AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 3 RESOURCES AND TRANSPORTATION

ASSEMBLYMEMBER RICHARD BLOOM, CHAIR

WEDNESDAY, MAY 13

9:00 A.M. - STATE CAPITOL ROOM 447

CONSENT CALENDAR – SPRING FINANCE LETTERS (SFLS)		
ORG CODE	**DEPARTMENT**	**SUMMARY**
3480	DEPARTMENT OF CONSERVATION	**EXTENSION OF LIQUIDATION PERIOD**. REQUESTS EXTENSION OF THE LIQUIDATION PERIOD FOR SUSTAINABLE COMMUNITIES LOCAL ASSISTANCE PLANNING GRANTS TO JUNE 30, 2017 IN ORDER TO ALIGN THE REVERSION DATE OF THE FUNDING WITH THE TERM OF THE GRANTS.
3600	DEPARTMENT OF FISH AND WILDLIFE	**REAPPROPRIATION**. REQUESTS REAPPROPRIATION OF THE BALANCE OF THE TIMBER REGULATION AND FOREST RESTORATION FUND TO MAKE FUNDS AVAILABLE FOR ENCUMBRANCE THROUGH JUNE 30, 2017, IN ORDER TO MEET THE PUBLIC GRANT PROCESS FOR FOREST LEGACY ANADROMOUS RESTORATION.
3640	WILDLIFE CONSERVATION BOARD	**TECHNICAL ADJUSTMENT**. REQUESTS A DECREASE OF $387,000 TO CORRECT THE ANNUAL TRANSFER TO THE HABITAT CONSERVATION FUND IN ORDER TO MEET THE REQUIRED AMOUNT AUTHORIZED BY LAW.
3640	WILDLIFE CONSERVATION BOARD	**TRANSFERS AND REAPPROPRIATIONS**. REQUESTS $795,000 TO PROVIDE FOR THE TRANSFER OF UNLIQUIDATED BALANCES OF FUNDS THAT REVERTED FROM PRIOR TRANSFERS TO THE HABITAT CONSERVATION FUND. THIS INCLUDES A TECHNICAL REAPPROPRIATION.
3860	DEPARTMENT OF WATER RESOURCES	**REIMBURSEMENT AUTHORITY**. REQUESTS AN INCREASE OF REIMBURSEMENT AUTHORITY FROM THE WILDLIFE CONSERVATION BOARD OF $4.8 MILLION (PROPOSITIONS 40 AND 84), AND $2.1 MILLION (FEDERAL FUNDS) TO CONTINUE TO THE SAN JOAQUIN RIVER RESTORATION PROJECT INTENDED TO RETURN SALMON TO THE RIVER.
3860	DEPARTMENT OF WATER RESOURCES	**REAPPROPRIATIONS, EXTENSIONS OF LIQUIDATION PERIODS, AND TECHNICAL ADJUSTMENTS**. REQUESTS REAPPROPRIATION OF VARIOUS FUNDS FOR ONGOING PROGRAMS DUE TO STATE AND FEDERAL PERMITTING DELAYS, ADJUSTMENTS IN REGULATORY TIMELINES, AND DELAYS IN AGREEMENT EXECUTIONS.

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VOTE-ONLY

0540 NATURAL RESOURCES AGENCY

VOTE-ONLY ISSUE 1: Marine Protected Areas (MPAs) (Previously held open)

The Governor's Budget requests $2.5 million (Proposition 84 bond funds), one-time, to continue to support monitoring to inform the ongoing adaptive management of the network of MPAs designated under the Marine Life Protection Act. The Subcommittee heard and held this item open on April 15th due to concerns about the appropriateness of using Prop 84 funds for these activities. Because General Fund is the only other source of funds available, staff supports using Prop 84, one-time, in order to prevent a critical gap in monitoring that would severely hamper the ability of the state to effectively manage and evaluate the MPA network. The Administration has committed to finding a new source of funding in next year's budget.

Staff Recommendation: Approve as Budgeted

3340 CALIFORNIA CONSERVATION CORPS

VOTE-ONLY ISSUE 2: Tahoe Base Center (Previously held open)

The Subcommittee heard this item on April 15 and discussed an LAO recommendation to reject the proposal and seek a more cost-effective option for the center. The Subcommittee recommended the LAO, CCC, and budget staff visit the Tahoe Base Center to review the site and discuss the development of the funding model with the Department of Finance capital outlay staff.

BACKGROUND

The Tahoe Base Center is a CCC residential and operational facility for corpsmembers. The Governor's budget proposes to establish a consolidated storage facility of 12,500 square feet to serve the Tahoe Base Center. This would be accomplished by acquiring and renovating the entire facility currently leased by the CCC. The Governor's budget includes $2.5 million in lease-revenue bonds to fund the estimated cost of the project.

Given the compelling issue of neighborhood complaint, staff believes that this project is necessary and the proposal should move forward. Staff has met with the CCC staff to review their process for determining the site requirements and concurs with their request.

Staff Recommendation: Approve as Budgeted

3360 CALIFORNIA ENERGY COMMISSION

VOTE-ONLY ISSUE 3: Outreach and Education for Building efficiency Standards (SFL)

The Governor's requests $241,000 (Energy Resources Programs Account), and two positions, to provide outreach, education, and training to building industry professionals, governmental agencies, utilities, and local building departments and officials for the energy standards, which will occur on three-year cycles.

STAFF COMMENTS

Staff has no concerns with this proposal.

Staff Recommendation: Approve as Budgeted

3480 DEPARTMENT OF CONSERVATION

VOTE-ONLY ISSUE 4: PROPSITION 50 WATERSHED PROGRAM IMPLEMENTATION STUDY

The Governor's Budget requests $200,000 in 2015-16, and $358,000 in 2016-17 from Proposition 50 bond funds for a comprehensive evaluation to address the effects, benefits, and outcomes resulting from the Proposition 50 watershed program implementation.

VOTE-ONLY ISSUE 5: SB 4 REAPPROPRIATION

The Governor's Budget requests a baseline appropriation increase of $650,000 from the Federal Trust Fund to enable critical statewide projects to continue to be supported by federal funds. The Office of Mine Reclamation (OMR) is regularly awarded grants from the federal government. Announcement of these grant awards is made according to federal timetables, which often provides very short notice to OMR, and does not coincide with the State budget process or calendar. This augmentation will allow OMR to conduct reimbursable contract work for the federal government in a more expeditious manner.

VOTE-ONLY ISSUE 6: FEDERAL TRUST FUND AUGMENTATION

The Governor's Budget requests reappropriation of $1.5 million in unencumbered 2014/15 funds from the Oil, Gas, and Geothermal Administrative Fund. Funding will be used to implement software development contract services to implement an internet web site application to allow the Division of Oil, Gas, and Geothermal Resources staff, operators, various boards and entities, and the public to report, search, track, and permit as it relates to well stimulation activities.

STAFF COMMENTS

Staff has no concerns with issues 4-6.

