 24 positions to transfer the California Underground Facilities Safe Excavation Board (Dig Safe Board) from CalFire on January 1, 2022, as required by SB 865 (Hill), Chapter 307, Statutes of 2020.

This request is broken down into two main parts: 1) the budgetary redirection of existing WSD and Dig Safe Board resources from the CPUC and CalFire to the OEIS and 2) the additional resource needs to support the new OEIS department.

Part 1. The OEIS requests a net zero change to support and facilitate the WSD's and Dig Safe Board's transition from CPUC and CAL FIRE into the OEIS by July 1, 2021 and January 1, 2022 respectively, under the CNRA, including transfer of all existing personnel and associated staffing costs, WSD and Dig Safe Board procured equipment, and the limited term contract funding for WSD that was approved in the 2020-21 Enacted Budget to increase utility oversight and wildfire risk reduction to address workload associated with AB 1054 and AB 111; and other legislation that requires the WSD/OEIS to increase utility oversight and wildfire risk reduction.

Part 2. The WSD and Dig Safe Board are mandated to transition into the OEIS under the CNRA by July 1, 2021 and January 1, 2022 respectively. As a new department under CNRA, the OEIS will not have enforcement, administrative and technical support services (such as Legal, Information Technology, Wildfire Safety Advisory Board support, Administrative, Human Resources, Training, Labor Relations, Fleet/Facilities, etc.) that are currently provided by CPUC to WSD to support itself as an independent department. The OEIS requests additional staffing, as well as, contract funds to procure the required support services to fulfill the OEIS mission. This proposal requests 34 new fulltime, permanent positions and associated staffing costs to support additional functions required to establish the OEIS as a new, independent department under the CNRA.

This request also includes proposed trailer bill language to ensure authorities provided to the WSD while at the CPUC continue to exist with the establishment of the OEIS.

This proposal is meant to address the OEIS's ongoing and unmet needs associated with implementation of SB 901 (Dodd), Chapter 626, Statutes of 2018; AB 1054 (Holden), Chapter 70, Statutes of 2019; AB

111; and associated legislation, which require increased utility oversight and wildfire risk reduction over electrical corporations. In addition, it provides support for the Dig Safe Board to implement the requirements of SB 865.

Background. *Wildfire Safety Division (WSD).* AB 1054 and AB 111 were signed into law on July 12, 2019 in response to increased wildfire threats in California as well as an increase in utility-related wildfire events. The OEIS is statutorily required to perform the following functions:

- Oversee and enforce electrical corporations' compliance with wildfire safety pursuant to Public Utilities Code commencing with Section 8385.
- In consultation with the California Wildfire Safety Advisory Board (WSAB), develop performance metrics to achieve maximum feasible risk reduction to be used to develop wildfire mitigation plans (WMP) and evaluate an electrical corporation's compliance with that plan.
- Develop a field audit program for WMP compliance by each electrical corporation.
- Consult with the California Office of Emergency Services (CAL OES) in the office's management and response to utility Public Safety Power Shutoff (PSPS) events and utility actions for compliance with PSPS program rules and regulations.
- Support efforts to assess and analyze fire weather data and other atmospheric conditions that could lead to catastrophic wildfires, and to reduce the likelihood and severity of wildfire incidents that could endanger the safety of persons, properties, and the environment within the state.
- Retain appropriate staff that includes experts in wildfire, weather, climate change, emergency response, and other relevant subject matters.
- Review, as necessary, in coordination with the WSAB and CPUC staff, safety requirements for electrical transmission and distribution infrastructure and equipment attached to that electrical infrastructure and provide recommendations to the CPUC to address the dynamic risk of climate change and to mitigate wildfire risk.
- Evaluate and approve or deny electrical utilities' WMPs.
- Review and issue electrical utilities' safety certificates (following the issuances of initial safety certificates by the CPUC's Executive Director), including assessment of sub-components required for the safety certificates, such as approval of executive compensation structure.
- Develop, conduct, and monitor all associated compliance assurance activities, including review of electrical utilities' independent evaluator work product and reports.
- Transition from the CPUC into the OEIS under CNRA by July 1, 2021.

The WSD was formally established on January 1, 2020, to enact and support the assembly bills' legislative mandates on wildfire safety and associated activities. The WSD and a number of other state agency stakeholders—including CalFire, Cal OES, and the Forest Management Task Force—developed a strategy and roadmap to guide development of the initial WSD and the ongoing wildfire risk reduction mission of the OEIS. The strategy and Roadmap—Reducing Utility-Related Wildfire Risk: Utility

Wildfire Mitigation Strategy and Roadmap for the Wildfire Safety Division—published in December 2020, identified near and long-term actions and areas for collaboration to support the WSD’s and by extension the OEIS’ mission.

The WSD/OEIS’ mission is "[t]o advance long-term utility wildfire safety by developing data-driven, comprehensive utility wildfire mitigation evaluation and compliance criteria, collaborating with local, state and federal agencies, and supporting efforts to improve utility wildfire safety culture and innovation." To achieve this mission, the WSD/OEIS is developing and implementing measures to ensure an integrated, utility-related wildfire mitigation approach; amalgamate local perspectives into utility approaches to reflect community differences; support decision making with data and analytics; and, when possible, exercise innovative problem solving for developing new utility wildfire solutions. Over the near-term, the WSD/OEIS is:

1. Revising the WMP framework, including a new utility Wildfire Mitigation Maturity Model
2. Recommending outcome and progress metrics to enable continuous improvement
3. Developing an advanced data and analytics strategy
4. Collaborating with the WSAB to implement its recommendations.

The WSD is mandated to transition from the CPUC into the OEIS under the CNRA by July 1, 2021. As the WSD transitions to the OEIS, synergies of information and knowledge will need to be coordinated between the OEIS, the CPUC, CAL FIRE, and Cal OES. As a new division, the WSD currently does not have the administrative and technical capabilities to support an independent department and will require enforcement, legal, administrative, human resources, information technology, communications, and technical support to ensure that the OEIS has the capacities to fulfill its mission. In addition, the OEIS will require the transfer of certain existing equipment, personnel, contract funds, and contract authority. The OEIS will also require interagency contract funds for the OEIS to procure services from Department of General Services’ Contract Fiscal Services and CPUC for services such as Fiscal, Human Resources, Labor Relations, and Personnel, and CNRA for Information Technology services and external contract funds for compliance assurance, data analytics, consulting and GIS services.

Dig Safe Board. The Dig Safe Board was created by SB 661 (Hill), Chapter 809, Statutes of 2016, following two fatal 2015 dig-in accidents in Fresno and Bakersfield. The Legislature charged the Dig Safe Board with improving excavation safety around buried utilities and vested it with regulatory, investigative, and enforcement powers.

The One-Call Law was created in the 1980s, but before SB 661, there was no regulatory body overseeing safe excavation around buried infrastructure. Without a regulatory body, changes in law were made in statute instead of regulation, or not addressed. Before administrative enforcement, excavators and operators resolved responsibility for damaged utilities through their claims departments and threats of litigation, leading to often profound mistrust between professional excavators and utility operators. SB 865 aims to increase awareness of safe excavation requirements, promote cooperation between excavators and utility operators, and give the Dig Safe Board appropriate tools to increase its effectiveness.

SB 865 makes several changes to the One-Call Law, including requirements for regional notification centers (One-Call centers) and excavators, including a requirement for operators to map all subsurface installations using a geographic information system. SB 865 also relocates the Dig Safe Board from CalFire’s Office of the State Fire Marshal (OSFM) to OEIS.

LAO Comments. *Office of Energy Infrastructure Safety Establishment (OEIS) (Net Increase of \$7.8 Million Special Funds).* The LAO recommends that the Legislature seek more justification substantiating the need for these net new positions before taking action. If workload justification is not provided, the LAO would recommend rejection of the net increase in positions.

The concept of moving the existing functions of the CPUC's Wildfire Safety Division and CalFire's Dig Safe Board into a OEIS appears to be consistent with the intent of recent legislation, including AB 111 and SB 865.

However, the proposal requests 34 net new positions, which is a substantial increase compared to the existing staffing levels of the Wildfire Safety Division (32 positions) and Dig Safe Board (24 positions).

At this point, it is unclear to us if such a substantial net increase is necessary in order for OEIS to accomplish its statutory mission. For example, it appears that many of the new proposed positions would provide management and administrative support to OEIS, but it is unclear why more of these positions were not offset by positions reductions at CPUC and CalFire. Additionally, the proposal includes some new technical positions, but it is unclear what specific gaps in service these positions will address.

3480 DEPARTMENT OF CONSERVATION**Issue 29: Forest Management Task Force Coordinator**

Governor’s Proposal. The May Revision requests \$168,000 Environmental License Plate Fund (ELPF) and one position ongoing to support the Forest Management Task Force (FMTF). The position, a Sr. Environmental Scientist Specialist, will be responsible for coordinating efforts between state, local, and federal partners and overseeing the development of regional frameworks that accelerate efforts to meet state forest and fire resilience goals. This requested position will be within the Regional Forest and Fire Capacity Program (RFFCP) at DOC for administrative efficiency and to leverage the role of the RFFCP to coordinate multiple scales of forest and fire resilience work at the regional level.

Background. The Forest Management Task Force was created in 2018 through an Executive Order of then Governor Jerry Brown to coordinate efforts across multiple state and federal agencies to address the growing risk associated with catastrophic wildfire. In 2019, Governor Gavin Newsom reaffirmed the FMTF, directing participant agencies to work collaboratively to examine the many components of action needed to address the continuously increasing threat of landscape fire in the state. In January of 2021, the findings and recommendations of FMTF were released in a report entitled: California’s Wildfire and Forest Resilience Action Plan: A Comprehensive Strategy of the Governor’s Forest Management Task Force (Action Plan).

The work of the FMTF has increased coordination and partnership between state and the United States Forest Service (USFS). In 2020, this partnership was memorialized in the Agreement for Shared Stewardship of California’s Forest and Rangelands between the State of California and the US Forest Service Pacific Southwest Region. Through this agreement, the state and USFS have aligned goals and substantially increased coordination and collaboration to meet them.

The RFFCP funds regions to plan their forest and fire priorities and develop shovel ready projects to meet them. The RFFCP emphasizes broad and equitable collaboration and focused investments in capacity to ensure that communities within the region are able to participate and benefit from the program. Through the RFFCP, regions are able to serve as a coordinating point for the many different local, state, and federal forest and fire priorities that impact their region and support the FMTF by identifying regionally specific needs.

The program was initiated as part of a larger budget package to implement the 2019 Forest Carbon Plan and Executive Order B-52-19, the 2018-19 budget appropriated \$20 million (Greenhouse Gas and Reduction Fund) to the Natural Resources to initiate the RFFCP. In 2019, DOC launched the RFFCP in partnership with CNRA and funded block grants to 6 high-capacity regional entities.

3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CALFIRE)**Issue 30: Fire Protection Enhancements: Direct Mission Support**

Governor’s Proposal. The May Revision requests to permanently redirect \$12.197 million General Fund in 2021-22 and \$12.069 million ongoing from the Emergency Fund to the base budget (a net-zero transfer), along with \$1.5 million General Fund one-time in 2021-22, 85 positions starting in 2021-22, and 87 positions in 2022-23 and ongoing. An additional \$1.5 million of ongoing lease savings will be redirected starting in 2022-23 to backfill the proposed one-time General Fund.

These positions are intended to provide critical administrative and program support necessary for CalFire to fulfill its core mission. The additional resources are intended to help ensure the acquisition, emergency incident procurements, and administrative staffing levels are commensurate to manage CalFire’s increasing and increasingly complex workload requirements.

CalFire also proposes to permanently redirect \$2.1 million in telework savings starting in 2021- 22 to partially support an additional 23 positions in the Business Services Office (BSO) (Contracts), Departmental Accounting Office (DAO), Budget Office, Equal Employment Office (EEO), Office of Program Accountability, the Communications Office, Labor Relations Office (LRO), Information Technology Services (ITS), Research and Development (R&D), the Office of Legislation, Fire Protection, the Executive Office, and Occupational Health Program (OHP).

In 2021-22, CalFire is terminating leases for two buildings in the Sacramento Arden area, and is moving the staff into the new California Natural Resources Agency building. In 2021-22, \$1.5 million General Fund one-time will provide funding to help support 21 positions until leases in the Sacramento Arden area are terminated, and savings are redirected to provide the remaining funds needed to support a total of 23 positions on an ongoing basis starting in 2022-23.

Background. The growth of various CalFire programs and resources, as well as safety personnel over the past 10 years has increased the administrative demands on the department. Over the past 10 years, CalFire’s budget has grown by \$1.3 billion, a 118 percent increase (i.e., \$1.1 billion in 2010-11 vs. \$2.4 billion in the 2020-21 enacted budget). The number of positions has also increased by approximately 2,140, a 36 percent increase (i.e., 5,994 in 2010-11 vs. 8,134 in 2020-21).

Despite this growth in resources and personnel, CalFire’s budget requests have included a minimal amount of funding and positions to support fiscal administration, which have generally been tied directly to the incremental administrative workload associated with that request (i.e., \$165 million Greenhouse Gas Reduction Fund funding related to SB 901 (Dodd), Chapter 626, Statutes of 2018, 2018-19 Climate Change Fire Severity Budget Change Proposal (BCP), and 2020-2021 Fire Protection Enhancements: Relief Staffing BCP). The Administration states that these augmentations have resulted in ongoing workload that is difficult to maintain without additional resources to assist in developing, enacting, and administering the financial processes generated by the rapid growth of resources and departmental financial obligations.

CalFire routinely moves base budgeted uniformed and non-uniformed staff to incidents to complete all incident contracted goods and services acquisition and payment workload. Redirected staffs’ base salary is charged against those employees’ “home” budgets, with their overtime charged to the Emergency

Fund. The uniformed staff are backfilled if they are in a post position (i.e., staffed 24 hours, 7 days a week, 365 days per year), with the backfilled post positions' overtime charged to the Emergency Fund. CalFire proposes to shift approximately \$12.197 million in 2021-22 and \$12.069 million ongoing of historically budgeted and expensed costs from the Emergency Fund into the base budget, resulting in a net-zero shift, to support 64 positions in Incident Management Team (IMT) Fiscal Support, Region and Unit Administration, and Emergency Response Billing Unit. It is expected that this shift will result in over 100,000 hours of uniformed staff time redirected from administrative and support duties and into the field.

Currently, CalFire's administrative staff make up less than 11 percent of CAL FIRE's staffing overall. While CalFire has received a combination of ongoing or temporary funding within programs that carry out new objectives, the administrative staff that manages the related tasks of contracting, procurement, budgeting, planning, tracking, accounting, and all other financial, administrative day-to-day workload has not increased proportionately.

LAO Comments. *CalFire - Direct Mission Support (\$1.5 Million GF, \$12.2 Million Transfer from E-Fund)*. The LAO recommends that the Legislature seek additional justification for the proposed positions and a clearer explanation for why they believe the assumed offsetting savings will materialize before acting.

If the Administration is unable to provide sufficient justification in time for legislative review, the LAO would recommend that the Legislature reject the proposal. The Administration could resubmit the proposal with additional justification in next year's budget cycle. In particular, the areas where the administration should provide additional information are:

- ***Staffing Justification.*** (1) What are the current staffing levels to support the unit or activities described? (2) What specific workload backlogs or gaps in service exist because of inadequate staffing? (3) Why the specific number of additional staff are justified?
- ***E-Fund Transfer and Lease Savings.*** The request proposes to offset most of the costs associated with the new positions with reductions in the Emergency Fund (E-Fund) and lease savings from moving staff into the new Natural Resources building. However, it is unclear whether those offsetting savings will materialize. Specifically, it is unclear how much the proposed positions will reduce the utilization of the E-Fund given that the Director of Finance can augment this fund during the course of the budget year based on emergency fire activity. Additionally, it is unclear why this proposal assumes lease savings from moving into the New Natural Resources Building given that the department has another separate proposal that requests additional funds to cover higher lease costs associated with the move into the building.

Issue 31: One-Time Fire Protection Augmentation — July to December 2021

Governor’s Proposal. The May Revision requests one-time funding of \$38.913 million General Fund in 2021-22 to augment its fire protection resources given trends associated with climate change and current drought conditions, increasing fire severity and size, declining inmate camp populations, and ongoing operational impacts from COVID-19.

Military Crew Staffing (\$5.623 million). Through an agreement with the California Military Department (CMD), CalFire is currently staffing 10 fire crews to perform fire prevention and fuel reduction project work and fire response, referred to as Task Force Rattlesnake. This request includes funding to support the staffing of three additional Task Force Rattlesnake crews for a total of 13 fire crews from July through December, with two new crews operating out of the Santa Clara Unit and one in the San Diego Unit. The request includes contract services with CMD for their service members and operating expenses in three exclusive use crews. To support the additional crews, CalFire requests four temporary FCs and 12 Fire Fighter Is (FF). This request includes \$4.048 million for Task Force Rattlesnake.

In addition, during periods of high fire activity when fire crew resources are drawn down, CalFire and CMD have an agreement allowing for the mobilization and deployment of CMD resources as Type II Hand Crews for response to incidents. These hand crews are commonly referred to as force packs. Force packs are mobilized for a 29-day period that includes activation, mobilization, training, deployment, and demobilization. The military service members provided by the CMD are supervised by a FC and supported by FFs that are trained to perform as the Military Crew Advisor chainsaw team or “sawyers” to support the force packs. This request includes 24 FFs to serve as sawyers assigned to support force pack deployments. The request includes \$1.575 million for the FF sawyers.

Additional Fire Crews (\$27.444 million). The April to June 2021 funding augmentation included additional CAL FIRE and CCC Fire Crews which are proposed to start on July 1, 2021, as part of the 2021-22 Governor’s Budget. This augmentation accelerated the hiring and training of 12 CalFire Fire Fighter crews and 12 CCC fire crews given trends associated with increasing fire severity and size as well as current drought conditions and weather patterns. In addition, the April to June 2021 augmentation included the staffing of eight additional CalFire Fire Fighter crews in order to address declining fire crew numbers statewide.

This request includes funding to continue the staffing of the eight additional augmented CalFire Fire Fighter crews for the period of July through December 2021, and includes 24 Fire Captains (FC), 24 Fire Apparatus Engineers (FAEs) and 320 FFs to provide a minimum of 15 crew members for 24 hours, seven days a week. Each fire crew will have two company officers (FC and FAE) and 13 FFs to perform fire prevention and suppression work.

Fire Protection Support (\$1.725 million). An additional 27 Associate Governmental Program Analysts (AGPA) are requested for a period of six months in each of the 21 units, two at region headquarters, and four at Sacramento headquarters. These requested AGPAs will assist with the personnel and finance transactions required to support the additional 408 employees and 11 additional fire crews operating out of temporary use facilities. In addition, they are intended to support the processing and payment of Assistance by Hire resources and California Fire Assistance Agreement invoices anticipated due to increased fire activity and large-scale fire incidents. Additional resources at CalFire’s region offices is intended to help ensure there is staff to support the increased fire protection personnel at the regions and units, and to support the accounting workload. The requested positions are meant to address key gaps in administrative staffing, allow CalFire to improve operational efficiencies and ensure the department

continues to meet its mission.

Fiscal Services Support. (\$2.121 million). CalFire requests \$471,000 to fund seven Staff Services Analysts and two Staff Services Managers for a period of six months at Sacramento headquarters to manage the workload surge from incident related purchases and payments. With the implementation of the Financial Information System for California (FI\$Cal), the process from Procurement-Card (P-Card) Purchase Orders through payment has vastly changed from the legacy system, adding workload and requiring a higher level of expertise for purchasers, approvers, and auditors. Based on the volume of work generated by wildfire incidents and the substantial workload created by FI\$Cal, the bulk of P-Card related workload has been assigned to Business Services Incident Fiscal Support and the Departmental Accounting Office. Incident Fiscal Support staff receive the P-Card packages from all purchasers assigned to the fire, and reconcile, receipt, and approve every transaction within. Then each package goes to voucher phase where Accounting audits, approves, and submits for payment.

CalFire requests \$1.5 million to continue contracted support for processing payments from incidents for local government, hired equipment, late payment penalty processing for thousands of claims that are separate from the original payment transaction, P-Card purchasing from fires, and P-Card support for units. The use of contracted resources made it possible for CalFire to close the last fire year for private vendors, but the department is still processing hundreds of local government invoices that arrived in April 2021 for 2020 fire activity. To date, the current contracted resources have effectively processed 2,498 invoices or receipts and \$154.2 million in payments owed to various parties for 2020 fire activity. Absent this support in another extreme fire year, the payment side of the Department may not be able to sustain the workload.

CalFire also requests \$100,000 for student assistants to help the Emergency Response Billing Unit with document collection, copying, and packaging of various support elements of fire recovery packages. Given the size of the 2020 fire activity, CalFire's backlog includes an unprecedented 20 Fire Management Assistance Grants or Federal Emergency Management Agency (FEMA) Declaration packages that must be completed within various deadlines for Cal OES and their forwarding onto the federal government. Given the very manual nature of preparing recovery packages to meet federal requirements, the department requests additional temporary assistance to provide support to permanent staff, so that the review, audit and preparation workload is completed in a timely manner.

Vehicle Repair and Maintenance (\$2 million). This request includes \$80,000 for 21 units, two region headquarters, mobile equipment headquarters, and training centers, for a total of \$2 million. CalFire performs its annual maintenance of engines, emergency crew transports, and dozers during the winter months, when use is at a minimum. The 2021 fire season is expected to have higher fire activity, and increased vehicle and equipment usage and travel is projected to be above normal, increasing maintenance and repair costs.

3560 STATE LANDS COMMISSION (SLC)

Issue 32: South Ellwood Project — Platform Holly Plug & Abandonment (P&A)

Governor's Proposal. The May Revision requests \$49.9 million one-time General Fund in 2021-22 and to repurpose \$2.5 million one-time General Fund provided in the 2020 Budget Act for fiscal year 2021-22, to complete Phase 1 of the South Ellwood Project.

In addition, SLC requests \$2.5 million one-time General Fund in 2022-23 to initiate the Environmental Impact Report (EIR) and feasibility study for Platform Holly originally scheduled and funded for 2021-22.

The total amount of funding required to complete P&A work is anticipated to be \$52.431 million. Since submission of the initial BCP, several developments have increased the state's project timeline and estimated total project costs.

Phase 1 includes staffing of facilities and the permanent securing and plug and abandonment (P&A) of oil wells on Platform Holly in Santa Barbara County. Phase 1 does not include decommissioning and the ultimate disposition of the platform itself, which will occur in a subsequent phase and be undertaken primarily by ExxonMobil (Exxon).

The Budget Act of 2020 appropriated \$2.5 million General Fund to complete an EIR and feasibility study on the decommissioning of Platform Holly. Because the EIR cannot be completed until Platform Holly nears the end of the decommissioning phase, the Administration proposes to repurpose this funding for P&A activities in 2021-22, and instead requests \$2.5 million in 2022-23 to complete the EIR and feasibility study.

SLC anticipates the state's total remaining Phase 1 costs to be \$71.8 million, which exceeds the \$20 million that SLC still has (\$15 million, carried over from the original BCP, and the \$5.033 million in remaining available lease security bond funds) by \$52 million.

In addition, the SLC requests \$500,000 for existing, and extensive, in-house engineering and technical resources required to manage the Commission's participation in the Project. SLC is therefore requesting this additional \$52.5 million appropriation because Phase 1 must be completed to protect public health and safety and the environment.

Background. When the original BCP was submitted, SLC estimated that Phase 1 of the South Ellwood Project would cost approximately \$80.04 million. The South Ellwood Project was previously appropriated \$58.04 million (\$38 million in FY 2018-19 and \$20.04 million in FY 2019-20, of which \$15 million was reappropriated in FY 2020-21). Additionally, SLC collected \$22 million from a lease security bond it held partially securing Venoco's obligations, of which \$7.033 million is left. Of the \$7.033 million left from the lease security bond, \$2 million is being directed to SLC's ongoing litigation initiated by the Venoco bankruptcy Trustee, leaving \$5.033 million available for P&A. Additionally, SLC has \$14.8 million remaining in BCP funds for P&A, which includes the \$15 million that was reappropriated to FY 2020-2021 to support operations beyond FY 2019-20, plus approximately \$400,000 that was already encumbered and is currently being spent on monthly maintenance and operations.

Since submission of the initial BCP, several developments have increased the State's project timeline and estimated total project costs, including unexpected extensive equipment repairs, even more complex and costly well abandonments than were originally anticipated with a study initiated on the abandonment activities, and the COVID-19 pandemic's physical distancing requirements forcing shut-in of all P&A operations as of March 2020.

3600 DEPARTMENT OF FISH AND WILDLIFE (DFW)

Issue 33: Biodiversity Resilience Package

Governor's Proposal. The May Revision requests a total of \$64.6 million one-time funding (\$59.6 million General Fund and \$5 million California Environmental License Plate Fund (ELPF)) in FY 2021-22 and 39 permanent positions, over five years, to directly address endangered species within California, infrastructure improvements, and to develop a wolf conflict compensation pilot program.

This request is supported by information from the Service-Based Budgeting (SBB) review and is intended to allow the department to address critically threatened and endangered species, which is also its most under resourced service area relative to the mission level, while also not further exacerbating mission level gaps.

As pointed out in DFW's SBB Final Report, there are over 3,000 tasks that DFW must perform to meet its mission. Current staffing resources are only sufficient to accomplish approximately 36 percent of DFW's overall mission level needs, a gap of 2.75 times current resources. Species & Habitat Conservation and Permitting & Environmental Protection are the most under resourced services relative to the mission level need both in percentages (26 percent and 29 percent of total need, respectively) and in total hours. This SBB budget request begins to directly address these two service areas, while also ensuring that the mission level gaps that the Department has do not widen.

DFW will spread the positions and funding through three programmatic functions as follows:

- 31 positions and \$53.75 million to protect California's endangered species
- Eight positions and \$7.85 million for statewide infrastructure support and management, which includes \$350K for a feasibility study for a wildlife health laboratory
- \$3 million to establish a wolf conflict program

Protecting California's Endangered Species (31 positions, \$53.75 million). The California Endangered Species Act (CESA) expresses California's intent to preserve the state's natural wealth. These resources are intended to allow DFW to focus on implementing the full intent of the CESA. Specifically, it will allow DFW to do the following:

- Thoroughly review petitions to list species, proactively list species, if populations warrant, and respond to federal listing decisions;
- Work with regulated entities to provide guidance for CESA permitting, as well as address the 177 pending 2081(a) MOU applications;
- Annually develop recovery plans;
- Annually develop five-year status reviews for the nearly 250 listed plant and animal species; and,
- Form permit compliance teams of law enforcement and scientific staff to conduct CESA permit

compliance and assessment of mitigation measures.

In addition, this request would allow for DFW to coordinate with California Native tribes and partner agencies on biological data, thereby making more efficient use of state resources. The requested resources is intended to help to provide DFW much needed capacity in an area sorely understaffed and lacking capacity to fulfill its mission.

Statewide Infrastructure Support and Management. (8 positions, \$7.85 million). These resources are intended to allow DFW to provide ongoing management and oversight over 700 properties, totaling over one million acres throughout the state, it manages to conserve native wildlife, threatened and endangered species, sensitive habitats and to provide for public use and enjoyment. DFW will develop an internal team to identify, prioritize, engineer, design, manage, and carry out the ongoing work needed to maintain infrastructure including employee and visitor facilities, employee housing, laboratories, domestic water and septic systems, water delivery systems, dams, levees, roads, trails, fencing, gates, parking lots, restrooms, ADA improvements, and HVAC and electrical projects to ensure safety and efficiently run facilities.

DFW also proposes \$350,000 to develop a feasibility study for a state-of-the-art Wildlife Health Laboratory to address and care for wildlife throughout California. Key components of the facility include animal holding facilities with the combined space necessary for animal housing, necropsy, biological sample processing and storage, and office space for environmental scientists, research scientists, lab technicians, veterinarians, and animal care staff. The facility would enable the department to effectively address wildlife health, rehabilitation, conservation, and safety concerns and reduce costly private property damage, disease outbreaks and adverse impacts of human-wildlife conflict.

Wolf Conflict Program (\$3 million). DFW intends to use \$3 million as seed money for a pilot compensation program for livestock loss due to the return of the grey wolf in Northern California. The return of the grey wolf to California after almost 100 years is an ecological and biodiversity success story. However, cattle ranchers are struggling with conflicts with this iconic species due to the species being listed under CESA. Working with rural communities, the funding is intended to allow DFW to develop a compensation program, based on fair-market-value and administered by a neutral body, to compensate livestock producers for loss of productivity due to depredation events on individual animals.

Background. As pointed out in DFW's SBB Final Report, there are over 3,000 tasks that DFW must perform to meet its mission. Current staffing resources are only sufficient to accomplish approximately 36 percent of DFW's overall mission level needs, a gap of 2.75 times current resources. Species & Habitat Conservation and Permitting & Environmental Protection are the most under resourced services relative to the mission level need both in percentages (26 percent and 29 percent of total need, respectively) and in total hours. This SBB budget request is intended to begin to directly address these two service areas, while also ensuring that the mission level gaps that the department has do not widen.

LAO Comments. *Department of Fish and Wildlife (CDFW) – Biodiversity Resilience Package (\$64.6 Million General Fund and ELPF).* The LAO recommends that instead of providing the proposed funding on a one-time basis, the Legislature provide \$12.3 million General Fund on an ongoing basis to support the proposed staff and ongoing activities (endangered species reviews and land management), and \$3.4 million one-time from the ELPF for the proposed one-time feasibility study and pilot wolf conflict program. This would address important deficiencies highlighted by the Service Based Budget review, provide ongoing resources for ongoing activities, and avoid creating a new structural shortfall in CDFW's budget in future years.

Issue 34: Cutting the Green Tape Initiative

Governor's Proposal. The May Revision requests to be made permanent 18 positions and \$3.8 million General Fund, received as one-time in 2020-21, for continued support of the Cutting the Green Tape Initiative. Permanent funding into the Cutting the Green Tape Initiative will expand these efforts across a broader scale in the State, resulting in tangible outcomes that improve the pace at which permits and grants are executed for restoration. These resources are intended to support restoration reform through advanced collaboration with our stakeholders, streamlining the grant making process, providing early project consultation, conducting permitting workshops, and incorporating the use of programmatic permitting options.

Background. Granting and permitting processes contribute to the challenges of successful habitat restoration. To advance habitat restoration meaningfully, on December 18, 2019 CNRA kicked off the Cutting the Green Tape Initiative (CGT). The purpose of the effort was to discuss ideas and take suggestions about new restoration reforms designed to strengthen the restoration practices and programs in California. DFW was a major participant in this discussion and distributed a document titled Summary of Stakeholder Input and Proposed Next Steps that introduced several new concepts to support improved and enhanced restoration activities within DFW. Many of these concepts were then supported with funding in the Budget Act of 2020. Specifically, the FY 2020-21 one-time funding has allowed DFW to:

- Temporarily redirect 19 staff from multi-disciplined backgrounds to form specific strike teams focused on developing and implementing CGT actions during FY 2020-21.
- Develop a streamlined restoration permit (F&G Code 2081(a)) that is being piloted on restoration projects, as well as continue development towards consolidating additional permit approvals.
- Contract with Ascent Environmental to prepare a CEQA strategy paper that assesses opportunities to streamline and expedite conservation, recovery, and restoration projects.
- Develop a Legislative report on the use of the Habitat Restoration Enhancement Act for small watershed projects.
- Continue to provide technical support to the State Water Resources Control Board in development of their general order for large habitat restoration projects statewide.
- Analyze over 300 existing grant projects in efforts to develop tools to help overcome delays, including permitting related delays, and support projects being completed on time.
- Reconvene the Restoration Leaders Committee (RLC) and their three subcommittees on prioritization, administration, and permitting to further the RLC's original 18 recommendations to the Department, as well as identify opportunities for additional improvements. The RLC, representing the restoration community is a key stakeholder group providing a feedback loop to the Department on experiences with state administered grants, and are being used to support future collaboration on CGT actions.
- Prepare workshops for early 2021 to provide early outreach and technical assistance to stakeholders about restoration permitting options and, facilitate stakeholder participation in the development of a CGT \$15M grant solicitation targeting North Coast watersheds. This

solicitation will provide an opportunity to pilot new improvements and efficiencies to the granting and permitting processes, including shortened timelines and more efficient application and grant making processes.

- Approve its 17th NCCP, the Western Placer County NCCP/HCP and review, approve, and amend several Regional Conservation Investment Strategies.
- Collaborate with the North Coast Salmon Project to initiate a survey to assess restoration barriers, finalize the South Fork Eel Salmon Habitat Restoration Priorities (SHaRP) process, and draft an analysis report on Coho-focused habitat restoration projects funded through DFW's longstanding Fisheries Restoration Grant Program.

DFW's request for 18 positions and \$3.8 million ongoing is intended to capitalize on the successes the department has achieved, make the current efforts permanent, and expand these efforts across a broader scale in the state.

LAO Comments. *CDFW – Cutting the Green Tape (\$3.8 Million General Fund)*. To inform potential future efforts to make permitting for environmental restoration projects more efficient, we recommend the Legislature adopt budget bill language requiring CDFW to report annually for the next five years on the outcomes of this initiative, including:

- (1) quantifying impacts on timelines for processing permits,
- (2) number of permits granted,
- (3) specific strategies implemented,
- (4) lessons learned, and
- (5) counties and watersheds on which CDFW has focused these efforts.

Issue 35: Drift Gill Net (DGN) Transition Program (SB 1017)

Governor's Proposal. The May Revision requests \$1.3 million in one-time funding in 2021-22 from the General Fund to cover payments to voluntary participants to complete the Drift Gill Net Transition Program pursuant to SB 1017 (Allen), Chapter 884, Statutes of 2018.

Background. SB 1017 (Allen) requires DFW to establish a voluntary DGN Transition Program (Transition Program) to transition commercial DGN permittees from using drift gill nets for the shark and swordfish fishery to gears like deep-set buoy gear with less bycatch.

The DGN Transition Program provides a unique opportunity to reduce protected species bycatch off California and support the establishment of more sustainable domestic shark and swordfish fisheries.

Participants with a history of active DGN shark and swordfish fishing and landings within a listed time period receive payment under the Transition Program of \$10,000 for surrendering their permit and \$100,000 for surrendering their nets. Participants without a history of active DGN shark and swordfish fishing and landings in the listed time period receive payment of \$10,000 for surrendering both their permit and nets.

Participants in the Transition Program not only voluntarily surrender their permits, but their nets are destroyed, and the materials are recycled by net destruction entities. The participants also voluntarily agree to not fish under federal DGN permits or to renew or transfer a federal DGN permit. If all permittees who have indicated a desire to participate are allowed to complete the process, 28 of the 32 permittees who were active during the listed time period would no longer be using DGN. This would result in a significant reduction in the potential to catch and kill whales, dolphins, sea turtles and other non-target species off California. In addition, the 16 permittees who were not active would not be able to transfer a federal DGN permit to an individual who may become active at a later date.

SB 1017 identified funding for the Transition Program in the amount of \$1 million appropriated to the California Ocean Protection Council (OPC) in Item 0540-101-0001 of Section 2.0 of the Budget Act of 2018 for whale and sea turtle entanglement. The bill also established a sunset date for California DGN shark and swordfish permits once an additional \$1 million from non-state sources was secured. OPC completed an agreement to transfer \$1 million for the Transition Program to the fiscal agent, Pacific States Marine Fisheries Commission, in June 2020. Non-state funds of \$1 million were received by the fiscal agent in September 2020, triggering the start of the sunset of state permits for the fishery.

Based on the required payments, this initial \$2 million allowed for 24 of 44 voluntary DGN shark and swordfish permittees to participate. An additional 20 permittees indicated their intent to participate prior to the deadline and have been deemed eligible for inclusion however an additional \$1.3 million is required to provide payment to these individuals.

The \$2 million identified in SB 1017 only provided the funds necessary for payments to 24 of 44 potential participants. An additional \$1.3 million is needed to allow the additional 20 voluntary participants the opportunity to complete the program and relinquish their permits and nets.

3790 DEPARTMENT OF PARKS AND RECREATION (PARKS)
3760 STATE COASTAL CONSERVANCY (SCC)

Issue 36: California Outdoors for All Initiative

Governor’s Proposal. The May Revision requests a combined total of \$253.1 million from the General Fund and \$3.12 million from ELPF to promote and expand equitable safe and reliable outdoor access to parks, wildlands, public lands, coasts, and other natural, historic, and cultural resources, provide for recreation opportunities, help the state become more climate resilient and support the commitment to conserve 30 percent of our lands and coastal waters by 2030. This proposal includes 20 permanent and funding for 10 temporary positions.

Of the \$239.1 million General Fund Parks request, \$45 million is intended to be deposited into the Natural Resources and Parks Preservation Fund (NRPPF). For the \$14 million requested by SCC to expand its Explore the Coast (ETC) Grant Program, existing SCC staff intend to administer these additional grants.

California State Park Adventures (\$5.6 million General Fund). This pilot program would implement the California State Park Adventure pass, which will waive day-use entrance fees for fourth graders and their families at participating state parks to encourage them to get outdoors and explore the cultural and natural resources of California. The programs will also provide transportation funding to provide access to underserved students.

The program is similar to the Every Kid Outdoors federal program by offering free admission for all fourth graders and their families for a full year to 19 state park units. Participating parks will be geographically dispersed and highlight key outdoor education topics, such as sea level rise, climate change, and wildlife corridors.

K-12 Access Expansion (\$65 million General Fund; \$3.12 million ELPF one-time, \$2.441 million ongoing; and 20 positions). The department’s existing efforts to provide disadvantaged youth with digital and physical access to the natural environment, along with high-quality education and outdoor recreation programs, is constrained by limited funding, reliance on seasonal permanent intermittent staffing, and a lack of interpretive staff in target underserved areas. This proposal would implement programs and fund projects that will allow the department to more efficiently and effectively meet the increasing demands for engagement with diverse communities. This proposal will also provide access to accurate and appropriate K-12 curriculum and programming, accessible programming, and park facilities that support and allow for increased use and engagement. This will be accomplished through distanced learning, development of educational and interpretive media, and associated infrastructure improvements. This request includes \$45 million to be deposited into the NRPPF for future appropriation to address infrastructure improvements.

California State Library Partnership (\$3 million General Fund). Parks intends to collaborate with the California State Library to provide state park passes to libraries for check out. This three-year pilot program could either be statewide or target specific areas of the state based on need and is based on a successful pilot in Marin County. Marin County’s program provides passes for check out in all county libraries and select city libraries in lower-income neighborhoods. Passes available through the pilot are the second most checked out item in the Marin County Library System. The proposal includes funding

for marketing and evaluation of the pilot programs, administrative costs, and the cost to create the state park passes.

CalWORKS Golden Bear Pass Eligibility Outreach Pilot Program (\$500,000 General Fund). SB 86 (Committee on Budget and Fiscal Review), Chapter 15, Statutes of 2021, gives the California Department of Social Services (CDSS) authority to notify recipients of eligibility for benefits and services not administered by CDSS. This new authority allows CDSS to notify CalWORKs recipients of their eligibility for the Golden Bear pass, which provides free day use access to most state parks on an annual basis. The goal of this pilot is to increase awareness of this pass program by directly notifying all CalWORKs recipients about their eligibility for this existing program and its benefit of free day use access to California's state parks. CDSS will need resources to notify CalWORKs recipients of their eligibility for the Golden Bear pass. Parks intends to reimburse CDSS for these costs. Given that the intent of this proposal is to provide free day use access, trailer bill language is requested to waive the \$5 administration fee for the Golden Bear Passes when they are issued to the recipients of this program.

Outdoor Equity Grants Program (\$40 million General Fund). The Outdoor Equity Grants Program increases the ability of residents in low-income urban and rural communities to participate in outdoor experiences at state parks and other public lands. This program not only requires applicants to do more than just plan trips to state and local parks, but it also seeks to build the capacity of communities to be more aware of close to home environments and their connections to more distant environments. This proposal builds upon the \$20 million invested in the Outdoor Equity Grants Program in the 2020 Budget Act and is intended to allow the program to incorporate the findings of studies on the effectiveness of the various strategies deployed to connect low-income communities with the outdoors.

Statewide Park Program (\$125 million General Fund). Parks currently holds \$2.4 billion in requests for the \$426 million available for the program under Proposition 68. The proposal will augment those funds by \$125 million, \$25 million of which is for a park project at India Basin in San Francisco. Parks anticipates these funds will fund 20-25 projects; this would be a mix of new parks and renovating existing parks.

This program does not need to be developed. As Parks currently holds pending grant funding requests for Proposition 68 funding, the projects funded under this proposal can be constructed quickly. Applicants are required to provide a timeline demonstrating that the project can be completed within the liquidation period and to outline any potential obstacles with a plan to overcome them. Parks intends to select the most prepared projects available, awarding funds in fall of 2021.

Explore the Coast Grant Program (\$14 million General Fund). ETC grants support a wide range of activities, including funding transportation for coastal experiences for communities less familiar with the coast, communication and outreach, economic development related to coastal tourism, and development of interpretive information and education materials. The program operates as a small grants program with a maximum award of \$50,000. To date, SCC has provided approximately \$6.5 million to fund 228 projects.

Nearly all of the projects funded through the ETC program include an environmental education component. Most of the projects funded involve hands-on educational experiences at the coast for school-aged youth from disadvantaged communities and some projects include classroom curriculum relating to coastal and marine environments.

LAO Comments. Parks and Recreation and Coastal Conservancy – Outdoors for All Package (\$256 Million General Fund and ELPF). Increasing access to parks—particularly for disadvantaged or

underserved communities—is worthy and consistent with past legislative priorities. However, the administration’s proposal lacks key information on various aspects of the package.

Therefore, the LAO recommends that the Legislature seek additional information from the Administration before taking action on this package.

If sufficient information is not available to inform legislative decisionmaking within the timeframe of the May Revision, the Legislature could consider withholding action on some or all of the package until next year.

Specifically, some key areas that would benefit from additional information include:

- **Goals and Outcomes.** The Administration has not articulated measurable goals that are anticipated to be achieved through the state’s access programs, as well as with the proposed funding specifically. It is also unclear whether the proposed activities are best suited to achieve these goals and how progress towards meeting these goals will be measured. For example, the proposal includes \$9.1 million one-time for pilot projects to expand parks pass distribution, especially for youth in disadvantaged communities (for example, by providing free park day use to 4th graders and their families). However, it is unclear whether these pilot programs are the most effective way to improve park access and how their success will be measured.
- **Details on Proposal.** The proposal also lacks key details necessary to assess its merits. For example, the proposal includes \$68.1 million for K-12 access expansions through distanced learning, development of educational and interpretive media, and associated infrastructure improvements. However, the proposal does not include a breakout of how much of the funding would support each of these activities, identification of what specifically would be funded, a justification for the number of requested positions, or identification of the expected outcomes that would be achieved with these resources.
- **Justification for Funding a Specific Park.** The proposal includes \$25 million for a park project at India Basin in San Francisco. The proposal does not include a clear explanation as to why the administration selected this project to receive direct General Fund support over other local projects, and why it was excluded from the competitive process generally applied to other projects.

3790 DEPARTMENT OF PARKS AND RECREATION (PARKS)

Issue 37: 2020 Fire Event: Statewide Repairs

Governor's Proposal. The May Revision requests \$113.5 million General Fund and \$103.5 million in reimbursement authority in FY 2021-22 for the 2020 Fire Event: Statewide Repairs project. FEMA will provide federal funding on a cost-sharing basis for the repair and replacement of the damaged facilities.

This request is intended to provide funding for a three-pronged approach to rebuilding and restoring destroyed facilities and trails back to pre-disaster condition, in a manner that reflects the best science to ensure these parks are more climate-resilient, including embracing fire as an important and necessary process for maintaining forest health and resiliency. This proposal includes:

- \$1 million for planning efforts for Big Basin Redwoods State Park (SP). Parks understands that rebuilding this park will require a complete re-thinking of how and where visitor-serving facilities are reconstructed, by applying valuable lessons learned from the recent disaster. In addition, Parks will also focus on addressing access and equity issues as it rebuilds this park.
- \$8.1 million to address post-fire hazards in Big Basin Redwoods SP, including hazard tree identification and removal, and other work to secure infrastructure that is critical to the park's future operations.
- \$207.9 million to rebuild the various parks damaged by the 2020 Fire Event to pre-fire conditions, as appropriate, and to rebuild Big Basin Redwoods SP consistent with the results of the proposed planning efforts.

Background. The 2020 Fire Event began August 17, 2020 (FEMA incident numbers FM-4558 and FM-4569) and devastated vast portions of Central and Northern California until early October 2020. Multiple fires damaged approximately 116,000 acres within 23 State Park units and destroyed approximately 150 buildings.

Big Basin Redwoods SP incurred the greatest amount of damage, with nearly 100 percent of the park burned by the CZU August Complex Fire. Damages at Big Basin Redwoods SP include the loss of the Historic Old Lodge Building and Nature Center, multiple campgrounds, total loss of the water and electrical systems, state-owned employee housing, destruction of all trails, dozens of historic structures, field offices, storage facilities, multiple vehicles, and equipment. Damages at Big Basin Redwoods SP alone are estimated at over \$186 million.

Significant damages in other fire impacted State Park units include the loss of the historic Independence Trail at South Yuba River SP and remarkable loss at the Cascade Ranch Historic Complex in Ano Nuevo SP.

Over the past six months, Parks has continued to assess the damages to the state park system and has identified 519 damaged facilities. Some emergency work and repairs are already underway, but the bulk of the work needed is included in this request.

As a declared federal emergency event, federal funding from FEMA is available on a cost-sharing basis. The maximum federal cost share is 75 percent for FEMA-approved costs, which is administered through the California Office of Emergency Services. The state will need to match 25 percent of the FEMA-approved costs, and cover all costs not recognized by FEMA (such as planning, environmental permitting costs, historical restoration, mitigation, etc.). The estimated funding split for this project is based on Parks's experience with FEMA on other projects, as FEMA will likely not cover many scoped items and costs. While Parks will work with FEMA to maximize the federal cost share, it is uncertain if higher reimbursement rates will be possible. The out-year funding schedule will be adjusted, as needed, in subsequent budgets as more information becomes available.

Parks cannot absorb the unplanned costs to repair and replace destroyed facilities. Emergency repairs and replacement of valuable resources and critical infrastructure are needed at the various state park units and areas affected to maintain a safe and enjoyable experience for the visitors and provide resource protection.

Issue 38: California Indian Heritage Center Funding Transfer

Governor’s Proposal. The May Revision requests \$95.3 million General Fund to be redeposited into the Natural Resources and Parks Preservation Fund for working drawings (\$4.7 million) and construction (\$90.6 million) phases of the California Indian Heritage Center (CIHC) project in Yolo County. The project may include up to approximately 120,000 square feet of indoor program space, outdoor public spaces, interpretive and educational trails, demonstration areas, and other appurtenant facilities.

Total project costs are estimated at \$200 million, including Preliminary Plans (\$4.69 million), Working Drawings (\$4.69 million), and Construction (\$190.62 million). The construction amount includes \$173.865 million for the construction contract, \$8.693 million for contingency, \$3.05 million for architectural and engineering services, \$4.322 million for agency retained items, and \$690,000 for other project costs.

The current project schedule estimates Preliminary Plans began in July 2018 and will be completed in December 2022. The Working Drawings are estimated to begin in January 2023 and will be approved in June 2025. Construction is scheduled to begin in December 2025 and will be completed in December 2027.

Background. In 2002, SB 2063 (Brulte) appropriated \$5 million to establish the California Indian Cultural Center (CIHC) and Museum Task Force (Task Force) for the purpose of advising and making recommendations for the development of the new museum, including its location, content and governance structure. Key advisors and Task Force members held deliberative and sensitive discussions to move the project forward. By 2003, the Task Force adopted the name California Indian Heritage Center. Parks, Task Force, and community representatives selected the West Sacramento site at the confluence of the Sacramento and American Rivers after assessing several alternatives. The following project documents were completed with the SB 2063 funding: 1) The Developing Vision—an Interim Planning and Interpretive Programming Report; 2) Concept Master Plan—Interim Site and Facility Master planning and Programming Report; 3) Business Plan and Final Report; and 4) Final Visioning Document, General Plan, and Environmental Impact Report (adopted by the California State Park and Recreation Commission, the CIHC Foundation, and the City of West Sacramento City Council).

Issue 39: Various Capital Outlay Reappropriations

Governor’s Proposal. The May Revision requests various items be reappropriated for the following projects consistent with updated project completion timelines:

0001—General Fund

Item 3790-301-0001, Budget Act of 2019

(1) 0005276-Fort Ross SHP: Visitor and Educational Improvements-Preliminary plans

0005—Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Bond Fund

Item 3790-301-0005, Budget Act of 2018, as reappropriated by Item 3790-491, Budget Act of 2020

(1) 0004005-Fort Ross SHP: Cultural Trail Center-Preliminary plans and working drawings

0263—Off-Highway Vehicle Trust Fund

Item 3790-301-0263, Budget Act of 2016, as reappropriated by Item 3790-491, Budget Act of 2017, Item 3790- 491, Budget Act of 2018, and Item 3790-491, Budget Act of 2019

(1) 0000695-Heber Dunes SVRA: Water System Upgrades-Working drawings and construction

Item 3790-301-0263, Budget Act of 2018, as reappropriated by Item 3790-491, Budget Act of 2020

(1) 0000914-Prairie City SVRA: Initial Erosion Control-Working drawings

(2) 0001452-Oceano Dunes SVRA: Grand Avenue Lifeguard Tower-Working drawings

(3) 0001453-Pismo SB: Entrance Kiosk Replacement-Working drawings

(4) 0001454-Ocotillo Wells SVRA: Holmes Camp Water System Upgrade-Working drawings

(6) 0003192-Ocotillo Wells SVRA: Auto Shop Addition-Working drawings

Item 3790-301-0263, Budget Act of 2019

(5) 0003194-Oceano Dune SVRA: Le Sage Bridge Replacement-Working drawings

Item 3790-301-0263, Budget Act of 2019, as reappropriated by Item 3790-491, Budget Act of 2020

(2) 0001454-Ocotillo Wells SVRA: Holmes Camp Water System Upgrade-Construction

(6) 0000213-Carnegie SVRA: Road Reconstruction-Construction

(8) 0000754-Hollister Hills SVRA: Waterline Expansion-Construction

0392—State Parks and Recreation Fund

Item 3790-301-0392, Budget Act of 2018

(0.5) 0000700-McArthur-Burney Falls Memorial SP: Group Camp Development-Working drawings and construction

(1.5) Reimbursements to 0000700-McArthur-Burney Falls Memorial SP: Group Camp Development-Working drawings and construction

Item 3790-301-0392, Budget Act of 2019, as reappropriated by Item 3790-491, Budget Act of 2020

(2) 0001450-Calaveras Big Trees SP: Mitigation Campsite Relocation-Working drawings and construction

(4)Reimbursements to 0001450-Calaveras Big Trees SP: Mitigation Campsite Relocation-Working

drawings and construction

0952—*State Park Contingent Fund*

Item 3790-301-0952 Budget Act of 2017, as reappropriated by Item 3790-491, Budget Act of 2020
 (1) 0001449-Candlestick SRA: Yosemite Slough (North)-Public Use Improvements-Construction

Item 3790-301-0952, Budget Act of 2018, as reappropriated by Item 3790-491, Budget Act of 2019, and
 Item 3790-491, Budget Act of 2020
 (1) 0002696-Pfeiffer Big Sur SP: Low-Cost Alternative Coastal Lodging-Preliminary plans

Item 3790-301-0952, Budget Act of 2020
 (1) 0002696-Pfeiffer Big Sur SP: Low-Cost Alternative Coastal Lodging-Working Drawings

6029—*Clean Water, Clean Air, Coastal Protection Fund*

Item 3790-301-6029, Budget Act of 2018
 (1) 0000700-McArthur-Burney Falls Memorial SP: Group Camp Development-Working drawings and
 construction

Item 3790-301-6029, Budget Act of 2018, as reappropriated by Item 3790-491, Budget Act of 2020
 (3) 0003196-R.H. Meyer Memorial SB: Parking Lot Expansion, Facility and Site Modifications-
 Preliminary plans

Item 3790-301-6029, Budget Act of 2018, as reappropriated by Item 3790-491, Budget Act of 2019, and
 Item 3790-491, Budget Act of 2020
 (2) 0003195-Los Angeles SHP: Soil Remediation-Construction

Item 3790-301-6029, Budget Act of 2019
 (1) 0003196-R.H. Meyer Memorial SB: Parking Lot Expansion, Facility and Site Modifications-
 Working drawings

Item 3790-301-6029, Budget Act of 2019, as reappropriated by Item 3790-491, Budget Act of 2020
 (2) 0004005-Fort Ross SHP: Cultural Trail Center-Construction
 (5) 0000765-McGrath SB: Campground Relocation and Wetlands Restoration-Working drawings

**6051—*Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection
 Fund of 2006***

Item 3790-301-6051, Budget Act of 2015, as reappropriated by Item 3790-491, Budget Act of 2016,
 Item 3790- 491, Budget Act of 2017, Item 3790-491, Budget Act of 2018, and Item 3790-491, Budget
 Act of 2020
 (2) 0000227-MacKerricher SP: Replace Water Treatment System-Working drawings

Item 3790-301-6051, Budget Act of 2017, as reappropriated by Item 3790-491, Budget Act of 2019, and
 Item 3790-491, Budget Act of 2020
 (4) 0000932-Topanga SP: Rehabilitate Trippet Ranch Parking Lot-Working drawings

Item 3790-301-6051, Budget Act of 2018

(5) 0000239-South Yuba River SP: Historic Covered Bridge-Construction

Item 3790-301-6051, Budget Act of 2018, as reappropriated by Item 3790-491, Budget Act of 2020

(2) 0001451-Lake Oroville SRA: Bidwell Canyon Gold Flat Campground-Working drawings

(4) 0000696-Malibu Creek SP: New Stokes Creek Bridge-Working drawings

Item 3790-301-6051, Budget Act of 2018, as reappropriated by Item 3790-491, Budget Act of 2019, and Item 3790-491, Budget Act of 2020

(1) 0000932-Topanga SP: Rehabilitate Trippet Ranch Parking Lot-Construction

Item 3790-301-6051, Budget Act of 2019, as reappropriated by Item 3790-491, Budget Act of 2020 (1)

0000699-Old Sacramento SHP: Boiler Shop Renovation-Working drawings

(2) 0000912-El Capitan SB: Entrance Improvements-Working drawings

(3) 0001451-Lake Oroville SP: Bidwell Canyon Gold Flat Campground-Construction

(7) 0000696-Malibu Creek SP: New Stokes Creek Bridge-Working drawings

(8) 0000697-Torrey Pines SNR: Sewer and Utility Modernization-Working drawings

(9) 0000915-Statewide: Minor Program-Minor projects

(10) 0001468-Statewide: VEP Minor Program-Minor projects

Issue 40: Various Capital Outlay Reversions

Governor’s Proposal. The May Revision requests the reversion of existing Capital Outlay appropriations for completed projects and/or phases of projects. Parks requests reversion of the below item:

3790-496 - Reversion Department of Parks and Recreation. As of June 30, 2021, the unencumbered balances of the appropriations provided in the following citations shall revert to the fund balances of the funds from which the appropriations were made:

0263—Off-Highway Vehicle Trust Fund

Item 3790-301-0263, Budget Act of 2017, as reappropriated by Item 3790-491, Budget Act of 2020 (6) 0001457-Ocotillo Wells SVRA: Holly Corporation Acquisition-Acquisition

3790-498 – Reversion. Department of Parks and Recreation. As of June 30, 2021, the balances specified below of the appropriations provided in the following citations shall revert to the fund balances of the funds from which the appropriations were made.

6051—Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Fund of 2006

Item 3790-301-6051, Budget Act of 2019

(4) 0000220-Fort Ord Dunes SP: New Campground-Construction

(a) Construction - \$22,000

(5) 0000235-Old Town San Diego SHP: Building Demolition-Construction

(a) Construction - \$3,619,000

Item 3790-301-6051, Budget Act of 2019, as reappropriated by Item 3790-491, Budget Act of 2020

(2) 0000912-El Capitan SB: Entrance Improvements-Construction

(a) Construction - \$2,648,000

(8) 0000697-Torrey Pines SNR: Sewer and Utility Modernization-Preliminary plans and working drawings

(a) Preliminary plans - \$199,000

(b) Working drawings - \$150,000

(9) 0000915-Statewide: Minor Capital Outlay Program-Minor projects (a) Minor Projects - \$26,000

Issue 41: Fiscal Stability for Boating Programs (BCP and TBL)

Governor's Proposal. The May Revision requests \$10.7 million General Fund in 2021-22, 2022-23, 2023-24, and 2024-25 to cover costs associated with the aquatic invasive species (AIS) program and \$10 million General Fund in 2023-24 and 2024-25 to fund Davis-Dolwig Transfers.

Also included in this request is a proposal to reduce to the vessel registration fee increase proposed in the 2021-22 Governor's Budget.

Parks, Division of Boating and Waterways (DBW), requests an addendum to its Governor's Budget Fiscal Stability for Boating Programs proposal that reduces the previous increase to vessel registration fees to align with activities associated with registration such as Department of Motor Vehicle (DMV) Costs, Financial Aid Programs, and associated overhead, and to fund broader obligations such as AIS treatment and Davis-Dolwig liabilities from General Fund.

This proposal retains the previously requested \$20 million General Fund proposed for Davis-Dolwig transfers, as well as the suspension of the public and private loan programs, the public beach restoration program, and expenditure reductions for state operations and local assistance grant programs. The Governor's Budget proposal increased the vessel registration fee from \$10 to \$35 on an annual basis. Pursuant to this addendum, the vessel registration fee would increase from \$10 to \$20 on an annual basis. This proposal results in fund solvency through 2024-25.

This proposal includes trailer bill language corresponding trailer bill language.

Background. The Harbors and Watercraft Revolving Fund (HWRF) is the primary fund source for boating programs and has a \$52,000,000 structural deficit. The fund has faced increasing cost pressures, such as legislative expansion of programs and increasing employee compensation costs, without additional revenue sources. Vessel registration fees and motor vehicle fuel tax revenues attributable to boating are the primary revenue sources for the HWRF. The registration fee in California has only been raised once in over 40 years. The fee was \$5 until 2005 when it was raised to its current level of \$10 per year. Revenues from vessel registration have remained relatively constant while expenditures from the HWRF have increased, especially in the last 10 years. The lack of a regular fee increase coupled with increasing liabilities has caused the current imbalance of the fund.

The structural imbalance of the HWRF has reached a critical point and there needs to be a realignment of revenue and expenditures in the fund. A \$10 million transfer from the General Fund is proposed in 2021-22 through 2024-25 (\$40 million total) to help relieve the fund pressures while changes to stabilize the fund are being implemented. Since 2012-13, \$10 million is transferred to the Davis-Dolwig Account annually. This is one example of the expanded statutory obligation that has increased pressure on the HWRF (Water Code Section 11913.1 (c) and (d)). The transfers from General Fund is intended to offset this amount for four years total.

DBW is proposing to reduce state operations by \$1.962 million by maintaining a five percent vacancy rate and making various program adjustments to the aquatic invasive species (AIS) program. DBW does not expect impact to the AIS program because there is reimbursement available from the Department of Water Resources that could help offset expenditures in the Delta that overlap with DBW. Further, this adjustment would recognize historical levels of expenditure and capture savings that normally revert. This reduction is in addition to the five percent operating expenses and equipment reduction that will be implemented per the Administration's direction for the Department and other departments that utilize

the HWRF. This request proposes AIS to be funded from the General Fund for four years at \$10.7 million annually to help stabilize the fund and allow for a lower registration increase.

DBW is also proposing an \$11.987 million reduction to its local assistance appropriation baseline. This reduction will be attributed to ceasing the public and private marina loan program (\$5.5 million), a reduction to the Quagga and Zebra Mussel Infestation Grants Program (\$750,000), and a reduction to the Boat Launching Facility Grants (\$5.737 million). This reduction maintains funding for grants that provide access to California's waterways, but recognizes the lower expenditure levels seen over the last several years and is right sizing the grants programs. In addition, considering that revenue from loan repayments will be unavailable in future years as the number of loans made in recent years have greatly diminished, the vessel registration fee may need to be increased in the out years to supplement this change. DBW proposes suspending new funds from HWRF to the Public Beach Restoration Fund grant program until HWRF has stabilized or another source is identified.

The current vessel registration fee is \$10 per year and has not been increased since 2005. In order to meet proposed appropriation levels by the DBW and other state agencies, an increase to the vessel registration fee is necessary. The current fee of \$10 per year combined with other revenue sources yields approximately \$70 million over a two-year period. At proposed appropriation levels, it is necessary to increase the vessel registration fee to \$20 per year (\$40 biennially). At \$20 per year, vessel registration revenues will increase by an average of approximately \$9.3 million annually. In order to facilitate the vessel registration increase, the DBW proposes that DMV retain the existing fee structure and implement a flat fee increase to raise the vessel registration fee. DMV is also decoupling the quagga zebra fee from vessel registration based on an interpretation of federal requirements that prompted a recent regulation change on our end. This will require work by DMV staff to update their system and will cost the Department approximately \$3.25 million.

The level of the proposed fee increase does not permanently solve the imbalance of the fund but is intended to provide sufficient stability to avoid a negative fund balance for the next several years and Parks will seek input from stakeholders on exploring long-term revenue strategies. To date, Parks has developed a work group to discuss the future of the fund and workload involved with vessel registration and the quagga zebra sticker. One major strategy being considered is moving to a tiered vessel registration fee that will be based on vessel length. Discussions also include the possibility of moving fee collection responsibilities from DMV to DBW, exploring non-motorized vessel fees, and expanding the quagga zebra fee to more broadly cover costs associated with the AIS program. DMV has expressed that substantial system modifications will be necessary to implement changes beyond a simple registration increase and that these changes would likely take one to two years to fully implement.

Issue 42: Non Bond Technicals

Governor's Proposal. The May Revision requests for reappropriations and other technical adjustments from various funds to continue implementation of existing authorized programs.

This proposal includes requests to extend the liquidation period of 2020-21 and 2021-22 Local Assistance programs under the Off-Highway Vehicle Trust Fund by one additional year, totaling three years to liquidate.

Also included are requests to extend the encumbrance date of the 2019 Water/Wastewater Program, 2017 Hazardous Mine Remediation appropriation, the 2012 Enterprise Fund appropriation, the 2020 Senate Bill 8 State Beaches and Parks Smoking Ban appropriation, the 2019 Community Engagement Pilot Programs appropriation, and the 2020 Replacement of Emergency Fleet appropriation until June 30, 2022.

The final request of this proposal is to reappropriate Provision 3 of item 3790-001-0392 of the 2020 Budget Act until June 30, 2022, to allow the department to continue to receive transfers up to \$150,000,000 from the General Fund to the State Parks and Recreation Fund to offset unanticipated revenue loss resulting from public health-related closures of state parks.

Issue 43: Public Safety Dispatch Radio Console Replacement

Governor's Proposal. The May Revision requests a one-time increase of \$1.6 million General Fund in 2021-22 for the replacement of 29 dispatch consoles utilized in the department's two communication centers. The radio console systems are a critical and indispensable link between the department's field personnel, dispatchers, allied agencies, and the public.

Replacing the existing equipment is necessary to continue to support mission critical radio dispatch communications as the vendor is no longer in business and the equipment is obsolete and unable to be maintained. If current equipment fails, dispatchers will lose their ability to properly communicate with first responders. The result will be a significant public safety issue.

Background. Parks is one of the largest state law enforcement agencies in California and operates two public safety communication centers located within the state; the Northern Communication Center, which is located in Rancho Cordova, and the Southern Communication Center, which is located in Riverside. These communication centers operate 24 hours a day, 365 days per year, and are equipped with dispatch radio console systems to facilitate mission critical radio communications between the department's dispatchers, peace officers, Parks non-peace officer personnel, DFW wardens, and allied agencies. In 2017, the department's communication centers received approximately 72,000 calls for service throughout the state. Calls for service range from natural disaster responses, mass gatherings, medical emergencies, and law enforcement related incidents.

Dispatch radio consoles control, receive, and transmit radio communications with field units. The equipment represents the control link essential to the operation of the two-way radio system and managing the airwaves. The current radio console manufacturer, Moducom, has closed their business. As a result of this closure, replacement equipment and spare parts are no longer being manufactured. Critical updates and repairs to the associated software are no longer supported. The communication centers are responsible for dispatching emergency public safety calls to and from our peace officers and park staff. In addition, they serve as the dispatchers for Fish and Wildlife wardens, as well as other emergency personnel. If this equipment fails, dispatchers will lose their ability to properly communicate with first responders.

Recognizing the need to address the challenges faced by public safety agencies equipped with aging and incompatible communications equipment, California's 13 largest state public safety agencies worked collaboratively to produce a "unified strategy for communication," titled California Public Safety Radio Communications' (CAPSCOM) Strategic Plan of 2010. The plan identified numerous strategic guiding principles which must be fulfilled when developing the public safety radio communications vision for the state. These principles include:

- Antiquated systems, which are difficult for both the state and manufacturers to support, represent a high risk and must be a priority for replacement.
- The statewide public communications strategy must strive towards providing optimized support for each agency's mission.
- Support and funding for each agency's communication capabilities must be maintained during any system transition.
- New public safety radio communications systems must consist of modern, standards-based

digital technologies.

- State agencies must leverage high-quality regional public safety communications systems to supplement state systems, where possible.
- California must strive to be a leader in the development of national public safety.

Issue 44: South Yuba River State Park (SP): Historic Covered Bridge

Governor's Proposal. The May Revision requests a supplemental appropriation of \$2 million for construction from available Proposition 84 bond funds (Public Resources Code Section 79063(a)), to restore and rehabilitate the world's longest single span historic covered bridge located at South Yuba River SP.

The project is for rehabilitating and restoring the Bridgeport Covered Bridge in order to prevent it from collapsing into the South Yuba River and allow it to be re-opened to the public.

Total project costs are estimated at \$10.314 million, including Preliminary Plans (\$193,000), Working Drawings (\$163,000), and Construction (\$9.958 million). The construction amount includes \$6.661 million for the construction contract, \$2.241 million for contingency, \$744,000 for architectural and engineering services, \$129,000 for agency retained items, and \$183,000 for other project costs.

The current project schedule estimates Preliminary Plans began in July 2014 and were completed in June 2017. The Working Drawings began in July 2017 and were approved in April 2018. Construction began in March 2019 and is intended to be completed in August 2021.

The project will require temporary protection of the river corridor beneath, and, downstream of the bridge; exterior and interior shoring; removal and replacement of damaged or compromised iron and wood structural components, and the removal or replacement of damaged siding and roofing.

Background. This bridge has spanned the South Yuba River in Nevada County, California for over 150 years. This historic wooden structure that is infested with rot, dry rot, iron fatigue, broken structural members and broken fastenings, and it is succumbing to the effects of age and gravity. The project seeks to rehabilitate the bridge, which has been deemed unsafe for pedestrian and vehicular traffic by licensed professional engineers. Loss of this unique National Register Historic feature and State Cultural Landmark, would negatively impact visitor experience and public perception of state parks. The cost to rebuild the fallen structure would be exponentially more expensive. Funding from this project will be used to rehabilitate and restore the covered bridge so that it may be accessed by the public. Presently the bridge cannot be accessed as public use of the bridge is a potential safety hazard.

The construction contract was awarded in August 2018, with a notice to proceed issued in March 2019. The project has been augmented several times to cover increased costs associated with the replacement of rotten timbers that were discovered during the course of construction. The latest augmentation resulted in a cumulative augmentation of \$1.5 million. Parks estimates an additional \$2 million will be needed to finish the project and settle all contractor claims.

3835 BALDWIN HILLS CONSERVANCY**Issue 45: Baldwin Hills Conservancy Technical Proposal: Reappropriation of 2018 Proposition 1 Local Assistance**

Governor's Proposal. The May Revision requests a technical adjustment to reappropriate Proposition 1 Local Assistance as published in the 2018 Budget Act to continue implementation of existing authorized programs.

3860 DEPARTMENT WATER RESOURCES (DWR)**Issue 46: Systemwide Flood Risk Reduction: Yolo Bypass Phase 1 Implementation**

Governor's Proposal. The May Revision requests \$7.6 million towards the preliminary plan phase of the on-going, Yolo Bypass Phase I implementation program, Little Egbert Tract project. The Little Egbert Tract project needs to make significant progress in the near future to meet mitigation needs and to be able to efficiently implement the project. The Little Egbert Tract project is consistent with the intent of Proposition 68 bonds and Proposition 1 bonds to fund multi-benefit projects that achieve public safety improvements and measurable fish and wildlife improvements and has received funding in prior fiscal years.

The ongoing Yolo Bypass Phase I program includes benefits from flood protection, tidal marsh restoration, fish passage improvements, and waterfowl habitat improvements. It includes the following projects:

- Lower Elkhorn Basin Levee Setback/Bryte Landfill
- Little Egbert Tract
- Lower Yolo Bypass Fixes in place
- Lookout Slough
- Environmental Enhancement and Mitigation

This funding request will be supported by the reversion of previously appropriated Proposition 68 funds for the Deep Water Ship Channel project and Proposition 1 funds for the Little Egbert Tract project. Due to the need to achieve additional alignment with local, state, and federal agencies on this project, the funds appropriated to the Deep Water Ship Channel are not needed in the immediate future. The Proposition 1 reversion request facilitates a change in the phase to be funded from Design Build to Preliminary Plans. It is not anticipated that the project will use Design Build funding but has an immediate need for Preliminary Plans funds.

This funding is needed to refine the project concept and components and will result in a more accurate cost estimate after the planning phase has been completed. This effort is important to the development of this as a shovel-ready project. Additional funding is currently allocated to this project in the Preliminary Plans phase as well as other phases that is being and will be utilized in the execution of this project.

The following reversion is requested:

\$3,000,000: Fund 6088 – California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access for All Act of 2018 (Proposition 68.) These funds were appropriated from Chapter 11.5, Section 80145(a)(1)(A)&(C) – (3860-301-6088), FY 2018-19, Budget Act of 2018 (Ch 29, Sts of 2018.)

\$4,600,000: Fund 6083 – California Water, Supply, and Infrastructure Improvement Act of 2014 (Proposition 1.) These funds were appropriated from Chapter 11 Section 79781 – (3860-301- 6083), FY 2019-2020, Budget Act of 2019 (Ch 23, Sts of 2019.)

Background. The Little Egbert Tract project expands the capacity of the Lower Yolo Bypass. This

project is needed to allow for additional expansions of the Yolo Bypass and system weirs upstream that will provide additional flood protection for several urban and rural communities in Sacramento, Yolo, and Solano counties. The project will also restore approximately 3,000 acres of habitat that will benefit Delta Smelt, Chinook salmon, North American green sturgeon, Swainson Hawk, and other species.

Issue 47: CalConserve Water Use Efficiency Revolving Loan Program Repurposing (TBL)

Governor’s Proposal. The May Revision requests to amend Water Code Section 81023, as follows:

Section 81023 of the Water Code is amended to read:

Consistent with Division 26.7 (commencing with Section 79700), the sum of ~~ten~~ three million dollars ~~(\$10,000,000)~~ (\$3,000,000) of the proceeds of bonds authorized to be issued and available for the purposes of Section 79746 shall be transferred to the fund and used by the department, upon appropriation, for loans for ~~the following~~ water conservation and water use efficiency projects and programs to achieve urban water use targets developed pursuant to Section 10608.20₂.

~~(a) (1) Five million dollars (\$5,000,000) for a pilot project for local agencies to provide water efficiency upgrades to eligible residents at no upfront cost.~~

~~(2) Five million dollars (\$5,000,000) for local agencies to provide low interest loans to — customers to finance the installation of onsite improvements to repair or replace, as necessary, cracked or leaking water pipes to conserve water.~~

~~(b)(a) The department may implement this section by providing to a local agency a zero-interest loan of up to three million dollars (\$3,000,000).~~

~~(c)(b) A local agency that receives a loan pursuant to this section shall exercise reasonable efforts to recover the costs of the loan. However, the department may waive up to 10 percent of the repayment amount for costs that could not be recovered by the local agency.~~

~~(d)(e) The department and a local agency that is an urban retail water supplier and that receives a loan pursuant to this section may enter into a mutually agreeable schedule for making loan repayments into the CalConserve Water Use Efficiency Revolving Fund.~~

This language is accompanies a piece of the May Revision proposal on Water Resiliency.

Background. *CalConserve Water Use Efficiency Loan Program.* AB 92 (Committee on Budget), Chapter 2, Statutes of 2015, authorized the transfer of \$10 million from Proposition 1 (Water Code Section 79746) to the CalConserve Water Use Efficiency Revolving Fund to establish a loan program to local agencies for specific types of water conservation and water use efficiency projects and programs to achieve urban water use targets.

Project types include: (1) pilot projects for local agencies to provide water efficiency upgrades to eligible residents at no upfront costs; and, (2) local agencies to provide low-interest loans to customers to finance the installation of onsite improvements to repair or replace, as necessary, cracked or leaking water pipes to conserve water.

Issue 48: Various Reappropriations

Governor’s Proposal. The May Revision requests technical corrections to previously requested reappropriations to support various programs. These technical changes are critical to various projects which cannot be completed by June 30, 2021.

The requested technical corrections are summarized below.

3860-490—Reappropriation, Department of Water Resources. The balances of the appropriations provided in the following citations, unless otherwise indicated, are reappropriated for the purposes provided for in those appropriations and shall be available for encumbrance or expenditure until June 30, 2023:

6051 – The Safe Drinking Water, Water Quality, and Supply, Flood Control, River and Coastal Protection Fund of 2006

~~(1) Item 3860-001-6051, Budget Act of 2018, as reappropriated by Item 3860-490, Budget Act of 2019, Program 3245—Public Safety and Prevention of Damage~~

~~(2) Item 3860-001-6051, Budget Act of 2019, Flood Corridor Program Local Assistance for Dutch Slough, Program Habitat Restoration, Flood Corridor Program Grant Management~~

~~(3) Item 3860-101-6051, Budget Act of 20202018, Local Assistance for Dutch Slough, Program Habitat Restoration, Flood Corridor Program Grant Management~~

(1) Item 3860-001-6051, Budget Act of 2020, Program 3245 – Public Safety and Prevention of Damage

(2) Item 3860-101-6051, Budget Act of 2018, Local Assistance for Flood Corridor Program

6088 – California Drought, Water, Parks, Climate, Coastal Protection, and Outdoor Access For All Fund

(1) Item 3860-001-6088, Budget Act of 2020

(2) Provision 3(c), 3(d), and 3(e) of Item 3860-301-6088, Budget Act of 2018, scheduled in Program 0000745 – Systemwide Flood Risk Reduction Program

The Proposition 68 edited language will support the COBCP in May Revision titled “Yolo Bypass Phase I Implementation,” which will be reverting the struck out provision above. Additional information regarding the Proposition 84 reappropriations is included below.

Fund 6051 – Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Fund of 2006 (Prop 84) – Flood Control (Ch. 3, Section 75032.5) (3860-001-6051, Program 3245), FY 2020-21 – Budget Act of 2020 (Chs.6 and 20, Stats. 2020)

Flood Corridor Program Grant Management (\$540,000)

This request for reappropriation of \$540,000 will support the Flood Corridor Program's use of Proposition 84, The Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006 (Public Resources Code 75032.5) management of grant projects. The funds in this request were established to provide the Department of Water Resources State Operations funding for the Flood Corridor Program. The Flood Corridor Program is a grant program established in 2000 in the California Water Code (Section 79035 et. seq.) to help fund flood corridor projects statewide that expand the flood corridor and preserve agricultural land and/or preserve or enhance wildlife habitat. This grant program currently has six active project agreements funded by Proposition 84 funds.

Dollars have not been expended or committed as Program has prioritized expending expiring funds remaining from previously appropriated fund centers.

Fund 6051 – Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Fund of 2006 (Prop 84) – Flood Control (Ch. 3, Section 75032.5) (3860-101-6051, Program 3245), FY 2018-19 – Budget Act of 2018 (Chs. 29 and 30, Stats. 2018)**Flood Corridor Program Local Assistance (\$2,000,000)**

This request for reappropriation will support the Proposition 84, The Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Bond Act of 2006 (Public Resources Code 75032.5) funded grant projects. The funds in this request were established to provide the Department of Water Resources state operations funding for the Flood Corridor Program. The Flood Corridor Program is a grant program established in 2000 in the California Water Code (Section 79035 et. seq.) to help fund flood corridor projects statewide that expand the flood corridor and preserve agricultural land and/or preserve or enhance wildlife habitat. This grant program currently has six active project agreements funded by Proposition 84 funds. The program has expended all Proposition 1E state operations funds; therefore, Proposition 1E funds are no longer available for appropriation by the program. The excess funds from this source are necessary to augment current grants with additional funding to complete the grant agreement scope of work within the Program's time frame.

Dollars have not been expended or committed because funds remaining in previously established Funds are being applied to other Flood Corridor Program Local Assistance expenses prior to utilizing these funds to ensure that all funds available are expended.

VARIOUS DEPARTMENTS

The May Revision includes several, large packages that involve and cross-over various departments and agencies, including:

- Water Resilience and Drought Package
- Climate Resilience Package
- Sustainable Agriculture Package
- Wildfire and Forest Resilience Expenditure Plan

The following pages provide detail on these May Revision proposals.

As with all other issues presented in this agenda, no votes will be taken at this hearing for these proposals, but are noticed here for the purpose of discussing the proposed overall May Revision budget.

0540 CNRA
3480 DEPARTMENT OF CONSERVATION (DOC)
3600 DEPARTMENT OF FISH AND WILDLIFE (DFW)
3640 WILDLIFE CONSERVATION BOARD (WCB)
3790 DEPARTMENT OF PARKS AND RECREATION (PARKS)
3860 DEPARTMENT OF WATER RESOURCES (DWR)
3940 STATE WATER RESOURCES CONTROL BOARD (SWRCB)
8570 CALIFORNIA DEPARTMENT OF FOOD & AGRICULTURE (CDFA)

Issue 49: Water Resilience and Drought Package

Governor’s Proposal. The May Revision requests a total of \$3.475 billion (\$1.93 billion General Fund, \$1.54 Billion federal funds, and \$10.5 million bond and special funds) in 2021-2022, \$883.5 million (\$880 million General Fund and \$3.5 million special fund) in 2022-23 across six departments, and \$3.5 million special funds and 37 positions for the Water Board for implementation of drinking water and wastewater infrastructure funding, and permitting and oversight. This proposal also requests to shift \$50 million that was proposed for Sustainable Groundwater Management Act Program and State Water Efficiency and Enhancement Program grants for 2020-21 early action into 2021-22.

This request for funding includes resources needed to respond immediately to a second consecutive critically dry year and to advance many priorities of the Water Resilience Portfolio, including helping small water systems deliver safe drinking water reliably, supporting farm communities as they adjust to a reduced dependence on groundwater, repairing major aqueducts, restoring wildlife habitat, and improving the availability of water data, drought. In response to diminished water supplies in the state’s major rivers and reservoirs, and drinking water emergencies, state agencies will need additional resources beginning in 2021-2022 to respond to and mitigate drought-related problems.

The following page includes a chart that breaks down the Governor’s Water Resilience and Drought Package.

Water Resilience Package (\$ in millions)			
Category	Department	Program	May Revision 2021-22
Drinking Water, Water Supply and Reliability, Flood	State Water Resources Control Board	Drinking Water/Wastewater Infrastructure	\$1,300
		PFAs Support (\$20 million over two years)	\$10
		Groundwater cleanup/Water Recycling (\$150 million over two years)	\$85
	Department of Water Resources	Salton Sea (\$220 million over two years)	\$50
		SGMA Implementation (\$300 million over two years)	\$200
		Water Conveyance (\$200 million over two years)	\$100
		Flood (\$140 million over two years)	\$70
		Watershed Climate Studies	\$25
		Aqueduct Solar Panel Pilot Study	\$20
		Oroville Pump Storage	\$200
Department of Food and Agriculture	State Water Efficiency and Enhancement Program	\$60	
Natural Resources Agency	Clear Lake Rehabilitation	\$5.7	
Immediate Drought Support	Various	Data, Research, and Communications	\$91
	Various	Drought Technical Assistance and Emergency Water Supplies	\$27
	Department of Conservation	Multi-benefit Land Repurposing	\$500
	Department of Water Resources	Small Water Suppliers Drought Relief & Urban Water Management Grants	\$300
	Various	Drought Permitting, Compliance, and Enforcement	\$38
	Department of Fish and Wildlife	Drought Fisheries and Wildlife Support	\$33
Nature Based Solutions	Natural Resources Agency	Water Resilience Projects (\$266 million over two years)	\$166
	Wildlife Conservation Board	Wildlife Corridors/Fish Passage (\$230 million over two years)	\$65
	Department of Water Resources	Habitat Restoration (\$200 million over two years)	\$100
	Department of Conservation	Riparian Restoration	\$30
Total			\$3,475

Source: Department of Finance

More specifically, the May Revision proposes the following:

Drinking Water, Water Supply and Reliability, Flood

State Water Resources Control Board (SWRCB)

Drinking Water and Wastewater Infrastructure - \$1.3 billion American Rescue Plan Act of 2021 Funds and 20 positions

This proposal is intended to allow SWRCB to meet the goals of the state’s Human Right to Water Policy, as articulated in AB 685 (Eng), Chapter 524, Statutes of 2012, which specifies that it is the “established policy of the state that every human being has the right to safe, clean, affordable, and accessible water adequate for human consumption, cooking, and sanitary purposes” essential to health and wellbeing. Small and/or disadvantaged communities face specific challenges related to their drinking water and wastewater systems. Communities may lack the capital and economies of scale to repair, build and maintain adequate systems. SWRCB has existing programs to provide financial assistance to assist public water systems serving disadvantaged communities comply with Safe Drinking Water requirements and provide safe, affordable drinking water. Similarly, SWRCB has programs to assist small disadvantaged communities with their wastewater needs. This proposal will fund projects that have been under development and seeking funding from SWRCB, and that can meet the construction timelines of the American Rescue Plan funds. Funds will be prioritized for projects that benefit small and or disadvantaged communities, consolidations, and regional solutions.

Per-and Polyfluoroalkyl Substances (PFAS) Support for Drinking Water Systems - \$20 million General Fund

PFAS are a group of man-made chemicals resistant to heat, water, and oil. In March 2019, SWRCB began requiring monitoring for PFAS in likely source areas to identify the impacts of PFAS to public water supplies. This funding is intended to provide critical technical and financial assistance to water systems to monitor and respond to the occurrence of perfluorooctanoic acid (PFOA) and PFAS in their source water. SWRCB provides technical assistance to disadvantaged communities to respond to the occurrence of other contaminants in their source water using Prop 1, Prop 68 and the Safe and Affordable Drinking Water (SADW) fund. Currently 203 (29 DAC) systems have PFAS detections. That number is expected to rise as the results of the testing required by SWRCB are due by the end of June.

Groundwater Cleanup and Water Recycling- \$150 million (\$85m ARPA & \$65m General Fund)

SWRCB provides funding for water recycling projects that offset or augment state or local fresh water supplies through its Water Recycling Funding Program. In addition to recycled water, contaminated groundwater can be treated to augment water supplies. Many of the state’s groundwater basins are contaminated by industrial chemicals. During dry periods, wells that have been taken offline due to contamination may be needed to augment drinking water supplies. This proposal provides \$150 million for recycled water and groundwater treatment projects.

SWRCB’s existing Groundwater Grant Program provides grants for projects that prevent or cleanup contamination of groundwater that serves or has served as a source of drinking water. Typical projects funded under the existing program include groundwater extraction and treatment to remove and/or prevent migration of contamination, destruction of wells to eliminate conduits for contaminant migration, and injection wells for prevention of seawater intrusion.

The existing Water Recycling Funding Program promotes the beneficial use of treated municipal wastewater (water recycling) through grants and loans in order to augment fresh water supplies in California by providing technical and financial assistance to agencies and stakeholders in support of water recycling projects and research. Projects will be awarded through a competitive selection process and leveraged with voter approved Proposition 1 and Proposition 68 funds and the Clean Water State Revolving Fund program.

To respond efficiently to the proposed investment, SWRCB requests provisional language the provide flexibility when granting local assistance funding.

Department of Water Resources (DWR)

\$220 million General Fund to fund construction and related activities at the Salton Sea

In 2017, SWRCB adopted Order WR 2017-0134 (Order), requiring the state to construct 29,800 acres of habitat and dust suppression projects on exposed lakebed at the Salton Sea by 2028. The Order sets annual acreage milestones for the state and requires the development of subsequent 10-year phases of the Salton Sea Management Plan (SSMP), beginning with the development of Phase II, which must be completed by December 31, 2022. CNRA implements these SSMP activities along with DWR and DFW. In continuation of the State's effort at the Salton Sea where 4,000 acres of habitat are under construction and about 800 acres of dust suppression projects have already been implemented, and additional acres are being planned for 2021/2022, the requested funding could finance the following:

- 4,000 acres of deep-water habitat (>6ft) at \$50k/acre = \$200M
- 1,000 acres of shallow water habitat (<6ft) at \$15k/acre = \$14M
- 3,000 acres of dust suppression projects at \$2k/acre = \$6M

This funding would is intended to maximize outcomes, provide immediate economic relief to the community, support the state in leveraging federal funds, and support efforts to meet acreage milestones and comply with the State Water Board Order.

\$300 million (\$180 General Fund and \$120 million ARPA) SGMA implementation to improve water supply security, water quality, and water reliability.

This proposal requests \$300 million for capital project investments to improve water supply security, water quality and/or the reliability of drinking water wells through implementation of the Sustainable Groundwater Management Act (SGMA); to provide technical assistance grants to ensure engagement of underrepresented communities in SGMA implementation; and to provide underrepresented communities with direct and tangible drinking water quality and supply benefits where analysis and mitigation are needed.

This requested funding is intended to provide grants to advance projects that support comprehensive groundwater management, increase water supply reliability, protect drinking water, and ensure the engagement of underrepresented communities in SGMA implementation. No less than 30 percent is intended to go towards projects that protect drinking water, and no less than 30 percent is intended to go toward efforts that benefit underrepresented communities.

This funding is proposed in addition to the \$60 million proposed in the January 10 Governor's Budget.

The May Revision also includes proposing to shift the fund source of the Governor's Budget proposal from General Fund to ARPA.

\$200 million General Fund to support repair of water conveyance facilities.

Regional land subsidence in California's San Joaquin Valley due to groundwater overdraft has and will continue to adversely impact the conveyance capacity and operational flexibility of the four major water conveyance facilities in the San Joaquin Valley: two federal Central Valley Project aqueducts - the Friant Water Authority's Friant-Kern Canal; the San Luis Delta-Mendota Water Authority's Delta-Mendota Canal; the State Water Project's California Aqueduct in the San Joaquin Field Division; and the portion of the California Aqueduct that is jointly used by DWR and the United States Bureau of Reclamation (the San Luis Canal). Subsidence impacts on all four of these conveyance facilities constrains operators' abilities to deliver allocated water.

This funding is intended to support the planning, permitting, design, and construction of near-term subsidence rehabilitation projects. These projects include raises to the embankment and liner of multiple pools, raises and reconstruction of check structures between pools, raises and relocation of bridges and utility overcrossings, and the addition of instrumentation. These projects are intended to remediate the most severely subsided areas of these facilities.

\$140 million General Fund to fund Flood Capital Outlay Projects.

Funding of \$140 million over two years to support the state cost-share of critical United States Army Corps of Engineers urban flood risk reduction projects and state-led multi-benefit, system wide flood risk reduction projects. The funding will leverage approximately \$240 million of local and federal funding, reduce flood risk for 1.1 million people and over \$100 billion of assets, and implement projects that enhance the ecosystem, build resiliency for adaptation to climate change, and address aging flood infrastructure.

\$25 million General Fund for DWR for Watershed Climate Studies

DWR intends to conduct watershed-scale studies for the San Joaquin River watershed and its tributaries, develop integrated analytical models, identify vulnerabilities in the flood and water supply systems due to climate change and SGMA implementation, and identify adaptation strategies. In addition, DWR intends to evaluate the conveyance facilities in the San Joaquin River watershed to improve water system flexibility, reliability, and resilience. The analyses will be conducted with local partners using newly-developed analytical models covering headwater to groundwater for each tributary watershed.

DWR intends to also develop a regional flood management strategy for the San Joaquin River watershed and its tributaries; specifically, to work with regional flood managers to scope, conduct feasibility studies, and formulate multi-benefit flood management projects. The regional flood management strategy is intended to inform the development of adaptation strategies consisting of infrastructure needs and priorities including new and improved flood and water supply conveyance and operational changes. This would build upon and complement the work requested under FY 21-22 BCP for \$4.19M for "Climate Vulnerability and Adaptation Strategy for a San Joaquin Basin Watershed."

\$20 million General Fund for the Department of Water Resources for the Aqueduct Solar Panel Pilot Study.

Solar over canals refers to solar photovoltaic (PV) panels that are mounted on infrastructure that spans a canal. This differs from floating solar, or floating PV, for which panels float directly on the surface of the water body. Placing solar PV panels over bodies of water may potentially have added benefits over conventional ground-mounted solar – but this emerging concept is still in the early stages of deployment, and there is a lack of definitive data on long-term reliability and benefits.

This proposal is intended to fund a pilot project that investigates the constructability, feasibility of interconnection to the power grid, reduction in evaporation losses, reduction in the growth of weed and algae, construction costs, and power economics.

\$200 million General Fund for the Oroville Pump Storage.

The Hyatt-Thermalito hydroelectric facility has been constructed with the ability to operate in “pump-back” mode whereby energy is used during times of the day when energy is in excess to pump water Lake Oroville and then release that water in order to generate energy during times of the day when it is needed most. The ability to conduct pump-back operations at the Hyatt-Thermalito facility is constrained by downstream water temperature control and compliance needs. This capital outlay funding would provide for the planning, design, permitting, and construction of a project that would modify one of the Oroville Dam outlets (the Palermo Outlet) to allow it to reliably access and release the colder water that exists at the lower elevations within the lake. This project would also include a five to six-mile long pipeline to move the cold water downstream to where it is needed and enable restoration of the pumpback operations. Finally, this project would include a flow control facility with a potential for additional hydroelectric generation.

Department of Food and Agriculture (CDFA)

An additional \$60 million for the State Water Efficiency and Enhancement Program (SWEEP) Grants to provide incentives that help farmers reduce irrigation water use and reduce greenhouse gas emissions from agriculture pumping. Since 2014, SWEEP has funded 828 projects which has allowed efficient irrigation systems and water distribution technologies to be implemented on over 134,000 agriculture acres. These projects have an estimated water savings of 1.15 million acre-feet and GHG emission reductions of 800,773 MTCO_{2e} over 10 years.