Staff Recommendation: Approve as Budgeted Issues 4-6

3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION

VOTE-ONLY ISSUE 7: FIRE SAFE CIGARETTE STAFF AUGMENTATION

The Governor's Budget requests an ongoing $249,653 increase to the spending authority for the Cigarette Fire Safety and Firefighter Protection Fund, and two permanent positions. This proposal would provide the staffing necessary to address the Office of the State Fire Marshal (OSFM) Fire Safe Cigarette Certification Program workload. This proposal includes trailer bill language that establishes the Cigarette Fire Safety and Firefighter Protection Fund and authorizes the State Fire Marshal to adopt emergency regulations to establish an annual certification fee to be paid by manufacturers in an amount sufficient to cover all reasonable costs to administer the program. The current number of styles of cigarettes would require approximately 2,020 cigarette style (e.g., regular, menthol, light, etc.) certifications, and the OSFM is proposing a $150 fee per style certification (new and renewal) to cover the cost involved. Therefore, the projected new revenue stream of $303,000 annually will meet the needs of the funding requested. The Subcommittee held this item open on March 4th and the Senate Subcommittee No. 2 rejected the proposal on April 9th.

According to the OSFM, there is no federal standard for reduced ignition propensity for cigarettes. However, nearly every state independently establishes criteria and does testing for this purpose. It would be more cost-effective for the OSFM to contract or collaborate with other states develop or adopt criteria for a product that does not change from state to state, and does not require two additional personnel to duplicate activities of other states. Staff recommends rejecting this proposal and conforming with the Senate recommendation to require the OSFM to return in 2016 with a proposal that is collaborative with other states to accomplish this goal.

VOTE-ONLY ISSUE 8: HELICOPTER REPLACEMENT

The Governor Budget proposes budget bill language directing CAL FIRE and the Department of General Services (DGS) to work together on a competitive procurement process to replace its existing fleet of helicopters -- essentially codifying legislative intent to spend money for this purpose in the 2016-17 Budget. The Subcommittee held this item open on March 4th and the Senate Subcommittee rejected the proposal on April 9th. Staff recommends rejecting this proposal as CAL FIRE has already initiated the procurement process with DGS and the language is unnecessary. Further, while staff find that the need for a helicopter replacement plan is supportable, the Administration has not provided enough information to allow for an informed decision on the proposal. For example, it is unclear what additional costs will be incurred should the department choose night-flying helicopters; or if there will be capital outlay costs associated with one model over another. Without these details, the Legislature would essentially be giving the department a blank check to choose any model without appropriate oversight. Similar to recent years' negotiations with the California Highway Patrol, staff recommends only funding the amount necessary to provide a full set of cost alternatives and a procurement schedule.

Staff Recommendation: Reject proposals 7 and 8

VOTE-ONLY ISSUE 9: TRAINING ACADEMY SUPPORT

The Governor's Budget proposes $9,192,222 ($7,276,737 General Fund, $332,720 Special Fund, and $1,582,765 Reimbursements), and position authority for 28.0 limited-term positions and 21.0 limited-term temporary help positions through June 30, 2017, to address the hiring and training needs resulting from the increased length of fire season. The Subcommittee held this item open on March 4th. Staff has no concerns with this proposal.

Staff Recommendation: Approve as Budgeted

3600 DEPARTMENT OF FISH AND WILDLIFE

VOTE-ONLY ISSUE 10: VARIOUS CAPITAL OUTLAY PROJECTS (SFL)

The Governor requests $460,000 (Hatcheries and Inland Fisheries Fund) for two minor capital outlay projects:

- $220,000 for the design, construction and installation of a new 12 foot high bird enclosure for the trout nursery ponds at the Mount Shasta Hatchery in Siskiyou County.

- $240,000 for design and construction to add walls, with windows and doors, to the existing roofed structure that surrounds the Heritage Trout fish ponds at the San Joaquin Hatchery in Friant, Fresno, County.

VOTE-ONLY ISSUE 11: KERN RIVER HATCHERY RACEWAY DEFERRED MAINTENANCE (SFL)

The Governor's Budget requests $740,000 from the Hatcheries and Inland Fisheries Fund (HIFF) to make necessary deferred maintenance repairs to the concrete raceways so that they can be used for native trout production at the Kern River Hatchery (KRH) for distribution to the Kern River drainage. These repairs will enable the Department to meet the legislative mandates of SB 1148 that set forth annual Heritage Trout Production requirements. Mandates including the requirement to give priority to stocking native hatchery-produced species in California water-ways and to establish ecologically and environmentally sustainable hatchery and stocking practices which cannot be accomplished at KRH in its current disrepair.

STAFF COMMENTS

Staff has no concerns with issues 10 and 11.

Staff Recommendation: Approve Spring Finance Letter (SFL) Issues 10 and 11.

VOTE-ONLY ISSUE 12: PAYMENT IN LIEU OF TAXES TO COUNTIES

The Governor proposes $644,000 to DFW from the General Fund to resume PILT payments in 2015–16. Under the Governor's proposal, the funding would be allocated to 36 counties containing wildlife management areas. Local county assessors would then be responsible for allocating the funds they receive to the relevant local governments in their jurisdiction. The Governor also proposes budget trailer legislation to articulate that the state is not required to make PILT payments to counties and that counties may not spend the payments on school districts. The Subcommittee held this item open on March 4th.

Concerns have been raised about the trailer bill provisions making payments permissive to counties. The Senate Subcommittee No. 2 approved this proposal on April 8th and additionally approved $8 million (General Fund) to fund PILT back payments and amended the trailer bill language to strike the language making PILT payments permissive. Staff recommends approving the proposal and conforming with the Senate action to amend the trailer bill language.

Staff Recommendation: Approve as Budgeted and conform with Senate action on trailer bill language which deletes language making PILT payments permissive.

3720 COASTAL COMMISSION

VOTE-ONLY ISSUE 13: PROTECT OUR COAST & OCEANS FUND – LOCAL ASSISTANCE GRANTS & OUTREACH

The Governor's Budget proposes a one-time appropriation of $315,000 (Protect our Coast and Oceans Fund) from voluntary contributions on the state tax return. Of this amount, $250,000 is proposed to augment the Whale Tail grant program and $65,000 is proposed to support outreach and promotion of the voluntary contribution program.

VOTE-ONLY ISSUE 14: WHALE TAIL LICENSE PLATE COASTAL AND MARINE EDUCATION PROGRAM

The Governor's Budget proposes an increase to the local assistance baseline budget of $44,000 (Coastal Beach and Coastal Enhancement Account for coastal and marine education grants to nonprofits, schools, and government agencies. The budget also proposes an increase to state baseline operations of $45,000 for outreach and promotion of Whale Tail license plates.

STAFF COMMENTS

Staff has no concerns with issues 13 and 14.