This funding is proposed in addition to the \$20 million proposed in the January 10 Governor’s Budget, and \$20 million proposed for early action that is also requested to be included in 2021-22. In total, the Administration proposes \$100 million for SWEEP in 2021-22.

California Natural Resources Agency (CNRA)

This proposal includes \$5.7 million for Clear Lake Rehabilitation. Clear Lake is located in Lake County and has mercury contamination, harmful algal blooms, and other challenges that impact water quality and overall lake health that the local economies depend on. The greatest barrier to improvements at Clear Lake is the absence of quantitative data on the response of the lake system, which makes it difficult to make investment recommendations for restoration projects.

CNRA has Prop 68 funds designated for capital improvement projects at Clear Lake; however, in the absence of additional research funding, CNRA was prepared to use a portion of the designated Prop 68 capital funds to further the development of lake research, upper watershed modeling, and monitoring to maintain progress. This proposal would shift funding for the research and modeling needed to the

General Fund, and maintain the designated Prop 68 funds for later phases of these projects (such as working designs or construction).

Immediate Drought Support

Data, Research, and Communications

\$49 million for the Department of Water Resources for Critical Data Collection.

This request covers funding for hydrometeorological and groundwater monitoring infrastructure to repair and augment the state's water data infrastructure: weather stations, stream gages, irrigation management system stations, and groundwater monitoring wells near disadvantaged communities and interconnected surface water and groundwater-dependent ecosystems. It also includes collection of airborne snow observation data, groundwater monitoring well data, and enhanced surveys to better manage drinking water, groundwater recharge, and groundwater dependent ecosystems.

These infrastructure investments should reduce the staff time now needed for constant repair of monitoring equipment and infrastructure that is on the verge of failure. Funding will be focused on both near-term and long-term needs. To address the drought, funding will be focused on geographically targeted, very near-term information associated with this critically dry water year and preparation for the possibility of a dry 2022. In addition, the monitoring infrastructure is intended to provide for longer-term benefit beyond the immediate drought needs and current dry conditions, for all water year types.

\$20 million for the Department of Water Resources for Satellite Data and Forecast Informed Reservoir Operations

\$10 million of this request will be used to increase DWR's collection and reporting frequency of satellite-based statewide subsidence data - from annually to quarterly for three years. This satellite-based method measures changes in ground surface elevations over broad areas caused by the over pumping of groundwater basins. DWR uses these data to monitor areas of existing and emerging subsidence with an emphasis on areas of subsidence along the State's critical water infrastructure system, including the State Water Project and the State Plan of Flood Control.

The other \$10 million is intended to allow DWR to partner with federal agencies, local water agencies, and the University of California (UC) in three pilot projects to determine if weather forecasts generated through research weather modeling by UC can be used to allow changes in US Army Corps of Engineers water control manual regulatory requirements for dam operations at these sites. Allowing flexibility in existing regulatory requirements could permit increased storage in dry years during the winter flood control season, providing a greater water supply buffer during droughts.

\$13 million for DWR's cost share with the Lawrence Berkeley National Laboratory's National Alliance for Water Innovation (NAWI) for desalination research

NAWI was awarded a \$100 million grant from the US Department of Energy which has a 25% cost share requirement from non-Federal sources. Funding from this request, will contribute to the non-federal share. The purpose of the research is to identify possible desalination efficiencies and reduce energy use. This funding is intended to implement California Water Resilience Portfolio Action 6.2: Team with federal and academic partners to develop desalination technologies that treat a variety of water types for various uses, with a goal of enabling manufacturing of energy-efficient desalination technologies in the US at a lower cost.

\$4 million for DWR for public communications and Outreach

Funding is intended to be used to partner with local water districts and utilities to make all Californians aware of drought, and encourage actions to reduce water usage by promoting DWR's Save Our Water campaign (<https://saveourwater.com>) and other water conservation programs. DWR intends to expand contract support to develop Save Our Water materials and use existing contracts to develop a California Drought Monitor website.

\$3.43 million to SWRCB for Communications Staffing, Data Technical Support, and Water Rights System Planning (includes 17 positions for the Water Board's Division of Drinking Water funded from the Safe Drinking Water Account))

This funding is intended to allow SWRCB to coordinate media requests for information and interviews and develop proactive strategies, write and maintain content for various communications channels, develop a strategic drought public participation plan, reach out to local communities disproportionately or uniquely impacted by drought, ensure ongoing public engagement on drought response actions, manage translation and audiovisual services, and respond to water-waste inquiries.

The demand for Division of Information Technology (DIT) shared Information Technology staff resources increases significantly during times of drought as new high-priority drought-related SWRCB report project efforts are mandated and prioritized. Dedicated staff with advanced technical expertise in the areas of Software Engineering, Information Security Engineering, Information Technology Project Management, and System Engineering domains is intended to deliver the Water Board system enhancements to ensure drought information reporting mandates are satisfied.

The proposal would provide \$1 million in one-time General Fund to support development of a Stage 2 Project Approval Lifecycle document for updating and revising the state's water rights data management system, including digitization of existing paper records and development of an online geospatial platform for the public, staff, and right holders to obtain data and view information on their water rights.

\$1.5 million to CDFA for Drought Impacts and Decision Support Tools for Agricultural Producers

Funding is intended to be used to drought-related economic impact reports and decision-making tools for drought management. As climate change has led to rapidly changing conditions that affect water, including more severe droughts, this funding will build on past drought assessments and add new regions, including Klamath and Russian River watersheds as well as build a new collaborative dashboard to assess impacts of current and future drought scenarios on California's agroecosystems and communities.

\$1.0 million over three years to CDFA and CNRA for drought coordination support

Funding is intended to be used to support one position at CNRA focused on drought coordination, implementation of the Water Resilience Portfolio, and water-related issues. This position is intended to help ensure that state water activities are integrated, including the work of all departments represented in this proposal. This position also would support implementation and tracking of the inter-agency Water Resilience Portfolio. Funding will also support one position at CDFA with a primary focus on drought response, drought management and SGMA implementation.

Technical Assistance and Emergency Water Supplies

\$12 million to the State Water Resources Control Board for Drinking Water Emergencies

The Division of Financial Assistance (DFA) requests \$10 million General Fund local assistance for emergency interim or permanent solutions to drinking water drought emergencies. Interim solutions may include hauled water, bottled water, vending machines, and emergency water system inerties. Permanent solutions may include new wells, rehabilitating wells, and permanent connections to adjacent water systems. In an effort to respond timely to the state's drought emergencies that impact human health and safety, the Water Board requests provisional language to provide granting flexibility.

The Division of Financial Assistance is also requesting \$2.1 million in state operations from the General Fund to support this drought-related effort. Staff will work with systems with emergency water shortages to help identify the quickest and most cost-effective solution to the emergency, in addition to developing the funding agreement, and processing disbursements. Until staff are hired and trained, other funding program staff will be redirected from the State Revolving Fund (SRF) or bond-funded programs to assist with the drought activities.

\$10 million to DWR for Technical Assistance for Water Supply Conservation and Water Supply Reliability

DWR has identified actions to improve the drought resiliency of rural and small communities/small water systems that are at increasing risk of water shortages as we enter another drought in the report to the Legislature: Small Water Systems and Rural Communities Drought and Water Shortage Contingency Planning and Risk Assessment.

Many small water systems may lack the financial resources to adequately maintain their facilities, resulting over time in distribution systems with unacceptably high leakage rates. The smallest water systems often cannot afford to have a leak detection audit performed. DWR's technical assistance will also identify system leaks for them and help them seek financial assistance for repairs if major work is needed. Encouraging preventative maintenance before a system experiences water shortages and turns to the state for emergency assistance reduces the state costs of emergency response.

DWR proposes new General Funds and repurposing unspent CalConserve bond funds (\$7m from Prop 1) to advance water use efficiency and to fund drought preparedness and response efforts, such as those recommended in the report to the Legislature. This includes proposed trailer bill language to accommodate this proposal.

\$5 million to the Department of Food and Agriculture for Technical Assistance for On-farm Water Use Efficiency

This funding will be used to administer grants to Resource Conservation Districts (RCDs), universities, nonprofits and tribes to provide technical assistance for on-farm water use efficiency, including, but not limited to: irrigation and nutrient management training, Mobile Irrigation Labs to perform on-site pump and irrigation efficiency tests and training. Local and experienced RCD technical assistance providers partner with growers to identify and implement efficiency improvements in existing irrigation systems.

Multi-Benefit Land Repurposing (\$500m)

It is estimated by the Public Policy Institute of California that at least 500,000 acres of land will need to be fallowed to end over-drafting of the state's groundwater supply. In addition, growers in the Klamath

Basin have experienced loss of surface water to maintain river flow. The Multi-Benefit Land Repurposing program is intended to be a state-supported yet regionally driven grant program that will support regions in their efforts to repurpose these lands to other beneficial uses that minimize anticipated public health, ecosystem, and economic impacts caused by this land use shift.

DOC will partner with CDFA to develop this program and intends to leverage work by multiple programs at CNRA and Strategic Growth Council, as well as the DOC's own agricultural land conservation, partner capacity, and ecosystem restoration programs. The program will prioritize ecosystem based strategies that are implemented with landowners and effective at minimizing public health, ecosystem, and economic impacts. DOC intends to conduct extensive outreach in the design of this program to ensure its implementation provides equitable opportunity for participation by regions, subregions, and their communities.

Through this program, the DOC will provide long-term flexible support for regionally led development and implementation of land repurposing strategies. Grants made by this program will aim to take place at a regional or groundwater basin scale with consideration for unique sub-basin needs. The intent is for this work to be done with broad participation of local government, tribal government, landowners, growers, groundwater sustainability agencies, resource conservation districts, non-governmental organizations, and community-based stakeholders. Activities eligible for funding in this proposal include ecosystem and project scale planning, local coordination, capacity and training, project implementation, and monitoring.

Small Water Suppliers Drought Relief (\$150m) & Urban Water Management Grants (\$150m)

The \$150 million for Urban Water Management Grants would make funding available to public and private urban water suppliers that directly or indirectly provide water for municipal purposes and are required to prepare and regularly update Urban Water Management Plans in compliance with Urban Water Management Planning Act requirements. The support will also need to include direct support, both technical assistance and planning assistance to the many systems that do not have resources to perform or hire someone to do needed work. The work may include development of a water shortage contingency plan; development and adoption of a drought conservation, communications, and enforcement policies—including coordination with the county and the development of water supply vulnerability/risk thresholds; water loss and leak detection; organizing participation in the California Water/Wastewater Agency Response Network (CalWARN) or other equivalent mutual-aid organization; securing back-up power sources and developing quarterly testing protocols; implementing monitoring systems that are sufficient to detect production well groundwater levels; identifying and developing at least one back-up source of water that meets current water quality regulations and meets average day demand; implementing service-connection metering and monitor for pipe leakage and, during periods of water supply vulnerability, monitoring customer water use; and developing sources and distribution-system capacities to support wildfire suppression. Additional technical assistance may include drought management workshops, conducting water loss audits and leak detection workshops, and facilitating regional collaborations across systems and communities.

The \$150 million for Urban Water Management Grants provides grants to urban water agencies subject to meet Urban Water Management Planning Act requirements. To deliver funding as expediently as possible, DWR proposes providing directed financial assistance and/or non-competitive grants to fund actions included in, or consistent with, approved Urban Water Management Plans, Drought Contingency Plans and/or Integrated Regional Water Management Plans. Funding may be used for immediate drought response or drought preparedness, and priority may be given to actions directly benefiting the needs of underserved communities and communities most impacted by current drought conditions. Eligible

projects, programs and other actions (e.g., educational, outreach and engagement activities) should improve overall local/regional water management efficiency and resilience, including but not limited to inter-ties, intake structures, leak detection, water loss audits, plumbing fixture/appliance incentives, advanced/smart metering systems, landscape irrigation efficiency, stormwater capture, groundwater recharge, water supply forecasting and related actions that will help suppliers meet their urban water use objectives.

Drought Permitting, Compliance, and Enforcement

\$15 million to the State Water Resources Control Board for Water Rights Support

SWRCB's Division of Water Rights administers the state's water right permitting system. The proposal calls for \$15 million in General Fund support Division of Water Rights' drought management activities, including:

- *Water Rights Drought Enforcement Actions.* Enforcement response and investigate complaints, review existing permit requirements (including bypass flows, other compliance requirements), and evaluate priority of right. Furthermore, conduct desktop analyses to evaluate priority of right, whether water use is actively occurring on a parcel, or to respond to customer service questions regarding curtailments or other Division outreach efforts; help with priority transfers, change petitions, water quality certifications, or other emergency response actions related to drought and water rights implementation.
- *Development and Implementation of Emergency Regulations.* Development and implementation of emergency and/or permanent regulations addressing minimum instream flows and water availability. The emergency regulations would only be in place during a formalized drought emergency and would likely serve as an effective tool in facilitating development of local voluntary agreements or solutions that can be used during drought.
- *Water Availability and Demand Actions.* Development of robust supply-demand approaches, including development of regional hydrologic models and tools to estimate water availability and demand, based on existing water use, water budget and streamflow data. The models and tools would incorporate climate change hydrologic variability and would include the development of data management requirements so that the models/methods would be available for both drought and non-drought years. The development of the tools and methods would require significant public engagement and feedback to vet the technical approaches and solutions proposed by the Division of Water Rights and could include development of curtailment methodologies on watershed or sub-watershed scales.
- *Critical Drought Communication and Outreach.* Activities would include, but are not limited to, providing early notification of dry-year conditions and potential water shortages; coordinating Division roll-out of technical tools and methodologies for stakeholders and the public; managing stakeholder engagement and comments on Division of Water Right processes, permits, and curtailment actions; attending meetings, workshops and webinars; and assisting in preparation and distribution of written materials (fact sheets, drought actions websites, etc). Staff would also engage in increased stakeholder outreach to encourage and facilitate collaborative alternatives (e.g., dry year plans or voluntary agreements) to watershed-specific curtailments.
- *Issuance and Management of Temporary Urgency Change Petitions and Temporary Transfers.* Issuing and managing temporary urgency change petitions (TUCPs) related to water quality and

water right changes needed to maintain salinity control in the Delta and support basic human and ecosystem water supply needs throughout the state during emergencies.

- Facilitate Groundwater Recharge Water Rights Permitting. There has been a significant increase in the number of temporary groundwater recharge permits submitted to the Division since the passage of the Sustainable Groundwater Management Act (SGMA). Interest in groundwater recharge has increased as SGMA deadlines approach. The Division of Water Rights is already experiencing a significant backlog, and requests additional fiscal resources to address these issues.

\$1.1 million to SWRCB for Enforcement

The Office of Enforcement provides both legal and technical expertise to support State and Regional Water Boards' enforcement of SWRCB's laws and regulations. This funding would support complaint investigations, case triage, prosecution of enforcement matters (including curtailment and emergency order enforcement), and legal review of emergency drought regulations for enforceability. In addition, this funding will assist with implementation and enforcement of emergency orders, such as water conservation. All Water Board enforcement efforts for urban water conservation will be directed at urban retail water suppliers, not individual water customers.

\$6.95 million for Equipment and Overtime for the Law Enforcement Division at CDFW

DFW requests additional overtime allocations for three years to conduct law enforcement work related to drought effects impacting increased poaching, natural disaster response, streambed alteration violations, human / wildlife conflict, increased homeless encampment, forensic analysis, and data collection. DFW intends to work collaboratively with county, state, and federal partners by increasing communication and enforcement coordination on drought related crimes. This collaboration is already ongoing as a multiagency taskforce (pursuant to subdivisions (b) and (c) of Section 12029 of the Fish and Game Code) as it relates to illegal cannabis enforcement efforts. The taskforce is comprised of DFW, SWRCB, and CDFW which was created to address the environmental impacts of cannabis cultivation which has a direct correlation to illegal water diversions, water theft, and usage. DFW will continue these collaborative efforts and increase communication sharing for all drought related enforcement activity.

DFW requests one-time money for laboratory equipment for the Wildlife Health and Forensic Lab. DFW has seen a 300 percent increase in the last five years concerning wildlife public safety incidents. To identify the offending animal, the Wildlife Forensic Laboratory (WFL) must conduct DNA analysis to match DNA samples taken from the animal to the evidence taken from the victim or scene of the incident. With advancements in technology, determination can be made if the animal captured is the offending animal involved in an attack.

DFW is also requesting one-time money for the procurement of aerial drones. Drone technology would enhance law enforcement work related to drought enforcement efforts. The use of drones on public lands would allow wildlife officers to observe illegal activity related to drought conditions. Having an aerial advantage especially over lakes, streams, reservoirs, and rivers would help wildlife officers observe activity and help monitor drought conditions. This would increase a wildlife officer's patrol efficiency and improve overall officer safety. The use of drones has proven to be a force multiplier and can also be equipped with a radio repeater to improve radio communications between officers during high-risk operations. A drone's ability to fly a grid pattern while taking high megapixel photos would help document environmental destruction like an illegal streambed alteration, water theft, or impact by

homeless encampments on State lands. This aerial technology provides as good or better real-time aerial photographs than an aircraft at a substantially reduced cost.

\$11 million to DFW to support Water Operations, Permitting and Legal Support

During the 2012-2016 drought, DFW increased coordination and collaboration with the US Bureau of Reclamation, DWR, federal fish agencies, and the Water Board to coordinate overall water operations to reduce impacts to aquatic resources and listed species. It is anticipated that this level of effort will be needed again and requires additional resources to implement.

In the last drought, curtailments, initiation of voluntary actions to reduce water demand, requests for temporary modifications to existing permits and licenses, transition from surface water to groundwater to meet demands, requests to modify stream channels to provide more water supply or reduce barriers, and variance requests to reduce existing instream flow requirements increased significantly. These types of requests and efforts include significant input from CDFW to address and minimize impacts to fish and wildlife. DFW requests additional funding to better participate in permitting efforts, including working collaboratively with SWRCB to better align resources and integrate planning efforts to address current dry conditions.

In the last drought, DFW was engaged in the evaluation of requests for permit modifications, development of drought voluntary flow agreements with local landowners, enforcement actions related to illegal diversions and permit violations, and participating in SWRCB hearings related to Temporary Urgency Change Petitions, variance requests, and emergency regulations. DFW requests additional funding for legal workload to support drought actions statewide.

Fisheries and Wildlife Support (DFW)

This budget request is directly informed by the lessons learned during the 2012-2016 drought and the service-based budget results that identify DFW's greatest areas of need, which will advance DFW's work to protect and conserve California's natural resources. This analytical work shaped the requests below for efficiencies, actions, and response that address drought and climate change resilience, and protect California's diverse ecosystems.

Hatchery Improvements and Other Equipment (\$9.4 million)

Climate change, warming temperatures and drier conditions exacerbate the impacts to at-risk native fish and wildlife species, the ecology of lake, river, and terrestrial ecosystems, hatchery fish health and survival, and increase the potential elimination of many of the state's freshwater fisheries and wildlife. Most of the state's over 80 year-old hatcheries still require significant updating of incubation and rearing enclosures, and water treatment and monitoring systems to be resilient to climate-change driven threats. Specialized rearing enclosures are also needed to provide temporary safe havens for a growing number of native fish species in danger of losing their habitat to drought.

New solar-powered, energy efficient pumps are needed to provide sufficient water for sensitive wildlife and habitat during drought. Wetland capacity and efficiency also become significant issues during drought. Modern heavy equipment, including a new tractor and necessary implements will allow DFW to increase wetland carrying capacity and efficiency in water conveyance. Collectively, these solar pumps and modernized heavy equipment will allow DFW to better respond to drought conditions, reduce staff maintenance and operations costs, and decrease carbon emissions.

Staffing and Equipment to Lessen Wildlife Impacts (\$8.5 million)

California's natural lands support an incredible diversity of wildlife, but many state-owned wetlands and other vegetation communities are in poor condition. This request would increase drought and climate change resilience, sequester carbon, and maximize benefits to wildlife. Staffing supported by this request will take action, in association with equipment provide in this proposal, to manage and improve conveyance, surface water and groundwater use efficiencies, and provide water to lessen the impact of drought to wildlife on DFW and partnership lands. This effort would amplify the "30 by 30" goal to conserve natural working lands for biodiversity in addition to acting as buffers for climate resilience, which is consistent with Executive Order N-82-20.

Terrestrial Species (\$5.6 million)

California is home to a remarkably diverse array of wildlife and contains the highest number of native species in the United States, many of which can be found nowhere else on earth. While many of these species are adapted to tolerate occasional droughts, extreme and prolonged drought conditions are likely to impact even the toughest organisms.

DFW requests funding to conduct terrestrial species and ecosystems monitoring to inform management actions that instill resilience to drought and climate change and preserve California's incredible biodiversity. Using the methodologies, results, and lessons learned during its response to California's last historic drought, DFW intends to carry out statewide terrestrial species and ecosystem monitoring and vulnerability assessments that guide timely conservation and management actions. These essential data will inform habitat conservation, restoration, and management; human wildlife conflict response; emergency wildlife rescues; and captive rearing and propagation efforts for sensitive drought-affected wildlife, including threatened and endangered species.

Fish Rescue and Stress Monitoring (\$9 million)

With climate change threatening the survival of at-risk native fish species, the ecology of lake and river ecosystems, and the potential to eliminate many of the state's salmon and freshwater fisheries, DFW requests additional resources to focus on monitoring and potential rescue efforts on watersheds and species identified in the previous drought, as well as expand into additional watersheds.

*Nature Based Solutions*CNRA

This proposal will provide \$266 million over two years to CNRA to fund programs and projects that can immediately help improve ecosystem health for native fish in the Sacramento and San Joaquin rivers and their tributaries. These projects include improvements to water infrastructure that will enable water users to make additional flows available for environmental purposes, timed to improve conditions during key phases of native fish life cycles and to maximize the ecological benefit of habitat restoration projects.

Wildlife Conservation Board (WCB)

The Wildlife Corridor/Fish Passage program funds projects to construct, repair, modify, or remove transportation infrastructure or water resources infrastructure to improve passage for wildlife or fish. Habitat corridors and linkages allow species to move, migrate and adapt to precipitation, temperature, and other climate changes. Priorities include construction of wildlife overcrossings and undercrossings,

restoration or enhancement of natural habitats that provide a visual screen for wildlife, and removal of instream impediments to fish passage. WCB has staff that can implement this program through existing processes.

DWR

This funding would support several tidal wetland, floodplain, and flood-risk reduction (i.e. multi-benefit) projects that would restore more than 5,000 acres of fish and wildlife habitat in the “North Delta Arc” and in other areas recognized for their high ecological importance. The North Delta Arc is considered to have the highest restoration value for many of California’s most threatened species and ecosystems. These projects would support critical habitat for more than 10 native fish species identified as priorities by the DFW and NOAA/NMFS. These multi-benefit projects also complement other projects in the area that improve system-wide flood protection for hundreds of thousands of residents and businesses in the region. Projects will be selected in part based on their ability to deliver multiple public benefits, such as recreation, public access, and flood risk reduction.

DOC

The Working Lands and Riparian Corridors Program funds conservation organizations to plan and implement restoration and enhancement projects in riparian areas on privately owned agricultural lands. These projects are brought to the DOC via competitive applications pursuant to funding guidelines. To date, the projects funded restore and enhance natural functions of riparian corridors on agricultural lands by removing invasive species, planting native species, capturing, slowing or redirecting stormwater, creating agricultural setbacks from riparian areas like exclusionary fencing, and reducing stream water or groundwater use. In many places, agricultural landowners are willing to integrate ecosystem restoration and enhancement into the management and operations of their properties but lack the capital and expertise to implement these practices. Program funding bridges the divide between willing landowners and conservation organizations that implement riparian restoration and enhancement activities while ensuring continuity of agricultural operations.

In the first round of the riparian restoration solicitation through the Working Lands and Riparian Corridors program, four projects were funded that range from \$46,000 to \$1.16 million for a total of \$2,000,000. With these additional funds, the program could generate up to 50 projects that restore riparian areas on agricultural lands, depending on size and cost. It is estimated that only 5-10% of California’s original riparian habitat remains today, and the rest is of degraded quality. Riparian restoration has the potential to sequester carbon and nitrogen through increased biomass, which would contribute to climate change amelioration.

LAO Comments. *Water Resilience and Drought Package (\$4.3 Billion General Fund and ARPA Funds Across Two Years)*. While a portion of the Governor’s proposal would address immediate drought response needs, the majority is for longer-term efforts, similar to what general obligation bonds have funded in previous years. We recommend approval of the portion of the Governor’s proposal that would fund immediate drought response activities (\$449 million) so that urgent activities can be initiated right away to address increasingly dry conditions throughout the state. However, given the magnitude of the spending and number of activities being proposed, the Legislature may want to defer decisions on the remaining components (including \$500 million for the Department of Conservation to create a new land repurposing program) until later in the summer. This would allow to the Legislature time to (1) learn more about the Governor’s proposals—especially for programs and initiatives that are being proposed for the first time; (2) craft implementing statutory language to ensure sufficient oversight and accountability (such as program eligibility and prioritization criteria and data to be collected); and (3)

incorporate key legislative priorities, such as components of climate bond proposals that the Legislature has been considering. Some key factors to consider:

- Are there certain activities or areas of focus that are high priorities for the Legislature that are not included or sufficiently emphasized in the Governor’s package? For example, the two legislative bond proposals include significant funding for state conservancies to implement watershed and land conservation activities, whereas the Governor’s package does not.
- What level of involvement does the Legislature want to have in designing program implementation—such as how funds will be prioritized and allocated—as compared to deferring such decisions to the administration?
- What are the overall outcomes the state is seeking, and how will it know whether those objectives are achieved? Should there be any additional focus on identifying and measuring outcomes?

- 0540 CALIFORNIA NATURAL RESOURCES AGENCY (CNRA)**
- 0555 CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY (CALEPA)**
- 0650 GOVERNOR’S OFFICE OF PLANNING AND RESEARCH (OPR)**
- 3360 ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION (CEC)**
- 3480 DEPARTMENT OF CONSERVATION (DOC)**
- 3790 DEPARTMENT OF PARKS AND RECREATION (PARKS)**
- 3900 AIR RESOURCES BOARD (ARB)**
- 4700 COMMUNITY SERVICES DEPARTMENT (CSD)**
- 8570 CALIFORNIA DEPARTMENT OF FOOD & AGRICULTURE (CDFA)**

Issue 50: Climate Resilience Package

Governor’s Proposal. The May Revision requests \$1.3 billion General Fund for the Climate Resilience package over three years including \$784 million in 2021-22, \$420 million in 2022-23, and \$140 million in 2023-24 to help meet the state’s priority climate goals and to support the state’s most climate vulnerable communities. Funding would be for programs and projects to increase community resilience and address climate risks such as extreme heat and sea level rise. The areas of investment are:

Climate Resilience Package (\$ in millions)			
Category	Department	Program	May Revision 2021-22
Heat	California Natural Resources Agency	Urban Greening (\$200 million over two years)	\$100
	Department of Community Services and Development	Low Income Weatherization	\$50
	California Energy Commission	BUILD Program (\$100 million over two years)	\$50
Sea Level Rise	Ocean Protection Council	Coastal Wetland Restoration (\$200 million over two years)	\$100
	Department of Parks and Recreation	State Parks Sea Level Rise Adaptation Strategy	\$11.5
Community Resilience	Strategic Growth Council	Transformative Climate Communities (\$420 million over three years)	\$140
		Regional Climate Collaboratives (\$20 million over two years)	\$10
	Office of Planning and Research	Climate Adaptation & Resilience Planning Grants (\$25 million over two years)	\$15
		Vulnerable Communities Platform & CalAdapt Mapping	\$5
	California Environmental Protection Agency	Environmental Justice Initiative (\$25 million over two years)	\$15
Other	Department of Conservation	Oil Well Abandonment and Remediation	\$200
		Biomass to Hydrogen/Biofuels Pilot	\$50
	Various	Fifth Climate Assessment	\$22
	Air Resources Board	Fluorinated Gas Reduction Incentive Program	\$15
Total			\$784

Source: Department of Finance

Extreme Heat. Extreme Heat is both an immediate and chronic risk to many communities, especially in the Central Valley and inland regions. Investments today will create stronger and more resilient infrastructure over the next several decades.

CNRA. The Urban Greening Program grants. This funding will allow for continued statewide dollars for Urban Greening projects to achieve multiple benefits such as cleaner water, urban heat island mitigation, increased adaptability to climate change, reductions of greenhouse gas emissions, wildlife and habitat benefits, and improved community health.

Department of Community Services and Development (CSD). Low-Income Weatherization Program Multi-Family Energy Efficiency and Renewables (LIWP Multi-Family) program provides investments and services to improve the energy performance of low-income multi-family housing in disadvantaged and low-income communities through the installation of energy efficiency measures such as efficient heating and air conditioning systems, appliances, attic insulation, lighting and many other energy-saving measures, as well as through the installation of rooftop solar PV systems. When replacing mechanical equipment containing refrigerants, CSD utilizes a higher incentive to encourage replacement with heating and cooling systems containing low global warming potential (GWP) refrigerants and eliminating high-GWP hydrofluorocarbon gasses that are thousands of times more potent per pound than carbon dioxide (CO₂). As a whole, these improvements reduce greenhouse gas emissions, save energy, and generate clean renewable power that reduces the financial burden of energy costs for low-income households.

California Energy Commission (CEC). The CEC is preparing to launch the Building Initiative for Low-Emissions Development (BUILD) Program in late 2021, which will support the deployment of near-zero-emission building technologies in new residential housing, focusing on low-income developments. Funds for the BUILD program are derived from the revenue generated from the GHG emission allowances directly allocated to gas corporations and consigned to auction as part of ARB's Cap-and-Trade program and must be spent proportionally in the service territories from which they were derived. The BUILD program will support a market transformation in the design and building of new, low-income housing and through these efforts will further expose local government permitting agencies to all-electric building designs.

The additional funding requested here will be used to support a complementary grant program for greening projects and cool surface projects (additional to measures required for energy efficiency compliance) in new and existing low-income residential projects. Funding will be provided throughout the state allowing low-income housing development to additionally benefit from energy efficiency and energy-use reductions realized from these nature-based solutions and outdoor design improvements. Funding will only be provided for projects and measures not being used to meet energy efficiency compliance requirements. Greening projects such as strategically placed trees, use of native plants, and green infrastructure improvements as well as cool surface projects such cool roofs, cool sidewalks, beneficial building materials and community space pavements will offer multiple beneficial outcomes including better on-site air quality, reduced energy demand, local resilience and mitigation of wildfire risk.

Sea Level Rise. Sea-level rise and flooding threatens public health and safety, private property, critical infrastructure, and valuable coastal habitats. Coastal wetlands can provide protection against sea-level rise and flooding by buffering the built environment from extreme tides and storms while providing additional benefits of increased biodiversity, carbon sequestration, and public access opportunities. The

state manages 128 state park units encompassing nearly one quarter of the California coastline, sea-level rise, coastal flooding and erosion threaten these park resources.

Ocean Protection Council (OPC). OPC's Strategic Plan to Protect California's Coast and Ocean sets a target to protect, restore or create an additional 10,000 acres of coastal wetlands by 2025. Inclusion of \$200 million over two years is intended to provide critical funding to advance coastal wetland restoration in the state to meet this target. OPC intends to coordinate closely with partner state coastal management agencies, including the State Coastal Conservancy, to identify the highest coastal resilience wetlands restoration priorities, strategically invest funds to optimize biodiversity, coastal resilience and carbon sequestration and to efficiently allocate resources to manage coastal wetland creation and provide restoration grants.

Parks. This request will provide funding to support the implementation of State Parks Sea Level Rise Adaptation Strategy (SLR Strategy), which outlines a range of decision support tools, policies and actions that drive Sea Level Rise adaptation into State Park planning and project development processes. This one-time funding of \$1.5 million will support the development of these tools – including guidelines for conducting vulnerability assessments, management alternatives for coastal resilience, coastal flooding and erosion incident response guidelines, mapping of multiple resource types, economic analysis tools, etc. – that will guide future project and program investments.

In addition, \$10 million in one-time funds will underwrite critical demonstration projects at various points in the implementation process. This includes park specific vulnerability assessments and resilience projects that maximize protections provided by “natural infrastructure” in the form of natural dunes provides for adjacent roads, buildings and parking lots. It also includes resilience features that provide continued access, such as boardwalks that provide coastal access through restored dunes. This proposal is intended to support projects that require immediate action and are anticipated to serve as demonstration projects to advance coastal resilience as outlined in the SLR Strategy. Costs for these projects range from \$100,000 to several million and will only increase in costs the longer they are delayed.

Community Resilience. The following investments are intended to align economic resilience with the state’s climate goals, empower vulnerable communities, provide actionable climate science, and support the leadership capacity of regional, local, and non-profit stakeholders.

Strategic Growth Council (SGC). The Transformative Climate Communities (TCC) program supports development of infrastructures in the State’s most disadvantaged communities through projects that integrate multiple, cross-cutting approaches to reduce greenhouse gas emissions. The program funds place-based, catalytic projects that include infrastructure investments in energy, transportation, active transportation, housing, urban greening, land use, water and waste efficiency, and other areas, while also increasing job training, economic, health and environmental benefits.

The Regional Climate Collaboratives Program (RCC) would equip collaboratives of multi-disciplinary partners including community-based organizations, local government, businesses, and others to participate in and implement multi-benefit strategies around state priorities. RCC will build capacity for more effective engagement in key planning processes, including climate adaptation/resilience and just transition/economic resilience, with a focus on integrating environmental justice approaches and aligning with funding opportunities. Collaboratives would provide robust capacity building services in communities including partnership development, community- based planning, and coordination of efforts to access State and other funding sources.

Office of Planning and Research. The Integrated Climate Adaptation and Resiliency Program (ICARP) is the State's climate adaptation program, charged with coordinating adaptation efforts across scales and sectors. Funding is needed to meet the scope, scale, and urgency of accelerating climate impacts, especially in our most vulnerable communities. These resources will enable ICARP to build robust and actionable tools that meet urgent local and state climate adaptation and resilience needs. This includes support for the ICARP Vulnerable Communities Platform, development of enhanced data visualization tools on Cal-Adapt (the state's hub for downscaled climate projection data), and support for a climate science advisory body as a formal workgroup of the ICARP Council to help guide incorporation of physical climate risk and future climate projection data into planning and investment decisions. The ICARP adaptation and resilience planning grants will help fill local and regional planning funding needs, provide communities with resources to identify climate resilience priorities, and support development of a pipeline of competitive climate resilient infrastructure projects across the state. Grant recipients will also submit case studies to the ICARP Adaptation Clearinghouse, ensuring information sharing and peer to peer learning across communities.

CalEPA. The Environmental Justice Initiative intends to expand efforts for meaningful information dissemination, engagement, and public participation by providing funding to local community-based organizations and Tribes to facilitate their ability to deliver information and education resources within their communities and promote community involvement in environmental and climate resilience decision-making. The purpose of the Initiative will be to provide direct financial assistance to organizations for projects they undertake to address environmental and climate justice and resilience challenges at the local/grassroots level and increase the capacity of the state's on-the-ground partners, to support the effectiveness of its large-scale investment in resilience infrastructure. The Initiative will build on the work of the Environmental Justice Small Grants Program, which has provided small grants to community-based non-profit organizations and tribal governments affected by environmental pollution and hazards that work to address environmental justice issues since 2002.

The Initiative is intended to support community involvement in decision-making related to the Administration's priority programs, including but not limited to: climate resilience and adaptation planning, wild fire emergency response and debris removal, drought, flooding and sea level rise planning, delivery of safe and affordable drinking water to all Californians, air and water quality monitoring and pollution reduction programs, environmental education, and increasing local clean energy access.

In light of this one-time General Fund investment, the May Revision includes a withdrawal of the EJ Small Grants proposal included in the Governor's Budget.

Other Investments. This package includes investments in Oil Well Abandonment and a Biomass to Hydrogen pilot program. Both projects are focused in regions at the forefront of climate transition, and — in coordination with the regional support provided in the Jobs Package — is intended to provide critical jobs and economic opportunities in these areas of the state. This package also provides funding for near-term, high impact emissions reductions actions through the reduction of damaging Hydrofluorocarbon.

Department of Conservation (DOC). This request proposes \$200 million to properly plug orphan wells or idle wells, decommission attendant facilities, complete associated environmental remediation, and research decommissioning activities to evaluate methane reduction impacts of plug and abandonment.

This request also proposes \$50 million to create a regional pilot program in the Sierra Nevada that connects regionally coordinated forest health and fire prevention efforts with a scalable biomass gasifier

facility to create scalable carbon negative pathways for managing the increasing vegetation removed from forests. With partners in the Sierra Nevada, through a competitive solicitation, DOC will identify a suitable location within a forested region that has durable collaborations among state, federal, and local agencies. Fuels produced would be carbon negative, thus removing CO₂ from the environment. State investment would create a full-scale gasification facility capable of converting up to 30,000 tons of forest waste to carbon-negative hydrogen or other fuels and sequestering 60,000 tons of CO₂ permanently in geologic storage. Regulatory and permitting pathways would be created and demonstrated. Financial viability by commercial providers could be assessed and demonstrated leading to private investment in new facilities thus creating a new industry in California, with job, tax and other benefits accruing in rural areas.

Office of Planning and Research. This budget proposal includes funding to implement the first five years of this statutory requirement, providing the resources needed to complete the Fifth California Climate Change Assessment. This includes overall management and interagency coordination across administering entities, stakeholder engagement, funding for primary research and regional and topical synthesis reports, a tribal climate research grant program, visualization tools, and rollout.

Air Resources Board. ARB received \$1 million Greenhouse Gas Reduction Fund in the 2019 Budget Act for an incentive program to promote the adoption of low-GWP refrigerant technologies. In 2020, CARB successfully launched the program. This is the first statewide incentive program to promote the adoption of low-GWP refrigerant technologies. Providing this assistance, particularly for low-income communities and business, to support the development, commercialization, and adoption of low-cost technologies is critical to reducing HFC emissions. With additional funding, this program can be expanded to reach more communities and further reduce HFC emissions.

LAO Comments. *Climate Resilience Package (\$1.3 Billion General Fund Across Three Years).* The Governor is proposing an unprecedented increase in spending for climate response activities. To ensure the ultimate package the Legislature adopts is coordinated, strategic, and comprehensive, we recommend considering this package in tandem with other proposed packages—such as those related to water, cap-and-trade, wildfire, and disaster preparedness—so that, in combination, all of the Legislature’s climate-related priorities are reflected at its desired levels. Given the magnitude of the spending and number of activities being proposed, the Legislature may want to defer decisions on this package until later in the summer.

This would allow to the Legislature time to:

- (1) learn more about the Governor’s proposals—especially for programs and initiatives that are being proposed for the first time;
- (2) craft implementing statutory language to ensure sufficient oversight and accountability (such as program eligibility and prioritization criteria and data to be collected); and
- (3) incorporate key legislative priorities, such as components of climate bond proposals that the Legislature has been considering.

Some key factors to consider:

- Are there certain activities or areas of focus that are high priorities for the Legislature that are not included or sufficiently emphasized in the Governor’s package? For example, the two

legislative bond proposals include significantly more funding for activities to respond to the threat of sea-level rise compared to the Governor's package.

- What type and amount of support should the state provide for local governments as compared to focusing on state-level activities and assets?
- What are the overall outcomes the state is seeking, and how will it know whether those objectives are achieved? Should there be any additional focus on identifying and measuring outcomes?

8570 CALIFORNIA DEPARTMENT OF FOOD & AGRICULTURE (CDFA)
3900 AIR RESOURCES BOARD (ARB)

Issue 51: Sustainable Agriculture Package

Governor’s Proposal. The May Revision requests for CDFA and ARB \$477.6 million in 2021-22 (\$320 million General Fund, \$115 million Greenhouse Gas Reduction Fund (GGRF), and \$42.6 million Air Pollution Control Fund (APCF) and \$150 million General Fund in 2022-23 to support six Climate Smart Agriculture for Sustainability and Resiliency programs. These Climate Smart Agriculture for Sustainability and Resiliency programs utilize agriculture management practices to further the reduction of carbon dioxide and methane greenhouse gases (GHGs), reduce fine particulate matter air pollution in San Joaquin Valley, or enhance pollinator habitat.

The following chart provides a breakdown of the various programs proposed for funding in Governor’s January Budget and May Revision:

Sustainable Agriculture				
Category	Program	Governor's Budget (in millions)	May Revision (in millions)	Total 2021-22 (in millions)
Healthy, Resilient, and Equitable Food Systems	California Farm to School Incubator Grant Program	\$10	\$20	\$30
	California Nutrition Incentive Program	\$0	\$15	\$15
	Healthy Refrigeration Grant Program	\$0	\$20	\$20
	Senior Farmers Market Nutrition Program	\$0	\$0.5	\$0.5
	Urban Agriculture Program	\$0	\$12	\$12
Climate Smart Agriculture for Sustainability and Resiliency	Agricultural Diesel Engine Replacement & Upgrades (\$363 million over two years)	\$170	\$43	\$213
	Healthy Soils	\$30	\$70	\$100
	Sustainable California Grown Cannabis pilot program	\$0	\$9	\$9
	Livestock Methane Reduction	\$0	\$60	\$60
	Pollinator Habitat Program	\$0	\$30	\$30
	Technical Assistance and Conservation Management Plans	\$0	\$20	\$20
	Transition to Safer, Sustainable Pest Management	\$11.8	\$0	\$11.8
	Incentives for Alternatives to Agricultural Burning in the San Joaquin Valley	\$0	\$150	\$150
Climate Catalyst Fund	\$50	\$0	\$50	
Economic Recovery & High-Road Job Growth	Technical Assistance Program for Underserved Farmers	\$6.7	\$2	\$8.7
	Impact Assessment and Alignment of Regulatory Reporting Requirements for Agriculture	\$6	\$0	\$6
	Fresno-Merced Future of Food Innovation Initiative	\$0	\$30	\$30
	New and Beginning Farmer Training and Farm Manager Apprenticeships Program	\$0	\$10	\$10
Total		\$285	\$491	\$776

Source: Department of Finance

This request includes:

- \$150 million General Fund in 2021-22 to support the phase out of open agricultural burning In the San Joaquin Valley;

- \$213 million in 2021-22 (\$170 million GGRF and \$43 million APCF) and \$150 million General Fund in 2022-23 for agricultural engine replacement, which includes a shift of \$90 million GGRF proposed in the Governor's Budget from 2020-21 to 2021-22;
- \$85 million (\$60 million General Fund and \$25 million GGRF in 2021-22 for the Healthy Soils Program, which includes a shift of \$15 million GGRF proposed in the Governor's Budget from 2020-21 to 2021-22;
- \$60 million General Fund in 2021-22 for livestock methane reduction;
- \$30 million General Fund in 2021-22 for a Pollinator Habitat Program; and
- \$20 million General Fund in 2021-22 for technical assistance for conservation management plans.

CDFA and CARB request an extended encumbrance period. CDFA will prioritize funding to socially disadvantaged farmers and ranchers and those in disadvantaged communities.

This proposal is an addition to the \$95 million GGRF proposed for 2021-22 in the Governor's Budget for the Healthy Soils and FARMER programs.

Specifically, this request seeks to do the following:

Healthy Soils Program: Increase investment in the Healthy Soils Program (HSP) to scale up healthy soils on farms and ranches statewide. CDFA requests one-time funding of \$60 million GF and \$25 million GGRF for HSP. Of this amount, \$15 million represents a shift of funding proposed in the Governor's Budget from 2020-21 to 2021-22 that was originally requested for early action. CDFA estimates that these funds will result in 1,050 projects being funded. These funds will be used to incentivize farmers to utilize conservation management practices designed to sequester carbon within the soil. Based on historical metrics, CDFA estimates that this will result in estimated GHG reductions of 904,000 MTCO_{2e}/year.

Methane Reduction DDRDP and AMMP: Fund two livestock methane reduction programs: The Alternative Manure Management Program (AMMP) and Dairy Digester Research and Development Program (DDRDP). CDFA requests one-time funding of \$60 million GF for its DDRDP and AMMP programs. CDFA estimates that these funds will result in 210 projects being funded. These funds will be used to incentivize dairy and livestock operations to develop dairy digester to capture methane gas or change their existing liquid phase manure management process to a dry phase manure management process. Based on historical metrics, CDFA estimates that this will result in estimated GHG reductions of 1.18 million MTCO_{2e}/year.

Pollinator Habitat Program: Fund a Pollinator Habitat Program for implementation of pollinator habitat and forage on working lands in partnership with private landowners and federal, state, and local entities. CDFA requests one-time funding of \$30 million GF for a new Pollinator Habitat Program. Funding would be used for two programs to scale up implementation of pollinator habitat and forage in partnership with private landowners and federal, state and local entities, including

- Regional Pollinator Habitat Program would fund technical assistance, outreach, and applied research to build a regional and multi-stakeholder pollinator habitat conservation approach to implement best practices and establish safe harbor agreements for pollinator habitat.

- Pollinator Habitat Incentive Program would provide financial incentives to farmers and ranchers to implement conservation practices that promote pollinator habitat and forage on working lands, such as cover crops and hedgerows.