Staff Recommendation: Approve as Budgeted

3790 DEPARTMENT OF PARKS AND RECREATION

VOTE-ONLY ISSUE 15: PROP 40 & 12 REAPPROPRIATION

It is requested that the following Prop 40 and Prop 12 projects be reappropriated as follows:

- City of Pasadena Youth Soccer and Recreation Developments Program, Sycamore Grove Field/Muir Field, Prop 40, Current Balance: $1,000,000.
- City of Los Angeles, Urban Parks, East Wilmington Greenbelt Park, Prop 40, Current Balance: $2,933,000.
- City of San Jose Robert-Z'Berg-Harris Block Grant Program, Three Creeks Trail Bridge, Prop 40, Current Balance: $1,773,000.
- City of San Jose Per Capita Grant Program, Three Creeks Trail Bridge, Prop 40, Current Balance: $30,000.
- City of Los Angeles People Coordinated Services of Southern California, Youth and Family Center, Prop 12, Current Balance: $1,850,000.

Staff Recommendation: Approve Prop 40 and 12 reappropriations

VOTE-ONLY ISSUE 16: BORDER FIELD STATE PARK

Border Field State Park is located within the Tijuana River National Estuarine Research Reserve (TRNERR) and is a recognized Wetland of International Importance by the 2005 RAMSAR Convention. TRNERR provides residents and visitors the ability to observe and learn about local habitat and endangered species in an appropriate and environmentally sensitive manner. Unfortunately, access to Border Field State Park, one of the main focal points of TRNERR and the Tijuana River Valley, is inaccessible for the better part of the year due to flooding and silt runoff from nearby hills to the main access road.

The Department of Parks and Recreation received a $5.9 million settlement from the federal government to mitigate for the condemnation of land needed for a federal border infrastructure project in the Tijuana River Valley. This settlement money has be deposited in to the State Parks and Recreation Fund (SPRF).

The Subcommittee may wish to consider allocating this settlement money back to the Tijuana River Valley where the original impacts occurred. Specifically, staff recommends appropriating $5.95 million (SPRF) to Border Field State Park for preliminary plans, working drawings, and construction to improve the park entrance road and to develop the outdoor plaza at Monument Mesa.

Staff Recommendation: Approve $5.95 million (SPRF) to Border Field State Park for preliminary plans, working drawings, and construction to improve the park entrance road and to develop the outdoor plaza at Monument Mesa. The funds shall be available until June 30, 2020.

3900 AIR RESOURCES BOARD

VOTE-ONLY ISSUE 17: TECHNICAL ADJUSTMENT - AQIP

The Governor's Budget requests a technical adjustment to the Air Quality Improvement Fund for the Air Quality Improvement Program (AQIP), by shifting $23 million in AQIP funding from State Operations to Local Assistance.

VOTE-ONLY ISSUE 18: TECHNICAL ADJUSTMENT FOR THE ENHANCED FLEET MODERNIZATION PROGRAM

The Governor's Budget requests a $2.8 million direct appropriation from the Enhanced Fleet Modernization Subaccount (EFMS) in order to continue to partner with the Department of Consumer Affairs (DCA), Bureau of Automotive Repair (BAR) in managing the Enhanced Fleet Modernization Program (EFMP). This proposal includes budget trailer bill language to authorize funding from the EFMS, upon appropriation by the Legislature, directly to the ARB. This proposal is a net-zero technical budget adjustment because funding ($2.8 million) for this program is currently authorized within BAR's budget which will be decreased by the same amount. ARB and BAR previously have had an interagency agreement whereby BAR provided

$2.8 million from EFMS to ARB on a reimbursement basis for the ARB portion of operating EFMP. This proposal would replace the reimbursement funding mechanism and instead provide ARB with a direct appropriation of $2.8 million from the EFMS. Correspondingly, BAR's budget authority would be reduced by $2.8 million in the EFMS. Assembly Bill (AB) 118, Chapter 750, Statutes of 2007 directs ARB and BAR to reduce the number of passenger vehicles, light duty trucks, and medium duty trucks that are high polluters. The appropriation from the EFMS will allow for the most efficient and transparent means to meet the goals of AB 118.

VOTE-ONLY ISSUE 19: ELECTRIC VEHICLE CHARGING STATION OPEN ACCESS (EVCSOA) ACT – SB 454 IMPLEMENTATION (SFL)

The Governor requests $175,000 (Motor Vehicle Account) for one position to implement SB 454 (Chapter 418, Statutes of 2013) the EVCSOA Act. The EVCSOA Act is intended to ensure that drivers have access to publicly located charging stations regardless of membership in charging network membership programs. It also directs stations to provide users with point of sale information about billing and requires that stations be reported to the NREL for inclusion in the NREL alternative fuel station-mapping database. The EVCSOA Act also authorizes ARB to adopt interoperability regulations if the industry has not adopted national standards on interoperability by January 1, 2015. The requested position will engage with station network providers and industry standards setting organizations to assess the status of standards setting for interoperability of station networks, ensure stations are reporting to NREL with accurate information and verify that station providers are adhering to the requirements of the law to make stations accessible regardless of network membership.

STAFF COMMENTS

Staff has no concerns with issues 17-19.

Staff Recommendation: Approve as Budgeted Issues 17-19

VOTE-ONLY ISSUE 20: NATURAL GAS LEAKAGE

The Governor requests a total of $670,000 in 2015-16 from the Public Utilities Reimbursement Account to implement SB 1371. This includes $370,000 annually for two positions, and a one–time allocation of $300,000 for contract funding to independently collect additional pipeline emission data and examine additional methods to estimate emissions. The requested positions would consult with the CPUC on its proceedings, analyze pipeline emission data, and help develop future regulations and policies related to pipeline emissions. (The Governor's budget provides $550,000 and four positions for CPUC to administer the proceeding and develop the rules and procedures.)

The Subcommittee heard and held open this item on April 15th. SB 1371 did not identify specific tasks that ARB is required to undertake. Further, the Legislative analysis did not include the addition of ARB positions, nor ongoing costs. LAO suggests evaluation of the effectiveness of this program after one year would allow the Legislature to consider any gaps that need funding, including ongoing ARB costs. Staff concurs with LAO's recommendation to reject this proposal.

Staff Recommendation: Reject Proposal

3940 STATE WATER RESOURCES CONTROL BOARD

VOTE-ONLY ISSUE 21: DRINKING WATER REGULATION DEVELOPMENT (SFL)

The Governor's Budget requests $347,000 (Safe Drinking Water Account) and two, limited-term positions, to address the existing drinking water regulation backlog and to ensure timely development of key drinking water regulations in the future. This item is consistent with a January proposal related to the drinking water program.

STAFF COMMENTS

Staff has no concerns with this issue.

Staff Recommendation: Approve as Budgeted

3970 DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY

VOTE-ONLY ISSUE 22: PLASTIC BAG BAN

The Governor's Budget requests $268,000 in 2015–16, $264,000 in 2017–18, and $180,000 ongoing, from the Integrated Waste Management Account, to support one limited–term and two permanent positions, in order for CalRecycle to implement the provisions of Chapter 850.