Conservation Agriculture Planning Grant Program: Fund a stand-alone technical assistance grant program for development of conservation plans, carbon farm plans, and transition to organic plans to focus on carbon and water. CDFA requests one-time funding of \$20 million GF for a technical assistance grant program for the development of conservation plans to enhance on farm resources for climate change mitigation and resiliency, water, habitat, etc. Funds will be used to establish a program that will support the agricultural community with planning activities related to adaptation to climate change impacts, supporting reductions of GHG emissions, improving carbon storage on farms, and protecting pollinators and biodiversity among others. CDFA has identified ten different plans that would be helpful to farmers and ranchers further environmental stewardship and ecosystem service efforts and assist in preparing for climate change impacts and adaptation to a changing climate.

Agricultural Burning: Fund continued implementation of the Valley Air District's Alternatives to Open Agricultural Burning Incentive Program to support the phase out of open agricultural burning by incentivizing the use of alternatives aimed at reducing fine particulate matter air pollution in the San Joaquin Valley. ARB requests one-time funding of \$150 million GF for the Ag Burning Program to incentivize alternatives to agricultural burning in the San Joaquin Valley. Alternatives to agricultural burning include, but are not limited to, chipping the material and either incorporating it into the soil or leaving it on the field.

FARMER: Fund the FARMER Program to reduce criteria pollutants and greenhouse gases in the agricultural sector from agricultural equipment and vehicles. CARB requests 132.6 million in 2021-22 (\$90 million GGRF and \$42.6 million APCF) and \$150 million General Fund in 2022-23 for the FARMER Program. Of this amount, \$90 million represents a shift of funding proposed in the Governor's Budget from 2020-21 to 2021-22 that was originally requested for early action. to fund vehicle and equipment replacement projects to reduce agricultural sector emissions. Based on historical program data, CARB estimates that this would fund approximately 3,000 off-road projects and provide an additional 12,200 tons of NOx reductions and 740 tons of PM2.5 reductions. CARB estimates that this would fund approximately 3,000 off-road projects and provide an additional 12,200 tons of NOx reductions and 740 tons of PM2.5 reductions.

LAO Comments. Climate Smart Agriculture for Sustainability and Resiliency (\$180 Million General Fund and GGRF). The LAO recommends the Legislature consider how the programs in this package would interact with the Governor's climate catalyst fund proposal. This package would provide funds to several programs, such as dairy digesters and equipment replacement, many of which would be projects that the administration intends to finance with the climate catalyst fund. The Legislature will want to ensure that these proposals complement one another and do not create duplicative efforts.

- 0509 CALIFORNIA GOVERNOR’S OFFICE OF BUSINESS AND ECONOMIC DEVELOPMENT (GO-BIZ) AND CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (IBANK)**
- 0555 CALIFORNIA NATURAL RESOURCES AGENCY (CNRA)**
- 0650 GOVERNOR’S OFFICE OF PLANNING AND RESEARCH (OPR)**
- 0690 GOVERNOR’S OFFICE OF EMERGENCY SERVICES (CAL OES)**
- 3340 CALIFORNIA CONSERVATION CORPS (CCC)**
- 3480 DEPARTMENT OF CONSERVATION (DOC)**
- 3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CALFIRE)**
- 3560 STATE LANDS COMMISSION (SLC)**
- 3600 DEPARTMENT OF FISH AND WILDLIFE (DFW)**
- 3790 DEPARTMENT OF PARKS AND RECREATION (PARKS)**
- 3855 SIERRA NEVADA CONSERVANCY**
- 3900 CALIFORNIA AIR RESOURCES BOARD (CARB)**
- 3940 STATE WATER RESOURCES CONTROL BOARD (SWRCB)**
- 6440 UNIVERSITY OF CALIFORNIA (UC)**

Issue 52: Wildfire and Forest Resilience Expenditure Plan

Governor’s Proposal. The May Revision includes a total of \$708 million for wildfire and forest resilience in 2021-22. This is in addition to the early action of \$536 million, which was approved in April (SB 85 (Committee on Budget and Fiscal Review), Chapter 14, Statutes of 2021).

The following chart provides a breakdown of the Governor’s proposal.

Wildfire and Forest Resilience Expenditure Plan (\$ in Millions)					
Investment Category	Department	Program	Early Action 2020-21	Proposed 2021-22	Total
Resilient Forests & Landscapes	CAL FIRE	Forest Health Program	\$155	\$100	\$255
		Forest Improvement Program for Small Landowners	\$10	\$40	\$50
		Forest Legacy & Reforestation Nursery	\$8	\$17	\$25
		Urban Forestry	\$10	\$13	\$23
		Tribal Engagement	\$1	\$19	\$20
	State Parks, Fish & Wildlife & State Lands Commission	Stewardship of State-Owned Land	\$30	\$123	\$153

	Conservancies	Project Implementation in High-Risk Regions	\$69	\$61	\$130
Wildfire Fuel Breaks	CAL FIRE	CAL FIRE Unit Fire Prevention Projects	\$10	\$40	\$50
		Fire Prevention Grants	\$123	\$80	\$203
		Prescribed Fire & Hand Crews	\$15	\$35	\$50
	California Conservation Corps	Forestry Corps & Fuel Reduction Projects	\$0	\$20	\$20
	Department of Conservation	Regional Forest & Fire Capacity	\$50	\$60	\$110
Community Hardening	Cal OES & CAL FIRE	Home Hardening	\$25	\$0	\$25
	CAL FIRE	Defensible Space Inspectors	\$2	\$6	\$8
	CAL FIRE & University of California	Land Use Planning & Public Education Outreach	\$0	\$7	\$7
Science-Based Management	CAL FIRE	Ecological Monitoring, Research & Adaptive Management	\$3	\$17	\$20
	Natural Resources Agency	Remote Sensing	\$0	\$15	\$15
	Air Resources Board & Water Board	Permit Efficiencies	\$0	\$4	\$4
Forest Sector Economic Stimulus	IBank & GO-Biz	Climate Catalyst Fund & Market Strategy	\$16	\$33	\$49
	CAL FIRE	Workforce Training	\$6	\$18	\$24
	Office of Planning & Research	Market Development	\$3	\$0	\$3
Total			\$536	\$708	\$1,244

Source: Department of Finance

Resilient Forests and Landscapes (\$373 million in 2021-22). The May Revision proposal is intended to: (1) invest in coordinated forest health and fire prevention projects that help restore the right fire regime to the right ecosystem; (2) provide state land managers resources to better manage state-owned lands in particularly fire-prone area; (3) expand programs that provide assistance to non-industrial landowners; (4) implement ready-to-go projects in high-risk regions; and (5) provide resources to Tribes for fire resilience.

Forest health is an existing program with the primary goals of treating forested landscapes for resilience, mainly through fuels reduction. Prescribed fire and restoration are also key activities. Post-fire restoration will be a new focus for the Forest Health program, and an additional grant selection criteria will be treatment in the footprint of a fire in the past one to five years.

Wildfire Fuel Breaks (\$235 million in 2021-22). Emergency fuel breaks protect communities and sensitive areas against the impacts of wildfires. They enable firefighters to approach a fire, take a stand, establish containment lines, and create evacuation routes.

Community Hardening (\$13 million in 2021-22). Investments within communities are essential to

protect residents from all types of wildfires, including wind-driven fires that spread embers ahead of the fire front. These include hardening homes against embers, creating survivable spaces, establishing space around homes, and supporting local and regional efforts to create fire-adapted communities through improvements in local ordinances, emergency access routes, communications, smoke management, and other tools.

Science-Based Management (\$36 million in 2021-22). The Governor’s budget includes funding to improve the predictive models and science-based approaches to support the state’s forest health and fire prevention goals, including the expanded use of LiDAR and other remote sensing technology, research, and data analysis collection methods. Funding includes the execution of the California Vegetation Treatment Program (CAL VTP) including synchronizing SWRCB permits within the CAL VTP application. CARB will also have resources to facilitate the issuance of “burn permits” to keep pace with the increase in prescribed fire.

Forest Sector Economic Stimulus (\$51 million in 2021-22). The early action package and the Governor’s budget include one-time resources with the intention of ensuring that fire prevention investments will be a driver for economic growth in rural communities. Fuel reduction projects may create jobs and a foundation for small business to start up from backyard micro-mills to bio-diesel conservation. However, barriers to these market exist — Private loans for forestry equipment can face a 40 percent interest rate. Shortages in crews and specialized equipment operators slow the pace of projects and drive up the cost-per-acre. Low-interest lending programs and training to expand the workforce are intended to improve the pace of Fire resilience. Steady, long-term regional funding is intended to enable local businesses to start up in regions to meet the state’s demand.

LAO Comments. *Various Departments – Wildfire Resilience Package (\$508 Million General Fund, \$200 Million GGRF).* The key issues for legislative consideration are similar to those the LAO identified in [January](#). Given recent improvements in the General Fund condition, the Legislature will want to consider whether the Governor’s proposed funding level (and proposed allocations among programs) is consistent with its priorities. We also note that the May Revision includes \$250 million one-time General Fund for the Office of Emergency Services to support community hardening. Under the Governor’s proposal, it is unclear what portion of these funds would be used to mitigate wildfires (rather than other types of hazards). However, to the extent the Legislature would like to direct these funds to address a specific type of hazard, such as wildfires, it could do so by adopting provisional or trailer bill language.

MAY REVISION PROPOSALS PENDING

Due to the short time frame between the unveiling of the May Revision and this hearing, several May Revisions were unavailable at the time of writing this agenda. Below are lists of pending Budget Change Proposals (BCPs) and Trailer Bill Language (TBL).

Pending BCPs

1. 0540 CNRA: New Natural Resources Building Move and Demolition Costs
2. 3100 Exposition Park: MR Infrastructure Package – One-Time Deferred Maintenance
3. 3125 Tahoe Conservancy: Van Sickle Barn Remediation
4. 3340 California Conservation Corps (CCC): Telematics Implementation
5. 3340 CCC: MR Infrastructure Package – One-Time Deferred Maintenance
6. 3540 CalFire: MR Infrastructure Package – One-Time Deferred Maintenance
7. 3540 CalFire: Shasta Trinity Unit Headquarters/Northern Operations: Relocate Facility
8. 3540 CalFire: Davis Mobile Equipment: Telematics Implementation
9. 3540 CalFire: Office of Infrastructure Safety Establishment and Transfer of Wildfire Safety Division and Dig Safe Board
10. 3540 CalFire: Howard Forest Helitack Base: Replace Facility
11. 3540 CalFire: Lake Napa Unit Auto Shop & Warehouse: Replace Facility
12. 3540 CalFire: Riverside Unit Headquarters: Relocate Facility
13. 3540 CalFire: Kneeland Helitack Base: Relocate Facility
14. 3600 DFW: Telematics Funding
15. 3600 DFW: MR Infrastructure Package – One-Time Deferred Maintenance
16. 3720 Coastal Commission: Cap-and-Trade Expenditure Plan: State Operations for Coastal Resilience
17. 3790 Parks: Telematics Funding — Non-Standard Installs
18. 3790 Parks: MR Infrastructure Package – One-Time Deferred Maintenance
19. 3790 Parks: Various State Operations Reappropriations
20. 3790 Parks: Sacramento Railyards Rehabilitation
21. 3860 DWR: MR Infrastructure Package – One-Time Deferred Maintenance
22. 3940 SWRCB: American Rescue Plan Act Water Arrearages
23. 8570 CDFG: Blythe Border Protection Station Relocation Project – Adjustment
24. 8570 CDFG: One-Time Deferred Maintenance Allocation

Pending TBL

1. 3560 State Lands Commission: Long Beach Municipal Oil Barrel Production Tax
2. 3600 DFW: Oil Spill Prevention and Administration Fund
3. 3790 Parks: Golden Bear Pass (California Outdoors for All Initiative)
4. 3960 DTSC: Fee Reform — Update
5. Various Drought-Contract Exemptions

SUBCOMMITTEE NO. 2

Agenda

Senator Bob Wieckowski, Chair
Senator Brian Dahle
Senator Mike McGuire
Senator Henry I. Stern



Tuesday, May 25, 2021
10:30 a.m.
State Capitol - Room 4203

Consultant: James Hacker

PART A

PROPOSED FOR VOTE-ONLY

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

ISSUES PROPOSED FOR VOTE-ONLY

0540 OCEAN PROTECTION COUNCIL
0690 OFFICE OF EMERGENCY SERVICES
3360 CALIFORNIA ENERGY COMMISSION
3600 CALIFORNIA DEPARTMENT OF FISH AND WILDLIFE
3720 CALIFORNIA COASTAL COMMISSION
8660 CALIFORNIA PUBLIC UTILITIES COMMISSION

Issue 1: Investments to Reach the State’s Clean Energy Goals

Governor’s Proposal. The May Revision includes \$912 million (\$905 million General Fund, \$5 million reimbursements, and \$2 million special funds) intended to accelerate California’s progress on meeting its clean energy goals. This includes:

- \$35 million General Fund to carry out critical resource and transmission planning to support the unprecedented levels of clean energy buildout needed to meet the state’s energy and climate goals related to SB 100 (de Leon), Chapter 312, Statutes of 2018.
- \$350 million General Fund to support pre-commercial long duration storage projects that are critical to the success of California’s efforts to decarbonize the electricity system.
- \$250 million General Fund for energy efficiency in the industrial sector.
- \$125 million General Fund in the Food Production Investment Program to reduce energy use at food production facilities.
- \$20 million General Fund to spur environmentally responsible development of offshore wind energy.
- \$110 million General Fund in green hydrogen production to accelerate the transition away from using fossil fuels to produce hydrogen and to displace the use of gas at power plants.
- \$20 million General Fund for Emergency Preparedness activities related to energy, including funding for planning, Flex Alerts, and for operational observers at investor-owned utilities.

While there is merit in this proposal, additional detail is required before the legislature acts on the largest components.

Staff Recommendation: Approve \$35 million General Fund for implementation of SB 100. Approve \$20 million General Fund for activities related to offshore wind development. Approve \$11.5 million for emergency preparedness activities.

Defer action on \$835 million for a variety of clean energy research, development, and deployment activities for later consideration. Defer action on \$8.7 million for operational observer contracts.

3360 CALIFORNIA ENERGY COMMISSION

Issue 2: Energy Resources Program Account

Governor's Proposal. The May Revision proposes to raise the statutory cap on the ERPA surcharge, tie the statutory cap to the Consumer Price Index, and extend the surcharge to apply to behind-the-meter electricity consumption. ERPA is the main fund supporting the CEC. Its revenues are linked to the sale of metered electricity. As building and appliance energy efficiency produces customer savings and flattens statewide electricity consumption, ERPA revenues have decreased and the costs have been borne by fewer and fewer consumers. This increase is projected to generate \$4.5 million in additional revenues in 2021-22 and approximately \$9 million annually thereafter.

While the ERPA is fiscally constrained, the state's fiscal condition allows for additional funding from other sources in the near term.

Staff Recommendation: Reject the proposed trailer bill language.

Issue 3: Implementation of AB 841

Governor's Proposal. The budget includes \$3.74 million and 23.6 positions to implement the requirements of AB 841 (Ting), Chapter 372, Statutes of 2020. The budget also includes trailer bill language establishing a fund for AB 841 resources and providing a continuous appropriation to CEC for those funds.

The May Revision also included \$250,000 per year in 2021-22, 2022-23 and 2023-24, for a total request of \$750,000 in contract authority from the School Energy Efficiency Program Fund to implement the requirements of AB 841 (Ting), Chapter 372, Statutes of 2020.

Staff Recommendation: Approve \$3.74 million and 23.6 positions to implement AB 841. Approve trailer bill language establishing a fund for AB 841 resources and providing a continuous appropriation to CEC for those funds, and including annual reporting requirements.

Issue 4: AB 841 Contract Authority

Governor's Proposal. The May Revision also included \$250,000 per year in 2021-22, 2022-23 and 2023-24, for a total request of \$750,000 in contract authority from the School Energy Efficiency Program Fund to implement the requirements of AB 841 (Ting), Chapter 372, Statutes of 2020.

Contract authority will support a maintenance and operations vendor for the IT system needed to implement AB 841.

Staff Recommendation: Approve \$250,000 per year for three years for contract authority related to AB 841.

Issue 5: Reauthorization of the Clean Transportation Program

Governor's Proposal. The January budget included trailer bill language extending certain transportation-related fees, securitizing the resulting revenue, and administering grant programs for charging or fueling infrastructure via the CEC's Clean Transportation program. The May Revision maintained the fee extension language but dropped the securitization, opting instead to fund zero-emission vehicle infrastructure with General Fund resources.

The existing fees currently do not sunset until 2024.

Staff Recommendation: Reject the proposed trailer bill language.

8660 CALIFORNIA PUBLIC UTILITIES COMMISSION COMMISSION

Issue 6: Reauthorization of Appropriation for CPUC Response to Utility Bankruptcies

Governor's Proposal. The May Revision includes \$7,500,000 one-time funding to reauthorize resources to support CPUC's ability to respond to utility bankruptcies. These funds were originally appropriated in 2019-20 for three years, but due to technical oversight were only available for expenditure for one year. This action would address this issue and authorize expenditures through fiscal year 2021-22.

Staff Recommendation. Approve as Budgeted.

Issue 7: Accounts Receivable Unit

Governor's Proposal. The May Revision includes \$314,000 ongoing to strengthen CPUC's Accounts Receivable Unit to address findings from a recent audit. In 2020, at the CPUC's request, Office of State Audits and Evaluations (OSAE) performed a performance audit of the CPUC's Accounts Receivable workbook as of June 30, 2019 to evaluate whether it was accurate, complete, and in compliance with applicable laws, regulations, policies, and accounting standards. The findings and recommendations were released to the CPUC on February 1, 2021, and identified a number of shortcomings and issues. These resources are intended to address the identified issues.

Staff Recommendation. Approve as Budgeted.

Issue 8: Wildfire Forecast and Threat Intelligence Integration Center (SB 209)

Governor's Proposal. The May Revision includes \$191,000 ongoing and one position to implement the Wildfire Forecast and Threat Intelligence Integration Center, as authorized by SB 209 (Dodd), Chapter 405, Statutes of 2019. This will fund one position at PUC to staff the Wildfire Forecast and Threat Intelligence Center year-round, as required by SB 209.

Staff Recommendation. Approve as Budgeted.

Issue 9: Transfer of Wildfire Safety Division

Governor's Proposal. The May Revision includes a decrease of \$10,568,000 and 32 positions ongoing to reflect the transfer of the Wildfire Safety Division to the new Office of Energy Infrastructure Safety, as required by AB 111 (Committee on Budget), Chapter 81, Statutes of 2019.

Staff Recommendation. Approve as Budgeted.

Issue 10: Public Purpose Program Loan Authority

Governor's Proposal. The May Revision includes budget bill language and statutory changes to provide for loans between the telecommunications Public Purpose Programs to prevent insolvencies arising from the continued decline of intrastate revenues. This would allow for three loans all from the available fund balance of High Cost Fund-B to the California Teleconnect Fund (\$52m loan), Deaf and Disabled Telecommunications Program (\$25m loan), and the High Cost Fund A Program (\$7m loan) to prevent insolvencies anticipated in the budget year in all three programs due to the continued decline of intrastate revenues.

It is unclear when these funds require this transfer, or how this proposal interacts with the Administration's larger broadband proposal.

Staff Recommendation. Defer action on proposed trailer bill language for later consideration.

Issue 11: Golden State Energy

Governor’s Proposal. The May Revision includes trailer bill language to prevent the Secretary of State from reserving the name Golden State Energy for any entity other than the one created in existing law. This would reserve the name “Golden State Energy” for the utility created by SB 350 (Hill), Chapter 27, Statutes of 2020. Currently the Administration must reserve the name every 60 days with the Secretary of State. This language would keep the name Golden State Energy available in case it is needed for the statutorily created entity.

Staff Recommendation. Approve as Proposed.

Issue 12: Lifeline Program

Governor’s Proposal. The January budget included \$398,038,000 for fiscal year 2021-22 from the Universal LifeLine Telephone Service Trust Administrative Committee Fund (0471) to provide low-income California households with basic, high-quality wireless and wireline services at affordable rates in accordance with the Public Utilities (Pub. Util.) Code section 871 et seq. This included \$371,576,000 for local assistance funding to reimburse claims from participating service providers that offer discounted phone service to program participants, and \$26,462,000 for state operations funding to administer the Program.

The May Revision included an increase of \$5,119,000 ongoing for State Operations and a decrease of \$2,867,000 ongoing in local aid to reflect new caseload projections and an extension of COVID-19 Pandemic service protections in the LifeLine program. This results in total program funding of:

- \$368,709,000 for local assistance funding to reimburse claims from participating service providers that offer discounted phone service to program participants.
- \$32,683,000 for state operations funding to administer the Program.

Staff Recommendation. Approve as Proposed.

0509 GOVERNOR’S OF BUSINESS AND ECONOMIC DEVELOPMENT
3360 CALIFORNIA ENERGY COMMISSION
3900 CALIFORNIA AIR RESOURCES BOARD

Issue 13: Zero Emission Vehicle Proposals

Governor’s Proposal. The January budget included \$435 million in one-time Greenhouse Gas Reduction Fund (GGRF) resources for clean vehicle programs that focus on low-income Californians and reducing air pollution from heavy-duty vehicles in disadvantaged communities, including: o \$150 million for Clean Cars 4 All and Transportation Equity Projects that include efforts to scrap and replace

older, high-polluting cars, low-income car share programs, and vanpools for agricultural workers, among others.

The May Revision includes an additional \$826 million above the January Budget for Zero Emission Vehicles (ZEVs) and ZEV infrastructure. This brings total proposed investments in ZEVs and ZEV infrastructure to \$1.8 billion in 2021-22, and \$3.2 billion over three years. Major investments include:

- ZEV Infrastructure - The May Revision maintains the extension of existing fees which are necessary for providing a sustainable funding source for priority programs that were proposed in January, but replaces the securitization of future revenues with \$500 million one-time General Fund to support the CEC's Clean Transportation Program.
- Heavy-Duty Zero Emission Vehicles and Supporting Infrastructure—\$1.4 billion one-time General Fund and special funds over the next three years to deploy over 1,000 zero emission drayage trucks, 1,000 zero emission transit buses, and 1,000 zero emission school buses in underserved rural school districts. These investments will prioritize projects that directly benefit priority populations and improve air quality in low-income and disadvantaged communities. This funding builds on \$315 million included in the Governor's Budget for Clean Truck, Bus, and Off-Road Equipment.
- Light-Duty Zero Emission Vehicle Adoption—\$650 million one-time General Fund over the next three years to invest in consumer adoption of ZEVs through the Clean Vehicle Rebate Program and statewide expansion of Clean Cars 4 All, with a focus on low-income and disadvantaged communities. This funding is in addition to \$150 million provided in the Governor's Budget Cap and Trade Expenditure Plan.
- Zero Emission Vehicle and Infrastructure Manufacturing—\$250 million General Fund one-time over two years for manufacturing and supply chain grants to expand California's nation leading ZEV manufacturing footprint, administered by the Clean Transportation Program. This investment may be coupled with High Road Training Partnerships to increase access to high-quality jobs for workers, and increase the level of highly-skilled employees for employers.
- ZEV Market Development Strategy Implementation—\$5 million one-time General Fund to accelerate implementation of the ZEV Market Development Strategy's focus on increasing awareness and access to ZEVs in the hardest to reach communities and expanding tools that help convert this awareness into decisions to drive or ride in ZEVs.

While there is merit in these proposals, they should be considered in the context of the legislature's broader actions on climate and clean energy.

Staff Recommendation. Reject \$5 million for the ZEV Market Development Strategy. Defer action on the remaining \$1.79 billion for a variety of zero-emission vehicle related issues for later consideration.

Senator Bob Wieckowski, Chair
Senator Brian Dahle
Senator Mike McGuire
Senator Henry I. Stern



Tuesday, May 25, 2021
10:30 a.m.
State Capitol - Room 4203

Consultant: Joanne Roy

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

VOTE-ONLY**CALIFORNIA NATURAL RESOURCES AGENCY (CNRA)****0540 CALIFORNIA NATURAL RESOURCES AGENCY (CNRA)****Issue 1: Presidio Improvement Projects (MR)**

Governor's Proposal. The May Revision requests \$27.5 million General Fund one-time for a grant to transform four acres at the heart of the Presidio of San Francisco from a parking lot into new parkland for families. Features will include interpretive works on the historic Buffalo Soldiers stables site, family and community group picnic sites, a family play meadow, and new paths and bikeways connecting the east and west ends of Crissy Field. Additionally, the transformed space will provide benefits through redirection of storm water away from sewers, expanding coastal habitat for native plants and animals, and expanding access to the Presidio from Chinatown through extended bus transportation.

Staff Recommendation. Approve as proposed.

Issue 2: Proposition 68: Habitat Funding (GB)

Governor's Proposal. The Governor's budget requests \$125 million of Proposition 68 funds for its Protecting California's Rivers, Streams and Watersheds Program. Proposition 68 authorized more than \$4 billion in funding for natural resources-related programs including habitat conservation, expanded access to parks and water resilience projects. Of this, \$200 million was designated to support multi-benefit water quality, water supply and watershed protection and restoration projects. The \$125 million requested represents the remainder of the funds available for this purposed in the bond. (Of the \$200 million that Proposition authorized, \$5 million is reserved for bond administration costs.)

Under the Administration's proposal, the agency would determine how to allocate the funding for habitat projects and statewide commitments.

Staff Recommendation. Reject.

0540 CALIFORNIA NATURAL RESOURCES AGENCY (CNRA)
3480 DEPARTMENT OF CONSERVATION (DOC)
3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CALFIRE)
3600 DEPARTMENT OF FISH AND WILDLIFE (DFW)
3790 DEPARTMENT OF PARKS AND RECREATION (PARKS)

Issue 3: New Natural Resources Building Rent Increase (MR)

Governor’s Proposal. The May Revision includes a request for CNRA, DOC, CalFire, DFW, and Parks for a total of \$6.731 million General Fund one-time, and \$6.421 million General Fund ongoing to support increased rental costs at the Natural Resources Agency’s new facility. This includes \$381,000 ongoing for CNRA, \$2.458 million ongoing for CalFire, \$2.344 million ongoing for DFW, \$1.238 million ongoing for Parks, and \$310,000 one-time for DOC.

Staff Recommendation. Approve as proposed.

3100 EXPOSITION PARK**Issue 4: Support, Exposition Park (MR)**

Governor's Proposal. The May Revision requests an appropriation of \$5 million General Fund onetime to fund deferred maintenance projects to address critical infrastructure deficiencies. It is also requested that provisional language be added to make the funds available for encumbrance or expenditure until June 30, 2024.

Staff Recommendation. Approve as proposed.

3125 CALIFORNIA TAHOE CONSERVANCY**Issue 5: Van Sickle Barn Remediation Project (MR)**

Governor's Proposal. The May Revision requests \$519,000 (\$350,000 Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Bond Fund (Propositions 12) and \$169,000 California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Fund (Proposition 40) to fund lead remediation of the Van Sickle Bi-State Park's 1860's era barn.

The proposal requires related Proposition 12 and Proposition 40 revisions and other budget adjustments to ensure adequate allocation balances to fund the project.

The project includes: removing existing exterior lead-containing paint, removing contaminated soil around the structure, removing and replacing wood infected with dry rot, and priming and retaining the bar.

Staff Recommendation. Approve as proposed.

3100 EXPOSITION PARK
3340 CALIFORNIA CONSERVATION CORPS
3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CALFIRE)
3600 DEPARTMENT OF FISH AND WILDLIFE (DFW)
3790 DEPARTMENT OF PARKS AND RECREATION (PARKS)
3860 DEPARTMENT OF WATER RESOURCES

Issue 6: MR Infrastructure Package – One-Time Deferred Maintenance (MR)

Governor’s Proposal. The May Revision requests a total of \$388 million (\$266 million General Fund, \$162 million American Rescue Plan Act (ARPA) funding) one-time in 2021-22 to address deferred maintenance projects that represent infrastructure deficiencies. The funds will be allocated to the following departments:

- \$165 million General Fund Parks (\$1.27 billion deferred maintenance backlog)
- \$162 million ARPA DWR (\$12 billion deferred maintenance over 30 years)
- \$40 million General Fund CalFire (\$157 million deferred maintenance backlog)
- \$15 million General Fund DFW (\$70 million deferred maintenance backlog)
- \$5 million General Fund Exposition Park
- \$1 million General Fund CCC (\$4.7 million deferred maintenance backlog)

The request also proposes shifting the fund source included in the Governor’s Budget proposal (Issue #7 below) for DWR from General Fund to ARPA (\$75 million).

Staff Recommendation. Approve as proposed and require Parks, CalFire, CCC, and Exposition Park to report to the fiscal and policy committees of the Legislature on the proposed projects they will implement to identify its priority maintenance projects.

Issue 7: One-Time Deferred Maintenance Allocation (GB)

Governor’s Proposal. The Governor’s budget requests \$105 million General Fund one-time to address deferred maintenance projects that represent critical infrastructure deficiencies. More specifically, the Governor’s budget proposal includes the following appropriations for deferred maintenance:

- \$75 million General Fund DWR
- \$20 million General Fund Parks
- \$10 million General Fund CalFire

The additional one-time funding is intended to reduce the deferred maintenance backlog and allow deferred maintenance projects to be completed.

Staff Recommendation. Approve as proposed.

3340 CALIFORNIA CONSERVATION CORPS (CCC)**Issue 8: Los Padres Facility Maintenance Funding (MR)**

Governor's Proposal. The May Revision requests \$1.435 million General Fund in 2021-22, \$136,000 in 2022-23, \$137,000 in 2023-24, and \$139,000 in 2024-25 and 2025-26 to address facility repairs and maintenance needs at the Los Padres facility, owned by the California Military Department (CMD).

Staff Recommendation. Approve as proposed.

3355 OFFICE OF ENERGY INFRASTRUCTURE SAFETY (OEIS)
3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CALFIRE)

Issue 9: Office of Infrastructure Safety Establishment and Transfer of Wildfire Safety Division and Dig Safe Board (MR) (BCP and TBL)

Governor's Proposal. The May Revision requests \$7.433 million Public Utilities Commission Utilities Reimbursement Account (PUCURA) (\$13.015 million ongoing), \$352,000 Safe Energy Infrastructure and Excavation Fund (SEIEF) (\$348,000 ongoing), and 34 positions in 2021-22 and ongoing to establish the new Office within CNRA on July 1, 2021, as required by AB 111 (Committee on Budget), Chapter 81, Statutes of 2019.

OEIS requests the net-zero transfer of \$10.568 million PUCURA (\$6.068 million in 2023-24 and ongoing) and 32 positions to transfer the Wildfire Safety Division from the California Public Utilities Commission on July 1, 2021 as required by AB 111.

OEIS requests the net-zero transfer of \$2.148 million SEIEF (\$4.129 million ongoing) and 24 positions to transfer the California Underground Facilities Safe Excavation Board (Dig Safe Board) from CalFire on January 1, 2022, as required by SB 865 (Hill), Chapter 307, Statutes of 2020.

Staff Recommendation. Approve funding and positions for OEIS and replace proposed trailer bill language with placeholder trailer bill language.

3480 DEPARTMENT OF CONSERVATION**Issue 10: Forest Management Task Force Coordinator (MR)**

Governor's Proposal. The May Revision requests \$168,000 Environmental License Plate Fund (ELPF) and one position ongoing to support the Forest Management Task Force (FMTF). The position, a Senior Environmental Scientist Specialist, will be responsible for coordinating efforts between state, local, and federal partners and overseeing the development of regional frameworks that accelerate efforts to meet state forest and fire resilience goals.

This requested position will be within the Regional Forest and Fire Capacity Program (RFFCP) at DOC for administrative efficiency and to leverage the role of the RFFCP to coordinate multiple scales of forest and fire resilience work at the regional level.

Staff Recommendation. Approve as proposed.

Issue 11: CalGEM Oversight (GB)

Governor's Proposal. The Governor's budget requests 26 positions and a baseline increase of \$4.826 million Oil, Gas, and Geothermal Administrative Fund (OGGAF), phased in over three years (12 positions and \$2.369 million in 2021-22, 22 positions and \$4.061 million in 2022-23, and 26 positions and \$4.826 million in 2023-24 and ongoing) to strengthen enforcement of existing laws and regulations, limit the state's liability, and improve public transparency.

Staff Recommendation. Approve as budgeted.

3480 DEPARTMENT OF CONSERVATION (DOC)

3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CALFIRE)

3600 DEPARTMENT OF FISH AND WILDLIFE (DFW)

3790 DEPARTMENT OF PARKS AND RECREATION (PARKS)

Issue 12: Telematics Implementation (MR)

Governor's Proposal. The May Revision requests \$2.614 million General Fund and \$1.032 million special funds in 2021-22, and \$1.988 million General Fund and \$630,000 special funds in 2022-23 and 2023-24, with four permanent positions for the installation and activation of telematics services in non-standard and state-owned mobile equipment assets, per State Administrative Manual (SAM) Section 4122 (Telematics). Limited-term funding is proposed to allow the departments to evaluate costs savings associated with implementation of telematics before providing permanent ongoing funding.

Parks. Parks requests a one-time increase of \$856,000 General Fund in 2021-22 and \$646,000 General Fund in 2022-23 and 2023-24 for hardware costs, annual service connection fees, and one permanent full-time position. Parks requests funding to install telematics on approximately 3,200 state-owned fleet assets greater than 11,000. The equipment is predominantly off-road, heavy-duty on-road, or specialized. Many of the department's vehicles greater than 11,000 Gross Vehicle Weight Rating (GVWR) and off-road equipment will require a one-time hardware cost for the telematics installation.

DFW. DFW requests \$448,000 General Fund and \$1.032 million from special funds in 2021-22, \$272,000 General Fund and \$630,000 in special funds in 2022-23 and 2023-24, and one permanent full-time position. DFW requests funding for one position and 1,600 devices and accessories for all on-road licensed vehicles, including 150 additional devices per year for future replacement and additional on-road vehicles. The request also includes 1,600 Driver ID devices and accessories for all on-road licensed vehicles.

CalFire. CalFire requests \$1.06 million General Fund in 2021-22, \$881,000 General Fund in 2022-23 and 2023-24, and one permanent full-time position. This request includes one-time funding for ID FOBs and readers, plus three years of funding for subscription costs (\$654,000, including an offset of \$61,000 in anticipated SMOG savings) and one position and associated costs (\$189,000 in 2021-22 and \$166,000 in 2022-23 and 2023-24). The 3,016 vehicles in need of telematics includes vehicles requested in the 2021-22 Governor's Budget.

CCC. CCC requests \$250,000 General Fund in 2021-22, 2022-23, and 2023-24, and one permanent full-time position. All requested positions are needed to develop, implement, and maintain the telematics program. This proposal provides funding to cover unanticipated telematics monthly service fees for 574 fleet assets including 380 vehicles, 58 rugged units for off-road or high impact equipment, and 136 non-powered units requiring a solar installation unit. Annual costs also include funding for replacement, repair, and/or new installations, and one position to coordinate the telematics program within the department.

Background. Telematics services are comprised of both hardware and software solutions that gather and store geographic and on-board diagnostic information, such as current odometer, maintenance needs, and fuel consumption, from fleet assets and transmits that information to a centralized software platform. The data

gathered can be utilized to improve fleet/driver productivity, reduce fuel consumption, increase driver safety, and meet regulatory compliance.

Telemetry tracking is currently the best available technology for active and effective management and accountability of any large fleet. The program will eliminate the need for the cumbersome process of manually capturing and entering data via paper logs into various legacy databases. Fleet usage records have historically been less than accurate, leading to inconsistent reporting. Use of telematics will automate this process and decrease errors or gaps in information while reducing the workload for operators. Under this program, data will be available in real-time and may reduce unnecessary fleet purchases by identifying, sharing, or redirecting opportunities for low-use assets.

In 2011, Public Resources Code (PRC) Section 25722.5 established the requirement for state agencies to report information on their fleet assets to the Department of General Services (DGS). Per PRC § 25722.5, “[DGS], in consultation with the commission and the State Air Resources Board, shall develop and adopt specifications and standards for all passenger cars and light-duty trucks that are purchased or leased on behalf of, or by, state offices, agencies, and departments.”

In 2011, Executive Order B-2-11 was issued, requiring state agencies to provide and update their fleet asset information to DGS monthly. Telematics was first referenced in the DGS’ Management Memo (MM) 16-07 as an alternative option to the 50 percent pure zero emission vehicle purchasing requirement, and again in DGS’ 2019 Strategic Plan, “...process to develop and implement a singular statewide fleet asset management system, which will be fully integrated with the state’s contracted telematics service.”

In accordance with PRC § 25722.5, DGS released State Administrative Manual (SAM) Management Memo #21-01 on January 13, 2021. The policy provides direction to all state agencies on new telematics installation and usage reporting requirements for the state’s fleet, and added Section 4122 to SAM. Section 4122 requires “state agencies have telematics services installed, activated, and made operational on owned fleet mobile equipment and vehicles.”

Staff Recommendation. Approve as proposed.

3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CALFIRE)**Issue 13: Fire Protection Enhancements: Direct Mission Support (MR)**

Governor's Proposal. The May Revision requests to permanently redirect \$12.197 million General Fund in 2021-22 and \$12.069 million ongoing from the Emergency Fund to the base budget (a net-zero transfer), along with \$1.5 million General Fund one-time in 2021-22, 85 positions starting in 2021-22, and 87 positions in 2022-23 and ongoing. An additional \$1.5 million of ongoing lease savings will be redirected starting in 2022-23 to backfill the proposed one-time General Fund.

CalFire also proposes to permanently redirect \$2.1 million in telework savings starting in 2021-22 to partially support an additional 23 positions in the Business Services Office (BSO) (Contracts), Departmental Accounting Office (DAO), Budget Office, Equal Employment Office (EEO), Office of Program Accountability, the Communications Office, Labor Relations Office (LRO), Information Technology Services (ITS), Research and Development (R&D), the Office of Legislation, Fire Protection, the Executive Office, and Occupational Health Program (OHP).

In 2021-22, CalFire is terminating leases for two buildings in the Sacramento Arden area, and is moving the staff into the new California Natural Resources Agency building. In 2021-22, \$1.5 million General Fund one-time will provide funding to help support 21 positions until leases in the Sacramento Arden area are terminated, and savings are redirected to provide the remaining funds needed to support a total of 23 positions on an ongoing basis starting in 2022-23.

LAO Comments. CalFire - Direct Mission Support (\$1.5 Million GF, \$12.2 Million Transfer from E-Fund). The LAO recommends that the Legislature seek additional justification for the proposed positions and a clearer explanation for why they believe the assumed offsetting savings will materialize before acting.

If the Administration is unable to provide sufficient justification in time for legislative review, the LAO would recommend that the Legislature reject the proposal. The Administration could resubmit the proposal with additional justification in next year's budget cycle. In particular, the areas where the administration should provide additional information are:

- **Staffing Justification.** (1) What are the current staffing levels to support the unit or activities described? (2) What specific workload backlogs or gaps in service exist because of inadequate staffing? (3) Why the specific number of additional staff are justified?
- **E-Fund Transfer and Lease Savings.** The request proposes to offset most of the costs associated with the new positions with reductions in the Emergency Fund (E-Fund) and lease savings from moving staff into the new Natural Resources building. However, it is unclear whether those offsetting savings will materialize. Specifically, it is unclear how much the proposed positions will reduce the utilization of the E-Fund given that the Director of Finance can augment this fund during the course of the budget year based on emergency fire activity. Additionally, it is unclear why this proposal assumes lease savings from moving into the New Natural Resources Building given that the department has another separate proposal that requests additional funds to cover higher lease costs associated with the move into the building.

Staff Recommendation. Reject.

Issue 14: One-Time Fire Protection Augmentation — July to December 2021 (MR)

Governor’s Proposal. The May Revision requests one-time funding of \$38.913 million General Fund in 2021-22 to augment its fire protection resources given trends associated with climate change and current drought conditions, increasing fire severity and size, declining inmate camp populations, and ongoing operational impacts from COVID-19.

Military Crew Staffing (\$5.623 million). Through an agreement with the California Military Department (CMD), CalFire is currently staffing 10 fire crews to perform fire prevention and fuel reduction project work and fire response, referred to as Task Force Rattlesnake. This request includes funding to support the staffing of three additional Task Force Rattlesnake crews for a total of 13 fire crews from July through December, with two new crews operating out of the Santa Clara Unit and one in the San Diego Unit. The request includes contract services with CMD for their service members and operating expenses in three exclusive use crews. To support the additional crews, CalFire requests four temporary FCs and 12 Fire Fighter Is (FF). This request includes \$4.048 million for Task Force Rattlesnake.

In addition, during periods of high fire activity when fire crew resources are drawn down, CalFire and CMD have an agreement allowing for the mobilization and deployment of CMD resources as Type II Hand Crews for response to incidents. These hand crews are commonly referred to as force packs. Force packs are mobilized for a 29-day period that includes activation, mobilization, training, deployment, and demobilization. The military service members provided by the CMD are supervised by a FC and supported by FFs that are trained to perform as the Military Crew Advisor chainsaw team or “sawyers” to support the force packs. This request includes 24 FFs to serve as sawyers assigned to support force pack deployments. The request includes \$1.575 million for the FF sawyers.

Additional Fire Crews (\$27.444 million). The April to June 2021 funding augmentation included additional CAL FIRE and CCC Fire Crews which are proposed to start on July 1, 2021, as part of the 2021-22 Governor’s Budget. This augmentation accelerated the hiring and training of 12 CalFire Fire Fighter crews and 12 CCC fire crews given trends associated with increasing fire severity and size as well as current drought conditions and weather patterns. In addition, the April to June 2021 augmentation included the staffing of eight additional CalFire Fire Fighter crews in order to address declining fire crew numbers statewide.

This request includes funding to continue the staffing of the eight additional augmented CalFire Fire Fighter crews for the period of July through December 2021, and includes 24 Fire Captains (FC), 24 Fire Apparatus Engineers (FAEs) and 320 FFs to provide a minimum of 15 crew members for 24 hours, seven days a week. Each fire crew will have two company officers (FC and FAE) and 13 FFs to perform fire prevention and suppression work.

Fire Protection Support (\$1.725 million). An additional 27 Associate Governmental Program Analysts (AGPA) are requested for a period of six months in each of the 21 units, two at region headquarters, and four at Sacramento headquarters. These requested AGPAs will assist with the personnel and finance transactions required to support the additional 408 employees and 11 additional fire crews operating out of temporary use facilities. In addition, they are intended to support the processing and payment of Assistance by Hire resources and California Fire Assistance Agreement invoices anticipated due to increased fire activity and large-scale fire incidents. Additional resources at CalFire’s region offices is intended to help ensure there is staff to support the increased fire protection personnel at the regions and units, and to support the accounting workload. The requested positions are meant to address key gaps in administrative staffing, allow CalFire to improve operational efficiencies and ensure the department continues to meet its mission.

Fiscal Services Support. (\$2.121 million). CalFire requests \$471,000 to fund seven Staff Services Analysts and two Staff Services Managers for a period of six months at Sacramento headquarters to manage the workload surge from incident related purchases and payments. With the implementation of the Financial Information System for California (FI\$Cal), the process from Procurement-Card (P-Card) Purchase Orders through payment has vastly changed from the legacy system, adding workload and requiring a higher level of expertise for purchasers, approvers, and auditors. Based on the volume of work generated by wildfire incidents and the substantial workload created by FI\$Cal, the bulk of P-Card related workload has been assigned to Business Services Incident Fiscal Support and the Departmental Accounting Office. Incident Fiscal Support staff receive the P-Card packages from all purchasers assigned to the fire, and reconcile, receipt, and approve every transaction within. Then each package goes to voucher phase where Accounting audits, approves, and submits for payment.

CalFire requests \$1.5 million to continue contracted support for processing payments from incidents for local government, hired equipment, late payment penalty processing for thousands of claims that are separate from the original payment transaction, P-Card purchasing from fires, and P-Card support for units. The use of contracted resources made it possible for CalFire to close the last fire year for private vendors, but the department is still processing hundreds of local government invoices that arrived in April 2021 for 2020 fire activity. To date, the current contracted resources have effectively processed 2,498 invoices or receipts and \$154.2 million in payments owed to various parties for 2020 fire activity. Absent this support in another extreme fire year, the payment side of the Department may not be able to sustain the workload.

CalFire also requests \$100,000 for student assistants to help the Emergency Response Billing Unit with document collection, copying, and packaging of various support elements of fire recovery packages. Given the size of the 2020 fire activity, CalFire's backlog includes an unprecedented 20 Fire Management Assistance Grants or Federal Emergency Management Agency (FEMA) Declaration packages that must be completed within various deadlines for Cal OES and their forwarding onto the federal government. Given the very manual nature of preparing recovery packages to meet federal requirements, the department requests additional temporary assistance to provide support to permanent staff, so that the review, audit and preparation workload is completed in a timely manner.

Vehicle Repair and Maintenance (\$2 million). This request includes \$80,000 for 21 units, two region headquarters, mobile equipment headquarters, and training centers, for a total of \$2 million. CalFire performs its annual maintenance of engines, emergency crew transports, and dozers during the winter months, when use is at a minimum. The 2021 fire season is expected to have higher fire activity, and increased vehicle and equipment usage and travel is projected to be above normal, increasing maintenance and repair costs.

Staff Recommendation. Approve as proposed.

Issue 15: Capital Outlay Projects (MR)

Governor's Proposal. The May Revision requests the following one-time increases for capital outlay projects:

Shasta Trinity Headquarters/Northern Operations: Relocate Facility. \$360,000 General Fund for the preliminary plans phase of this project. This one-time is necessary to address scope and cost changes quantified to accommodate on-site staffing.