Since the Secretary of State has determined that the referendum seeking to repeal the law qualifies for the November 2016 ballot, staff recommends rejecting this proposal, as the provisions of SB 270 will no longer be implemented in the budget year.

Staff Recommendation: Reject Proposal

8570 CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

VOTE-ONLY ISSUE 23: ORGANIC WASTE

The Governor's Budget requests a General Fund increase of $211,000 and 1.5 permanent positions in 2015-16 and $229,000 and 2.0 permanent positions, ongoing, to increase enforcement and licensing activities for the Rendering Program to implement AB 1826, Chapter 727, Statutes of 2014. The requested funding will support 1.0 Special Investigator and 1.0 Office Technician (Typing) (.5 PY in 2015-16), to provide outreach and training to local jurisdictional authorities, to investigate unlicensed and uninspected businesses recycling inedible animal material and inedible kitchen grease (IKG), and to facilitate licensing and inauguration of inspection of these businesses.

Inedible animal materials include carcasses of animals that died other than by slaughter (dead or fallen livestock); packinghouse waste from livestock and poultry slaughter and processing plants; meat scraps, fat and bones from butcher shops; meat and poultry products discarded by retail stores, such as spoiled or outdated products; and plate waste. The disposal of all of these materials, except plate waste, is regulated by the Department's Meat, Poultry and Egg Safety Branch Rendering Program.

VOTE-ONLY ISSUE 24: YERMO AG INSPECTION STATION RELOCATION AND SFL PROVISIONAL LANGUAGE

The Governor's Budget requests reappropriation of the unencumbered balance of the appropriations remaining for working drawings and construction phases of the Yermo Agricultural Inspection Station project to ensure the financing authority remains available to complete the project. The Governor also requests to add provisional language needed to support the use of lease revenue bond financing for the relocation project. The proposed language clarifies the Department of Transportation's authorization and responsibilities in regards to delivering the project on behalf of the Department of Food and Agriculture.

STAFF COMMENTS

Staff has no concerns with these proposals.

Staff Recommendation: Approve Issues 23 & 24

8660 PUBLIC UTILITIES COMMISSION

VOTE-ONLY ISSUE 25: FUNDING FOR OUTSIDE LEGAL COUNSEL FOR ENERGY CRISIS LITIGATION (SFL)

The Governor's Budget requests a two-year extension of the liquidation period of $2.5 million (Public Utilities Reimbursement Account) for continued assistance by outside legal counsel and economic consultants as well as expert witnesses in litigation by the CPUC before the Federal Energy Regulatory Commission (FERC), which seeks refunds of several billion dollars for overcharges during the 2000-2001 energy crisis for California consumers. The CPUC and its aligned California Parties are actively engaged in litigation of the Long-Term Contract claims, (FERC Docket EL02-60), valued at $2.5 to 3 billion. In the Summer and Refund period (FERC Docket EL00-95), the Cal Parties are responding to appeals of FERC Op. 536, which affirmed ALJ Baten's Initial Decision finding multiple tariff violations and market manipulation by sellers and ordering sellers to make a compliance filing; the amount at stake in the current damages phase is upwards of $1.6 billion. Finally, on the CERS Period (FERC Docket EL01-10), was briefed last year after hearings held in 2013, and are awaiting a final decision from FERC on ALJ McCartney's Initial Decision, which found the Cal Parties had met their initial burden in proving market manipulation by the sellers.

VOTE-ONLY ISSUE 26: FEDERAL TRUST FUND GRANT INCREASE (SFL)

The Governor's Budget requests an increase to its Federal Trust Fund appropriation in the amount of $2,841,000 to allow the agency to utilize Rail Fixed Guideway Public Transportation Systems State Safety Oversight formula grant funding. The U.S. Department of Transportation administers these formula grant funds through its Federal Transit Administration.

STAFF COMMENTS

Staff has no concerns with issues 25 and 26.

Staff Recommendation: Approve as Budgeted Issues 25 and 26

ITEMS TO BE HEARD

3480 DEPARTMENT OF CONSERVATION
3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION
3600 DEPARTMENT OF FISH AND WILDLIFE
3940 STATE WATER RESOURCES CONTROL BOARD

ISSUE 1: EXPANSION OF THE TIMBER REGULATION AND FOREST RESTORATION PROGRAM (SFL)

The Governor's budget requests nine permanent positions, 12, two-year limited-term positions, and $9.5 million in funding from the Timber Regulation and Forest Restoration Fund (TTRF) to implement accountability and forest restoration components of the Timber Regulation and Forest Restoration Program, as called for in AB 1492 (Blumenfield, Chapter 289, Statutes of 2012).

This funding request is spread over five departments as follows:

- **Natural Resources Agency (CNRA):** $750,000 to support pilot projects and initial data collection needed for data and monitoring, ecological performance measures, and administrative efficiency and transparency;

- **Department of Conservation's (DOC),** California Geological Survey (CGS): $715,000 baseline augmentation and four positions to create new capacity for data and monitoring, ecological performance measures, and administrative efficiency and transparency;

- **Department of Fish and Wildlife (DFW):** $285,000 and two positions for data and monitoring, ecological performance measures, and administrative efficiency and transparency.

- **Department of Forestry and Fire Protection (CAL FIRE) and Board of Forestry and Fire Protection:** $5,240,000 and three positions and eight, two-year limited-term positions. The 8 limited-term positions and funds for forest restoration grants will fulfill aspects of AB 1492 regarding the California Forest Improvement Program (CFIP), forest restoration/resource improvement grants, and to promote strategies consistent with AB 32, the California Global Warming Solutions Act of 2006. The three permanent positions will support the department's AB 1492 Watershed Program (2 positions) and the Board of Forestry and Fire Protection (1 position) to fulfill the intent of the Legislature and accomplish forest practice data collection and sharing, the creation of performance measures, accountability for the State's Forest Practice Regulatory Program, and the implementation of needed pilot projects;

- **State and Regional Water Boards (Water Boards):** four, two-year limited-term positions ($551,000) and forest restoration grant authority ($2,000,000) to implement the requirements of AB 1492, as they pertain to the authorities and responsibilities of the Water Boards. The requested resources will enable the Water Boards to fulfill AB 1492 functions for timber harvest review, data and monitoring, ecological performance measures, administrative efficiency and transparency, and forest restoration grants.

BACKGROUND

The Z'Berg-Nejedly Forest Practice Act (FPA) and the California Forest Practice Rules (FPR) require the interdisciplinary review of timber harvesting proposals by CAL FIRE, DFW, CGS and the Water Boards. The plan review process is a CEQA-certified "functional equivalent process" of preparing an environmental impact report. Additionally, DFW serves as a Responsible Agency for plans with the issuance of appropriate Lake and Streambed Alteration Agreements (1600 Agreements) and Incidental Take Permits (ITP) for State-listed species. Further, the Water Boards are responsible for regulating all nonpoint source water pollution activities on both non-federal and federal forest lands. Coordination among these agencies and departments is necessary to meet their respective goals and missions.

AB 1492 establishes a significant level of intent for the state's forests:

- Promote and encourage sustainable forest practices consistent with state environmental laws;
- Ensure continued sustainable funding for the state's forest practice program to protect the state's forest resources.
- Support in-state production of timber within the state's environmental standards, and promote and encourage retention of forests and forested landscapes.
- Create a funding source for the restoration of the state's forested lands and promote restoration of fisheries and wildlife habitat and improvement in water quality.
- Promote restoration and management of forested landscapes consistent with AB 32.
- Promote transparency in regulatory costs and programs through the creation of performance measures and accountability for the state's forest practice regulatory program and simplify the collection and use of critical data to ensure consistency with other pertinent laws and regulations.
- Identify and implement efficiencies in the regulation of timber harvesting between state agencies.
- Modify current regulatory programs to incorporate, and provide incentives for best practices, and develop standards or strategies, where appropriate, to protect natural resources, including the development of plans that address road management and riparian function on an ownership-wide, watershed-wide, or district-wide scale.

The bill provides for assessment of a 1% fee on lumber and other wood products sold in California. Revenues generated from the fee are to be deposited into the TRFRF established by the bill. Funds are to be distributed to support the costs of the departments associated with the review, inspection, and issuance of permits to conduct timber operations. Funds also may be used, upon appropriation, to support a number of existing forest restoration grant programs.

The major responsibilities under the AB 1492 Timber Regulation and Forest Restoration Program can be categorized under five key components, each of which is discussed briefly in turn below. The FY 2013-14 BCP for this program largely focused on implementation of component 1. This budget request primarily focuses on the implementation of the other four components.

1. Timber Harvest Document Review, Approval, and Enforcement. The core of the Timber Regulation and Forest Restoration Program is supporting the activities and costs of the review team agencies associated with the review and regulatory enforcement of projects or permits necessary to conduct timber operations. The great majority of positions thus far authorized under the Timber Regulation and Forest Restoration Program address this significant program component. In advance of permit application, agency staff can facilitate the permit process by pre-consulting with forest landowners to help them identify potential resource protection issues or forest restoration opportunities early in the planning process so that these may be addressed more efficiently and effectively early in the permit process.

2. Administrative Accountability, Efficiency, and Transparency. In AB 1492, the Legislature finds that "…the state's forest practice regulatory program needs to develop performance measures to provide transparency for both the regulated community and other stakeholders." And, the Legislature expresses the intent to "Promote transparency in regulatory costs and programs through the creation of performance measures and accountability for the state's forest practice regulatory program…." and "Identify and implement efficiencies in the regulation of timber harvesting between state agencies."

The AB 1492 Administrative Performance Measures Working Group has been charged with addressing the substantive and process aspects of this area of AB 1492 responsibilities. The Interagency Information Systems Working Group will address the information technology needs, with CNRA taking the lead. The working group charters and work plans detail the work that needs to be done to meet these responsibilities.

3. Data and Monitoring. The timber harvest review team agencies collect and produce a wide range of information about forested landscapes as a part of their broad programmatic and regulatory responsibilities. Increasingly, these kinds of information are available in geographic information system (GIS) formats and can be accessed by agency staff and the public with online GIS viewing tools or with desktop GIS software. While much of this data is available online, not all of the data relevant to forest management and forest conditions is readily available. Some of the data available online can be challenging to find for the public.

These forest landscape data resources are helpful for landowners, foresters, and biologists preparing timber harvesting permit documents, for the agencies reviewing these documents, and for members of the public who are concerned about the condition of the state's many important forest resources. In other words, these data are important elements in efficiency and accountability.

An important part of this process will be to conduct two or more pilot projects at a focused scale (such as the CALWATER planning watershed level of 3-10,000 acres) to assess data availability, group processes for compiling and assessing the data, and the assessment of the needs for forest and fisheries restoration actions. Another component is the development of a publicly accessible information portal.

The AB 1492 Data and Monitoring Working Group has been charged with addressing this area of AB 1492 responsibilities, with the assistance of the Interagency Information Systems Working Group. The Charters and Work Plans for the working groups detail the work that needs to be done to meet these responsibilities. The necessary work includes initial developmental, as well as ongoing implementation. To support this work, this BCP requests authority and funding for, as well as funding for initial pilot project work and early data collection efforts.

4. Ecological Performance Measures. AB 1492 recognizes the need for ecological performance measures. Developing ecological performance measures for management outcomes on the State's nonfederal timberlands is a challenging task that will take significant effort and some time to accomplish. Ecological performance measures are anticipated to ultimately serve an important role in assessing ecological conditions on forest landscapes, including the identification of cumulative impacts. This assessment information will help to inform land management decisions, review of environmental permit applications, evaluation of regulatory program and rule effectiveness, and targeting of restoration actions and funding. Resources requested as a part of this BCP are essential to help with the development and eventual implementation of ecological performance measures.

5. Forest Restoration Grants. AB 1492 also provides the following regarding forest restoration: It is the intent of the Legislature to accomplish all of the following:…Create a funding source for the restoration of the state's forested lands and promote restoration of fisheries and wildlife habitat and improvement in water quality.

It also specifies that existing state grant programs for forest restoration are eligible for receipt of TRFRF monies, upon appropriation by the legislature. As an initial, cautious start to the granting of TRFRF monies for forest restoration, the FY 2014-15 budget provided $2 million per year for two years to the Department of Fish and Wildlife's Fisheries Restoration Grant program for grants to restore impacts to streams and fish from legacy forest management activities. Now that knowledge of the revenue flows into TRFRF is better and the fund balance has begun to build, this is an appropriate time to seek to expand funding for forest restoration programs. Thus, this proposal requests that TRFRF monies be authorized to support additional forest restoration activities on a two-year, limited-term basis, through the CAL FIRE California Forest Improvement Program (CFIP) and the Clean Water Act Section 319 grant program administered by the Water Boards.

AB 1492 specifically authorizes, upon appropriation by the Legislature, the use of the Timber Regulation and Forest Restoration Fund to support the CFIP program for forest resource improvement grants and projects administered by the Department. CFIP is a forestry program that provides technical assistance and cost-share grants to small forest landowners state-wide for forest management planning, reforestation (particularly after fires), fish and wildlife habitat improvement, noncommercial forest thinning, pruning, fuel reduction, and projects designed to increase carbon sequestration through forest health restoration; protecting and enhancing the significant capacity of our forests to remove carbon from the atmosphere and store it for long periods in trees and forest products.