Howard Forest Helitack Base: Replace Facility. \$1.228 million for the preliminary plans phase of this project. The new helitack base is intended to enhance operational logistics and provide crew the ability to fly the new Blackhawk helicopter in response to emergencies and natural disasters, as well as initial and extended attack on fires.

Kneeland Helitack Base: Relocate Facility. \$1.228 million for the preliminary plans phase of this project. The new helitack base is intended to increase the sphere of influence to respond to incidents, especially with the new location having exceptional approach and departure paths, will reduce the impact of coastal fog on operations, and will have on-site water accessibility, which the current base lacks.

Lake/Napa Unit Auto Shop and Warehouse: Replace Facility. \$1.102 million from the working drawings phase of this project. The replacement and relocation of the Lake/Napa Unit Auto Shop and Warehouse serves five counties.

Riverside Unit Headquarters: Relocate Facility. \$3.66 million for the acquisition phase of this project. This facility will be a new unit headquarters and fire station and is meant to allow the department to construct a modern facility that meets current and anticipated mission.

Staff Recommendation. Approve as proposed.

Issue 16: SB 901 Forest Health and Fire Prevention Extension (GB) (TBL)

Governor's Proposal. The Governor's Budget proposes trailer bill language to continue the annual appropriation of \$200 million GGRF pursuant to SB 901 (Dodd), Chapter 626, Statutes of 2018, through 2028-29.

Staff Comments. The Legislature cannot bind a future Legislature. This language is unnecessary.

Staff Recommendation. Reject.

3560 STATE LANDS COMMISSION (SLC)**Issue 17: South Ellwood Project — Platform Holly Plug & Abandonment (P&A) (MR)**

Governor’s Proposal. The May Revision requests \$49.9 million one-time General Fund in 2021-22 and to repurpose \$2.5 million one-time General Fund provided in the 2020 Budget Act for fiscal year 2021-22, to complete Phase 1 of the South Ellwood Project.

In addition, SLC requests \$2.5 million one-time General Fund in 2022-23 to initiate the Environmental Impact Report (EIR) and feasibility study for Platform Holly originally scheduled and funded for 2021-22.

The total amount of funding required to complete P&A work is anticipated to be \$52.431 million. Since submission of the initial BCP, several developments have increased the state’s project timeline and estimated total project costs.

Phase 1 includes staffing of facilities and the permanent securing and plug and abandonment (P&A) of oil wells on Platform Holly in Santa Barbara County. Phase 1 does not include decommissioning and the ultimate disposition of the platform itself, which will occur in a subsequent phase and be undertaken primarily by ExxonMobil (Exxon).

The Budget Act of 2020 appropriated \$2.5 million General Fund to complete an EIR and feasibility study on the decommissioning of Platform Holly. Because the EIR cannot be completed until Platform Holly nears the end of the decommissioning phase, the Administration proposes to repurpose this funding for P&A activities in 2021-22, and instead requests \$2.5 million in 2022-23 to complete the EIR and feasibility study.

SLC anticipates the state’s total remaining Phase 1 costs to be \$71.8 million, which exceeds the \$20 million that SLC still has (\$15 million, carried over from the original BCP, and the \$5.033 million in remaining available lease security bond funds) by \$52 million.

In addition, the SLC requests \$500,000 for existing, and extensive, in-house engineering and technical resources required to manage the Commission’s participation in the Project. SLC is therefore requesting this additional \$52.5 million appropriation because Phase 1 must be completed to protect public health and safety and the environment.

Staff Recommendation. Approve as proposed.

Issue 18: Long Beach Municipal Oil Barrel Production Tax (MR) (TBL)

Governor's Proposal. The May Revision requests TBL to settle a dispute and avoid litigation regarding application of the Long Beach Oil Barrel Production Tax (OBPT) to the state. The TBL is proposed to do the following:

- Expressly prohibit allocation of Measure US and any future OBPTs to the state's share of production.
- Increase the Long Beach's (City's) share of revenue from Long Beach Tidelands' production, as dictated by statute, to cover anticipated tax revenue that will be lost due to Measure US not being applied to the state's share of revenue from oil production.
- Broaden the City's allowable uses of revenue it receives from tidelands oil and gas operations, as well as the geographic areas in which such expenditures of revenues may be made, subject to SLC approval.
- Update appropriate uses of granted sovereign lands to match contemporary Public Trust Doctrine by allowing use for specific Public Trust-consistent purposes as outlined in the statute, and for other purposes that do not substantially interfere with Public Trust resources or Public Trust-consistent uses for the foreseeable term of the proposed use.

Background. The state legislatively granted the Long Beach Tidelands to the City in 1911 with subsequent amendments in 1925 and 1935 detailing the authorized purposes/improvements for the legislatively granted lands. The law provides that absent granting language to the contrary, expenditure of tideland revenue must be consistent with the grant's purpose (e.g. wharfs, marinas, parks).

The state authorized the City to enter into cooperative units for the development of tidelands oil and gas. Statute defines the share of revenue the City would receive from Long Beach Tidelands oil production and the allowable uses for expenditure of that revenue. Pursuant to a series of negotiated agreements directed by legislation, the state and the City entered into a net-profits sharing agreement, which is a unique structure for the state. The City's share of revenue is limited to the uses identified in the grant and more broadly the common law Public Trust Doctrine.

Under the statutory scheme, the City currently receives \$1 million annually plus eight percent of net production in the Long Beach Unit into the City's Tideland Oil Revenue Fund. The Tideland Oil Revenue Fund is restricted to certain tidelands-related uses. All remaining net profits from the sale of the oil and gas are released to the State's General Fund.

Starting in 1962, the City assessed a tax per/barrel of oil production, the OBPT within City limits. Until the early 1980s, the City did not apply the tax to the state's share of oil revenue in the Long Beach Tidelands, and when it was improperly applied to the state's share, a refund was provided consistent with the law.

Statute lays out how revenue was to be shared regarding all production from state tidelands and did not allow for additional taxation of the state's share of revenue.

In 1990 the City passed a \$0.15 per/barrel OBPT, applying it to the state's share of revenue.

In 2007 residents passed a new OBPT to fund public safety (Measure H) at a rate of \$0.25 per/barrel with a consumer price index (CPI) escalator. This tax is also applied to the state's share of revenue.

In November 2020, Long Beach voters approved Measure US adding an additional \$0.15, plus a CPI escalator, per/barrel, to go into effect October 1, 2021. The City also intends to apply this tax to the state's share of revenue.

All OBPT taxes are collected into the City's General-Purpose Fund, which is not restricted to tidelands uses, in contravention of existing law.

Dispute between the state and City of Long Beach. A dispute has arisen between the state and City of Long Beach regarding the legality of applying the OBPTs to the state's share of oil revenue. The practical effect of the OBPT, as currently applied by the City of Long Beach, is to reduce the total, monthly net profit deposited to the state's General Fund and to redirect the state's share of tidelands revenue to the City's General-Purpose Fund.

The City contends it has the right to tax oil production, as a municipal government, which the state does not contest. However, the Administration states that the legal framework of the grant of state-owned tidelands and substantial litigation over the years illustrate that the application of the OBPT to the state's share of revenue is improper as it seeks to unilaterally lift the restrictions on the use of the revenue by removing the money from the more restricted Tidelands Oil Revenue Fund to the City's General Fund and by depriving the state of the share of revenue to which it is entitled. The City is capable of applying the tax to all production and then either returning the state's share of revenue or calculating the state's share based on production and not collecting the tax on that share as it did for decades.

The state acknowledges that the goal of Measure US is to provide funding for: climate change and the environment programs, community health, and children and youth services and programs. The state further acknowledges that these programs are intended to address issues of statewide concern and the potentially deleterious effects of industrial and commercial operations within the tidelands, even though the proposed expenditures will not all occur within the geographic boundaries of the tidelands.

The state acknowledges that the City's share of tidelands oil revenues, the purposes for which such revenues may be spent, and the geographic areas in which such revenues may be spent are currently limited by statute and prohibits the City from funding many of the programs contemplated in Measure US.

To settle the dispute between the state and City, the parties have negotiated a legislative settlement structured to resolve the State's concerns while supporting many of the City's needs.

Staff Recommendation. Reject without prejudice.

3600 DEPARTMENT OF FISH AND WILDLIFE (DFW)**Issue 19: Biodiversity Resilience Package (MR)**

Governor’s Proposal. The May Revision requests a total of \$64.6 million one-time funding (\$59.6 million General Fund and \$5 million California Environmental License Plate Fund (ELPF)) in FY 2021-22 and 39 permanent positions, over five years, to directly address endangered species within California, infrastructure improvements, and to develop a wolf conflict compensation pilot program.

DFW will spread the positions and funding through three programmatic functions as follows:

- 31 positions and \$53.75 million to protect California’s endangered species
- Eight positions and \$7.85 million for statewide infrastructure support and management, which includes \$350K for a feasibility study for a wildlife health laboratory
- \$3 million to establish a wolf conflict program

Staff Recommendation. In lieu of the Administration’s proposal to provide funding on a one-time basis, approve \$12.02 million General Fund on an ongoing basis to support the proposed staff and ongoing activities (endangered species reviews and land management) and \$4.47 million ELPF one-time for the proposed one-time feasibility study and pilot wolf conflict program.

Issue 20: Cutting the Green Tape Initiative (MR)

Governor's Proposal. The May Revision requests to be made permanent 18 positions and \$3.8 million General Fund, received as one-time in 2020-21, for continued support of the Cutting the Green Tape Initiative. Permanent funding into the Cutting the Green Tape Initiative will expand these efforts across a broader scale in the State, resulting in tangible outcomes that improve the pace at which permits and grants are executed for restoration. These resources are intended to support restoration reform through advanced collaboration with our stakeholders, streamlining the grant making process, providing early project consultation, conducting permitting workshops, and incorporating the use of programmatic permitting options.

Approve as proposed and adopt budget bill language per the LAO's recommendation requiring DFW to report annually for the next five years on the outcomes of this initiative, including: (1) quantifying impacts on timelines for processing permits; (2) number of permits granted; (3) specific strategies implemented; (4) lessons learned; and, (5) counties and watersheds on which DFW has focused these efforts.

Issue 21: Drift Gill Net (DGN) Transition Program (SB 1017) (MR)

Governor's Proposal. The May Revision requests \$1.3 million in one-time funding in 2021-22 from the General Fund to cover payments to voluntary participants to complete the Drift Gill Net Transition Program pursuant to SB 1017 (Allen), Chapter 884, Statutes of 2018.

Staff Recommendation. Approve as proposed.

Issue 22: Proposition 99 Technical Adjustments (MR)

Governor's Proposal. The May Revision requests that Item 3600-001-0235 be increased by \$824,000 Public Resources Account, Cigarette and Tobacco Products Surtax Fund (Proposition 99) to reflect a technical baseline budget adjustment associated with additional tobacco tax revenue associated with Revenue and Tax Code Section 30124(b)(5), which specifies that five percent of Cigarette and Tobacco Products Surtax Fund revenue shall be deposited into the Public Resources Account for programs that protect, restore, enhance, or maintain fish, waterfowl, and wildlife habitat, and enhance state and local parks and recreational resources.

Staff Recommendation. Approve as proposed.

Issue 23: Oil Spill Prevention and Administration Fund Statutory Changes (MR) (TBL)

Governor's Proposal. The May Revision requests statutory changes to authorize a fee increase to address the structural deficit in the Oil Spill Prevention and Administration Fund including:

- An increase of the barrel fee from 6.5 cents per barrel to 8.5 cents per barrel (with annual CPI adjustments) and regulatory authority to adjust fee levels to maintain a necessary fund balance.
- An expansion in the definition of regulated oil to include renewable fuels that closely mimic conventional oil and pose a threat to the environment if spilled.

Staff Recommendation. Approve as proposed.

3720 COASTAL COMMISSION**Issue 24: Cap-and-Trade Expenditure Plan: State Operations for Coastal Resilience (MR)**

Governor’s Proposal. The May Revision requests \$750,000 GGRF one-time for state operations for coastal resilience. This shifts \$750,000 one-time, which was included in the 2020-21 early action package in the Governor’s budget for this program to 2021-22.

Staff Comments. Last year, there was no Cap-and-Trade discretionary spending plan. However, there was funding provided to departments to “keep the lights on” for payroll that would normally receive such funding. The Coastal Commission was not included in that funding and the May Revision proposes to correct that oversight from last year.

Staff Recommendation. Approve as proposed.

3780 NATIVE AMERICAN HERITAGE COMMISSION**Issue 25: Truth and Healing Council (MR)**

Governor's Proposal. The May Revision requests a total of \$465,000 Environmental License Plate Fund (ELPF) to provide additional resources to support the commission's Truth and Healing Council, as follow: \$350,000 ELPF annually, from 2021-22 through 2024-25 to support the ongoing work of the Truth and Healing Council, pursuant to Executive Order N-15-19 and \$115,000 ELPF ongoing to support the Governor's Tribal Advisor position, pursuant to AB 880 (2018), separately from the Commission's Executive Secretary position.

Staff Recommendation. Approve \$350,000 ELPF annually, from 2021-22 through 2024-25 to support the Truth and Healing Council. Reject \$115,000 ELPF ongoing to support the Governor's Tribal Advisor.

3790 DEPARTMENT OF PARKS AND RECREATION (PARKS)
3760 STATE COASTAL CONSERVANCY (SCC)**Issue 26: California Outdoors for All Initiative (MR) (BCP and TBL)**

Governor’s Proposal. The May Revision requests a combined total of \$253.1 million from the General Fund and \$3.12 million from ELPF to promote and expand equitable safe and reliable outdoor access to parks, wildlands, public lands, coasts, and other natural, historic, and cultural resources, provide for recreation opportunities, help the state become more climate resilient and support the commitment to conserve 30 percent of our lands and coastal waters by 2030. This proposal includes 20 permanent and funding for 10 temporary positions.

Of the \$239.1 million General Fund Parks request, \$45 million is intended to be deposited into the Natural Resources and Parks Preservation Fund (NRPPF). For the \$14 million requested by SCC to expand its Explore the Coast (ETC) Grant Program, existing SCC staff intend to administer these additional grants.

California State Park Adventures (\$5.6 million General Fund). This pilot program would implement the California State Park Adventure pass, which will waive day-use entrance fees for fourth graders and their families at participating state parks to encourage them to get outdoors and explore the cultural and natural resources of California. The programs will also provide transportation funding to provide access to underserved students.

The program is similar to the Every Kid Outdoors federal program by offering free admission for all fourth graders and their families for a full year to 19 state park units. Participating parks will be geographically dispersed and highlight key outdoor education topics, such as sea level rise, climate change, and wildlife corridors.

K-12 Access Expansion (\$65 million General Fund; \$3.12 million ELPF one-time, \$2.441 million ongoing; and 20 positions). The department’s existing efforts to provide disadvantaged youth with digital and physical access to the natural environment, along with high-quality education and outdoor recreation programs, is constrained by limited funding, reliance on seasonal permanent intermittent staffing, and a lack of interpretive staff in target underserved areas. This proposal would implement programs and fund projects that will allow the department to more efficiently and effectively meet the increasing demands for engagement with diverse communities. This proposal will also provide access to accurate and appropriate K-12 curriculum and programming, accessible programming, and park facilities that support and allow for increased use and engagement. This will be accomplished through distanced learning, development of educational and interpretive media, and associated infrastructure improvements. This request includes \$45 million to be deposited into the NRPPF for future appropriation to address infrastructure improvements.

California State Library Partnership (\$3 million General Fund). Parks intends to collaborate with the California State Library to provide state park passes to libraries for check out. This three-year pilot program could either be statewide or target specific areas of the state based on need and is based on a successful pilot in Marin County. Marin County’s program provides passes for check out in all county libraries and select city libraries in lower-income neighborhoods. Passes available through the pilot are the second most checked out item in the Marin County Library System. The proposal includes funding for marketing and evaluation of the pilot programs, administrative costs, and the cost to create the state park passes.

CalWORKS Golden Bear Pass Eligibility Outreach Pilot Program (\$500,000 General Fund) (TBL). SB 86 (Committee on Budget and Fiscal Review), Chapter 15, Statutes of 2021, gives the California Department of Social Services (CDSS) authority to notify recipients of eligibility for benefits and services not administered by CDSS. This new authority allows CDSS to notify CalWORKs recipients of their eligibility for the Golden Bear pass, which provides free day use access to most state parks on an annual basis. The goal of this pilot is to increase awareness of this pass program by directly notifying all CalWORKs recipients about their eligibility for this existing program and its benefit of free day use access to California's state parks. CDSS will need resources to notify CalWORKs recipients of their eligibility for the Golden Bear pass. Parks intends to reimburse CDSS for these costs. Given that the intent of this proposal is to provide free day use access, trailer bill language is requested to waive the \$5 administration fee for the Golden Bear Passes when they are issued to the recipients of this program.

Outdoor Equity Grants Program (\$40 million General Fund). The Outdoor Equity Grants Program increases the ability of residents in low-income urban and rural communities to participate in outdoor experiences at state parks and other public lands. This program not only requires applicants to do more than just plan trips to state and local parks, but it also seeks to build the capacity of communities to be more aware of close to home environments and their connections to more distant environments. This proposal builds upon the \$20 million invested in the Outdoor Equity Grants Program in the 2020 Budget Act and is intended to allow the program to incorporate the findings of studies on the effectiveness of the various strategies deployed to connect low-income communities with the outdoors.

Statewide Park Program (\$125 million General Fund). Parks currently holds \$2.4 billion in requests for the \$426 million available for the program under Proposition 68. The proposal will augment those funds by \$125 million, \$25 million of which is for a park project at India Basin in San Francisco. Parks anticipates these funds will fund 20-25 projects; this would be a mix of new parks and renovating existing parks.

This program does not need to be developed. As Parks currently holds pending grant funding requests for Proposition 68 funding, the projects funded under this proposal can be constructed quickly. Applicants are required to provide a timeline demonstrating that the project can be completed within the liquidation period and to outline any potential obstacles with a plan to overcome them. Parks intends to select the most prepared projects available, awarding funds in fall of 2021.

Explore the Coast Grant Program (\$14 million General Fund). ETC grants support a wide range of activities, including funding transportation for coastal experiences for communities less familiar with the coast, communication and outreach, economic development related to coastal tourism, and development of interpretive information and education materials. The program operates as a small grants program with a maximum award of \$50,000. To date, SCC has provided approximately \$6.5 million to fund 228 projects.

Nearly all of the projects funded through the ETC program include an environmental education component. Most of the projects funded involve hands-on educational experiences at the coast for school-aged youth from disadvantaged communities and some projects include classroom curriculum relating to coastal and marine environments.

LAO Comments. Parks and Recreation and Coastal Conservancy – Outdoors for All Package (\$256 Million General Fund and ELPF). Increasing access to parks—particularly for disadvantaged or underserved communities—is worthy and consistent with past legislative priorities. However, the administration's proposal lacks key information on various aspects of the package.

Therefore, the LAO recommends that the Legislature seek additional information from the Administration before taking action on this package.

If sufficient information is not available to inform legislative decisionmaking within the timeframe of the May Revision, the Legislature could consider withholding action on some or all of the package until next year.

Specifically, some key areas that would benefit from additional information include:

- ***Goals and Outcomes.*** The Administration has not articulated measurable goals that are anticipated to be achieved through the state's access programs, as well as with the proposed funding specifically. It is also unclear whether the proposed activities are best suited to achieve these goals and how progress towards meeting these goals will be measured. For example, the proposal includes \$9.1 million one-time for pilot projects to expand parks pass distribution, especially for youth in disadvantaged communities (for example, by providing free park day use to 4th graders and their families). However, it is unclear whether these pilot programs are the most effective way to improve park access and how their success will be measured.
- ***Details on Proposal.*** The proposal also lacks key details necessary to assess its merits. For example, the proposal includes \$68.1 million for K-12 access expansions through distanced learning, development of educational and interpretive media, and associated infrastructure improvements. However, the proposal does not include a breakout of how much of the funding would support each of these activities, identification of what specifically would be funded, a justification for the number of requested positions, or identification of the expected outcomes that would be achieved with these resources.
- ***Justification for Funding a Specific Park.*** The proposal includes \$25 million for a park project at India Basin in San Francisco. The proposal does not include a clear explanation as to why the administration selected this project to receive direct General Fund support over other local projects, and why it was excluded from the competitive process generally applied to other projects.

Staff Recommendation. Approve \$14 million General Fund for the Explore the Coast program, \$125 million General Fund for the Statewide Parks Program, and \$40 million for Outdoor Equity Grants Program. Approve the remaining \$74.1 million with details to be determined by final agreement among the Senate, Assembly, and Governor.

3790 DEPARTMENT OF PARKS AND RECREATION (PARKS)**Issue 27: 2020 Fire Event: Statewide Repairs (MR)**

Governor's Proposal. The May Revision requests \$113.5 million General Fund and \$103.5 million in reimbursement authority in FY 2021-22 for the 2020 Fire Event: Statewide Repairs project. FEMA will provide federal funding on a cost-sharing basis for the repair and replacement of the damaged facilities.

This request is intended to provide funding for a three-pronged approach to rebuilding and restoring destroyed facilities and trails back to pre-disaster condition, in a manner that reflects the best science to ensure these parks are more climate-resilient, including embracing fire as an important and necessary process for maintaining forest health and resiliency. This proposal includes:

- \$1 million for planning efforts for Big Basin Redwoods State Park (SP). Parks understands that rebuilding this park will require a complete re-thinking of how and where visitor-serving facilities are reconstructed, by applying valuable lessons learned from the recent disaster. In addition, Parks will also focus on addressing access and equity issues as it rebuilds this park.
- \$8.1 million to address post-fire hazards in Big Basin Redwoods SP, including hazard tree identification and removal, and other work to secure infrastructure that is critical to the park's future operations.
- \$207.9 million to rebuild the various parks damaged by the 2020 Fire Event to pre-fire conditions, as appropriate, and to rebuild Big Basin Redwoods SP consistent with the results of the proposed planning efforts.

Staff Recommendation. Approve as proposed.

Issue 28: California Indian Heritage Center Funding Transfer (MR)

Governor's Proposal. The May Revision requests \$95.3 million General Fund to be redeposited into the Natural Resources and Parks Preservation Fund for working drawings (\$4.7 million) and construction (\$90.6 million) phases of the California Indian Heritage Center (CIHC) project in Yolo County. The project may include up to approximately 120,000 square feet of indoor program space, outdoor public spaces, interpretive and educational trails, demonstration areas, and other appurtenant facilities.

Staff Recommendation. Approve as proposed.

Issue 29: Sacramento Railyards Rehabilitation (MR)

Governor's Proposal. The May Revision requests \$30 million General Fund one-time to fund rehabilitation activities at the Sacramento Railyards in the City of Sacramento.

Staff Recommendation. Approve as proposed.

Issue 30: Various Capital Outlay Reappropriations (MR)

Governor's Proposal. The May Revision requests various items be reappropriated for the following projects consistent with updated project completion timelines.

Staff Recommendation. Approve as proposed.

Issue 31: Various Capital Outlay Reversions (MR)

Governor's Proposal. The May Revision requests the reversion of existing Capital Outlay appropriations for completed projects and/or phases of projects.

Staff Recommendation. Approve as proposed.

Issue 32: Various State Operations Reappropriations (MR)

Governor's Proposal. The May Revision requests that Item 3790-490 be amended to include several additional reappropriations related to state operations. In addition, it is requested that provisional language in Items 3790-492 be added to extend the liquidation for one appropriation. Lastly, it is requested that Item 3790-493 be added to reappropriate several legislative investments in local projects.

Staff Recommendation. Approve as proposed.

Issue 33: Proposition 99 Technical Adjustments (MR)

Governor's Proposal. The May Revision requests that Item 3790-001-0235 be increased by \$1.757 million to reflect a technical baseline budget adjustment to reflect additional tobacco tax revenue for the Public Resources Account, Revenue and Tax Code Section 30124(b)(5) percent of Cigarette and Tobacco Products Surtax Fund revenue shall be deposited into the Public Resources Account for programs that protect, restore, and enhance, or maintain fish, waterfowl, and wildlife habitat, and enhance state and local parks and recreational resources.

Staff Recommendation. Approve as proposed.

Issue 34: Fiscal Stability for Boating Programs (MR) (BCP and TBL)

Governor's Proposal. The May Revision requests \$10.7 million General Fund in 2021-22, 2022-23, 2023-24, and 2024-25 to cover costs associated with the aquatic invasive species (AIS) program and \$10 million General Fund in 2023-24 and 2024-25 to fund Davis-Dolwig Transfers.

Also included in this request is a proposal to reduce to the vessel registration fee increase proposed in the 2021-22 Governor's Budget.

Parks, Division of Boating and Waterways (DBW), requests an addendum to its Governor's Budget Fiscal Stability for Boating Programs proposal that reduces the previous increase to vessel registration fees to align with activities associated with registration such as Department of Motor Vehicle (DMV) Costs, Financial Aid Programs, and associated overhead, and to fund broader obligations such as AIS treatment and Davis-Dolwig liabilities from General Fund.

This proposal retains the previously requested \$20 million General Fund proposed for Davis-Dolwig transfers, as well as the suspension of the public and private loan programs, the public beach restoration program, and expenditure reductions for state operations and local assistance grant programs. The Governor's Budget proposal increased the vessel registration fee from \$10 to \$35 on an annual basis. Pursuant to this addendum, the vessel registration fee would increase from \$10 to \$20 on an annual basis. This proposal results in fund solvency through 2024-25.

This proposal includes trailer bill language corresponding trailer bill language.

Staff Recommendation. **Reject the Governor's proposed trailer bill language to increase vessel fees. Instead, provide an additional \$9.3 million General Fund annually from 2021-22 to 2024-25 to support the Harbors and Watercraft Revolving Fund (for a total transfer from the General Fund to the Harbors and Watercraft Revolving Fund of \$30 million annually from 2021-22 through 2024-25).**

Adopt Budget Bill language that requires Parks, in consultation with stakeholders and staff of relevant fiscal and policy committees of the Legislature, to develop a proposal that includes a combination of fee increases, expenditure reductions, and other actions designed to keep the fund in structural balance on an ongoing basis. The Budget Bill language shall also require the department to present this proposal to the Legislature for consideration no later than January 10, 2023.

Issue 35: Non Bond Technicals (MR)

Governor’s Proposal. The May Revision requests for reappropriations and other technical adjustments from various funds to continue implementation of existing authorized programs.

This proposal includes requests to extend the liquidation period of 2020-21 and 2021-22 Local Assistance programs under the Off-Highway Vehicle Trust Fund by one additional year, totaling three years to liquidate.

Also included are requests to extend the encumbrance date of the 2019 Water/Wastewater Program, 2017 Hazardous Mine Remediation appropriation, the 2012 Enterprise Fund appropriation, the 2020 Senate Bill 8 State Beaches and Parks Smoking Ban appropriation, the 2019 Community Engagement Pilot Programs appropriation, and the 2020 Replacement of Emergency Fleet appropriation until June 30, 2022.

The final request of this proposal is to reappropriate Provision 3 of item 3790-001-0392 of the 2020 Budget Act until June 30, 2022, to allow the department to continue to receive transfers up to \$150,000,000 from the General Fund to the State Parks and Recreation Fund to offset unanticipated revenue loss resulting from public health-related closures of state parks.

Staff Recommendation. Approve as proposed.

Issue 36: Public Safety Dispatch Radio Console Replacement (MR)

Governor’s Proposal. The May Revision requests a one-time increase of \$1.6 million General Fund in 2021-22 for the replacement of 29 dispatch consoles utilized in the department’s two communication centers. The radio console systems are a critical and indispensable link between the department’s field personnel, dispatchers, allied agencies, and the public.

Staff Recommendation. Approve as proposed.

Issue 37: South Yuba River State Park (SP): Historic Covered Bridge (MR)

Governor’s Proposal. The May Revision requests a supplemental appropriation of \$2 million for construction from available Proposition 84 bond funds (Public Resources Code Section 79063(a)), to restore and rehabilitate the world’s longest single span historic covered bridge located at South Yuba River SP.

Staff Recommendation. Approve as proposed.

3835 BALDWIN HILLS CONSERVANCY**Issue 38: Baldwin Hills Conservancy Technical Proposal: Reappropriation of 2018 Proposition 1 Local Assistance (MR)**

Governor's Proposal. The May Revision requests a technical adjustment to reappropriate Proposition 1 Local Assistance as published in the 2018 Budget Act to continue implementation of existing authorized programs.

Staff Recommendation. Approve as proposed.

3855 SIERRA NEVADA CONSERVANCY**Issue 39: Technical Adjustment (MR)**

Governor's Proposal. The May Revision requests that provisional language be added to Item 3855-001-0140 (ELPF) to allow expenditures for support or local assistance, as follows:

1. The funds appropriated in this item may be used for support or local assistance.

Staff Recommendation. Approve as proposed.

3860 DEPARTMENT WATER RESOURCES (DWR)

Issue 40: Systemwide Flood Risk Reduction: Yolo Bypass Phase 1 Implementation (MR)

Governor's Proposal. The May Revision requests \$7.6 million towards the preliminary plan phase of the ongoing, Yolo Bypass Phase I implementation program, Little Egbert Tract project. The Little Egbert Tract project needs to make significant progress in the near future to meet mitigation needs and to be able to efficiently implement the project. The Little Egbert Tract project is consistent with the intent of Proposition 68 bonds and Proposition 1 bonds to fund multi-benefit projects that achieve public safety improvements and measurable fish and wildlife improvements and has received funding in prior fiscal years.

Staff Recommendation. Approve as proposed.

Issue 41: Sustainable Groundwater Management Program (MR)

Governor's Proposal. The May Revision requests that Item 3860-101-0001 be decreased by \$30 million General Fund one-time, Provision 1 be eliminated, Provision 2 be added, and Item 3860-162-8506 be added in the amount of \$60 million Coronavirus Fiscal Recovery Fund of 2021 one-time to support Sustainable Groundwater Management Act implementation. This includes the withdrawing of \$30 million one-time General Fund that was proposed in 2020-21 as part of the Early Action Package.

Staff Comment. This action is consistent with the committee's action taken on May 11, 2021, but switches the fund source.

Staff Recommendation. Approve as proposed.

Issue 42: CalConserve Water Use Efficiency Revolving Loan Program Repurposing (MR) (TBL)

Governor's Proposal. The May Revision requests to amend Water Code Section 81023, as follows:

Section 81023 of the Water Code is amended to read:

Consistent with Division 26.7 (commencing with Section 79700), the sum of ~~ten~~ three million dollars ~~(\$10,000,000)~~ (\$3,000,000) of the proceeds of bonds authorized to be issued and available for the purposes of Section 79746 shall be transferred to the fund and used by the department, upon appropriation, for loans for ~~the following~~ water conservation and water use efficiency projects and programs to achieve urban water use targets developed pursuant to Section 10608.20~~;~~

~~(a) (1) Five million dollars (\$5,000,000) for a pilot project for local agencies to provide water efficiency upgrades to eligible residents at no upfront cost.~~

~~(2) Five million dollars (\$5,000,000) for local agencies to provide low-interest loans to — customers to finance the installation of onsite improvements to repair or replace, as necessary, cracked or leaking water pipes to conserve water.~~

~~(b)(a) The department may implement this section by providing to a local agency a zero-interest loan of up to three million dollars (\$3,000,000).~~

(c)~~(b)~~ A local agency that receives a loan pursuant to this section shall exercise reasonable efforts to recover the costs of the loan. However, the department may waive up to 10 percent of the repayment amount for costs that could not be recovered by the local agency.

(d)~~(e)~~ The department and a local agency that is an urban retail water supplier and that receives a loan pursuant to this section may enter into a mutually agreeable schedule for making loan repayments into the CalConserve Water Use Efficiency Revolving Fund.

This language accompanies a piece of the May Revision proposal on Water Resiliency.

Background. The Administration states that the proposed trailer bill language is necessary to facilitate the requested accompanying reversion of \$7 million from the CalConserve Water Use Efficiency Revolving Fund that was created after the passage of Proposition 1. Originally, the fund had \$10 million to provide loans to local agencies for water conservation and water use efficiency projects, but due to low demand, only one \$3 million project has been funded. The subsequent new appropriation of \$7 million from Proposition 1 that is requested as part of the Administration's Water Resilience Package will be used for the purposes of providing direct and indirect support to water suppliers, especially small and rural systems, via investigations, training, and projects. This could include system leak identification and preventative maintenance before a system experiences water shortages.

Staff Recommendation. Approve and conform to the final water package.

Issue 43: Various Reappropriations (MR)
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Governor's Proposal. The May Revision requests technical corrections to previously requested reappropriations to support various programs. These technical changes are critical to various projects which cannot be completed by June 30, 2021.

Staff Recommendation. Approve as proposed.

CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY (CalEPA)

0555 CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY (CALEPA)

Issue 44: Environmental Justice Small Grant Program (GB)

Governor's Proposal. The Governor's budget requests \$1.5 million Toxic Substances Control Account (TSCA) ongoing to support the Environmental Justice (EJ) Small Grant Program. The Environmental Justice Small Grant Program awards grants to assist eligible non-profit community organizations and federally recognized Tribal governments addressing environmental justice issues in areas disproportionately affected by pollution and health and environmental hazards. This proposal is contingent on the passage of the Department of Toxic Substances Control Governance and Fee Reform proposal, which is intended to provide a sustainable funding source for TSCA.

Staff Recommendation. No action. This proposal has been withdrawn by the Administration as noted in the May Revision Climate Resilience Package.

Issue 45: California Environmental Reporting System Project (SFL)

Governor's Proposal. A spring finance letter (SFL) requests \$1.723 million Unified Program Account and four positions to update the California Environmental Reporting System (CERS). The project will update the technical platform, improve data quality and processes supporting data quality, address inefficient input and interactions, and make identified enhancements to CERS.

Staff Recommendation. Approve as proposed.

0555 CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY (CALEPA)
0690 GOVERNOR’S OFFICE OF EMERGENCY SERVICES (CAL OES)

**Issue 46: Unified Hazardous Waste and Hazardous Materials Regulatory Management Program
Realignment (MR) (BCP and TBL)**

Governor’s Proposal. The May revision requests, for the Governor’s Office of Emergency Services (Cal OES) and CalEPA, to realign staff resources, funding, and authorities within the state’s Unified Hazardous Waste and Hazardous Materials Regulatory Management Program (Unified Program) beginning in fiscal year 2021-22.

Specifically, this proposal seeks to realign the Hazardous Materials Business Plan (Business Plan) Program, the Local Emergency Response Plan Coordination (Area Plan) Program, and the California Accidental Release Prevention (CalARP) Program components.

This proposal includes a net-zero shift of \$843,000 Unified Program Account and four positions from Cal OES to CalEPA and includes trailer bill language to effectuate the realignment.

This proposal includes conforming trailer bill language.

Staff Recommendation. Approve BCP and replace TBL with placeholder TBL to retain regulation deadline.

3900 CALIFORNIA AIR RESOURCES BOARD (CARB)

Issue 47: Continuing Resources to Support Implementation of the Community Air Protection Program (AB 617) (GB)

Governor's Proposal. The Governor's budget requests \$4.165 million GGRF ongoing to support 22 existing permanent positions that were approved in the 2017-18 Budget to meet the statutory requirements of AB 617 (C. Garcia), Chapter 136, Statutes of 2017. The positions are currently supported by temporary funding that is set to expire on June 30, 2021.

Staff Comment. The Administration has not provided sufficient justification to fund these 22 positions. Also, AB 617 is an air pollution program and does not reduce GHG emissions. It seems appropriate to provide an alternative funding source that aligns more closely with the goals of the AB 617 program.

Staff Recommendation. Hold open.

3930 DEPARTMENT OF PESTICIDE REGULATION**Issue 48: Pesticide Notification Network (MR)**

Governor's Proposal. The May Revision requests \$10 million General Fund in 2021-22 for planning and initial development costs for a statewide Pesticide Notification Network. These resources are intended to provide funding for procuring the vendors to assist DPR in Stages 2 - 4 of the Project Approval Lifecycle (PAL), Department of Technology oversight, a System Integration vendor, and resources for temporary help. The purpose of this request is to protect the health of pesticide-impacted communities and provide equitable access to important information about pesticide use.

Developing and subsequently implementing a community Pesticide Notification Network statewide is meant to do the following:

- Enhance public transparency of and provide consistent and equitable access to information regarding local restricted material pesticide applications;
- Result in improved public health outcomes in pesticide-impacted communities; and,
- Assist County Agricultural Commissioners and DPR in enforcement of pesticide use regulations. A statewide system for notification will allow for consistency across counties, allowing growers, farmworkers, and community residents to use a single system to submit and track applications.

Staff Recommendation. Approve as proposed.

3930 DEPARTMENT OF PESTICIDE REGULATION (DPR)**8570 CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE (CDFA)****Issue 49: Transition to Safer, Sustainable Pest Management**

Governor's Proposal. The Governor's budget requests \$16.75 million (\$8.25 million GF and \$8.5 million DPR Fund) and 44 positions in 2021-22 for DPR, and \$11.75 million GF in 2021-22 for CDFA as part of a comprehensive proposal to support the state's transition to safer, sustainable pest management.

Additionally, DPR proposes to replace the current flat-fee mill assessment on pesticide sales with a risk-based tiered mill assessment, where higher toxicity pesticides are assessed a higher fee. Once fully phased in by 2024-25, the tiered mill assessment is anticipated to generate approximately \$45 million in additional revenue annually to the DPR Fund. The additional revenue is intended to fund various DPR and CDFA programs and will increase support to the County Agricultural Commissioners (CACs) for local pesticide use enforcement activities to accelerate the state's transition away from harmful pesticides.

The additional revenues are intended to fund the following efforts:

- Enhanced implementation of integrated pest management (IPM) practices.
 - DPR's IPM program (\$8.25 million and 15 positions).
 - CDFA's IPM research, education, and extension grant programs (\$3.75 million ongoing).
 - CDFA, through cooperative agreements with the California State University Agricultural Research Institute (CSU ARI) and University of California Agriculture and Natural Resources (UC ANR), to expand research, education, and extension capacity for IPM (\$8 million ongoing).
- Strengthened DPR enforcement activities (\$3 million DPR Fund and 18 positions in 2021-22 ongoing).
- Increased support to CACs for local pesticide use enforcement activities from 7.6 mills to 10 mills (estimated to be an approximately \$9.5 million increase).
- Enhanced Pesticide Air Monitoring Network (AMN) (\$4 million DPR Fund and seven positions in 2021-22 ongoing).
- Increased community engagement by DPR, including with communities identified by the Community Air Protection Program (as authorized by AB 617 (C.Garcia), Chapter 136, Statutes of 2017, (\$1.5 million DPR Fund and four positions beginning in 2021-22 and \$1.5 million DPR Fund and seven positions in 2022-23 ongoing).
- Sufficient revenues to rep are the DPR Fund's structural fund imbalance and provide a prudent reserve.

Staff Recommendation. Approve as proposed, except in lieu of the proposed increase and tiered mill assessment, approve \$90 million General Fund for a two-year limited term (\$45 million annually) in 2021-22 and 2022-23, with budget bill language to link monitoring and oversight and enforcement actions, and conform to the final Agriculture package.

3940 STATE WATER RESOURCES CONTROL BOARD (SWRCB)**Issue 50: Groundwater Sustainability Plan Review (MR)**

Governor's Proposal. The May Revision requests \$1.962 million General Fund with an extended encumbrance period through June 30, 2024, to support three existing positions that will provide detailed reviews of Groundwater Sustainability Agencies' sustainability plans in preparation for possible State intervention under the Sustainable Groundwater Management Act.

Staff Recommendation. Approve as proposed.

Issue 51: Technical Adjustments: Reappropriations (MR)

Governor's Proposal. The Governor's budget requests a reappropriation of funds as follows:

- (1) Extend the encumbrance period to June 30, 2022, and the liquidation period to June 30, 2025, for General Fund local assistance in AB 72 (Chapter 1, Statute of 2018) provision 8 for Water System Administrators;
- (2) Extend the encumbrance period to June 30, 2022, and the liquidation period to June 30, 2025, for General Fund local assistance in AB 74 (Committee on Budget), Chapter 23, Statutes of 2019, for Emergency Funds to disadvantage communities (DAC) & household HH (Provision 1), Wildfire Recovery (Provision 2), Emergency Funds-DAC (Provision 2.5), and Provision 2.6 (a) through (k) and provision 3;
- (3) Extend the encumbrance period to June 30, 2022, and the liquidation period to June 30, 2025, for General Fund local assistance established in SB 74 (Committee on Budget and Fiscal Review), Chapter 6, Statutes of 2020, for Fish Shellfish Public Health Advisories.

Staff Recommendation. Approve as proposed.

Issue 52: American Rescue Plan Act Water Arrearages Relief (MR)

Governor's Proposal. The May Revision requests that Item 3940-062-8506 be added in the amount of \$15 million Corona Fiscal Recovery Fund one-time, and Item 3940-162-8506 be added in the amount of \$985 million Corona Fiscal Recovery Fund with specified provisional language to authorize SWRCB to provide this funding via grants or direct payments to community water systems to offset COVID-19 Pandemic associated with water enterprise customer arrearages or other COVID-19 Pandemic related revenue losses and to aid in the continued provision of water service to customers of these systems.

Staff Recommendation. Approve \$1 billion subject to details worked out in a final agreement of the Senate, Assembly, and Governor.

Issue 53: Proposition 99 Technical Adjustments (MR)

Governor's Proposal. An SFL requests that Item 3940-001-0235 be increased by \$165,000 to reflect a technical baseline budget adjustment associated with additional tobacco tax revenue pursuant to Public Resources Account. Revenue and Tax Code Section 30124(b)(5) specifies that five percent of Cigarette and Tobacco Surtax Fund revenue shall be deposited into the Public Resources Account for programs that protect, restore, enhance or maintain fish, waterfowl, and wildlife habitat, and enhance state and local parks and recreational resources

Staff Recommendation. Approve as proposed.

3960 DEPARTMENT OF TOXIC SUBSTANCES CONTROL**Issue 54: Argonaut Mine Dam Project Phase II Stormwater Upgrade Construction Supplemental Funding (MR)**

Governor's Proposal. The May Revision requests \$1.4 million Coronavirus Fiscal Recovery Fund of 2021 one-time to supplement the \$2.1 million General Fund approved in the 2020 Budget Act for Phase II of the Eastwood Multiple Arch Dam (Argonaut Dam) stormwater upgrade construction project at the Argonaut Mine in Jackson, California. The sum of \$1.4 million to reflects the revised estimate for construction of the stormwater drainage upgrade.

Further refinement of the design, investigation into the depth to bedrock along the placement of the piping, and the city of Jackson's utilities placement crossing the proposed stormwater drainage path resulted in a revised \$3.5 million cost estimate.

Staff Recommendation. Approve as proposed.

Issue 55: Department of Justice Increased Legal Fees (MR)

Governor's Proposal. The May Revision requests an augmentation of \$977,000 in 2021-22 and ongoing, split between the Hazardous Waste Control Account (HWCA), Toxic Substances Control Account (TSCA), and Lead-Acid Battery Cleanup Fund (LABCF) to cover increased Department of Justice (DOJ) hourly rates for client agencies, which went into effect September 1, 2019.

DTSC intends to use the additional funding to work closely with the DOJ to do the following:

- Carry out its statutory and regulatory mandate to implement the state's hazardous waste management requirements;
- To aggressively, efficiently and effectively pursue those who violate the state law, its implementing regulations, and hazardous waste facility permit conditions that govern hazardous waste management activities, and those who violate administrative orders that govern hazardous substance investigation and cleanup activities; and,
- Enforce investigation and cleanup obligations of responsible parties at contaminated properties by taking prompt action to recover costs DTSC incurs so that polluters, not the people of California, pay for environmental cleanups.

Staff Recommendation. Approve as proposed.

Issue 56: Exide: Additional Residential Cleanup Funding (MR)

Governor's Proposal. The May Revision requests a loan of \$291 million General Fund to TSCA (\$100 million in 2021-22, \$100 million in 2022-23, and \$91 million in 2023-24) to clean up additional residential properties surrounding the former Exide Technologies facility (Exide facility) in Vernon, California with a representative lead concentration above 200 parts per million.

Under this proposal, DTSC estimates it will have the resources necessary to clean approximately 2,740 additional properties with the highest soil-lead concentrations and the greatest potential for exposure.

The cleanup process requires an initial meeting, a pre-construction meeting, review and approval of removal design plans, cleanup, and closure of the property, in addition to cleanup oversight.

DTSC uses various means for communicating with the impacted community, including producing a bi-monthly report on cleanup activities, operating a hotline where community members can call and inquire about cleanup activities, updating the DTSC Exide website, and mailing newsletters with information on a variety of topics such as data collected, properties cleaned up, and sampling status.

Staff Recommendation. Approve as proposed.

Issue 57: Exide: Ongoing Closure and Environmental Actions at the Vernon Facility (MR)

Governor's Proposal. The May Revision requests \$132.2 million General Fund one-time as a loan to TSCA to complete closure activities and to conduct additional needed environmental cleanup at the former Exide Technologies, Inc. facility in Vernon, California.

Of the total amount requested, \$109.8 million would be dedicated to facility closure and corrective action; the remaining \$22.2 million would be transferred to the Site Operation and Maintenance Account for long-term monitoring and operations and maintenance costs.

These funds are intended to allow DTSC to start addressing the known immediate onsite threats to public health and environment and to provide the resources for necessary safeguards to protect people from being exposed to the known contamination and from the potential spread of this contamination.

DTSC's assessment is based on currently known information. Additional closure and corrective action work could identify additional threats and the need for more remediation.

Staff Recommendation. Approve as proposed.

Issue 58: Implementation of the Violations Scoring Procedure Regulations (MR)

Governor's Proposal. The May Revision requests 11 permanent positions and \$3.5 million HWCA in 2021-22, \$3.1 million HWCA in 2022-23, and \$2.6 million HWCA annually thereafter to implement the Violation Scoring Procedures (VSP) regulations adopted pursuant to SB 673 (Lara), Chapter 611, Statutes of 2015.

This proposal includes \$1.3 million in 2021-22, \$900,000 in 2022-23, and \$400,000 annually thereafter to fund Attorney General costs for litigating VSP scores and permit action decisions made by DTSC. DTSC has already begun experiencing legal actions related to its VSP scores and anticipates additional legal actions as scores have the potential to impact permitting decisions.

DTSC requests ongoing funding for 11 positions to support the ongoing VSP workload. These positions are intended to allow for permit evaluations to consider facility compliance and compliance history and mitigate potential violation impacts and will provide additional support to complete the calculation of the VSP scores, evaluate compliance histories, review, and make decisions on disputes to the VSP scoring and tier assignments, and defend DTSC in administrative and civil legal challenges.

This request is contingent upon the adoption of the DTSC Governance and Fiscal reform proposal, which is intended to provide a long-term and stable funding source to support this request.

Staff Recommendation. Approve as proposed.

Issue 59: Information Technology Security Unit (MR)

Governor's Proposal. The May Revision requests four permanent positions and \$1.3 million (General Fund, HWCA, Unified Program Account, TSCA, State Certified Unified Program Agency Account, and Lead-Acid Battery Cleanup Fund) in 2021-22 and 2022-23, and \$880,000 annually thereafter to provide additional resources for cybersecurity.

This request is intended to allow for the continuous identification and mitigation of emerging and evolving cybersecurity threats.

This request is contingent upon the adoption of the DTSC Governance and Fiscal reform proposal, which will provide a long-term and stable funding source to support this request. Funding beyond 2021-22 will be supported by increased fee revenues provided by the DTSC Governance and Fiscal reform proposal.

Staff Recommendation. Approve as proposed.

Issue 60: Resource Conservation and Recovery Act (RCRA) Authorization (MR)

Governor's Proposal. The May Revision requests 17 permanent positions that will be phased-in over two years: 10 permanent positions and \$1.2 million HWCA in 2021-22 (Phase I), and seven permanent positions and \$2.5 million in 2022-23 (Phase II) and ongoing to establish the RCRA Grant Unit to address a RCRA authorization backlog and ensure continued program equivalency.

State authorization is a federal rulemaking process where US EPA delegates the primary responsibility of implementing the RCRA hazardous waste program to individual states on behalf of US EPA. Authorized states receive federal grant money annually to assist with the costs and workload of implementing the federal program. Obtaining and maintaining authorization provides a single set of hazardous waste standards for the regulated community, thus reducing ambiguity in hazardous waste standards set by both California and US EPA. Due to California's significant backlog of authorizations indicating substantial deficiency in program equivalency, US EPA Region IX set an expectation for California to become authorized for at least 10 core federal rules by September 2022.

This budget change proposal request is intended to enhance DTSC's capacity to meet US EPA's expectation to reduce this backlog and provide resources for DTSC to develop a comprehensive RCRA oversight program to eliminate the backlog. In addition, the requested funding is to:

- Develop and execute a plan to address the RCRA Authorization backlog of 37 federal rules.
- Provide dedicated staff to track and analyze federal rules as they are under development.
- Conduct internal and external outreach to stakeholders on new requirements in California.
- Protect public health and the environment through protective regulatory standards.

Staff Recommendation. Reject without prejudice.

Issue 61: Base Funding to Maintain Operations (MR)

Governor's Proposal. The May Revision requests that Item 3960-012-001 be increased by \$6.5 million General Fund one-time and Item 3960-014-001 be decreased by \$1.5 million one-time to adjust General Fund backfill for the Hazardous Waste Control Account and the Toxic Substances Control Account to accommodate for May Revision proposals.

Staff Recommendation. Approve as proposed.

Issue 62: DTSC Governance and Fiscal Reform (GB) (BCP and TBL)

Governor's Proposal. The Governor's budget requests for the following:

- \$3 million one-time General Fund and 15 positions to establish the Board of Environmental Safety (BES) and Ombudsperson Office within DTSC.
- Statutory changes to: (1) revise the Environmental Fee rates and the hazardous waste fee rates and structure and (2) authorize the BES to set future fee rates under a capped fee-setting authority, based on appropriations by the Legislature.
- \$22.5 million one-time General Fund backfill for the Hazardous Waste Control Account (HWCA).
- \$13 million one-time General Fund backfill for the Toxic Substances Control Account (TSCA).
- \$300 million General Fund one-time to investigate and clean up brownfields across the state, with a special focus on remediation sites to develop new housing.

Staff Recommendation. Hold open.

Issue 63: Governance and Fiscal Reform Statutory Change Update (MR) (TBL)

Governor's Proposal. The May Revision requests that amendments to the statutory changes proposed in the Governor's Budget be adopted. Modifications include an increase of \$200 million to the appropriation for cleanup of brownfields along with other changes.

Staff Recommendation. Hold open.

**3970 DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY
(CALRECYCLE)****Issue 64: Beverage Container Recycling Pilot Project Staffing Extension (MR)**

Governor's Proposal. The May Revision requests \$129,000 in 2021-22, \$250,000 in 2022-23, \$378,000 from 2023-24 through 2025-26, and \$312,000 in 2026-27 from the Beverage Container Recycling Fund to extend the temporary staffing resources needed to administer, implement, maintain, and provide fiduciary oversight with the expansion of the Beverage Container Recycling Pilot Project Program.

Staff Recommendation. Approve as proposed.

Issue 65: Emergency Debris Removal Office Additional Staffing (MR)

Governor's Proposal. The May Revision requests \$891,000 General Fund and six permanent, full-time positions in fiscal year 2021-22 and \$880,000 General Fund ongoing to manage the workload for debris removal operations. The additional positions are for CalRecycle to manage contracts, hold contractors responsible, fully reconcile funds, and coordinate federal reimbursements.

Staff Recommendation. Approve as proposed.

Issue 66: Regulations Development Unit (MR)

Governor's Proposal. The May Revision requests five permanent, full-time positions and \$767,000 in fiscal year 2021-22 and \$757,000 ongoing from various special funds (California Used Oil Recycling Fund, California Beverage Container Recycling Fund, California Tire Recycling Management Fund, Integrated Waste Management Account, Electric Waste Recovery and Recycling Account) to establish a Regulations Development Unit to provide support, coordination, and expertise in regulations development.

Staff Recommendation. Approve as proposed.

Issue 67: San Diego Field Office Location (MR)

Governor's Proposal. The May Revision requests one-time authority of \$255,000 from the Beverage Container Recycling Fund (BCRF) to relocate its regional office, housed in the San Diego State Office Building, as it is being disposed of in accordance with AB 1164 (Gloria), Chapter 822, Statutes of 2019, related to the disposal of surplus state real property. CalRecycle also requests ongoing increased expenditure authority of \$53,000 in fiscal year 2022-23, \$60,000 in 2023-24, \$67,000 in 2024-25, and \$74,000 in 2025-26 from BCRF to pay for the increased lease costs.

Staff Recommendation. Approve as proposed.

Issue 68: Food Service Packaging Exemption (MR) (TBL)

Governor’s Proposal. The May Revision requests to exclude from the definition of “food service packaging” products defined as drugs, devices, or medical food pursuant to federal law, as provided. The proposal would also exclude from the definition, products used at specified facilities, including, but not limited to, health care facilities, residential care facilities, and community care facilities, as defined, that are intended to assist the facility’s residents or other individuals receiving care at the facility or to otherwise protect the facility’s residents’ or other individuals’ health or safety, if the facility determines that the products, or their functional equivalents, are not on the list developed by CalRecycle.

Staff Comment. The language in (c)(4) seems to be very broad. A question arises as to whether the reference to “containers” creates a loophole at these health facilities for their cafeterias/onsite eateries that are accessible by the public. This proposed trailer bill language may be more appropriate to consider through the legislative policy process.

Staff Recommendation. Reject.

3970 CALRECYCLE
0509 GOVERNOR'S OFFICE OF BUSINESS AND ECONOMIC DEVELOPMENT
(GO-BIZ)

Issue 69: Circular Economy Package (MR)

Governor's Proposal. The May Revision includes a request, for CalRecycle and GO-Biz, for \$130 million General Fund one-time to administer programs that are intended to develop and implement projects to improve and optimize technology and infrastructure to build progress towards a circular economy and achieve the state's statutory climate, source reduction, reuse, and recycling goals. The proposal includes General Fund one-time spending as follows:

- \$50 million Climate Catalyst Fund Recycling Infrastructure
- \$5 million Food Waste Prevention and Rescue Grants
- \$5 million Increase Community Composting Opportunities
- \$35 million Invest in New Composting and Anaerobic Digester Facilities
- \$20 million Expand Co-Digestion Capacity of Wastewater Facilities
- \$15 million Recycling Technology Feasibility Grants

Staff Recommendation. Approve \$130 million General Fund with allocation details to be determined in a final agreement between Senate, Assembly, and the Governor. Reject \$50 million for the Climate Catalyst Fund Recycling Infrastructure.

8570 CALIFORNIA DEPARTMENT OF FOOD & AGRICULTURE (CDFA)**Issue 70: Agricultural and Rural Economic Advisor (MR)**

Governor's Proposal. The May Revision requests \$199,000 General Fund and one permanent position ongoing to support the activities necessary to develop and implement strategies for improving California's rural, agriculturally based economies.

Staff Recommendation. Reject.

Issue 71: Bee Safe Program (MR)

Governor's Proposal. The May Revision requests one-time funding of \$2.126 million General Fund in 2021-22 to continue operating a statewide Bee Safe Program to promote and protect a safe, healthy food supply through the protection of bees.

Staff Recommendation. Approve as proposed.

Issue 72: Economic Recovery and High-Road Job Growth (MR)

Governor's Proposal. The May Revision requests \$46 million General Fund (GF) in 2021-22 to aid California's farmers, ranchers, and agriculture industry in their recovery from the economic effects of COVID-19. CDFA also requests provisional language for an extended encumbrance period.

The funds requested will be allocated to the following programs:

- \$2 million one-time – Technical Assistance Program for Underserved Farmers
- \$10 million one-time – New and Beginning Farmer Training and Farm Manager Apprenticeship Program
- \$4 million one-time – Impact Assessment and Alignment of Regulatory Reporting Requirements for Agriculture (Shift of early action proposal into 2021-22)
- \$30 million one-time – Fresno-Merced Future of Food (F3) Innovation Initiative

Staff Recommendation. Approve as proposed except reject \$30 million for Fresno-Merced Future of Food Innovation Initiative.

Issue 73: Fairground and Community Resilience Centers (MR)

Governor’s Proposal. The May Revision requests \$150 million General Fund for Fairground and Community Resilience and Evacuation Centers. The purpose of this program is to advance local communities resilience in the face of natural disasters by upgrading fairgrounds and local facilities to serve as important emergency response and evacuation centers, and to provide long-term local community resilience needs.

In coordination with the Governor’s office of Emergency Services, CalFire, the Governor’s Office of Planning and Research Integrated Climate Adaptation and Resiliency Program (ICARP), CDFA would develop a Community Resilience Grant Program consisting of:

- Planning grants for local government to engage stakeholders in the development of community resiliency plans; and,
- Grants for Community Resilience Centers to allow for the upgrading local facilities, including fairgrounds, to meet the needs identified in the local community resilience plan and support critical deferred maintenance needs.

These funds would allow fairgrounds and other community facilities to be updated to meet local community resiliency needs and create greenspace for emergency evacuation, shelters, base camps during emergency events including cooling and heating centers, clean air centers, and extended emergency evacuation response centers with community kitchens, shower facilities, animal sheltering, broadband, backup power and other community needs due to wildfires, floods, and other emergencies or climate events.

This funding would also equip fairgrounds to provide continuous community benefits that enhance community resilience through civic, social, educational, and economic development programming.

It is also requested that Item 8570-001-0001 be decreased by \$10 million and Provision 3 be eliminated, which is associated with a shift of fairground deferred maintenance funding proposed in the Governor’s Budget into this Fairground and Community Resilience Centers Proposal.

Staff Recommendation. Approve as proposed, and of the \$150 million allocate \$10 million to Cal Expo.

Issue 74: Fairgrounds Operation Support (MR)

Governor's Proposal. The Governor's Budget included \$50 million General Fund one-time for operational support to affiliated fairs while the state continues to evaluate new business models and governance structures to operate more efficiently, meet local community needs, and continue to serve critical public health and safety roles in the state's emergency response system.

The May Revision proposes to expand eligibility of the Governor's Budget proposal to the entire Network of California Fairs, but will be allocated based on need.

Staff Recommendation. Approve as proposed.

Issue 75: Impact Assessment and Alignment of Regulatory Reporting Requirements for Agriculture (MR)

Governor's Proposal. The May Revision requests \$4 million General Fund on a one-time basis to shift funding included in the 2020-21 early action package that was not adopted by the Legislature into 2021-22. This funding is intended to enable CDFA to engage a consultant to evaluate and implement the alignment of regulatory reporting activities across state agencies to reduce unnecessary burdens to farmers and ranchers in their efforts to meet regulatory compliance.

Staff Recommendation. Approve as proposed.

Issue 76: May Revision Infrastructure Package — One-Time Deferred Maintenance (MR)

Governor's Proposal. The May Revision requests \$2 million General Fund in 2021-22 to provide maintenance support for critical infrastructure projects. CDFA will utilize approximately \$1 million of this funding for crucial repairs at its Hawaii Fruit Fly Rearing Facility. The remainder will be used to address other critical projects that are necessary for the safety and functionality of various CDFA facilities.

Staff Recommendation. Approve as proposed.

Issue 77: Technical Adjustment (MR)

Governor's Proposal. The May Revision requests that Item 8570-490 be amended to reflect a technical adjustment to consolidate reappropriations proposed in the Governor's Budget.

Staff Recommendation. Approve as proposed.

Issue 78: Healthy, Resilient, and Equitable Food Systems (MR)

Governor's Proposal. The May Revision requests one-time funding of \$67.5 million General Fund in 2021-22 to develop a healthier, more resilient, and more equitable food system. This request includes \$20 million for the California Farm to School Incubator Grant program, \$12 million for the California Urban Agriculture Grant Program, \$15 million for the California Nutrition Incentive Program, \$20 million for the Healthy Stores Refrigeration Grant, and \$500,000 for the Senior Farmers Market Nutrition Program. Additionally, CDFA requests an encumbrance period of three years and a liquidation period of three years to administer these funds. Specifically, this request seeks to:

- (1) Increase investment in the California Farm to School Network by broadening the California Farm to School Incubator Grant Program, expanding program evaluation, and increasing accessibility to grant funds.
- (2) Develop and pilot an Urban Agriculture Grant Program to assist urban farmers and community-based organizations in revitalizing urban food systems.
- (3) Fund the continuation of the California Nutrition Incentive Program in order to provide nutrition incentives to low-income shoppers, support the local economy, and allow CDFA to apply for federal matching funds.
- (4) Fund the continuation and expansion of the pilot Healthy Refrigeration Grant Program to serve new types of grantees including food banks and food donation programs in addition to corner stores and small businesses, offer increased technical assistance and store infrastructure support, allow a greater variety of items to be stocked and equipment to be purchased, continue to facilitate procurement of CA-grown produce, expand the outreach to underserved communities, and conduct a robust program evaluation.
- (5) Leverage federal Senior Farmers' Market Nutrition Program (SFMNP) funds to provide low-income seniors with access to locally grown, fresh, nutritious, fruits and vegetables at farmers markets, roadside stands, and community supported agriculture programs. The amount of funding requested will be used to distribute SFMNP benefits to eligible seniors statewide.

Staff Recommendation. Approve as proposed and require supplemental reporting language for the department to complete a report evaluating the effectiveness of the following programs within this proposal: (1) California Farm to School Incubator Grant Program, (2) Urban Agriculture Grant Program, and (3) Healthy Refrigeration Grant Program.

Issue 79: Sustainable California Grown Cannabis Pilot Program (MR)

Governor's Proposal. The May Revision requests one-time funding of \$9 million General Fund in 2021-22 to develop and implement the Sustainable California Grown Cannabis Pilot Program (SCGC Pilot Program). Additionally, CDFA requests an encumbrance period of three years. These funds are meant to allow the state to continue supporting the intent of the Medicinal and Adult Use Cannabis Regulation and Safety Act (MAUCRSA) by implementing a pilot program that will compile data into a Best Management Practices Manual for sustainable cannabis cultivation. The pilot project is intended to be conducted by working with outdoor cannabis cultivators in three Northern California counties.

The SCGC Pilot Program is intended to provide funding to incentivize licensed legacy outdoor cannabis growers to participate in the collection of data to benchmark best practices to reduce the environmental impact of cannabis water and energy use; pest management and fertilizer practices; and to enhance soil health. The pilot will be conducted in at least three counties with a minimum of 10 outdoor cannabis growers for valid data collection to benchmark practices.

Staff Recommendation. Reject without prejudice.

Issue 80: Climate Smart Agriculture Account (Governor's Budget (GB) (Trailer Bill Language) (TBL)

Governor's Proposal. The Governor's Budget proposes trailer bill language to establish the Climate Smart Agriculture Account in the Department of Food and Agriculture Fund, which will be a depository for moneys received from federal, state, industry, philanthropic, and private sources. The proposal makes funding out of this account continuously appropriated to the department.

Staff Comments. According to the Administration, the intention of the Account is that it could be sued to fund incentives for climate smart agriculture as well as cover the administration costs for those funds. CDFA also wishes to have the flexibility to accept philanthropic and other funds for any relevant Environmental Farming Act program, which is why this language is not limited to the Healthy Soils Program. The rationale provided for allowing these funds to be continuously appropriated is that the department does not know the amount or nature of the funds that it might receive and this would allow CDFA to act quickly on any philanthropic or other funds to support climate smart programs. The department does not know how much funding it may receive.

It would be prudent to require state funds to be subject to appropriation by the Legislature for oversight and accountability purposes instead of allowing for continuous appropriation. Also, it would be appropriate to require the department to report on receipts and expenditures of funds in this new account to ensure transparency and accountability.

Staff Recommendation. Approve as proposed except require state funds be subject to appropriation by the Legislature and add reporting language to the TBL that does the following:

- (a) **In any fiscal year in which funds are received into or expended from the Climate Smart Agriculture Account, the department no later than December 31 following the close of the fiscal year, shall submit to the Legislature an overview of the account's income and expenditures.**
- (b) **A report to be submitted pursuant to this section shall be submitted in compliance with Section 9795 of the Government Code.**

0509 GOVERNOR'S OFFICE OF BUSINESS & ECONOMIC DEVELOPMENT (GO-BIZ)**Issue 81: Climate Smart Agriculture — Climate Catalyst Fund**

Governor's Proposal. The Governor's budget requests one-time funding in 2021-22 of \$50 million General Fund one-time, to provide low-interest loans and credit support advancing the state's climate-smart agriculture objectives, via the California Infrastructure and Economic Development Bank, Climate Catalyst Fund. Climate Smart Agriculture loan projects funded by the Climate Catalyst Fund will include methane reduction projects; equipment replacement to improve efficiency and emissions; water efficiency; healthy soils; circular economies; on-farm bio energy; energy efficiency for food processing; and renewable energy systems and energy storage for agricultural operations. Also, budget bill language is being proposed to allow not more than five percent of the requested funding be used to support administrative costs.

Staff Recommendation. Reject.

Issue 82: Climate Catalyst Fund (GB) (TBL)

Governor's Proposal. The Governor's budget requests trailer bill language to delete the prohibition of state moneys being deposited into the Climate Catalyst Fund and provide for continuous appropriation of funds except for moneys received from federal sources.

Staff Recommendation. Reject.

3900 CALIFORNIA AIR RESOURCE BOARD (CARB)
3940 STATE WATER RESOURCES CONTROL BOARD
3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CALFIRE)
8570 DEPARTMENT OF FOOD AND AGRICULTURE (CDEA)

Issue 83: Cap-and-Trade Expenditure Plan (GB) and (MR)

Governor’s Proposal. The Governor’s budget proposes \$1.369 billion Greenhouse Gas Reduction Fund (GGRF) for a number of programs. Specifically, this proposal includes \$624 million for early action in 2020-21 and \$745 million in 2021-22. This proposal also includes budget bill language for 2020-21 and 2021-22 restricting departments from encumbering or committing more than 75 percent of their GGRF appropriations prior to the fiscal year’s fourth quarterly Cap-and-Trade auction. The chart below details each proposed discretionary expenditure and their amounts for early action or budget year.

Cap and Trade Expenditure Plan
(Dollars in Millions)

Investment Category	Department	Program	Early Action 2020-21	Budget Year 2021-22	Total
Equity Programs	California Air Resources Board	AB 617 - Community Air Protection	\$125	\$140	\$265
		AB 617 - Local Air District Implementation	\$0	\$50	\$50
		AB 617 - Technical Assistance to Community Groups	\$0	\$10	\$10
	Water Board	Safe & Affordable Drinking Water (\$130 million total)	\$30	\$24	\$54
Low Carbon Transportation & ZEV Strategy	California Air Resources Board	Clean Trucks, Buses, & Off-Road Freight Equipment	\$165	\$150	\$315
		Clean Cars 4 All & Transportation Equity Projects	\$74	\$76	\$150
		Agricultural Diesel Engine Replacement & Upgrades	\$90	\$80	\$170
Natural & Working Lands	CAL FIRE	Healthy & Resilient Forests (SB 901) (\$75 million included in 2020 Budget)	\$125	\$200	\$325
	Department of Food & Agriculture	Healthy Soils	\$15	\$15	\$30
Total			\$624	\$745	\$1,369

Community Air Protection Program (AB 617). The May Revision also requests that the \$125 million GGRF one-time to the ARB for the Community Air Protection Program (AB 617) proposed for 2021-22 be shifted to 2021-22. It is further requested that provisional language be amended to provide extended encumbrance availability through June 30, 2024.

Amendment to Budget Bill Control Section 15.14. The May Revision requests that Control Section 15.14 be amended to allow the repayment of the loan authorized by 3940-012-0439 (Underground Storage Tank Fund), Budget Act of 2020, from the GGRF. A loan was made last year from the Underground Storage Tank Fund to provide funding for the Safe and Affordable Drinking Water program that would have normally come out of GGRF.

Staff Recommendation. Approve the Budget Bill Control Section 15.14 language. In lieu of both the Administration's and Senate's Cap-and-Trade Spending Plans, approve \$1.5 billion for the Cap-and-Trade Spending Plan with details to be determined in a final agreement between the Senate, Assembly, and Governor.

8570 CALIFORNIA DEPARTMENT OF FOOD & AGRICULTURE (CDFA)

3900 AIR RESOURCES BOARD (ARB)

Issue 84: Sustainable Agriculture Package

Governor's Proposal. The May Revision requests for CDFA and ARB \$477.6 million in 2021-22 (\$320 million General Fund, \$115 million Greenhouse Gas Reduction Fund (GGRF), and \$42.6 million Air Pollution Control Fund (APCF)) and \$150 million General Fund in 2022-23 to support six Climate Smart Agriculture for Sustainability and Resiliency programs.

These Climate Smart Agriculture for Sustainability and Resiliency programs are intended to further the reduction of carbon dioxide and methane greenhouse gases (GHGs), reduce fine particulate matter air pollution in San Joaquin Valley, or enhance pollinator habitat.

The following chart provides a breakdown of the various programs proposed for funding in Governor's January Budget and May Revision:

Sustainable Agriculture				
Category	Program	Governor's Budget (in millions)	May Revision (in millions)	Total 2021-22 (in millions)
Healthy, Resilient, and Equitable Food Systems	California Farm to School Incubator Grant Program	\$10	\$20	\$30
	California Nutrition Incentive Program	\$0	\$15	\$15
	Healthy Refrigeration Grant Program	\$0	\$20	\$20
	Senior Farmers Market Nutrition Program	\$0	\$0.5	\$0.5
	Urban Agriculture Program	\$0	\$12	\$12
Climate Smart Agriculture for Sustainability and Resiliency	Agricultural Diesel Engine Replacement & Upgrades (\$363 million over two years)	\$170	\$43	\$213
	Healthy Soils	\$30	\$70	\$100
	Sustainable California Grown Cannabis pilot program	\$0	\$9	\$9
	Livestock Methane Reduction	\$0	\$60	\$60
	Pollinator Habitat Program	\$0	\$30	\$30
	Technical Assistance and Conservation Management Plans	\$0	\$20	\$20
	Transition to Safer, Sustainable Pest Management	\$11.8	\$0	\$11.8
	Incentives for Alternatives to Agricultural Burning in the San Joaquin Valley	\$0	\$150	\$150
Climate Catalyst Fund	\$50	\$0	\$50	
Economic Recovery & High-Road Job Growth	Technical Assistance Program for Underserved Farmers	\$6.7	\$2	\$8.7
	Impact Assessment and Alignment of Regulatory Reporting Requirements for Agriculture	\$6	\$0	\$6
	Fresno-Merced Future of Food Innovation Initiative	\$0	\$30	\$30
	New and Beginning Farmer Training and Farm Manager Apprenticeships Program	\$0	\$10	\$10
Total		\$285	\$491	\$776

Source: Department of Finance

This request includes:

- \$150 million General Fund in 2021-22 to support the phase out of open agricultural burning in the San Joaquin Valley;

- \$213 million in 2021-22 (\$170 million GGRF and \$43 million APCF) and \$150 million General Fund in 2022-23 for agricultural engine replacement, which includes a shift of \$90 million GGRF proposed in the Governor's Budget from 2020-21 to 2021-22;
- \$85 million (\$60 million General Fund and \$25 million GGRF in 2021-22 for the Healthy Soils Program, which includes a shift of \$15 million GGRF proposed in the Governor's Budget from 2020-21 to 2021-22;
- \$60 million General Fund in 2021-22 for livestock methane reduction;
- \$30 million General Fund in 2021-22 for a Pollinator Habitat Program; and
- \$20 million General Fund in 2021-22 for technical assistance for conservation management plans.

CDFA and CARB request an extended encumbrance period. CDFA will prioritize funding to socially disadvantaged farmers and ranchers and those in disadvantaged communities.

This proposal is an addition to the \$95 million GGRF proposed for 2021-22 in the Governor's Budget for the Healthy Soils and FARMER programs.

Specifically, this request seeks to do the following:

Healthy Soils Program: Increase investment in the Healthy Soils Program (HSP) to scale up healthy soils on farms and ranches statewide. CDFA requests one-time funding of \$60 million GF and \$25 million GGRF for HSP. Of this amount, \$15 million represents a shift of funding proposed in the Governor's Budget from 2020-21 to 2021-22 that was originally requested for early action. CDFA estimates that these funds will result in 1,050 projects being funded. These funds will be used to incentivize farmers to utilize conservation management practices designed to sequester carbon within the soil. Based on historical metrics, CDFA estimates that this will result in estimated GHG reductions of 904,000 MTCO₂e/year.

Methane Reduction DDRDP and AMMP: Fund two livestock methane reduction programs: The Alternative Manure Management Program (AMMP) and Dairy Digester Research and Development Program (DDRDP). CDFA requests one-time funding of \$60 million GF for its DDRDP and AMMP programs. CDFA estimates that these funds will result in 210 projects being funded. These funds will be used to incentivize dairy and livestock operations to develop dairy digester to capture methane gas or change their existing liquid phase manure management process to a dry phase manure management process. Based on historical metrics, CDFA estimates that this will result in estimated GHG reductions of 1.18 million MTCO₂e/year.

Pollinator Habitat Program: Fund a Pollinator Habitat Program for implementation of pollinator habitat and forage on working lands in partnership with private landowners and federal, state, and local entities. CDFA requests one-time funding of \$30 million GF for a new Pollinator Habitat Program. Funding would be used for two programs to scale up implementation of pollinator habitat and forage in partnership with private landowners and federal, state and local entities, including

- Regional Pollinator Habitat Program would fund technical assistance, outreach, and applied research to build a regional and multi-stakeholder pollinator habitat conservation approach to implement best practices and establish safe harbor agreements for pollinator habitat.
- Pollinator Habitat Incentive Program would provide financial incentives to farmers and ranchers to

implement conservation practices that promote pollinator habitat and forage on working lands, such as cover crops and hedgerows.

Conservation Agriculture Planning Grant Program: Fund a stand-alone technical assistance grant program for development of conservation plans, carbon farm plans, and transition to organic plans to focus on carbon and water. CDFA requests one-time funding of \$20 million GF for a technical assistance grant program for the development of conservation plans to enhance on farm resources for climate change mitigation and resiliency, water, habitat, etc. Funds will be used to establish a program that will support the agricultural community with planning activities related to adaptation to climate change impacts, supporting reductions of GHG emissions, improving carbon storage on farms, and protecting pollinators and biodiversity among others. CDFA has identified ten different plans that would be helpful to farmers and ranchers further environmental stewardship and ecosystem service efforts and assist in preparing for climate change impacts and adaptation to a changing climate.

Agricultural Burning: Fund continued implementation of the Valley Air District's Alternatives to Open Agricultural Burning Incentive Program to support the phase out of open agricultural burning by incentivizing the use of alternatives aimed at reducing fine particulate matter air pollution in the San Joaquin Valley. ARB requests one-time funding of \$150 million GF for the Ag Burning Program to incentivize alternatives to agricultural burning in the San Joaquin Valley. Alternatives to agricultural burning include, but are not limited to, chipping the material and either incorporating it into the soil or leaving it on the field.

FARMER: Fund the FARMER Program to reduce criteria pollutants and greenhouse gases in the agricultural sector from agricultural equipment and vehicles. CARB requests 132.6 million in 2021-22 (\$90 million GGRF and \$42.6 million APCF) and \$150 million General Fund in 2022-23 for the FARMER Program. Of this amount, \$90 million represents a shift of funding proposed in the Governor's Budget from 2020-21 to 2021-22 that was originally requested for early action. to fund vehicle and equipment replacement projects to reduce agricultural sector emissions. Based on historical program data, CARB estimates that this would fund approximately 3,000 off-road projects and provide an additional 12,200 tons of NO_x reductions and 740 tons of PM_{2.5} reductions. CARB estimates that this would fund approximately 3,000 off-road projects and provide an additional 12,200 tons of NO_x reductions and 740 tons of PM_{2.5} reductions.

LAO Comments. Climate Smart Agriculture for Sustainability and Resiliency (\$180 Million General Fund and GGRF). The LAO recommends the Legislature consider how the programs in this package would interact with the Governor's climate catalyst fund proposal. This package would provide funds to several programs, such as dairy digesters and equipment replacement, many of which would be projects that the administration intends to finance with the climate catalyst fund. The Legislature will want to ensure that these proposals complement one another and do not create duplicative efforts.

Staff Comments. At the hearing on May 4, 2021, this subcommittee heard and held open the Senate Agriculture Budget Plan.

Staff Recommendation. In lieu of both the Senate's Agriculture Budget Plan and Administration's Sustainable Agriculture Package, approve \$776 million with details to be determined in a final agreement between the Senate, Assembly, and Governor.

SENATE PROPOSALS

Issue 85: Senate proposal: Greenhouse Gas Emissions Preliminary Estimates – Supplemental Reporting Language (SRL)

Senate’s Proposal. The Senate proposes the following supplemental reporting language:

- (1) For three years, beginning in 2022, on or before April 1 of each year, require ARB to post publicly on its website and report to the relevant policy and fiscal committees of the Legislature, a preliminary estimate of the prior year greenhouse gas (GHG) emissions based on currently available data and an update to any prior estimate previously provided for any calendar year that is not included in the most recent GHG emissions inventory report required pursuant to Health and Safety Code Section 39607.4.
- (2) The estimate shall include estimates for GHG emissions from transportation, electric power, industrial, commercial and residential, agriculture, and high global warming potential, and recycling and solid waste sectors.
- (3) In preparing the annual estimate, the ARB may rely on data sources including, but not limited to:
 - a. State vehicle fuels tax receipts
 - b. California Independent System Operator GHG monthly emissions estimates
 - c. Data reported under the Mandatory Reporting Regulation
 - d. Industrial economic activity data
 - e. Previously issued ARB GHG emissions inventory reports
 - f. Other available and economic and emissions data that has been independently developed, researched, and verified
- (4) To the extent feasible, the data and methods for developing a preliminary estimate of prior year greenhouse gas emissions shall be transparent and publicly accessible

Background. California’s climate program is driven by numerous metrics used as measures of progress. However, the central requirement of California law, in the Global Warming Solutions Act (AB 32 (Nunez), Chapter 488, Statutes of 2006 and SB 32 (Pavley), Chapter 249, Statutes of 2016) is measurable and quantifiable emissions reductions. Unfortunately, as the Governor and Legislature annually adopt the budget and GGRF expenditure plan, along with new statutes to address climate change, it rarely has the data need to ensure actual program contours reflect actual emissions reductions. This is because the ARB does not make *annual* emissions data or estimates available on a timely basis. For example, at present, only emissions from 2018 are available as a scoping plan update is being prepared in 2021. Many statistical agencies develop such preliminary estimates for purposes of policy making and then update estimates on a periodic basis. Preliminary estimates of key policy relevant statistics provide important actionable information in areas such as economic growth, employment, and other data sets. Given the centrality of statewide GHG emissions to California environmental policy making, and the ambition of the SB 32 goals, such preliminary estimates are important to effective policy making.

Staff Comments. Staff recommends that the subcommittee adopt SRL to ensure the Legislature and Governor have near “real time” preliminary estimates of emissions in order to more effectively and precisely tailor program needs. Information from which preliminary emissions can be developed is readily available in February/March of each year and the ARB can assemble and issue a public report on the preliminary emissions estimate for – the preceding year – as opposed to the current process whereby emissions data for 2018 is not available until October 2020.

This language would also require ARB to update preliminary emissions estimates if they are not in the official emissions inventory. The Legislature and Governor would instead get a prior year estimate, plus the updated estimate(s) from any year(s) before if not already in the official inventory report. This report is generally released in October so that would mean that, on April of this year, ARB would report a first estimate of 2020 and a second estimate of April 2019. Then the inventory would be updated in October to include 2019.

Staff Recommendation. Approve as proposed.

Issue 86: Senate Cap-and-Trade Spending Plan

Senate Proposal. The Senate proposes a Cap-and-Trade Spending Plan for 2021-22 totaling \$3.227 billion for 2021-22, which includes \$1.777 billion in continuous appropriations and \$1.5 billion in discretionary spending. The Senate's Cap-and-Trade Spending Plan is based on the Legislative Analyst's Office (LAO) revenue estimates from Cap-and-Trade auctions.

For the discretionary portion of the Cap-and-Trade Spending Plan, the Senate proposes the following:

- \$1 billion Low Carbon Transportation & ZEV Strategy
- \$240 million Natural & Working Lands
- \$204 million Short-Lived Climate Pollutants
- \$89 million Climate Mitigation & Resilience
- \$15 million Climate & Clean Technology Research
- \$25 million Workforce Training
- -\$73 million Other

Components of note in, and further detail about, the Senate Cap-and-Trade Spending Plan include the following:

- **Alternative Funding: AB 617 Program.** For one year, 2021-22, in lieu of using GGRF as the funding source for AB 617 activities, the Senate proposes the following:
 - \$265 million General Fund one-time for local air district incentive funding.
 - \$50 million Air Pollution Control Fund (APCF) one-time for local air district administrative costs.
 - \$10 million APCF one-time for technical assistance.

This proposal rejects the extension of funding for 22 limited-term positions proposed in the Governor's January budget (\$4.2 million GGRF ongoing).

- **Alternative Funding: Safe and Affordable Drinking Water Obligation.** For the remaining GGRF commitment of \$1.2 billion for the Safe and Affordable Drinking Water Program, replace with federal stimulus funds and include trailer bill language accordingly.
- **Alternative Funding: State Responsibility Area (SRA) Backfill.** In lieu of GGRF backfilling revenue losses associated with the State Responsibility Area fee, appropriate \$78 million General Fund one-time for 2021-22.
- **Alternate Funding: Agricultural Diesel Engine Replacement and Upgrades.** The Senate Agriculture Budget Plan (*as discussed at the Subcommittee 2 hearing on May 4, 2021*) includes \$170 million for the Funding Agricultural Replacement Measures for Emission Reductions (FARMER) Program. The FARMER program, is a grant program that provides funding to replace agricultural equipment in order to reduce pollution.

- ***\$1 Billion Multiyear GGRF Funding for Low-Carbon Transportation & ZEV Strategy.*** For the Low-Carbon Transportation & ZEV Strategy category of funding, the Senate proposal includes:
 - *HVIP.* \$380 million total, \$190 million annually for a two-year limited term (2021-22 and 2022-23).
 - *CORE.* \$50 million total, \$25 million annually for a two-year limited term (2021-22 and 2022-23).
 - *Clean Cars 4 All & Transportation Equity Projects.* \$150 million total, \$75 million annually for a two-year limited term (2021-22 and 2022-23).
 - *CVRP.* \$350 million total, \$175 million annually for a two-year limited term (2021-22 and 2022-23). The Senate proposal also commits to a third year of \$175 million GGRF in 2023-24 for CVRP.

Lastly, the proposal includes \$70 million in 2021-22 for the Clean Trucks, Buses & Off-Road Freight Equipment for non-HVIP and non-CORE programs.

- ***Healthy & Resilient Forests (SB 901).*** As part of the Senate Wildfire Prevention and Resilience Package (*as discussed at the Subcommittee 2 hearing on May 4, 2021*), the Senate Cap-and-Trade Spending Plan commits \$200 million annually for five years, totaling \$1 billion GGRF for wildfire prevention and resilience activities.
- ***Organic Waste Diversion.*** The Senate proposal includes \$200 million to provide organic waste grant funding to cities and counties. The purpose of funding is to help local governments meet the organic waste diversion requirements pursuant to SB 1383 (Lara), Chapter 395, Statutes of 2016, by assisting cities and counties with local organic waste recycling program development and initial implementation activities.

The Senate plan also requires CalRecycle to develop general guidance around how the funds may be used and collect information from recipients of grant funding to compile into a single report. The report should be provided to the Legislature and posted on the CalRecycle website by May 1, 2022 on the following: (1) how locals have spent the organic waste recycling funding, (2) the degree to which the funding is helping achieve SB 1383 goals, and (3) potential future funding needed to successfully implement SB 1383.

- ***LWIP.*** The Senate proposal includes \$50 million for LWIP. Of this amount, \$25 million is dedicated to farmworker housing weatherization.

For more details, please refer to the Subcommittee 2 agenda for the May 11, 2021 hearing.

Staff Recommendation. In lieu of both the Administration's and Senate's Cap-and-Trade Spending Plans, approve \$1.5 billion for the Cap-and-Trade Spending Plan with details to be determined in a final agreement between the Senate, Assembly, and Governor.

Issue 87: Senate Agriculture Budget Plan

Senate Proposal. The Senate proposes an Agriculture Budget Plan of \$502 million General Fund, as follows:

Transition to Safer, Sustainable Pest Management (\$90 million). In lieu of the Administration's proposed tiered increase in the mill assessment, the Senate proposes to retain the current assessment and use one-time GF to backfill the shortfall and fully fund the programs and activities in the Governor's proposal for a two-year limited-term of \$40 million annually. Programs and activities include the following:

- Enhanced implementation of integrated pest management (IPM) practices.
 - Department of Pesticide Regulation's (DPR's) IPM program (\$8.25 million and 15 positions).
 - California Department of Food and Agriculture's (CDFA's) IPM research, education, and extension grant programs (\$3.75 million ongoing).
 - CDFA, through cooperative agreements with the California State University Agricultural Research Institute (CSU ARI) and University of California Agriculture and Natural Resources (UC ANR), to expand research, education, and extension capacity for IPM (\$8 million ongoing).
- Strengthened DPR enforcement activities (\$3 million DPR Fund and 18 positions in 2021-22 ongoing).
- Increased support to County Agriculture Commissioners (CACs) for local pesticide use enforcement activities from 7.6 mills to 10 mills (estimated to be an approximately \$9.5 million increase).
- Enhanced Pesticide Air Monitoring Network (AMN) (\$4 million DPR Fund and seven positions in 2021-22 ongoing).
- Increased community engagement by DPR, including with communities identified by the Community Air Protection Program (as authorized by AB 617 (C.Garcia), Chapter 136, Statutes of 2017, (\$1.5 million DPR Fund and four positions beginning in 2021-22 and \$1.5 million DPR Fund and seven positions in 2022-23 ongoing).
- Sufficient revenues to repair the DPR Fund's structural fund imbalance and provide a prudent reserve.

The Senate Agriculture Budget Plan provides General Fund funding for two years in order to allow DPR and CDFA to proceed with these efforts immediately while providing additional time to further analyze how to increase the mill assessment.

- ***Funding Agricultural Replacement Measures for Emission Reductions (FARMER) Program (\$170 million).*** The Senate proposes \$170 million General Fund one-time to the Air Resources Board (ARB) for the FARMER program, which is a grant program that provides funding to replace agricultural equipment in order to reduce pollution.

- ***Agricultural Burning (\$180 million)***. The Senate proposes \$180 million General Fund total — \$60 million annually for a three-year limited term.

The goals of this grant program is to reduce air pollution and help develop alternatives to agricultural burning that will ultimately become the methods for regulatory compliance. This proposal includes budget bill language to do the following:

- Require ARB and local air districts to implement this grant program in a manner that achieves these goals most effectively.
 - Require ARB to establish general guidelines for local air districts to help achieve the goals of this program.
 - Require ARB to provide funding to local air districts for the purpose of distributing grants.
 - Require ARB to report to the Legislature by December 1, 2022, on the degree to which the program is reducing emissions and supporting the development of alternatives to agricultural burning.
- ***Critical Infrastructure for Biodiversity Reliance: DNA Barcode Reference Library for California Insects (\$12 million)***. The Senate proposes \$12 million General Fund one-time to CDFA for the purpose of creating a DNA barcode reference library for California insects. This proposal will barcode and preserve existing specimens; secure new specimens from priority locations such as the Central Valley; expand opportunity via professional and informal training; and deliver data to accomplish Executive Order N-82-20.

This proposal provides the state a comprehensive DNA barcode reference library of its pollinators, butterflies, pests, and other arthropods. This will be an infrastructure of: a coordinated system of DNA barcodes, linked to baseline collections of California's insect diversity housed in secure facilities, with a public database to support farmers and land managers. Current efforts are funded via grants and donations, and one-time additional funding from the state will accelerate the effort, delivering benefits in years instead of decades.

- ***Alternative Manure Management Program (AMMP) (\$50 million)***. The Senate proposes \$50 million General Fund one-time to CDFA for grants through AMMP to implement non-digester practices to reduce or avoid methane emissions, such as solid separation, conversion from flush to scrape manure collection, and enhanced pasture-based management practices.

For more details, please refer to the Subcommittee 2 agenda for the May 4, 2021 hearing.

Staff Recommendation. In lieu of both the Senate's Agriculture Budget Plan and Administration's Sustainable Agriculture Package, approve \$776 million with details to be determined in a final agreement between the Senate, Assembly, and Governor.

Issue 88: Senate Budget Plan on Drought, Safe Drinking Water, Water Supply Reliability, and Ratepayer Assistance

Senate Proposal. The Senate proposes the Senate Budget Plan on Drought, Safe Drinking Water, Water Supply Reliability, and Ratepayer Assistance for a total of \$3.41 billion in one-time state and federal funds (Federal “American Rescue Plan” funds, one-time state General Fund, and appropriation of general obligation bonds (Propositions 1 and 68), as follows:

Immediate Community Assistance for Water and Drought Relief: \$500 million.

- Establish the California Community Water Emergency Investment Fund at the Department of Water Resources (DWR), consisting of \$500 million to provide one-time grants to smaller communities for the purposes of making immediate drinking water, water quality, and water supply investments in those communities.

These funds would be allocated on a competitive basis, capped at \$5 million per community, and be prioritized for lower income and disadvantaged communities that can spend the funds for projects such as cisterns and local onsite water storage, connections to larger water systems, well deepening and consolidation programs, and water efficiency for community gardens and other water consumptive uses. Funds can be used to provide technical assistance to low-income and disadvantaged communities.

Emergency Drought Water-Use Efficiency: \$500 million.

- \$500 million to DWR for grants to water agencies to implement residential, commercial, and agricultural water efficiency projects. Projects include replacement of high water consumption landscapes and other water efficiency investments.
 - \$250 million to DWR for competitive grants to local water agencies to implement residential and commercial water-use efficiency projects. Priority shall be given to low-income households and disadvantaged communities.
 - \$250 million to DWR for competitive grants for agricultural water-use efficiency projects including building and upgrading irrigation and treatment ponds. \$40 million of which shall be allocated for purposes of the State Water Efficiency and Enhancement Program (SWEET) at the California Department of Food and Agriculture.

SWEET provides financial assistance in the form of grants to implement irrigation systems that reduce greenhouse gases and save water on California agricultural operations. Eligible system components include (among others) soil moisture monitoring, drip systems, switching to low pressure irrigation systems, pump retrofits, variable frequency drives and installation of renewable energy to reduce on-farm water use and energy.

Sustainable Groundwater Management: \$350 million.