LAO BACKGROUND AND ANALYSIS

We find the administration's proposed activities and requested level of resources to be reasonable. However, the Legislature should ensure that the proposed distribution of funding is in line with legislative priorities. For example, the administration's proposal provides $3 million for California Forest Improvement Program (CFIP) grants and $2 million for forest restoration projects though the State Water Resources Control Board. The Legislature could choose to adjust how those dollars are distributed between programs. Additionally, the Legislature could direct the departments to prioritize certain activities or objectives within the grant programs. For example, given the heightened risk of wildland fire during the drought, the Legislature might wish to prioritize CFIP projects that primarily reduce wildland fire risk in the short term. Finally,

we recommend that the Legislature adopt supplemental reporting language requiring the administration to report on the progress of the proposed pilot projects, including selected projects at a focused scale and the project to use the State Water Board's bioassessment methods, by March 1, 2016.

The Administration has responded that:

- Regarding the distribution of grant funding, the Department of Fish and Wildlife has an existing $4 million in place for DFW for fisheries restoration for this in 2015-16 and 2016-17. The Administration is likely to request its extension in the FY 16-17 budget process.

- Regarding the pilot projects reporting requirement, the Administration believes it will only have initial information to report by March 1, 2016. If the reporting is shifted to 2017, they will be able to provide more meaningful information.

STAFF COMMENTS

Staff concurs with the LAO assessment and response from the Administration. Staff recommends conforming with the Senate Subcommittee #2 action on May 7, 2015, as follows:

- Approve the budget amounts as proposed.

- Require the Resources Agency to include an advisory council to review and oversee granting programs, to include public, state agency, and scientific members who are independent of the departments implementing grant programs. Provide up to $100,000 (TRF), to allow those public and scientific members to be paid per diem. Require that the Senate and Assembly make one appointment each to the advisory council.

- Approve LAO reporting language to include: (1) an interim status report on March 1, 2016 and a final report on January 10, 2017.

Staff Recommendation: Approve SFL. Require the Resources Agency to include an advisory council to review and oversee granting programs, to include public, state agency, and scientific members who are independent of the departments implementing grant programs. Provide up to $100,000 (TRF), to allow those public and scientific members to be paid per diem. Require that the Senate and Assembly make one appointment each to the advisory council. Approve reporting language to include: (1) an interim status report on March 1, 2016 and a final report on January 10, 2017.

3480 DEPARTMENT OF CONSERVATION
3940 STATE WATER RESOURCES CONTROL BOARD
3860 DEPARTMENT OF WATER RESOURCES

ISSUE 1: UNDERGROUND INJECTION CONTROL PROGRAM (SFL)

The federal Safe Drinking Water Act (Act) only allows for injection of fluids from oil and gas operations into exempt aquifers that meet specific requirements and conditions. Within the state, there are approximately 2,500 oil and gas injection wells that have been operating in aquifers that may not have been properly exempted from the Act. The state is reviewing and evaluating these wells to determine in which cases it would be justified to propose an aquifer exemption application to the United States Environmental Protection Agency (US EPA), or whether the wells should be plugged. Under the oversight of the US EPA, the Department of Conservation (Conservation) and the State Water Resources Control Board (Water Board) have developed a work plan to bring the remaining injection wells into compliance with the Act within two years. The Governor requests resources to accomplish compliance, as required by US EPA, within this expedited time frame. Specifically, this proposal provides additional resources for the following purposes:

Department of Conservation. The Department of Conservation's (Department) Division of Oil, Gas, and Geothermal Resources (Division) requests 23.0 permanent positions and a baseline appropriation of $3,488,000 ($3,285,000 ongoing) from the Oil, Gas, and Geothermal Administrative Fund. Positions and funding will be used to enhance the Underground Injection Control (UIC) Program, and strengthen the Division's support staff. According to the Administration, the resources are necessary to conduct extensive evaluations of the engineering and geologic conditions of aquifers into which injection has been occurring to inform the determination as to whether specific aquifers should be proposed for exemption from the Act. Further, these resources will support ongoing assessment and evaluation of compliance with the Act for future injection projects proposed by the oil and gas industry.

State Water Resources Control Board. To investigate public concern and potential threats to public health and groundwater quality from wastewater disposal associated with oil and gas production, the State Water Resources Control Board (State Water Board) requests $2.9 million and 19.0 permanent positions, including $250,000 for contracts. $2.1 million will be from the Oil, Gas, and Geothermal Administrative Fund (OGGAF) to support 13.0 permanent positions and $250,000 in contracts. $800,000 will be from the Waste Discharge Permit Fund (WDPF) to support 6.0 permanent positions. The Department of Conservation Division of Oil, Gas, and Geothermal Resources (DOGGR) currently collects funds from oil and gas well operators in the form of assessments and oil and gas operation fees. The requested funds from DOGGRs OGGAF would require DOGGR to increase the operators' assessments and fees to support the amount requested by the State Water Board and the State Water Board would have to raise fees to dischargers.

This request will enable the Water Board to perform inventory and enforcement activities for oil and gas produced water ponds in the Central Valley area. This request also includes technical reviews of aquifer exemption submittals, hydrological reviews of injection well proposals submitted by well operators, and related activities. The Water Board also will receive information on injection wells that Conservation has identified as out of compliance with the Act, and will identify known water supply wells to assess potential health threats or

impacts to water supplies. This request also will enable the Water Board to perform in-depth hydrological reviews of future proposals.

Department of Water Resources. This proposal requests $625,000 from the General Fund for FY 2015-16 to fund 1.1 existing positions and other costs associated with providing better accessibility to well completion reports (WCRs) on file with the Department of Water Resources (DWR). Activities will include:

- Redacting personal information from approximately 720,000 digital images of WCRs so they may be released to the public, which will ensure compliance with the privacy requirements of the Information Practices Act of 1977
- Preparing, scanning, and indexing approximately 80,000 paper WCRs to digital images. Both unredacted and redacted versions will be created
- Key-entering location, construction, well use, and other high-level data, as available, from about 200,000 well completion reports for which such data does exists only in paper form.

This proposal includes trailer bill language to make well completion reports available to the public, and is intended to improve public and governmental evaluation of water quality risks posed by injection wells.

BACKGROUND

Since June 2014, when a set of oil and gas waste disposal wells were ordered "shut in" by DOGGR, there have been a number of news stories released, as well as acknowledgements made by DOGGR, that numerous oil and gas related injection wells are improperly sited and present a risk of contamination to good quality groundwater used for drinking water and agricultural irrigation processes. Investigations by the U.S. Environmental Protection Agency and State Water Resources Control Board concur with this assessment and have raised a number of concerns about the way in which DOGGR manages the program and protects groundwater quality.

Budget Actions. Beginning in 2010-11, the DOGGR acknowledged deficiencies in its programs and requested, during the May Revision process (three years in row), major changes to program funding. The budget committees concurred with the need for funds, but, having been given only two weeks to review these major proposals on more than one occasion, split the funding, instead requesting the DOGGR return with a long-term and comprehensive proposal. Between 2011 and 2013, the budget added 53 positions and over $7 million in annual ongoing funding. The budget also required the DOGGR to annually provide updates on its UIC program for five years. To date the department has filed only one report.