- \$300 million to DWR for competitive grants that support implementation of the Sustainable Groundwater Management Act (SGMA) (Part 2.74 (commencing with Section 10720) of Division 6 of the Water Code).
- \$50 million to the Wildlife Conservation Board (WCB) for grants pursuant to the Ecosystem Restoration on Agricultural Lands Program for groundwater sustainability projects that create, protect, or restore wildlife habitat and support implementation of SGMA.

Resilient Water Infrastructure Projects: \$200 million.

- \$200 million to DWR for competitive grants for projects that provide multiple benefits, including water supply reliability, ecosystem benefits, system reliability benefits, groundwater management and enhancements. Eligible projects include conjunctive use projects; groundwater recharge; well rehabilitation or other well improvements in support of groundwater banking or recharge; transfers of water for environmental purposes; restoration of upper watersheds that are a significant source of water supply for the state; and other projects that provide improved regional resilience to climate change and drought conditions.

Recycled Water: \$200 million.

- \$200 million to the State Water Resources Control Board (SWRCB) for competitive grants for projects related to water reuse and water recycling, and other purposes pursuant to Chapter 9 (commencing with Section 79765) of Division 26.7 of the Water Code.

Examples of eligible projects include: treatment, storage, conveyance, and distribution facilities for potable and nonpotable recycling projects; contaminant and salt removal projects; dedicated distribution infrastructure to allow use of recycled water; pilot projects for brew potable reuse and other salt and contaminant removal technology; multibenefit recycled water projects that improve water quality; and technical assistance and grant writing assistance for disadvantaged communities.

Stormwater Management: \$200 million.

- \$200 million to SWRCB for competitive grants for multi-benefit stormwater management projects. Eligible projects may include, but shall not be limited to, green infrastructure, rainwater and stormwater capture projects, and stormwater treatment facilities. Development of plans for stormwater projects shall address the entire watershed and incorporate the perspectives of communities adjacent to the affected waterways, especially disadvantaged communities.

Priority for grant funding shall be given for multi-benefit stormwater projects within disadvantaged communities that include waterways identified on SWRCB's 303(d) list of impaired waters prepared pursuant to 33 USC 1313(d) and California Water Code Section 13191.3(a). At a minimum, 40 percent of funding shall be allocated for projects that directly benefit and occur within a disadvantaged community.

Section 303(d) of the federal Clean Water Act authorizes the US EPA to assist states, territories, and authorized tribes in listing impaired waters and developing Total Maximum Daily Loads (TMDLs) for these waterbodies. A TMDL establishes the maximum amount of a pollutant allowed in a waterbody and serves as the starting point or planning tool for restoring water quality.

California Water Code Section 13191(a) requires SWRCB to prepare guidelines for the purpose of listing and delisting waters and developing and implementing the TMDL program and TMDLs pursuant to the federal Clean Water Act.

Protecting Fish & Wildlife from Drought Impacts: \$285 million.

- \$100 million to WCB for grants pursuant to the guidelines of the Streamflow Enhancement Program for the purposes of protecting fish and wildlife from their impacts of drought including for short-term acquisition and construction of transfer of water.
- \$100 million to WCB for grants pursuant to the Inland Wetlands Conservation Program to protect fish and wildlife from the impacts of drought including for wildlife friendly agriculture and to improve conditions on wildlife refuges and wetland habitat areas to achieve full compliance with the terms of subsection (d) of Section 3406 of the Central Valley Project Improvement Act (Public Law 102-575) and other Central Valley managed wetlands.

Section 3406(d) pertains to the Central Valley refuges and wildlife habitat areas and supports the objectives of the Central Valley Habitat Joint Venture by directing the Secretary of the Interior to provide water supplies of suitable quality to maintain and improve wetland habitat areas in specified areas of the Central Valley.

- \$35 million to the Department of Fish and Wildlife (DFW) to protect fish and wildlife from immediate drought impacts.
 - \$20 million to DFW to support real-time management of drought response and to process regulatory approvals for drought management actions consistent with the findings in the report pursuant to Section 51 of SB 839 (Committee on Budget and Fiscal Review), Chapter 340, Statutes of 2016, which requires the California Natural Resources Agency to produce a report summarizing lessons learned from the state's response to drought.
 - \$15 million to DFW for the Coastal Monitoring Program (CMP) to monitor the effects of drought on coastal salmon populations.

The CMP is a comprehensive program that provides a better understanding of California's salmon and steelhead populations, utilizing modeling in combination with a variety of in-river sampling and survey methods. DFW and the National Oceanic and Atmospheric Administration (NOAA) Fisheries lead the implementation of this program in coastal watersheds. Nearly all of California's salmon and steelhead populations have been listed under the California and Federal Endangered Species Act due to drastic declines in recent decades. The CMP is designed to document salmonid status on a statewide scale using standardized methods, with data centralized in a statewide database.

- \$50 million to the Department of Parks and Recreation (Parks) for drought-related projects on Parks-managed lands to preserve and protect the state’s fish and wildlife resources.

Water Quality: \$100 million.

- \$50 million to SWRCB for competitive grants for groundwater remediation, including perfluoroalkyl substances (PFAS) contamination, and other purposes pursuant to Chapter 10 (commencing with Section 79770) of Division 26.7 of the Water Code, which pertains to groundwater sustainability.
- \$50 million to SWRCB for grants and loans to public agencies or public-private partnerships for projects that will improve water quality. Eligible projects include, but are not limited to, septic to sewer conversions and wastewater treatment.

Water Data and Forecast Improvement: \$75 million.

- Funding to DWR/SWRCB for water management technology equipment — such as remote sensing for snowpack and precipitation gauges for real-time operations of reservoirs — to improve ability to manage/forecast runoff and for monitoring of key drought-related measures of water and water quality including:
 - \$20 million to SWRCB to implement Water Code Section 144, which requires the DWR and SWRCB to develop a plan to establish a network of stream gauges, and deploy prioritized stream gauges to improve water management and respond to the impacts of drought on fish and wildlife.
 - \$15 million to DWR for projects that improve precipitation forecasting for use in forecast informed reservoir operations, groundwater recharge, and flood risk management, including, but not limited to, projects under Article 8 (commencing with Section 347) of Chapter 2.5 of Division 1 of the Water Code, which pertains to atmospheric rivers research, mitigation, and climate forecasting.
 - \$15 million to DWR for projects that support advanced technologies to measure snowpack and forecast runoff.
 - \$15 million to the Division of Water Rights at SWRCB to support real-time management of drought response and to process regulatory approvals for drought management actions consistent with the Water Rights Drought Effort Review (WARDER) Report.

The report is a compilation of comments and recommendations that were collected as part of the WARDER effort, which included a series of interviews with water users and managers to gather input on SWRCB's Division of Water Rights actions during the previous drought, and to solicit recommendations for Division priorities during a future drought. Comments and recommendations related to issues such as communication (e.g., communicating watershed conditions, legal and policy considerations (e.g., SWRCB authority and role during a drought, the water rights system, curtailments, and water transfers and exchanges), and data (e.g., reporting, data systems, estimating a watershed's supply, determining water demand and availability), and interagency collaboration.

- \$10 million to SWRCB for monitoring, reporting and developing means to reduce harmful algal blooms in the Delta.

Helping Ratepayers, Community Water Systems, Waste Water Treatment Works, and Public Utilities Recover from COVID-19 Economic Impacts. (\$1 billion)

- Appropriate federal American Recovery Act funds to the Department of Community Services and Development (CSD) to help utility customers and utilities address backlogged bills and arrearages associated with COVID economic impacts. The action will include trailer bill language that designates the agency and process for disbursement of ratepayer relief funds, cutting “green tape” for environmentally beneficial projects.

Other Actions

- Accelerate appropriation of existing water bond priorities Propositions 1 and 68 funds where demand is still high (stormwater management projects, water recycling, and drinking water capital projects).
- Urge the Water Commission to convene and reallocate \$145 million in existing Proposition 1 funds originally set aside for Temperance Flat Dam for other sustainable water storage investments in the Central Valley.
- A motion to amend this proposal was approved at the to add a \$15 million GF one-time appropriation to the Tulelake Irrigation District. This funding is for habitat and ecosystem protection and waterfowl morbidity prevention in the Klamath River basin.

Background. The following chart compares the Senate’s and Governor’s proposals:

Water and Drought Package Comparisons

(in millions)

Activity	Senate Sub 2 May 4 proposal	Governor May Revision (across 2 years)
Address water arrearage debt (a)	1,000	1,000
Small community drought assistance/drinking water grants and projects	500	1,450
SGMA implementation (b)	300	300
Recycled water/groundwater clean-up/water quality	300	170
Agricultural water use efficiency including SWEEP (b)	250	60
Land conservation/restoration programs	265	266
Urban water-use efficiency	250	-
Resilient water infrastructure projects	200	266
Stormwater management	200	-
Water data and forecast improvements	75	91
Drought projects at State Parks	50	-
Drought assistance for fish and wildlife	35	33
Land repurposing program	-	500
Salton Sea	-	220
SWP and CVP canal repairs	-	200
Oroville pump storage project	-	200
Urban water management grants	-	150
Flood management projects	-	140
Drought emergency response activities	-	65
Specified water and climate studies	-	45
Totals (c)	3,425	5,156

- (a) The Governor’s \$1 billion proposal to address water arrearages was not presented as part of his water package but rather in a separate budget change proposal.
- (b) Not reflected in this chart are an additional \$60 million for SGMA implementation and \$40 million for SWEEP the Governor proposed in January and the subcommittee adopted at earlier hearings.
- (c) The Governor’s total excludes \$200 million for multibenefit flood and habitat projects which is displaced instead in the “climate package” comparison chart.

Staff Recommendation. Rescind the approval and in lieu of the Senate’s and Administration’s water/drought packages, approve \$3.475 billion with details to be determined in a final agreement between the Senate, Assembly, and Governor.

Issue 89: Senate Wildfire Prevention and Resilience Package

Senate Proposal. The Senate proposes a long-term wildfire mitigation plan of \$5 billion total (\$4 billion General Fund (GF) and \$1 billion Greenhouse Gas Emissions Fund (GGRF)). The Senate proposal does the following:

- 1) Establishes the Wildfire Prevention and Resilience Fund (WPRF) and transfers \$4 billion GF into WPRF, which is subject to annual legislative appropriation, and transfers \$4 billion GF into WPRF.
- 2) States that \$1 billion (\$800 million WPRF and \$200 million from GGRF) shall be appropriated annually for five years.
- 3) Appropriates \$800 million from WPRF and \$200 million from GGRF in 2021-22 to specific wildfire prevention and resiliency programs.
- 4) Provide accountability measures and assessment of effectiveness.

More specifically, the Senate Wildfire Prevention and Resilience Package includes the following:

Adoption of Trailer Bill Language

- Create a new fund, the WPRF.
- Specify that moneys in the WPRF, upon appropriation by the Legislature, may be used for projects and programs that promote healthy wildlands, reduce the risk of catastrophic wildfires, and make communities more resilient to wildfires.
- Specify that interest from the moneys in WPRF shall accrue to WPRF.
- State that \$800 million appropriation from WPRF and a \$200 million appropriation from GGRF shall be made in each Budget Act through 2025-26 fiscal year to support projects and programs that promote healthy wildlands reduce the risk of catastrophic wildfires, and make communities more resilient to wildfires.
- Require reporting to enhance accountability and assess effectiveness. (*Details below.*)

Budget Bill Language and Appropriations in 2021-22 Budget Act

- Transfer \$4 billion one-time from the General Fund to WPRF.
- Appropriate \$800 million from WPRF and \$200 million from GGRF in BY to specific programs to promote healthy wildlands, reduce the risk of catastrophic wildfires, and make communities more resilient to wildfires. (*Please see chart below for breakdown of \$1 billion budget year proposal.*)
- Extend the encumbrance periods to June 30, 2023 and liquidation periods to June 30, 2025.

Accountability Measures and Assessment of Effectiveness

- Require CNRA, in consultation with other departments administering wildfire prevention and resilience programs, to annually produce a report on all programs funded as part of this wildfire package. This report shall be provided to the budget committees in each house and the LAO, as well as posted on the Agency's public website by December 1 of each year. The purpose of the annual report is to inform the Legislature and the public on the Administration's implementation of the programs receiving funding, as well as to provide information that will be useful for future decision making regarding efforts to reduce wildfire risks and damages.
- For each program receiving funding as part of the wildfire package, requires the report to include the following information for both the most recent fiscal year and total through the most recent fiscal year:
 - Summary of the projects implemented, including quantification of the number of projects funded. Where relevant, the summary of projects implemented should include information on the total number of acres treated, grants or loans awarded, home retrofits, or other quantifiable deliverables. The information provided should be broken out by project type if the program supports different types of activities.
 - Summary of costs to implement programs, by program type. This should specify how much of the costs were for different types of expenditures, such as state staff, contracted services, equipment, and grants or loans.
 - Summary of how projects were selected. This should include information on prioritization criteria used to select projects.
 - Summary of geographic distribution, including number and costs of projects by region of the state.
- Specifies that this reporting requirement expires following provision of the final report, which shall be the annual report that includes information on the final expenditure of all funds appropriated as part of this package.

Overall Assessment of Effectiveness

- Require a final report to the Legislature on the overall effectiveness of these wildfire prevention and resilience funding efforts by December 1, 2025. The goal of this reporting is to inform the Legislature on how effective different types of programs and projects funded as part of the Wildfire Prevention and Resilience Package were at reducing wildfire risks and damages and to inform future funding for such purposes. Key components should include:
 - Coordination by CNRA.
 - This would be an ex post evaluation to assess the extent to which wildfire prevention and resilience projects funded by the package actually reduced the spread or damages associated with wildfires that occurred in locations that contained funded projects.
 - Require CNRA to contract with the University of California to produce the report.

-
- Coordinate with researchers and Administration to help develop research strategy and protocols so that programs are designed with evaluation in mind at the outset, in order to ensure efforts will result in meaningful data and analysis.
 - Authorize dedicated funding to ensure proper research implementation, which may fund a combination of state staff and research contracts, such as with universities. Although it is unclear what costs would be, conversations with researchers and Administration would inform this determination.
 - Specify that the intention is for reports to include analysis of effectiveness, as well as recommendations about future implementation based on lessons learned.

Senate \$1 Billion Wildfire Prevention and Resilience Spending Plan for 2021-22. The Senate proposes a \$1 billion spending plan, as follows:

- \$530 million Resilient Wildlands
- \$245 million Wildfire Fuel Breaks
- \$45 million Community Hardening
- \$53 million Science-Based Management
- \$127 million Other

(Continue to next page)

Background. The following chart provides a side-by-side comparison of the various wildfire proposals:

Wildfire Prevention and Resilience Proposals

(in millions)

Category	Agency/Dept	Purpose	Governor's Early Action Proposal	Gov's Budget Year Proposal	SB 85 Early Action Plan	Gov's May Revision for 2020-21	Senate 2020-21 Proposal	
Resilient Wildlands	CAL FIRE	Forest Health	\$5	\$20	\$90	\$100	\$125	
			\$65	\$80	\$65		\$0	
	CAL FIRE	Forest Improvement Program for Small Landowners	\$0	\$40	\$0	\$40	\$50	
			\$10	\$0	\$10		\$0	
	CAL FIRE	Forest Legacy & Reforestation Nursery	\$8	\$17	\$8	\$17	\$20	
	CAL FIRE	Urban Forestry	\$10	\$13	\$10	\$13	\$15	
	CAL FIRE	Tribal Engagement	\$1	\$19	\$1	\$19	\$19	
	Parks & Recreation	Stewardship of State-Owned Land	\$10	\$75	\$15	\$123	\$90	
	Fish & Wildlife	Stewardship of State-Owned Land	\$9	\$36	\$15	\$0	\$90	
	State Lands Commission	Stewardship of State-Owned Land	\$0	\$12	\$0	\$0	\$0	
	Sierra Nevada Conservancy	Project Implementation in High Risk Regions	\$20	\$50	\$20	\$61	\$60	
			\$0	\$0	\$0		\$0	
	Tahoe Conservancy	Stewardship of State-Owned Land	\$1	\$11	\$1		\$11	
			\$0	\$0	\$0		\$0	
	Santa Monica Mountains Conservancy	Project Implementation	\$0	\$0	\$12		\$10	
	San Diego River Conservancy		\$0	\$0	\$12		\$10	
	San Gabriel & Lower LA Rivers & Mountains Conservancy		\$0	\$0	\$12		\$10	
State Coastal Conservancy	\$0		\$0	\$12	\$10			
San Francisco Bay Area Conservancy Program within the State Coastal Conservancy	\$0		\$0	\$0	\$10			
Wildfire Fuel Breaks	CAL FIRE	CalFire Unit Fire Prevention Projects	\$10	\$40	\$10		\$40	\$40
	CAL FIRE	Fire Prevention Grants	\$50	\$80	\$50		\$80	\$80
			\$0	\$0	\$73			\$0
	CAL FIRE	Prescribed Fire & Hand Crews	\$15	\$35	\$15		\$35	\$40
	California Conservation Corps	Forestry Corps	\$0	\$15	\$0		\$20	\$25
			\$0	\$5	\$0			\$0
Department of Conservation	Regional Forest & Fire Capacity	\$25	\$60	\$50	\$60		\$60	
Cal OES & CAL FIRE	Home Hardening	\$25	\$0	\$25	\$0	\$30		

Community Hardening	CAL FIRE	Defensible Space Inspectors	\$0	\$6	\$2	\$6	\$7
	CAL FIRE & University of California	Land Use Planning and Public Education Outreach	\$0	\$7	\$0	\$7	\$8
Science-Based Management	CAL FIRE	Ecological Monitoring, Research & Adaptive Management	\$3	\$17	\$3	\$17	\$20
	CNRA	Remote Sensing	\$0	\$15	\$0	\$15	\$15
	CARB & Waterboards	Permit Efficiencies	\$0	\$4	\$0	\$4	\$5
	UC	Satellite data real-time employment	\$0	\$0	\$0	\$0	\$5
	OPR	Wildfire/Climate Adaptation Planning	\$0	\$0	\$0	\$0	\$8
Forestry Sector Economic Stimulus	IBank	Climate Catalyst Fund	\$47	\$2	\$16	\$33	\$33
	CAL FIRE & Workforce Development Board	Workforce Development	\$6	\$18	\$6	\$18	\$20
	OPR	Market Development	\$3	\$0	\$3	\$0	\$6
	GO-Biz	Transportation grants for timber/wood removal	\$0	\$0	\$0	\$0	\$10
Other	CNRA	Urban greening programs	\$0	\$0	\$0	\$0	\$0
	OPR	Cooling centers, clean air/hydration centers, emergency shelters, backup solar	\$0	\$0	\$0	\$0	\$8
	WCB	Forest health and watershed protection and restoration	\$0	\$0	\$0	\$0	\$50
	CAL FIRE	Increase Fire Crews	\$0	\$0	\$0	\$0	\$0
TOTAL - All Funds			\$323	\$677	\$536	\$708	\$1,000
Total - General Fund			\$198	\$477	\$411		\$1,000
Total - Cap & Trade (GGRF)			\$125	\$200	\$125		\$0

Staff Recommendation. In lieu of the both the Senate's and the Administration's wildfire proposals, approve \$1 billion with details to be determined in a final agreement between the Senate, Assembly, and Governor.

DISCUSSION

0540 CALIFORNIA NATURAL RESOURCES AGENCY (CNRA)
3480 DEPARTMENT OF CONSERVATION (DOC)
3600 DEPARTMENT OF FISH AND WILDLIFE (DFW)
3640 WILDLIFE CONSERVATION BOARD (WCB)
3790 DEPARTMENT OF PARKS AND RECREATION (PARKS)
3860 DEPARTMENT OF WATER RESOURCES (DWR)
3940 STATE WATER RESOURCES CONTROL BOARD (SWRCB)
8570 CALIFORNIA DEPARTMENT OF FOOD & AGRICULTURE (CDFA)

Issue 90: Water Resilience and Drought Package (MR) (BCP and TBL)

Governor's Proposal. The May Revision requests a total of \$3.475 billion (\$1.93 billion General Fund, \$1.54 Billion federal funds, and \$10.5 million bond and special funds) in 2021-2022, \$883.5 million (\$880 million General Fund and \$3.5 million special fund) in 2022-23 across six departments, and \$3.5 million special funds and 37 positions for the Water Board for implementation of drinking water and wastewater infrastructure funding, and permitting and oversight. This proposal also requests to shift \$50 million that was proposed for Sustainable Groundwater Management Act Program and State Water Efficiency and Enhancement Program grants for 2020-21 early action into 2021-22.

This request for funding includes resources needed to respond immediately to a second consecutive critically dry year and to advance many priorities of the Water Resilience Portfolio, including helping small water systems deliver safe drinking water reliably, supporting farm communities as they adjust to a reduced dependence on groundwater, repairing major aqueducts, restoring wildlife habitat, and improving the availability of water data, drought. In response to diminished water supplies in the state's major rivers and reservoirs, and drinking water emergencies, state agencies will need additional resources beginning in 2021-2022 to respond to and mitigate drought-related problems.

This request includes trailer bill language related to drought-contract exemptions.

The following page includes a chart that breaks down the Governor's Water Resilience and Drought Package.

Water Resilience Package (\$ in millions)			
Category	Department	Program	May Revision 2021-22
Drinking Water, Water Supply and Reliability, Flood	State Water Resources Control Board	Drinking Water/Wastewater Infrastructure	\$1,300
		PFAs Support (\$20 million over two years)	\$10
		Groundwater cleanup/Water Recycling (\$150 million over two years)	\$85
	Department of Water Resources	Salton Sea (\$220 million over two years)	\$50
		SGMA Implementation (\$300 million over two years)	\$200
		Water Conveyance (\$200 million over two years)	\$100
		Flood (\$140 million over two years)	\$70
		Watershed Climate Studies	\$25
		Aqueduct Solar Panel Pilot Study	\$20
		Oroville Pump Storage	\$200
Department of Food and Agriculture	State Water Efficiency and Enhancement Program	\$60	
Natural Resources Agency	Clear Lake Rehabilitation	\$5.7	
Immediate Drought Support	Various	Data, Research, and Communications	\$91
	Various	Drought Technical Assistance and Emergency Water Supplies	\$27
	Department of Conservation	Multi-benefit Land Repurposing	\$500
	Department of Water Resources	Small Water Suppliers Drought Relief & Urban Water Management Grants	\$300
	Various	Drought Permitting, Compliance, and Enforcement	\$38
	Department of Fish and Wildlife	Drought Fisheries and Wildlife Support	\$33
Nature Based Solutions	Natural Resources Agency	Water Resilience Projects (\$266 million over two years)	\$166
	Wildlife Conservation Board	Wildlife Corridors/Fish Passage (\$230 million over two years)	\$65
	Department of Water Resources	Habitat Restoration (\$200 million over two years)	\$100
	Department of Conservation	Riparian Restoration	\$30
Total			\$3,475

Source: Department of Finance

More specifically, the May Revision proposes the following:

Drinking Water, Water Supply and Reliability, Flood

State Water Resources Control Board (SWRCB)

Drinking Water and Wastewater Infrastructure - \$1.3 billion American Rescue Plan Act of 2021 Funds and 20 positions

This proposal is intended to allow SWRCB to meet the goals of the state's Human Right to Water Policy, as articulated in AB 685 (Eng), Chapter 524, Statutes of 2012, which specifies that it is the "established policy of the state that every human being has the right to safe, clean, affordable, and accessible water adequate for human consumption, cooking, and sanitary purposes" essential to health and wellbeing. Small and/or disadvantaged communities face specific challenges related to their drinking water and wastewater systems. Communities may lack the capital and economies of scale to repair, build and maintain adequate systems. SWRCB has existing programs to provide financial assistance to assist public water systems serving disadvantaged communities comply with Safe Drinking Water requirements and provide safe, affordable drinking water. Similarly, SWRCB has programs to assist small disadvantaged communities with their wastewater needs. This proposal will fund projects that have been under development and seeking funding from SWRCB, and that can meet the construction timelines of the American Rescue Plan funds. Funds will be prioritized for projects that benefit small and or disadvantaged communities, consolidations, and regional solutions.

Per-and Polyfluoroalkyl Substances (PFAS) Support for Drinking Water Systems - \$20 million General Fund

PFAS are a group of man-made chemicals resistant to heat, water, and oil. In March 2019, SWRCB began requiring monitoring for PFAS in likely source areas to identify the impacts of PFAS to public water supplies. This funding is intended to provide critical technical and financial assistance to water systems to monitor and respond to the occurrence of perfluorooctanoic acid (PFOA) and PFAS in their source water. SWRCB provides technical assistance to disadvantaged communities to respond to the occurrence of other contaminants in their source water using Prop 1, Prop 68 and the Safe and Affordable Drinking Water (SADW) fund. Currently 203 (29 DAC) systems have PFAS detections. That number is expected to rise as the results of the testing required by SWRCB are due by the end of June.

Groundwater Cleanup and Water Recycling- \$150 million (\$85m ARPA & \$65m General Fund)

SWRCB provides funding for water recycling projects that offset or augment state or local fresh water supplies through its Water Recycling Funding Program. In addition to recycled water, contaminated groundwater can be treated to augment water supplies. Many of the state's groundwater basins are contaminated by industrial chemicals. During dry periods, wells that have been taken offline due to contamination may be needed to augment drinking water supplies. This proposal provides \$150 million for recycled water and groundwater treatment projects.

SWRCB's existing Groundwater Grant Program provides grants for projects that prevent or cleanup contamination of groundwater that serves or has served as a source of drinking water. Typical projects funded under the existing program include groundwater extraction and treatment to remove and/or prevent migration of contamination, destruction of wells to eliminate conduits for contaminant migration, and injection wells for prevention of seawater intrusion.

The existing Water Recycling Funding Program promotes the beneficial use of treated municipal wastewater (water recycling) through grants and loans in order to augment fresh water supplies in California by providing technical and financial assistance to agencies and stakeholders in support of water recycling projects and research. Projects will be awarded through a competitive selection process and leveraged with voter approved Proposition 1 and Proposition 68 funds and the Clean Water State Revolving Fund program.

To respond efficiently to the proposed investment, SWRCB requests provisional language that provide flexibility when granting local assistance funding.

Department of Water Resources (DWR)

\$220 million General Fund to fund construction and related activities at the Salton Sea

In 2017, SWRCB adopted Order WR 2017-0134 (Order), requiring the state to construct 29,800 acres of habitat and dust suppression projects on exposed lakebed at the Salton Sea by 2028. The Order sets annual acreage milestones for the state and requires the development of subsequent 10-year phases of the Salton Sea Management Plan (SSMP), beginning with the development of Phase II, which must be completed by December 31, 2022. CNRA implements these SSMP activities along with DWR and DFW. In continuation of the State's effort at the Salton Sea where 4,000 acres of habitat are under construction and about 800 acres of dust suppression projects have already been implemented, and additional acres are being planned for 2021/2022, the requested funding could finance the following:

- 4,000 acres of deep-water habitat (>6ft) at \$50k/acre = \$200M
- 1,000 acres of shallow water habitat (<6ft) at \$15k/acre = \$14M
- 3,000 acres of dust suppression projects at \$2k/acre = \$6M

This funding would be intended to maximize outcomes, provide immediate economic relief to the community, support the state in leveraging federal funds, and support efforts to meet acreage milestones and comply with the State Water Board Order.

\$300 million (\$180 General Fund and \$120 million ARPA) SGMA implementation to improve water supply security, water quality, and water reliability.

This proposal requests \$300 million for capital project investments to improve water supply security, water quality and/or the reliability of drinking water wells through implementation of the Sustainable Groundwater Management Act (SGMA); to provide technical assistance grants to ensure engagement of underrepresented communities in SGMA implementation; and to provide underrepresented communities with direct and tangible drinking water quality and supply benefits where analysis and mitigation are needed.

This requested funding is intended to provide grants to advance projects that support comprehensive groundwater management, increase water supply reliability, protect drinking water, and ensure the engagement of underrepresented communities in SGMA implementation. No less than 30 percent is intended to go towards projects that protect drinking water, and no less than 30 percent is intended to go toward efforts that benefit underrepresented communities.

This funding is proposed in addition to the \$60 million proposed in the January 10 Governor's Budget.

The May Revision also includes proposing to shift the fund source of the Governor's Budget proposal from General Fund to ARPA.

\$200 million General Fund to support repair of water conveyance facilities.

Regional land subsidence in California's San Joaquin Valley due to groundwater overdraft has and will continue to adversely impact the conveyance capacity and operational flexibility of the four major water conveyance facilities in the San Joaquin Valley: two federal Central Valley Project aqueducts - the Friant Water Authority's Friant-Kern Canal; the San Luis Delta-Mendota Water Authority's Delta-Mendota Canal; the State Water Project's California Aqueduct in the San Joaquin Field Division; and the portion of the California Aqueduct that is jointly used by DWR and the United States Bureau of Reclamation (the San Luis Canal). Subsidence impacts on all four of these conveyance facilities constrains operators' abilities to deliver allocated water.

This funding is intended to support the planning, permitting, design, and construction of near-term subsidence rehabilitation projects. These projects include raises to the embankment and liner of multiple pools, raises and reconstruction of check structures between pools, raises and relocation of bridges and utility overcrossings, and the addition of instrumentation. These projects are intended to remediate the most severely subsided areas of these facilities.

\$140 million General Fund to fund Flood Capital Outlay Projects.

Funding of \$140 million over two years to support the state cost-share of critical United States Army Corps of Engineers urban flood risk reduction projects and state-led multi-benefit, system wide flood risk reduction projects. The funding will leverage approximately \$240 million of local and federal funding, reduce flood risk for 1.1 million people and over \$100 billion of assets, and implement projects that enhance the ecosystem, build resiliency for adaptation to climate change, and address aging flood infrastructure.

\$25 million General Fund for DWR for Watershed Climate Studies

DWR intends to conduct watershed-scale studies for the San Joaquin River watershed and its tributaries, develop integrated analytical models, identify vulnerabilities in the flood and water supply systems due to climate change and SGMA implementation, and identify adaptation strategies. In addition, DWR intends to evaluate the conveyance facilities in the San Joaquin River watershed to improve water system flexibility, reliability, and resilience. The analyses will be conducted with local partners using newly-developed analytical models covering headwater to groundwater for each tributary watershed.

DWR intends to also develop a regional flood management strategy for the San Joaquin River watershed and its tributaries; specifically, to work with regional flood managers to scope, conduct feasibility studies, and formulate multi-benefit flood management projects. The regional flood management strategy is intended to inform the development of adaptation strategies consisting of infrastructure needs and priorities including new and improved flood and water supply conveyance and operational changes. This would build upon and complement the work requested under FY 21-22 BCP for \$4.19M for "Climate Vulnerability and Adaptation Strategy for a San Joaquin Basin Watershed."

\$20 million General Fund for the Department of Water Resources for the Aqueduct Solar Panel Pilot Study.

Solar over canals refers to solar photovoltaic (PV) panels that are mounted on infrastructure that spans a canal. This differs from floating solar, or floating PV, for which panels float directly on the surface of the water body. Placing solar PV panels over bodies of water may potentially have added benefits over conventional ground-mounted solar – but this emerging concept is still in the early stages of deployment, and there is a lack of definitive data on long-term reliability and benefits.

This proposal is intended to fund a pilot project that investigates the constructability, feasibility of interconnection to the power grid, reduction in evaporation losses, reduction in the growth of weed and algae, construction costs, and power economics.

\$200 million General Fund for the Oroville Pump Storage.

The Hyatt-Thermalito hydroelectric facility has been constructed with the ability to operate in “pump- back” mode whereby energy is used during times of the day when energy is in excess to pump water Lake Oroville and then release that water in order to generate energy during times of the day when it is needed most. The ability to conduct pump-back operations at the Hyatt-Thermalito facility is constrained by downstream water temperature control and compliance needs. This capital outlay funding would provide for the planning, design, permitting, and construction of a project that would modify one of the Oroville Dam outlets (the Palermo Outlet) to allow it to reliably access and release the colder water that exists at the lower elevations within the lake. This project would also include a five to six-mile long pipeline to move the cold water downstream to where it is needed and enable restoration of the pumpback operations. Finally, this project would include a flow control facility with a potential for additional hydroelectric generation.

Department of Food and Agriculture (CDFA)

An additional \$60 million for the State Water Efficiency and Enhancement Program (SWEEP) Grants to provide incentives that help farmers reduce irrigation water use and reduce greenhouse gas emissions from agriculture pumping. Since 2014, SWEEP has funded 828 projects which has allowed efficient irrigation systems and water distribution technologies to be implemented on over 134,000 agriculture acres. These projects have an estimated water savings of 1.15 million acre-feet and GHG emission reductions of 800,773 MTCO_{2e} over 10 years.

This funding is proposed in addition to the \$20 million proposed in the January 10 Governor’s Budget, and \$20 million proposed for early action that is also requested to be included in 2021-22. In total, the Administration proposes \$100 million for SWEEP in 2021-22.

California Natural Resources Agency (CNRA)

This proposal includes \$5.7 million for Clear Lake Rehabilitation. Clear Lake is located in Lake County and has mercury contamination, harmful algal blooms, and other challenges that impact water quality and overall lake health that the local economies depend on. The greatest barrier to improvements at Clear Lake is the absence of quantitative data on the response of the lake system, which makes it difficult to make investment recommendations for restoration projects.

CNRA has Prop 68 funds designated for capital improvement projects at Clear Lake; however, in the absence of additional research funding, CNRA was prepared to use a portion of the designated Prop 68 capital funds to further the development of lake research, upper watershed modeling, and monitoring to maintain progress. This proposal would shift funding for the research and modeling needed to the General Fund, and maintain the designated Prop 68 funds for later phases of these projects (such as working designs or construction).

Immediate Drought Support

Data, Research, and Communications

\$49 million for the Department of Water Resources for Critical Data Collection.

This request covers funding for hydrometeorological and groundwater monitoring infrastructure to repair and augment the state's water data infrastructure: weather stations, stream gages, irrigation management system stations, and groundwater monitoring wells near disadvantaged communities and interconnected surface water and groundwater-dependent ecosystems. It also includes collection of airborne snow observation data, groundwater monitoring well data, and enhanced surveys to better manage drinking water, groundwater recharge, and groundwater dependent ecosystems.

These infrastructure investments should reduce the staff time now needed for constant repair of monitoring equipment and infrastructure that is on the verge of failure. Funding will be focused on both near-term and long-term needs. To address the drought, funding will be focused on geographically targeted, very near-term information associated with this critically dry water year and preparation for the possibility of a dry 2022. In addition, the monitoring infrastructure is intended to provide for longer-term benefit beyond the immediate drought needs and current dry conditions, for all water year types.

\$20 million for the Department of Water Resources for Satellite Data and Forecast Informed Reservoir Operations

\$10 million of this request will be used to increase DWR's collection and reporting frequency of satellite-based statewide subsidence data - from annually to quarterly for three years. This satellite-based method measures changes in ground surface elevations over broad areas caused by the over pumping of groundwater basins. DWR uses these data to monitor areas of existing and emerging subsidence with an emphasis on areas of subsidence along the State's critical water infrastructure system, including the State Water Project and the State Plan of Flood Control.

The other \$10 million is intended to allow DWR to partner with federal agencies, local water agencies, and the University of California (UC) in three pilot projects to determine if weather forecasts generated through research weather modeling by UC can be used to allow changes in US Army Corps of Engineers water control manual regulatory requirements for dam operations at these sites. Allowing flexibility in existing regulatory requirements could permit increased storage in dry years during the winter flood control season, providing a greater water supply buffer during droughts.

\$13 million for DWR's cost share with the Lawrence Berkeley National Laboratory's National Alliance for Water Innovation (NAWI) for desalination research

NAWI was awarded a \$100 million grant from the US Department of Energy which has a 25% cost share requirement from non-Federal sources. Funding from this request, will contribute to the non-federal share. The purpose of the research is to identify possible desalination efficiencies and reduce energy use. This funding is intended to implement California Water Resilience Portfolio Action 6.2: Team with federal and academic partners to develop desalination technologies that treat a variety of water types for various uses, with a goal of enabling manufacturing of energy-efficient desalination technologies in the US at a lower cost.

\$4 million for DWR for public communications and Outreach

Funding is intended to be used to partner with local water districts and utilities to make all Californians aware of drought, and encourage actions to reduce water usage by promoting DWR's Save Our Water campaign (<https://saveourwater.com>) and other water conservation programs. DWR intends to expand contract support to develop Save Our Water materials and use existing contracts to develop a California Drought Monitor website.

\$3.43 million to SWRCB for Communications Staffing, Data Technical Support, and Water Rights System Planning (includes 17 positions for the Water Board's Division of Drinking Water funded from the Safe Drinking Water Account))

This funding is intended to allow SWRCB to coordinate media requests for information and interviews and develop proactive strategies, write and maintain content for various communications channels, develop a strategic drought public participation plan, reach out to local communities disproportionately or uniquely impacted by drought, ensure ongoing public engagement on drought response actions, manage translation and audiovisual services, and respond to water-waste inquiries.

The demand for Division of Information Technology (DIT) shared Information Technology staff resources increases significantly during times of drought as new high-priority drought-related SWRCB report project efforts are mandated and prioritized. Dedicated staff with advanced technical expertise in the areas of Software Engineering, Information Security Engineering, Information Technology Project Management, and System Engineering domains is intended to deliver the Water Board system enhancements to ensure drought information reporting mandates are satisfied.

The proposal would provide \$1 million in one-time General Fund to support development of a Stage 2 Project Approval Lifecycle document for updating and revising the state's water rights data management system, including digitization of existing paper records and development of an online geospatial platform for the public, staff, and right holders to obtain data and view information on their water rights.

\$1.5 million to CDFA for Drought Impacts and Decision Support Tools for Agricultural Producers

Funding is intended to be used to drought-related economic impact reports and decision-making tools for drought management. As climate change has led to rapidly changing conditions that affect water, including more severe droughts, this funding will build on past drought assessments and add new regions, including Klamath and Russian River watersheds as well as build a new collaborative dashboard to assess impacts of current and future drought scenarios on California's agroecosystems and communities.

\$1.0 million over three years to CDFA and CNRA for drought coordination support

Funding is intended to be used to support one position at CNRA focused on drought coordination, implementation of the Water Resilience Portfolio, and water-related issues. This position is intended to help ensure that state water activities are integrated, including the work of all departments represented in this proposal. This position also would support implementation and tracking of the inter-agency Water Resilience Portfolio. Funding will also support one position at CDFA with a primary focus on drought response, drought management and SGMA implementation.

*Technical Assistance and Emergency Water Supplies**\$12 million to the State Water Resources Control Board for Drinking Water Emergencies*

The Division of Financial Assistance (DFA) requests \$10 million General Fund local assistance for emergency interim or permanent solutions to drinking water drought emergencies. Interim solutions may include hauled water, bottled water, vending machines, and emergency water system interties. Permanent solutions may include new wells, rehabilitating wells, and permanent connections to adjacent water systems. In an effort to respond timely to the state's drought emergencies that impact human health and safety, the Water Board requests provisional language to provide granting flexibility.

The Division of Financial Assistance is also requesting \$2.1 million in state operations from the General Fund to support this drought-related effort. Staff will work with systems with emergency water shortages to help identify the quickest and most cost-effective solution to the emergency, in addition to developing the funding agreement, and processing disbursements. Until staff are hired and trained, other funding program staff will be redirected from the State Revolving Fund (SRF) or bond-funded programs to assist with the drought activities.

\$10 million to DWR for Technical Assistance for Water Supply Conservation and Water Supply Reliability

DWR has identified actions to improve the drought resiliency of rural and small communities/small water systems that are at increasing risk of water shortages as we enter another drought in the report to the Legislature: Small Water Systems and Rural Communities Drought and Water Shortage Contingency Planning and Risk Assessment.

Many small water systems may lack the financial resources to adequately maintain their facilities, resulting over time in distribution systems with unacceptably high leakage rates. The smallest water systems often cannot afford to have a leak detection audit performed. DWR's technical assistance will also identify system leaks for them and help them seek financial assistance for repairs if major work is needed. Encouraging preventative maintenance before a system experiences water shortages and turns to the state for emergency assistance reduces the state costs of emergency response.

DWR proposes new General Funds and repurposing unspent CalConserve bond funds (\$7m from Prop 1) to advance water use efficiency and to fund drought preparedness and response efforts, such as those recommended in the report to the Legislature. This includes proposed trailer bill language to accommodate this proposal.

\$5 million to the Department of Food and Agriculture for Technical Assistance for On-farm Water Use Efficiency

This funding will be used to administer grants to Resource Conservation Districts (RCDs), universities, nonprofits and tribes to provide technical assistance for on-farm water use efficiency, including, but not limited to: irrigation and nutrient management training, Mobile Irrigation Labs to perform on-site pump and irrigation efficiency tests and training. Local and experienced RCD technical assistance providers partner with growers to identify and implement efficiency improvements in existing irrigation systems.

Multi-Benefit Land Repurposing (\$500m)

It is estimated by the Public Policy Institute of California that at least 500,000 acres of land will need to be fallowed to end over-drafting of the state's groundwater supply. In addition, growers in the Klamath Basin have experienced loss of surface water to maintain river flow. The Multi-Benefit Land Repurposing program is intended to be a state-supported yet regionally driven grant program that will support regions in their efforts to repurpose these lands to other beneficial uses that minimize anticipated public health, ecosystem, and economic impacts caused by this land use shift.

DOC will partner with CDFG to develop this program and intends to leverage work by multiple programs at CNRA and Strategic Growth Council, as well as the DOC's own agricultural land conservation, partner capacity, and ecosystem restoration programs. The program will prioritize ecosystem based strategies that are implemented with landowners and effective at minimizing public health, ecosystem, and economic impacts. DOC intends to conduct extensive outreach in the design of this program to ensure its implementation provides equitable opportunity for participation by regions, subregions, and their communities.

Through this program, the DOC will provide long-term flexible support for regionally led development and implementation of land repurposing strategies. Grants made by this program will aim to take place at a regional or groundwater basin scale with consideration for unique sub-basin needs. The intent is for this work to be done with broad participation of local government, tribal government, landowners, growers, groundwater sustainability agencies, resource conservation districts, non-governmental organizations, and community-based stakeholders. Activities eligible for funding in this proposal include ecosystem and project scale planning, local coordination, capacity and training, project implementation, and monitoring.

Small Water Suppliers Drought Relief (\$150m) & Urban Water Management Grants (\$150m)

The \$150 million for Urban Water Management Grants would make funding available to public and private urban water suppliers that directly or indirectly provide water for municipal purposes and are required to prepare and regularly update Urban Water Management Plans in compliance with Urban Water Management Planning Act requirements. The support will also need to include direct support, both technical assistance and planning assistance to the many systems that do not have resources to perform or hire someone to do needed work. The work may include development of a water shortage contingency plan; development and adoption of a drought conservation, communications, and enforcement policies—including coordination with the county and the development of water supply vulnerability/risk thresholds; water loss and leak detection; organizing participation in the California Water/Wastewater Agency Response Network (CalWARN) or other equivalent mutual-aid organization; securing back-up power sources and developing quarterly testing protocols; implementing monitoring systems that are sufficient to detect production well groundwater levels; identifying and developing at least one back-up source of water that meets current water quality regulations and meets average day demand; implementing service-connection metering and monitor for pipe leakage and, during periods of water supply vulnerability, monitoring customer water use; and developing sources and distribution-system capacities to support wildfire suppression. Additional technical assistance may include drought management workshops, conducting water loss audits and leak detection workshops, and facilitating regional collaborations across systems and communities.

The \$150 million for Urban Water Management Grants provides grants to urban water agencies subject to meet Urban Water Management Planning Act requirements. To deliver funding as expediently as possible, DWR proposes providing directed financial assistance and/or non-competitive grants to fund actions included in, or consistent with, approved Urban Water Management Plans, Drought Contingency Plans and/or Integrated Regional Water Management Plans. Funding may be used for immediate drought response or

drought preparedness, and priority may be given to actions directly benefiting the needs of underserved communities and communities most impacted by current drought conditions. Eligible projects, programs and other actions (e.g., educational, outreach and engagement activities) should improve overall local/regional water management efficiency and resilience, including but not limited to inter-ties, intake structures, leak detection, water loss audits, plumbing fixture/appliance incentives, advanced/smart metering systems, landscape irrigation efficiency, stormwater capture, groundwater recharge, water supply forecasting and related actions that will help suppliers meet their urban water use objectives.