Public Access to Well Completion Reports. Current law requires that every person who digs, drills, or bores a water well, cathodic protection well, groundwater monitoring well, or geothermal heat exchange well, abandons or destroys such a well, or deepens or modifies such a well, must file a well completion report (WCR) with details of that work to DWR. The water well completion reports are the most comprehensive source of subsurface hydrogeologic data available in California, and contain information about the horizontal and vertical extent of aquifer materials, depth to groundwater, well depth and construction, well yield, and other factors pertinent to identifying and managing groundwater resources.

Water Code 13752 requires that the well completion reports remain confidential; however, the statute contains provisions that allow access to government agencies for studies, to anyone conducting an environmental cleanup study under order of a regulatory agency, and to anyone with written authorization of the well owner. Under these provisions, the reports are used by groundwater scientists, engineers, planners, and the public for a variety of purposes. Public agencies use the well completion reports for water management research and planning. Consultants use well completion reports for environmental and site cleanup investigations, and as representatives of government agencies while conducting groundwater resource investigations. Individuals request well completion reports for selling or purchasing property, work and/or maintenance on wells, building or remodeling projects on their property, or refinancing. Realtors acting as agents to the seller or buyer also request well completion reports.

Since the passage of the enabling legislation in the 1950s, drillers have submitted paper reports to the Department for processing and storage. DWR currently has about 800,000 paper reports on file in its four regional offices, and between 12,000 and 20,000 new reports are filed each year. Because the reports are in paper form, they cannot be electronically searched for pertinent information, and are susceptible to water and fire damage. Beginning in the late 1990s, the Department began a long-term project to create digital backups by scanning the paper reports. To date, about 90 percent of the reports have been scanned. As part of the scanning project, general location-based information is indexed with the well completion report image, such as county, township, range, and section, but nothing else from the reports is captured. In addition to the scanning project, DWR Region Offices have, over the years, created local desktop databases of selected data from the reports. The databases are mutually incompatible, inconsistent, and incomplete. Data for about 200,000 reports have not had any data entered into a database.

LAO COMMENTS

We recommend the Legislature approve the requests for additional positions and funding for the Department of Conservation, the Department of Water Resources, and the State Water Resources Control Board to improve the state's UIC program and surface wastewater disposal activities. In the short-run, there is significant additional workload—largely associated with addressing concerns raised by the United States Environmental Protection Agency (U.S. EPA) about the state's UIC aquifer exemption process. In the long-run, there is additional workload to enhance the ongoing oversight and monitoring of the UIC program and wastewater disposal into surface ponds, including more comprehensive review of permit applications and additional reporting to the U.S. EPA. While we agree that additional positions will be needed to address both short-run and long-run workload, the administration has not provided a workload analysis that clearly outlines differences between short-run and long-run workload. Thus, the degree to which the additional positions would adequately address both short-term and ongoing workload is unclear. In light of this uncertainty, we also recommend the Legislature adopt supplemental reporting language requiring the departments to report to the Legislature by March 1, 2017 on the following issues:

- *Activities that have been performed by the positions approved in the 2015-16 budget.*
- *Improvements made to the UIC program and oversight of surface wastewater disposal as a result of these additional positions.*
- *An updated estimate of ongoing workload to adequately monitor and oversee the UIC program and surface wastewater disposal.*
- *The number and types of positions needed to meet the updated workload estimate.*

STAFF COMMENTS

Staff concurs with LAO's analysis and recommendations for the Department of Water Resources and the State Water Resources Control Board. To meet the US EPA requirement to review the backlog of aquifer exemptions within two years the proposed workload appears justified. Further, the current drought and passage of the Sustainable Groundwater Management Act has heightened the need for a more complete and comprehensive set of hydrogeologic data for California groundwater basins. The well completion reports comprise one of the fundamental data sources for evaluating groundwater conditions in California, and are an integral part of the planning and management of groundwater resources at the state, regional and local level. Protection of groundwater quality is one of the primary aims of collecting and analyzing the well completion reports, which provide data about the presence and construction of surface seals and the potential interconnection between subsurface geologic units.

Rescinding the confidentiality of the well completion reports will facilitate the development of better, more complete and comprehensive hydrogeologic data. This proposal will position the state to more effectively respond to the drought and assist local agencies and individuals in managing their groundwater supply. Further, capturing more high-level well data will increase the state's understanding of drilling trends and places of groundwater use. All the resulting scanned reports and electronic data will be incorporated into DWR's existing Online System for Well Completion Reports (OSWCR) and be made available to the public.

However, Staff has concerns about approving 23 new positions for the Department of Conservation given the questions raised by public and private entities about DOGGR's various water quality exemptions, its record keeping, and its ability to manage this program. Further, as mentioned above, beginning in 2010-11, the Department has requested major changes to program funding, during the May Revision process, three years in row. The budget committees concurred with the need for funds, but, having been given only two weeks to review these major proposals on more than one occasion, split the funding, instead requesting the department return with a long-term and comprehensive proposal. Between 2011 and 2013, the budget added 53 positions and over $7 million in annual ongoing funding.

Staff Recommendation: Approve proposed funding, positions and trailer bill language for the Department of Water Resources and the State Water Resources Control Board. Approve LAO supplemental reporting language. Hold Open funding and positions for the Department of Conservation.

3360 CALIFORNIA ENERGY COMMISSION

ISSUE 1: INTERNATIONAL RELATIONS SENIOR ADVISOR ON GHG EMISSIONS REDUCTION (SFL)

The Governor's Budget requests one position and $133,000 from the Energy Resources Program Account (ERPA, ratepayer funds) to "coordinate work with other jurisdictions, including but not limited to, China, Israel, Japan, and Mexico." According to the request, because of the significant greenhouse gas emissions from the transportation and energy sectors, California must engage with other nations and sub-nations jurisdictions to achieve the state's climate goals and drive international commitments on climate change at the 21st Conference of the Parties in Paris, France, in November and December 2015.

BACKGROUND

Governor's 2014-15 Proposal. The Air Resources Board, in the 2014-15 May Revision, requested six positions and $1.1 million to accommodate increased workload associated with working with other jurisdictions, such as Brazil, Canada, Chile, China, Costa Rica, Kazakhstan, Mexico, New Zealand, South Korea, South Africa, Turkey, the European Union, and other Pacific states, on air quality and climate change activities. The LAO recommended rejection of this proposal, both because the funding would not be appropriate to the activities proposed (nexus to fee-payers) and the board did not provide a clear workload justification for the six positions requested.

The Subcommittee rejected the proposal. During final negotiations with the Governor, three positions were approved for this purpose.

STAFF COMMENTS

Exert from Senate Subcommittee No. 2 agenda on April 23, 2015:

> *"Staff continues to have concerns with the use of state employees, paid for by ratepayers, being used to engage other international jurisdictions without specific authority from the Legislature. This proposal, too, is confusing. In discussions with the Energy Commission, they assert that this position will be used to engage Mexico as they develop energy projects that could integrate with California's power grid. They did not discuss greenhouse gas reductions but rather the need for a coordinated approach to energy development. The proposal submitted to the Legislature is specific to greenhouse gas reduction programs.*

Questions for the Administration.