Drought Permitting, Compliance, and Enforcement

\$15 million to the State Water Resources Control Board for Water Rights Support

SWRCB's Division of Water Rights administers the state's water right permitting system. The proposal calls for \$15 million in General Fund support Division of Water Rights' drought management activities, including:

- *Water Rights Drought Enforcement Actions.* Enforcement response and investigate complaints, review existing permit requirements (including bypass flows, other compliance requirements), and evaluate priority of right. Furthermore, conduct desktop analyses to evaluate priority of right, whether water use is actively occurring on a parcel, or to respond to customer service questions regarding curtailments or other Division outreach efforts; help with priority transfers, change petitions, water quality certifications, or other emergency response actions related to drought and water rights implementation.
- *Development and Implementation of Emergency Regulations.* Development and implementation of emergency and/or permanent regulations addressing minimum instream flows and water availability. The emergency regulations would only be in place during a formalized drought emergency and would likely serve as an effective tool in facilitating development of local voluntary agreements or solutions that can be used during drought.
- *Water Availability and Demand Actions.* Development of robust supply-demand approaches, including development of regional hydrologic models and tools to estimate water availability and demand, based on existing water use, water budget and streamflow data. The models and tools would incorporate climate change hydrologic variability and would include the development of data management requirements so that the models/methods would be available for both drought and non-drought years. The development of the tools and methods would require significant public engagement and feedback to vet the technical approaches and solutions proposed by the Division of Water Rights and could include development of curtailment methodologies on watershed or sub-watershed scales.
- *Critical Drought Communication and Outreach.* Activities would include, but are not limited to, providing early notification of dry-year conditions and potential water shortages; coordinating Division roll-out of technical tools and methodologies for stakeholders and the public; managing stakeholder engagement and comments on Division of Water Right processes, permits, and curtailment actions; attending meetings, workshops and webinars; and assisting in preparation and distribution of written materials (fact sheets, drought actions websites, etc). Staff would also engage in increased stakeholder outreach to encourage and facilitate collaborative alternatives (e.g., dry year plans or voluntary agreements) to watershed-specific curtailments.
- *Issuance and Management of Temporary Urgency Change Petitions and Temporary Transfers.* Issuing and managing temporary urgency change petitions (TUCPs) related to water quality and water right changes needed to maintain salinity control in the Delta and support basic human and ecosystem water supply needs throughout the state during emergencies.

- Facilitate Groundwater Recharge Water Rights Permitting. There has been a significant increase in the number of temporary groundwater recharge permits submitted to the Division since the passage of the Sustainable Groundwater Management Act (SGMA). Interest in groundwater recharge has increased as SGMA deadlines approach. The Division of Water Rights is already experiencing a significant backlog, and requests additional fiscal resources to address these issues.

\$1.1 million to SWRCB for Enforcement

The Office of Enforcement provides both legal and technical expertise to support State and Regional Water Boards' enforcement of SWRCB's laws and regulations. This funding would support complaint investigations, case triage, prosecution of enforcement matters (including curtailment and emergency order enforcement), and legal review of emergency drought regulations for enforceability. In addition, this funding will assist with implementation and enforcement of emergency orders, such as water conservation. All Water Board enforcement efforts for urban water conservation will be directed at urban retail water suppliers, not individual water customers.

\$6.95 million for Equipment and Overtime for the Law Enforcement Division at CDFW

DFW requests additional overtime allocations for three years to conduct law enforcement work related to drought effects impacting increased poaching, natural disaster response, streambed alteration violations, human / wildlife conflict, increased homeless encampment, forensic analysis, and data collection. DFW intends to work collaboratively with county, state, and federal partners by increasing communication and enforcement coordination on drought related crimes. This collaboration is already ongoing as a multiagency taskforce (pursuant to subdivisions (b) and (c) of Section 12029 of the Fish and Game Code) as it relates to illegal cannabis enforcement efforts. The taskforce is comprised of DFW, SWRCB, and CDFW which was created to address the environmental impacts of cannabis cultivation which has a direct correlation to illegal water diversions, water theft, and usage. DFW will continue these collaborative efforts and increase communication sharing for all drought related enforcement activity.

DFW requests one-time money for laboratory equipment for the Wildlife Health and Forensic Lab. DFW has seen a 300 percent increase in the last five years concerning wildlife public safety incidents. To identify the offending animal, the Wildlife Forensic Laboratory (WFL) must conduct DNA analysis to match DNA samples taken from the animal to the evidence taken from the victim or scene of the incident. With advancements in technology, determination can be made if the animal captured is the offending animal involved in an attack.

DFW is also requesting one-time money for the procurement of aerial drones. Drone technology would enhance law enforcement work related to drought enforcement efforts. The use of drones on public lands would allow wildlife officers to observe illegal activity related to drought conditions. Having an aerial advantage especially over lakes, streams, reservoirs, and rivers would help wildlife officers observe activity and help monitor drought conditions. This would increase a wildlife officer's patrol efficiency and improve overall officer safety. The use of drones has proven to be a force multiplier and can also be equipped with a radio repeater to improve radio communications between officers during high-risk operations. A drone's ability to fly a grid pattern while taking high megapixel photos would help document environmental destruction like an illegal streambed alteration, water theft, or impact by homeless encampments on State lands. This aerial technology provides as good or better real-time aerial photographs than an aircraft at a substantially reduced cost.

\$11 million to DFW to support Water Operations, Permitting and Legal Support

During the 2012-2016 drought, DFW increased coordination and collaboration with the US Bureau of Reclamation, DWR, federal fish agencies, and the Water Board to coordinate overall water operations to reduce impacts to aquatic resources and listed species. It is anticipated that this level of effort will be needed again and requires additional resources to implement.

In the last drought, curtailments, initiation of voluntary actions to reduce water demand, requests for temporary modifications to existing permits and licenses, transition from surface water to groundwater to meet demands, requests to modify stream channels to provide more water supply or reduce barriers, and variance requests to reduce existing instream flow requirements increased significantly. These types of requests and efforts include significant input from CDFW to address and minimize impacts to fish and wildlife. DFW requests additional funding to better participate in permitting efforts, including working collaboratively with SWRCB to better align resources and integrate planning efforts to address current dry conditions.

In the last drought, DFW was engaged in the evaluation of requests for permit modifications, development of drought voluntary flow agreements with local landowners, enforcement actions related to illegal diversions and permit violations, and participating in SWRCB hearings related to Temporary Urgency Change Petitions, variance requests, and emergency regulations. DFW requests additional funding for legal workload to support drought actions statewide.

Fisheries and Wildlife Support (DFW)

This budget request is directly informed by the lessons learned during the 2012-2016 drought and the service-based budget results that identify DFW's greatest areas of need, which will advance DFW's work to protect and conserve California's natural resources. This analytical work shaped the requests below for efficiencies, actions, and response that address drought and climate change resilience, and protect California's diverse ecosystems.

Hatchery Improvements and Other Equipment (\$9.4 million)

Climate change, warming temperatures and drier conditions exacerbate the impacts to at-risk native fish and wildlife species, the ecology of lake, river, and terrestrial ecosystems, hatchery fish health and survival, and increase the potential elimination of many of the state's freshwater fisheries and wildlife.

Most of the state's over 80 year-old hatcheries still require significant updating of incubation and rearing enclosures, and water treatment and monitoring systems to be resilient to climate-change driven threats. Specialized rearing enclosures are also needed to provide temporary safe havens for a growing number of native fish species in danger of losing their habitat to drought.

New solar-powered, energy efficient pumps are needed to provide sufficient water for sensitive wildlife and habitat during drought. Wetland capacity and efficiency also become significant issues during drought. Modern heavy equipment, including a new tractor and necessary implements will allow DFW to increase wetland carrying capacity and efficiency in water conveyance. Collectively, these solar pumps and modernized heavy equipment will allow DFW to better respond to drought conditions, reduce staff maintenance and operations costs, and decrease carbon emissions.

Staffing and Equipment to Lessen Wildlife Impacts (\$8.5 million)

California's natural lands support an incredible diversity of wildlife, but many state-owned wetlands and other vegetation communities are in poor condition. This request would increase drought and climate change resilience, sequester carbon, and maximize benefits to wildlife. Staffing supported by this request will take action, in association with equipment provided in this proposal, to manage and improve conveyance, surface water and groundwater use efficiencies, and provide water to lessen the impact of drought to wildlife on DFW and partnership lands. This effort would amplify the "30 by 30" goal to conserve natural working lands for biodiversity in addition to acting as buffers for climate resilience, which is consistent with Executive Order N-82-20.

Terrestrial Species (\$5.6 million)

California is home to a remarkably diverse array of wildlife and contains the highest number of native species in the United States, many of which can be found nowhere else on earth. While many of these species are adapted to tolerate occasional droughts, extreme and prolonged drought conditions are likely to impact even the toughest organisms.

DFW requests funding to conduct terrestrial species and ecosystems monitoring to inform management actions that instill resilience to drought and climate change and preserve California's incredible biodiversity. Using the methodologies, results, and lessons learned during its response to California's last historic drought, DFW intends to carry out statewide terrestrial species and ecosystem monitoring and vulnerability assessments that guide timely conservation and management actions. These essential data will inform habitat conservation, restoration, and management; human wildlife conflict response; emergency wildlife rescues; and captive rearing and propagation efforts for sensitive drought-affected wildlife, including threatened and endangered species.

Fish Rescue and Stress Monitoring (\$9 million)

With climate change threatening the survival of at-risk native fish species, the ecology of lake and river ecosystems, and the potential to eliminate many of the state's salmon and freshwater fisheries, DFW requests additional resources to focus on monitoring and potential rescue efforts on watersheds and species identified in the previous drought, as well as expand into additional watersheds.

*Nature Based Solutions*CNRA

This proposal will provide \$266 million over two years to CNRA to fund programs and projects that can immediately help improve ecosystem health for native fish in the Sacramento and San Joaquin rivers and their tributaries. These projects include improvements to water infrastructure that will enable water users to make additional flows available for environmental purposes, timed to improve conditions during key phases of native fish life cycles and to maximize the ecological benefit of habitat restoration projects.

Wildlife Conservation Board (WCB)

The Wildlife Corridor/Fish Passage program funds projects to construct, repair, modify, or remove transportation infrastructure or water resources infrastructure to improve passage for wildlife or fish. Habitat corridors and linkages allow species to move, migrate and adapt to precipitation, temperature, and other climate changes. Priorities include construction of wildlife overcrossings and undercrossings, restoration or enhancement of natural habitats that provide a visual screen for wildlife, and removal of instream impediments to fish passage. WCB has staff that can implement this program through existing processes.

DWR

This funding would support several tidal wetland, floodplain, and flood-risk reduction (i.e. multi-benefit) projects that would restore more than 5,000 acres of fish and wildlife habitat in the “North Delta Arc” and in other areas recognized for their high ecological importance. The North Delta Arc is considered to have the highest restoration value for many of California’s most threatened species and ecosystems. These projects would support critical habitat for more than 10 native fish species identified as priorities by the DFW and NOAA/NMFS. These multi-benefit projects also complement other projects in the area that improve system-wide flood protection for hundreds of thousands of residents and businesses in the region. Projects will be selected in part based on their ability to deliver multiple public benefits, such as recreation, public access, and flood risk reduction.

DOC

The Working Lands and Riparian Corridors Program funds conservation organizations to plan and implement restoration and enhancement projects in riparian areas on privately owned agricultural lands. These projects are brought to the DOC via competitive applications pursuant to funding guidelines. To date, the projects funded restore and enhance natural functions of riparian corridors on agricultural lands by removing invasive species, planting native species, capturing, slowing or redirecting stormwater, creating agricultural setbacks from riparian areas like exclusionary fencing, and reducing stream water or groundwater use. In many places, agricultural landowners are willing to integrate ecosystem restoration and enhancement into the management and operations of their properties but lack the capital and expertise to implement these practices. Program funding bridges the divide between willing landowners and conservation organizations that implement riparian restoration and enhancement activities while ensuring continuity of agricultural operations.

In the first round of the riparian restoration solicitation through the Working Lands and Riparian Corridors program, four projects were funded that range from \$46,000 to \$1.16 million for a total of \$2,000,000. With these additional funds, the program could generate up to 50 projects that restore riparian areas on agricultural lands, depending on size and cost. It is estimated that only 5-10% of California’s original riparian habitat remains today, and the rest is of degraded quality. Riparian restoration has the potential to sequester carbon and nitrogen through increased biomass, which would contribute to climate change amelioration.

LAO Comments. *Water Resilience and Drought Package (\$4.3 Billion General Fund and ARPA Funds Across Two Years)*. While a portion of the Governor’s proposal would address immediate drought response needs, the majority is for longer-term efforts, similar to what general obligation bonds have funded in previous years. We recommend approval of the portion of the Governor’s proposal that would fund immediate drought response activities (\$449 million) so that urgent activities can be initiated right away to address increasingly dry conditions throughout the state. However, given the magnitude of the spending and number of activities being proposed, the Legislature may want to defer decisions on the remaining components (including \$500 million for the Department of Conservation to create a new land repurposing program) until later in the summer. This would allow to the Legislature time to (1) learn more about the Governor’s proposals—especially for programs and initiatives that are being proposed for the first time; (2) craft implementing statutory language to ensure sufficient oversight and accountability (such as program eligibility and prioritization criteria and data to be collected); and (3) incorporate key legislative priorities, such as components of climate bond proposals that the Legislature has been considering.

Some key factors to consider:

- Are there certain activities or areas of focus that are high priorities for the Legislature that are not included or sufficiently emphasized in the Governor’s package? For example, the two legislative bond proposals include significant funding for state conservancies to implement watershed and land conservation activities, whereas the Governor’s package does not.
- What level of involvement does the Legislature want to have in designing program implementation—such as how funds will be prioritized and allocated—as compared to deferring such decisions to the administration?
- What are the overall outcomes the state is seeking, and how will it know whether those objectives are achieved? Should there be any additional focus on identifying and measuring outcomes?

At the hearing on April 29, 2021, this subcommittee heard and approved the Senate Budget Plan on Drought, Safe Drinking Water, Water Supply Reliability, and Ratepayer Assistance totaling \$3.41 billion.

On the next page is a comparison chart of the Senate’s and Governor’s proposals:

Water and Drought Package Comparisons

(in millions)

Activity	Senate Sub 2 May 4 proposal	Governor May Revision (across 2 years)
Address water arrearage debt (a)	1,000	1,000
Small community drought assistance/drinking water grants and projects	500	1,450
SGMA implementation (b)	300	300
Recycled water/groundwater clean-up/water quality	300	170
Agricultural water use efficiency including SWEEP (b)	250	60
Land conservation/restoration programs	265	266
Urban water-use efficiency	250	-
Resilient water infrastructure projects	200	266
Stormwater management	200	-
Water data and forecast improvements	75	91
Drought projects at State Parks	50	-
Drought assistance for fish and wildlife	35	33
Land repurposing program	-	500
Salton Sea	-	220
SWP and CVP canal repairs	-	200
Oroville pump storage project	-	200
Urban water management grants	-	150
Flood management projects	-	140
Drought emergency response activities	-	65
Specified water and climate studies	-	45
Totals (c)	3,425	5,156

- (d) The Governor's \$1 billion proposal to address water arrearages was not presented as part of his water package but rather in a separate budget change proposal.
- (e) Not reflected in this chart are an additional \$60 million for SGMA implementation and \$40 million for SWEEP the Governor proposed in January and the subcommittee adopted at earlier hearings.
- (f) The Governor's total excludes \$200 million for multibenefit flood and habitat projects which is displaced instead in the "climate package" comparison chart.

Staff Comments. The May Revision includes \$1.3 billion American Rescue Plan Act of 2021 Funds for drinking water and wastewater infrastructure. The Senate proposes to use \$1.2 billion of this federal funding to fulfill the remaining GGRF obligation for the Safe and Affordable Drinking Water Program pursuant to Health and Safety Code Section 39719 and make conforming changes in trailer bill language.

Staff Recommendation. In lieu of both the Senate's and Administration's water/drought packages, approve \$3.475 billion with details to be determined in a final agreement between the Senate, Assembly, and Governor.

0509 CALIFORNIA GOVERNOR’S OFFICE OF BUSINESS AND ECONOMIC DEVELOPMENT (GO-BIZ) AND CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (IBANK)

0555 CALIFORNIA NATURAL RESOURCES AGENCY (CNRA)

0650 GOVERNOR’S OFFICE OF PLANNING AND RESEARCH (OPR)

0690 GOVERNOR’S OFFICE OF EMERGENCY SERVICES (CAL OES)

3340 CALIFORNIA CONSERVATION CORPS (CCC)

3480 DEPARTMENT OF CONSERVATION (DOC)

3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CALFIRE)

3560 STATE LANDS COMMISSION (SLC)

3600 DEPARTMENT OF FISH AND WILDLIFE (DFW)

3790 DEPARTMENT OF PARKS AND RECREATION (PARKS)

3855 SIERRA NEVADA CONSERVANCY

3900 CALIFORNIA AIR RESOURCES BOARD (CARB)

3940 STATE WATER RESOURCES CONTROL BOARD (SWRCB)

6440 UNIVERSITY OF CALIFORNIA (UC)

Issue 91: Wildfire and Forest Resilience Expenditure Plan

Governor’s Proposal. The May Revision includes a total of \$708 million for wildfire and forest resilience in 2021-22. This is in addition to the early action of \$536 million, which was approved in April (SB 85 (Committee on Budget and Fiscal Review), Chapter 14, Statutes of 2021).

The following page includes a chart provides a breakdown of the Governor’s proposal.

Wildfire and Forest Resilience Expenditure Plan (\$ in Millions)					
Investment Category	Department	Program	Early Action 2020-21	Proposed 2021-22	Total
Resilient Forests & Landscapes	CAL FIRE	Forest Health Program	\$155	\$100	\$255
		Forest Improvement Program for Small Landowners	\$10	\$40	\$50
		Forest Legacy & Reforestation Nursery	\$8	\$17	\$25
		Urban Forestry	\$10	\$13	\$23
		Tribal Engagement	\$1	\$19	\$20
	State Parks, Fish & Wildlife & State Lands Commission	Stewardship of State-Owned Land	\$30	\$123	\$153
	Conservancies	Project Implementation in High-Risk Regions	\$69	\$61	\$130
Wildfire Fuel Breaks	CAL FIRE	CAL FIRE Unit Fire Prevention Projects	\$10	\$40	\$50
		Fire Prevention Grants	\$123	\$80	\$203
		Prescribed Fire & Hand Crews	\$15	\$35	\$50
	California Conservation Corps	Forestry Corps & Fuel Reduction Projects	\$0	\$20	\$20
	Department of Conservation	Regional Forest & Fire Capacity	\$50	\$60	\$110
Community Hardening	Cal OES & CAL FIRE	Home Hardening	\$25	\$0	\$25
	CAL FIRE	Defensible Space Inspectors	\$2	\$6	\$8
	CAL FIRE & University of California	Land Use Planning & Public Education Outreach	\$0	\$7	\$7
Science-Based Management	CAL FIRE	Ecological Monitoring, Research & Adaptive Management	\$3	\$17	\$20
	Natural Resources Agency	Remote Sensing	\$0	\$15	\$15
	Air Resources Board & Water Board	Permit Efficiencies	\$0	\$4	\$4
Forest Sector Economic Stimulus	IBank & GO-Biz	Climate Catalyst Fund & Market Strategy	\$16	\$33	\$49
	CAL FIRE	Workforce Training	\$6	\$18	\$24
	Office of Planning & Research	Market Development	\$3	\$0	\$3
Total			\$536	\$708	\$1,244

Source: Department of Finance

Resilient Forests and Landscapes (\$373 million in 2021-22). The May Revision proposal is intended to: (1) invest in coordinated forest health and fire prevention projects that help restore the right fire regime to the right ecosystem; (2) provide state land managers resources to better manage state-owned lands in particularly fire-prone areas; (3) expand programs that provide assistance to non-industrial landowners; (4) implement ready-to-go projects in high-risk regions; and (5) provide resources to Tribes for fire resilience.

Forest health is an existing program with the primary goals of treating forested landscapes for resilience, mainly through fuels reduction. Prescribed fire and restoration are also key activities. Post-fire restoration will be a new focus for the Forest Health program, and an additional grant selection criteria will be treatment in the footprint of a fire in the past one to five years.

Wildfire Fuel Breaks (\$235 million in 2021-22). Emergency fuel breaks protect communities and sensitive areas against the impacts of wildfires. They enable firefighters to approach a fire, take a stand, establish containment lines, and create evacuation routes.

Community Hardening (\$13 million in 2021-22). Investments within communities are essential to protect residents from all types of wildfires, including wind-driven fires that spread embers ahead of the fire front. These include hardening homes against embers, creating survivable spaces, establishing space around homes, and supporting local and regional efforts to create fire-adapted communities through improvements in local ordinances, emergency access routes, communications, smoke management, and other tools.

Science-Based Management (\$36 million in 2021-22). The Governor's budget includes funding to improve the predictive models and science-based approaches to support the state's forest health and fire prevention goals, including the expanded use of LiDAR and other remote sensing technology, research, and data analysis collection methods. Funding includes the execution of the California Vegetation Treatment Program (CAL VTP) including synchronizing SWRCB permits within the CAL VTP application. CARB will also have resources to facilitate the issuance of "burn permits" to keep pace with the increase in prescribed fire.

Forest Sector Economic Stimulus (\$51 million in 2021-22). The early action package and the Governor's budget include one-time resources with the intention of ensuring that fire prevention investments will be a driver for economic growth in rural communities. Fuel reduction projects may create jobs and a foundation for small business to start up from backyard micro-mills to bio-diesel conservation. However, barriers to these markets exist — Private loans for forestry equipment can face a 40 percent interest rate. Shortages in crews and specialized equipment operators slow the pace of projects and drive up the cost-per-acre. Low-interest lending programs and training to expand the workforce are intended to improve the pace of fire resilience. Steady, long-term regional funding is intended to enable local businesses to start up in regions to meet the state's demand.

Background. Below is a chart comparing the various wildfire proposals:

Wildfire Prevention and Resilience Proposals

(in millions)

Category	Agency/Dept	Purpose	Governor's Early Action Proposal	Gov's Budget Year Proposal	SB 85 Early Action Plan	Gov's May Revision for 2020-21	Senate 2020-21 Proposal	
Resilient Wildlands	CAL FIRE	Forest Health	\$5	\$20	\$90	\$100	\$125	
			\$65	\$80	\$65		\$0	
	CAL FIRE	Forest Improvement Program for Small Landowners	\$0	\$40	\$0	\$40	\$50	
			\$10	\$0	\$10		\$0	
	CAL FIRE	Forest Legacy & Reforestation Nursery	\$8	\$17	\$8	\$17	\$20	
	CAL FIRE	Urban Forestry	\$10	\$13	\$10	\$13	\$15	
	CAL FIRE	Tribal Engagement	\$1	\$19	\$1	\$19	\$19	
	Parks & Recreation	Stewardship of State-Owned Land	\$10	\$75	\$15	\$123	\$90	
	Fish & Wildlife	Stewardship of State-Owned Land	\$9	\$36	\$15	\$0	\$90	
	State Lands Commission	Stewardship of State-Owned Land	\$0	\$12	\$0	\$0	\$0	
	Sierra Nevada Conservancy	Project Implementation in High Risk Regions	\$20	\$50	\$20	\$61	\$60	
			\$0	\$0	\$0		\$0	
	Tahoe Conservancy	Stewardship of State-Owned Land	\$1	\$11	\$1		\$11	
			\$0	\$0	\$0		\$0	
	Santa Monica Mountains Conservancy	Project Implementation	\$0	\$0	\$12		\$10	
	San Diego River Conservancy		\$0	\$0	\$12		\$10	
	San Gabriel & Lower LA Rivers & Mountains Conservancy		\$0	\$0	\$12		\$10	
State Coastal Conservancy	\$0		\$0	\$12	\$10			
San Francisco Bay Area Conservancy Program within the State Coastal Conservancy	\$0		\$0	\$0	\$10			
Wildfire Fuel Breaks	CAL FIRE	CalFire Unit Fire Prevention Projects	\$10	\$40	\$10		\$40	\$40
	CAL FIRE	Fire Prevention Grants	\$50	\$80	\$50		\$80	\$80
			\$0	\$0	\$73			\$0
	CAL FIRE	Prescribed Fire & Hand Crews	\$15	\$35	\$15		\$35	\$40
	California Conservation Corps	Forestry Corps	\$0	\$15	\$0		\$20	\$25
			\$0	\$5	\$0			\$0
Department of Conservation	Regional Forest & Fire Capacity	\$25	\$60	\$50	\$60		\$60	
Cal OES & CAL FIRE	Home Hardening	\$25	\$0	\$25	\$0	\$30		

Community Hardening	CAL FIRE	Defensible Space Inspectors	\$0	\$6	\$2	\$6	\$7
	CAL FIRE & University of California	Land Use Planning and Public Education Outreach	\$0	\$7	\$0	\$7	\$8
Science-Based Management	CAL FIRE	Ecological Monitoring, Research & Adaptive Management	\$3	\$17	\$3	\$17	\$20
	CNRA	Remote Sensing	\$0	\$15	\$0	\$15	\$15
	CARB & Waterboards	Permit Efficiencies	\$0	\$4	\$0	\$4	\$5
	UC	Satellite data real-time employment	\$0	\$0	\$0	\$0	\$5
	OPR	Wildfire/Climate Adaptation Planning	\$0	\$0	\$0	\$0	\$8
Forestry Sector Economic Stimulus	IBank	Climate Catalyst Fund	\$47	\$2	\$16	\$33	\$33
	CAL FIRE & Workforce Development Board	Workforce Development	\$6	\$18	\$6	\$18	\$20
	OPR	Market Development	\$3	\$0	\$3	\$0	\$6
	GO-Biz	Transportation grants for timber/wood removal	\$0	\$0	\$0	\$0	\$10
Other	CNRA	Urban greening programs	\$0	\$0	\$0	\$0	\$0
	OPR	Cooling centers, clean air/hydration centers, emergency shelters, backup solar	\$0	\$0	\$0	\$0	\$8
	WCB	Forest health and watershed protection and restoration	\$0	\$0	\$0	\$0	\$50
	CAL FIRE	Increase Fire Crews	\$0	\$0	\$0	\$0	\$0
TOTAL - All Funds			\$323	\$677	\$536	\$708	\$1,000
Total - General Fund			\$198	\$477	\$411		\$1,000
Total - Cap & Trade (GGRF)			\$125	\$200	\$125		\$0

LAO Comments. *Various Departments – Wildfire Resilience Package (\$508 Million General Fund, \$200 Million GGRF).* The key issues for legislative consideration are similar to those the LAO identified in January. Given recent improvements in the General Fund condition, the Legislature will want to consider whether the Governor’s proposed funding level (and proposed allocations among programs) is consistent with its priorities. We also note that the May Revision includes \$250 million one-time General Fund for the Office of Emergency Services to support community hardening. Under the Governor’s proposal, it is unclear what portion of these funds would be used to mitigate wildfires (rather than other types of hazards). However, to the extent the Legislature would like to direct these funds to address a specific type of hazard, such as wildfires, it could do so by adopting provisional or trailer bill language.

Staff Recommendation. **In lieu of the both the Senate’s and the Administration’s wildfire proposals, approve \$1 billion with details to be determined in a final agreement between the Senate, Assembly, and Governor.**

0540 CALIFORNIA NATURAL RESOURCES AGENCY (CNRA)
0555 CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY (CALEPA)
0650 GOVERNOR’S OFFICE OF PLANNING AND RESEARCH (OPR)
3360 ENERGY RESOURCES CONSERVATION AND DEVELOPMENT COMMISSION (CEC)
3480 DEPARTMENT OF CONSERVATION (DOC)
3790 DEPARTMENT OF PARKS AND RECREATION (PARKS)
3900 AIR RESOURCES BOARD (ARB)
4700 COMMUNITY SERVICES DEPARTMENT (CSD)
8570 CALIFORNIA DEPARTMENT OF FOOD & AGRICULTURE (CDFA)

Issue 92: Climate Resilience Package

Governor’s Proposal. The May Revision requests \$1.3 billion General Fund for the Climate Resilience package over three years including \$784 million in 2021-22, \$420 million in 2022-23, and \$140 million in 2023-24 to help meet the state’s priority climate goals and to support the state’s most climate vulnerable communities. Funding would be for programs and projects to increase community resilience and address climate risks such as extreme heat and sea level rise. The areas of investment are:

Climate Resilience Package (\$ in millions)			
Category	Department	Program	May Revision 2021-22
Heat	California Natural Resources Agency	Urban Greening (\$200 million over two years)	\$100
	Department of Community Services and Development	Low Income Weatherization	\$50
	California Energy Commission	BUILD Program (\$100 million over two years)	\$50
Sea Level Rise	Ocean Protection Council	Coastal Wetland Restoration (\$200 million over two years)	\$100
	Department of Parks and Recreation	State Parks Sea Level Rise Adaptation Strategy	\$11.5
Community Resilience	Strategic Growth Council	Transformative Climate Communities (\$420 million over three years)	\$140
		Regional Climate Collaboratives (\$20 million over two years)	\$10
	Office of Planning and Research	Climate Adaptation & Resilience Planning Grants (\$25 million over two years)	\$15
		Vulnerable Communities Platform & CalAdapt Mapping	\$5
	California Environmental Protection Agency	Environmental Justice Initiative (\$25 million over two years)	\$15
Other	Department of Conservation	Oil Well Abandonment and Remediation	\$200
		Biomass to Hydrogen/Biofuels Pilot	\$50
	Various	Fifth Climate Assessment	\$22
	Air Resources Board	Fluorinated Gas Reduction Incentive Program	\$15
Total			\$784

Source: Department of Finance

Extreme Heat. Extreme Heat is both an immediate and chronic risk to many communities, especially in the Central Valley and inland regions. Investments today will create stronger and more resilient infrastructure over the next several decades.

CNRA. The Urban Greening Program grants. This funding will allow for continued statewide dollars for Urban Greening projects to achieve multiple benefits such as cleaner water, urban heat island mitigation, increased adaptability to climate change, reductions of greenhouse gas emissions, wildlife and habitat benefits, and improved community health.

Department of Community Services and Development (CSD). Low-Income Weatherization Program Multi-Family Energy Efficiency and Renewables (LIWP Multi-Family) program provides investments and services to improve the energy performance of low-income multi-family housing in disadvantaged and low-income communities through the installation of energy efficiency measures such as efficient heating and air conditioning systems, appliances, attic insulation, lighting and many other energy-saving measures, as well as through the installation of rooftop solar PV systems. When replacing mechanical equipment containing refrigerants, CSD utilizes a higher incentive to encourage replacement with heating and cooling systems containing low global warming potential (GWP) refrigerants and eliminating high-GWP hydrofluorocarbon gasses that are thousands of times more potent per pound than carbon dioxide (CO₂). As a whole, these improvements reduce greenhouse gas emissions, save energy, and generate clean renewable power that reduces the financial burden of energy costs for low-income households.

California Energy Commission (CEC). The CEC is preparing to launch the Building Initiative for Low-Emissions Development (BUILD) Program in late 2021, which will support the deployment of near-zero-emission building technologies in new residential housing, focusing on low-income developments. Funds for the BUILD program are derived from the revenue generated from the GHG emission allowances directly allocated to gas corporations and consigned to auction as part of ARB's Cap-and-Trade program and must be spent proportionally in the service territories from which they were derived. The BUILD program will support a market transformation in the design and building of new, low-income housing and through these efforts will further expose local government permitting agencies to all-electric building designs.

The additional funding requested here will be used to support a complementary grant program for greening projects and cool surface projects (additional to measures required for energy efficiency compliance) in new and existing low-income residential projects. Funding will be provided throughout the state allowing low-income housing development to additionally benefit from energy efficiency and energy-use reductions realized from these nature-based solutions and outdoor design improvements. Funding will only be provided for projects and measures not being used to meet energy efficiency compliance requirements. Greening projects such as strategically placed trees, use of native plants, and green infrastructure improvements as well as cool surface projects such cool roofs, cool sidewalks, beneficial building materials and community space pavements will offer multiple beneficial outcomes including better on-site air quality, reduced energy demand, local resilience and mitigation of wildfire risk.

Sea Level Rise. Sea-level rise and flooding threatens public health and safety, private property, critical infrastructure, and valuable coastal habitats. Coastal wetlands can provide protection against sea-level rise and flooding by buffering the built environment from extreme tides and storms while providing additional benefits of increased biodiversity, carbon sequestration, and public access opportunities. The state manages 128 state park units encompassing nearly one quarter of the California coastline, sea-level rise, coastal flooding and erosion threaten these park resources.

Ocean Protection Council (OPC). OPC's Strategic Plan to Protect California's Coast and Ocean sets a target to protect, restore or create an additional 10,000 acres of coastal wetlands by 2025. Inclusion of \$200 million over two years is intended to provide critical funding to advance coastal wetland restoration in the state to meet this target. OPC intends to coordinate closely with partner state coastal management agencies, including the State Coastal Conservancy, to identify the highest coastal resilience wetlands restoration priorities, strategically invest funds to optimize biodiversity, coastal resilience and carbon sequestration and to efficiently allocate resources to manage coastal wetland creation and provide restoration grants.

Parks. This request will provide funding to support the implementation of State Parks Sea Level Rise Adaptation Strategy (SLR Strategy), which outlines a range of decision support tools, policies and actions that drive Sea Level Rise adaptation into State Park planning and project development processes. This one-time funding of \$1.5 million will support the development of these tools – including guidelines for conducting vulnerability assessments, management alternatives for coastal resilience, coastal flooding and erosion incident response guidelines, mapping of multiple resource types, economic analysis tools, etc. – that will guide future project and program investments.

In addition, \$10 million in one-time funds will underwrite critical demonstration projects at various points in the implementation process. This includes park specific vulnerability assessments and resilience projects that maximize protections provided by “natural infrastructure” in the form of natural dunes provides for adjacent roads, buildings and parking lots. It also includes resilience features that provide continued access, such as boardwalks that provide coastal access through restored dunes. This proposal is intended to support projects that require immediate action and are anticipated to serve as demonstration projects to advance coastal resilience as outlined in the SLR Strategy. Costs for these projects range from \$100,000 to several million and will only increase in costs the longer they are delayed.

Community Resilience. The following investments are intended to align economic resilience with the state’s climate goals, empower vulnerable communities, provide actionable climate science, and support the leadership capacity of regional, local, and non-profit stakeholders.

Strategic Growth Council (SGC). The Transformative Climate Communities (TCC) program supports development of infrastructures in the State’s most disadvantaged communities through projects that integrate multiple, cross-cutting approaches to reduce greenhouse gas emissions. The program funds place-based, catalytic projects that include infrastructure investments in energy, transportation, active transportation, housing, urban greening, land use, water and waste efficiency, and other areas, while also increasing job training, economic, health and environmental benefits.

The Regional Climate Collaboratives Program (RCC) would equip collaboratives of multi-disciplinary partners including community-based organizations, local government, businesses, and others to participate in and implement multi-benefit strategies around state priorities. RCC will build capacity for more effective engagement in key planning processes, including climate adaptation/resilience and just transition/economic resilience, with a focus on integrating environmental justice approaches and aligning with funding opportunities. Collaboratives would provide robust capacity building services in communities including partnership development, community- based planning, and coordination of efforts to access State and other funding sources.

Office of Planning and Research. The Integrated Climate Adaptation and Resiliency Program (ICARP) is the State’s climate adaptation program, charged with coordinating adaptation efforts across scales and sectors. Funding is needed to meet the scope, scale, and urgency of accelerating climate impacts, especially in our most vulnerable communities. These resources will enable ICARP to build robust and actionable tools that meet urgent local and state climate adaptation and resilience needs. This includes support for the ICARP Vulnerable

Communities Platform, development of enhanced data visualization tools on Cal-Adapt (the state's hub for downscaled climate projection data), and support for a climate science advisory body as a formal workgroup of the ICARP Council to help guide incorporation of physical climate risk and future climate projection data into planning and investment decisions. The ICARP adaptation and resilience planning grants will help fill local and regional planning funding needs, provide communities with resources to identify climate resilience priorities, and support development of a pipeline of competitive climate resilient infrastructure projects across the state. Grant recipients will also submit case studies to the ICARP Adaptation Clearinghouse, ensuring information sharing and peer to peer learning across communities.

CalEPA. The Environmental Justice Initiative intends to expand efforts for meaningful information dissemination, engagement, and public participation by providing funding to local community-based organizations and Tribes to facilitate their ability to deliver information and education resources within their communities and promote community involvement in environmental and climate resilience decision-making. The purpose of the Initiative will be to provide direct financial assistance to organizations for projects they undertake to address environmental and climate justice and resilience challenges at the local/grassroots level and increase the capacity of the state's on-the-ground partners, to support the effectiveness of its large-scale investment in resilience infrastructure. The Initiative will build on the work of the Environmental Justice Small Grants Program, which has provided small grants to community-based non-profit organizations and tribal governments affected by environmental pollution and hazards that work to address environmental justice issues since 2002.

The Initiative is intended to support community involvement in decision-making related to the Administration's priority programs, including but not limited to: climate resilience and adaptation planning, wild fire emergency response and debris removal, drought, flooding and sea level rise planning, delivery of safe and affordable drinking water to all Californians, air and water quality monitoring and pollution reduction programs, environmental education, and increasing local clean energy access.

In light of this one-time General Fund investment, the May Revision includes a withdrawal of the EJ Small Grants proposal included in the Governor's Budget.

Other Investments. This package includes investments in Oil Well Abandonment and a Biomass to Hydrogen pilot program. Both projects are focused in regions at the forefront of climate transition, and — in coordination with the regional support provided in the Jobs Package — is intended to provide critical jobs and economic opportunities in these areas of the state. This package also provides funding for near-term, high impact emissions reductions actions through the reduction of damaging Hydrofluorocarbon.

Department of Conservation (DOC). This request proposes \$200 million to properly plug orphan wells or idle wells, decommission attendant facilities, complete associated environmental remediation, and research decommissioning activities to evaluate methane reduction impacts of plug and abandonment.

This request also proposes \$50 million to create a regional pilot program in the Sierra Nevada that connects regionally coordinated forest health and fire prevention efforts with a scalable biomass gasifier facility to create scalable carbon negative pathways for managing the increasing vegetation removed from forests. With partners in the Sierra Nevada, through a competitive solicitation, DOC will identify a suitable location within a forested region that has durable collaborations among state, federal, and local agencies. Fuels produced would be carbon negative, thus removing CO₂ from the environment. State investment would create a full-scale gasification facility capable of converting up to 30,000 tons of forest waste to carbon-negative hydrogen or other fuels and sequestering 60,000 tons of CO₂ permanently in geologic storage. Regulatory and permitting pathways would be created and demonstrated. Financial viability by commercial providers could be assessed

and demonstrated leading to private investment in new facilities thus creating a new industry in California, with job, tax and other benefits accruing in rural areas.

Office of Planning and Research. This budget proposal includes funding to implement the first five years of this statutory requirement, providing the resources needed to complete the Fifth California Climate Change Assessment. This includes overall management and interagency coordination across administering entities, stakeholder engagement, funding for primary research and regional and topical synthesis reports, a tribal climate research grant program, visualization tools, and rollout.

Air Resources Board. ARB received \$1 million Greenhouse Gas Reduction Fund in the 2019 Budget Act for an incentive program to promote the adoption of low-GWP refrigerant technologies. In 2020, CARB successfully launched the program. This is the first statewide incentive program to promote the adoption of low-GWP refrigerant technologies. Providing this assistance, particularly for low-income communities and business, to support the development, commercialization, and adoption of low-cost technologies is critical to reducing HFC emissions. With additional funding, this program can be expanded to reach more communities and further reduce HFC emissions.

LAO Comments. *Climate Resilience Package (\$1.3 Billion General Fund Across Three Years).* The Governor is proposing an unprecedented increase in spending for climate response activities. To ensure the ultimate package the Legislature adopts is coordinated, strategic, and comprehensive, we recommend considering this package in tandem with other proposed packages—such as those related to water, cap-and-trade, wildfire, and disaster preparedness—so that, in combination, all of the Legislature’s climate-related priorities are reflected at its desired levels. Given the magnitude of the spending and number of activities being proposed, the Legislature may want to defer decisions on this package until later in the summer.

This would allow to the Legislature time to:

- (1) learn more about the Governor’s proposals—especially for programs and initiatives that are being proposed for the first time;
- (2) craft implementing statutory language to ensure sufficient oversight and accountability (such as program eligibility and prioritization criteria and data to be collected); and
- (3) incorporate key legislative priorities, such as components of climate bond proposals that the Legislature has been considering.

Some key factors to consider:

- Are there certain activities or areas of focus that are high priorities for the Legislature that are not included or sufficiently emphasized in the Governor’s package? For example, the two legislative bond proposals include significantly more funding for activities to respond to the threat of sea-level rise compared to the Governor’s package.
- What type and amount of support should the state provide for local governments as compared to focusing on state-level activities and assets?
- What are the overall outcomes the state is seeking, and how will it know whether those objectives are achieved? Should there be any additional focus on identifying and measuring outcomes?

Background. The following chart compares the Senate’s and Governor’s proposals:

Climate Resilience Package Comparisons

(in millions)

	Senate Sub 2 May 25 proposal	Governor May Revision (across 3 years)
Regional Climate Resilience	685	45
State conservancy projects	460	-
Regional climate resilience projects (CNRA)	225	-
Climate adaptation planning grants (OPR)	-	25
Regional Climate Collaboratives program (SGC)	-	20
Urban Climate Resilience	495	947
Urban greening, cooling/resilience centers, and back-up power (a)	395	350
Public education and research on climate impacts	100	27
Transformative Climate Communities (SGC)	-	420
BUILD program (CEC)	-	100
Low-income weatherization program (CSD)	-	50
Watershed Protection	880	200
Multibenefit flood protection and Delta levees (b)	390	200
Protection of lakes, streams and rivers	250	-
Urban streams and rivers including LA River and Parkway	240	-
Fish and Wildlife Protection	500	-
Protect fish and wildlife from changing conditions (WCB)	500	-
Agriculture and Food Supply Resilience	180	-
Farmland Protection Program (DOC)	90	-
Environmental friendly farming (CDFA)	50	-
Research on GHG reduction of agriculture (UC)	20	-
Invasive Species Council	20	-
Coastal Protection	935	212
Coastal protection and sea-level rise projects (SCC)	560	-
Coastal protection and projects in SF Bay (SCC)	100	-
Wetlands restoration (SF Bay Restoration Authority)	100	-
Ocean Protection Council projects	85	200
Coastal protection and projects (Santa Ana River Conserv)	40	-
Sea-level rise local grants (Coastal Commission)	30	-
Kelp restoration and fishery protection (DFW)	20	-
State Parks sea-level rise projects	-	12
Other	-	290
Oil well abandonment & remediation (DOC)	-	200
Biomass to hydrogen/biofuels pilot (CEC)	-	50
Fluorinated gas reduction incentive program (ARB)	-	15
Environmental justice initiative (CalEPA)	-	25
Totals	3,675	1,694

(a) Governor's total includes \$200 million for Urban Greening program and \$150 million for upgrading fairgrounds and other facilities (the latter of which was proposed separately from the climate resilience package).

(b) \$200 million shown for Governor was included in May Revision water and drought package, not climate resilience package.

Staff Recommendation. In lieu of both the Senate's and Administration's climate resiliency packages, approve \$3.675 billion Climate Resiliency Fund with deposits into the Fund of:

- **\$1.225 billion in 2021-22**
- **\$1.225 billion in 2022-23**
- **\$1.225 billion in 2023-24**

Details of allocations of the Climate Resiliency Fund will be determined with final agreement among the Senate, Assembly, and Governor.

SENATE CLIMATE PACKAGE**Issue 93: Senate Climate Package**

Senate Proposal. The Senate proposes a Climate Package totaling \$3.675 billion General Fund, which does the following:

Regional Climate Resilience: \$685 million

- \$460 million to state conservancies for regional climate and wildfire resilience investments.
- \$225 million to CNRA for forest health and regional climate resilience investments in areas outside of conservancy areas.

Improving Climate Resilience of Urban Areas: \$ 495 million

- \$395 million to the Natural Resources Agency for urban greening, establishment of cooling centers, back up solar power and storage, and facilities, including to safeguard vulnerable populations from extreme heat events and air pollution caused by wildfires and from other public health threats exacerbated by climate change.
- \$100 million for public education and research on climate impacts

Watershed Protection: \$ 880 million

- \$250 million for protection of rivers, lakes and streams
- \$240 million for urban streams and rivers including the LA River and funding for the River Parkway Program.
- \$390 million for multi benefit flood protection and Delta levees

Fish and Wildlife Protection: \$500 million

- \$500M to WCB for protecting fish and wildlife in response to drought, wildfire and changing climate conditions.

Improving Climate Resilience of Agriculture and Food Supply \$180 million

- \$50 million to CDFA for Environmental Friendly Farming Program
- \$90 million to DOC for Farmland Protection Program
- \$20 million to University of California for research into reducing GHG impact of agriculture and food production
- \$20M to Invasive Species Council

Coastal Protection: \$935 million

- \$700 million to State Coastal Conservancy for coastal protection and sea level rise projects. Includes \$100 million to Bay Program and \$40 million to Santa Ana River Conservancy Program
- \$100 million to SF Bay Restoration Authority for Bay Wetlands Program
- \$85 million to Ocean Protection Council
- \$20 million to DFW for kelp restoration and fishery protection programs
- \$30 million to Coastal Commission for seal level rise local assistance grant program

Background. The following chart compares the Senate's and Governor's proposals:

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Totals	3,675	1,694

- (a) Governor's total includes \$200 million for Urban Greening program and \$150 million for upgrading fairgrounds and other facilities (the latter of which was proposed separately from the climate resilience package).
- (b) \$200 million shown for Governor was included in May Revision water and drought package, not climate resilience package.

Staff Comments. Earlier this session, the Senate developed a comprehensive Climate Resilience Plan included in SB 45 (Portantino et al.) as a general obligation bond. Since that time, separate budget proposals related to wildfire prevention and drought have been advanced that included many but not all of the elements of SB 45. This proposal is designed to fund the remaining investments included in SB 45 in a way that complements budget actions on wildfire and drought.

Staff Recommendation. In lieu of both the Senate's and Administration's climate resiliency packages, approve \$3.675 billion Climate Resiliency Fund with deposits into the Fund of:

- \$1.225 billion in 2021-22
- \$1.225 billion in 2022-23
- \$1.225 billion in 2023-24

Details of allocations of the Climate Resiliency Fund will be determined with final agreement among the Senate, Assembly, and Governor.