- *Has the Energy Commission considered utilizing the positions the Legislature already approved to the ARB for this purpose?*
- *Will the positions be used for greenhouse gas emission reduction negotiations, energy delivery negotiations, power plant siting in other countries, or climate negotiations with Mexico, China, Israel, or Japan, as the proposal indicates? Which state agency will be represented at the Conference of the Parties in Paris?"*

Staff shares the concerns articulated in the Senate agenda. The Commission should be prepared to answer the questions posed above.

Staff Recommendation: Conform with the Senate action to approve one-year limited term position and to require CEC to report back next year with the ARB on accomplishments of the international advisors.

ISSUE 2: AMENDMENTS TO POWER PLANT CERTIFICATION FEES (SFL)

The Governor proposes to create statutory fee authority to reimburse the Energy Commission for costs associated with processing petitions to amend power plant certifications. The fee would not change the existing certification fee. The Governor's proposal would add a fee of $5,000 for amendments to applications, plus actual cost recovery for the commission's work, capped at $750,000.

BACKGROUND

The Energy Commission is responsible for the certification of thermal power plants 50 megawatts and larger, including all project-related facilities, in California. The certification process consists of reviewing engineering design and evaluating the environmental impacts of power plant projects under a certified regulatory program to ensure that projects meet all engineering and environmental regulatory requirements and mitigate significant impacts.

Currently, two fees fund the majority of the siting program. The first is the certification fee, which requires an application fee of $250,000, plus $500 per megawatt of gross generating capacity of the proposed facility. This fee is capped at $750,000. The second is the compliance fee, which requires an owner of a certified project pay an annual fee of $25,000, adjusted annually for inflation, to cover the commission's post-certification process.

The existing siting fees are highly variable, depending on the number of amendments submitted, their complexity, the level of controversy, and the cooperation of the project owners. The commission's fees have not been able to keep up with the amendment process, and thus funding has fallen to the Energy Resources Program Account (ERPA), which is funded generally by ratepayers.

STAFF COMMENTS

Staff has no concerns with this proposal.

Question for the Administration.

> What kinds of amendments are driving the need for this fee and how do they impact the Commission's work?

Staff Recommendation: Approve SFL

3480 DEPARTMENT OF CONSERVATION

ISSUE 1: CONFORMING ACTION ON MINE MAPPING & ABANDONED MINE REMEDIATION (SFL)

The Senate Subcommittee took action on March 19th to support the mapping of mines in California. The following is an excerpt from the Senate agenda on this issue.

Background. *The DOC has been tasked with tracking and mapping mines throughout the state (both functioning and abandoned). The main focus of the department has been locating abandoned mines through its Abandoned Mine Lands Unit (AMLU). The AMLU estimates of the number of abandoned mines in California include the following:*

- *Approximately 165,000 mine features (a single human-made object or disturbance associated with mining, tailings, machinery and facilities, etc. A mine can be comprised of one or more features) on more than 47,000 abandoned mine sites exist statewide.*
- *More than 39,400 abandoned mines (84 percent of 47,000 sites) present physical safety hazards, and approximately 5,200 (11 percent) present environmental hazards.*
- *More than 62,000 abandoned mine features (38 percent of 165,000 features) are hazardous openings.*
- *Federal lands contain approximately 67 percent of the abandoned mines in the state (primarily on Bureau of Land Management, National Park Service, and U.S. Forest Service property). Approximately 31 percent are on private lands, and about two percent are on State or local lands.*

2014 Budget Actions. *In discussions with the department in 2014, it became clear that the department needed to embark on an information-technology project to improve the way it provided information on mines in the state. To that end, the department estimated (and continues to estimate), that a state feasibility study report, and major funding, would be necessary to provide the public with information on mapped mines.*

At the time, both budget and policy staff disagreed with this statement and worked with the department to identify a lower-cost, and more timely solution to the problem. It became clear that the department was able to take advantage of off-the-shelf software that would allow the public more access to information on mines, similar to the well tracking software used by the State Water Resources Control Board. An allocation of $100,000 (General Fund), for three years, could be used to purchase software (MineTracker) compatible with the existing GeoTracker and EnviroStor software used by the Cal-EPA agencies. This option would save the state the cost of developing a "custom base" option that will take one to two years to develop.

Both Assembly and Senate budget committees approved the proposal. The proposal was subsequently removed at the request of the Governor's office at the end of the budget process citing General Fund issues. Instead, the department was required to report back to budget committees on its efforts to produce a working information management system.

Request to Army Corps of Engineers (February 2015). *On February 6, 2015, the DOC Office of Mine Reclamation sent a letter to the U.S. Army Corps of Engineers (USACE) requesting*

$300,000 for development of a mine reclamation and remediation enterprise data management system (mine mapping). Specifically, the DOC requested an USACE contractor support to assist in completing an analysis and study for the proposed development and implementation of data management system. The request includes assistance with scanning all paper mine records and files to electronic format for the purposes of making report data searchable and retrievable and tracking and reporting statistics for individuals mines, counties. The department intends to digitize mine site and reclamation boundaries from filed reports in ArcView (a readily accessible geographic information system mapping program).

The DOC request to USACE outlines an enterprise data system that would include, but not be limited to:

- *An enterprise system that is compatible with the DOC enterprise system, computing platform, and DOC geodatabases.*
- *An application containing all of DOC's mine related data and associated web application.*
- *Integration of processes associated with analyzing, prioritizing, managing and implementing mine reclamation and remediation in the state.*
- *Data access for federal, state, and local agencies, and the public.*
- *Direct online document and fee submission by mine operators in compliance with state mine reclamation requirements.*
- *A mobile application for digital field inventory and compliance inspection work providing data download and upload with the system.*
- *Business workflow management to assist with processing and tracking reclamation and compliance efforts.*
- *Scan and convert all mine records, reports, and maps to electronic format.*
- *Digitize in ArcView maps of reclamation and mine site boundaries and geographically based data points from paper documents.*

Staff Comments. *The need to improve the state's mine mapping has not diminished. For example, during every major wildfire, safety briefings are held to alert those working on the fire to hazards that crews may face. Having clear and accessible information for public and private entities during these discussions would be extremely important to prevent unnecessarily dangerous situations, not only for crews but for private entities also maintaining assets (such as utility crews, cleanup crews, etc.). Through discussions with the department, it is clear that the department maintains that it should embark on a major information technology project, in-house and custom, that would "allow it control" over the development of the system. Staff disagrees that each state agency should maintain multiple custom information technology projects. Rather, state agencies should embrace lower cost and off-the-shelf products that are compatible with existing systems.*

Staff concurs with the department's needs, as outlined to the USACE; however, is confused why this proposals is not being made through the budget process. Given the interest of the Legislature, the department should be engaging in a discussion with budget and policy committees about the need for a new enterprise data system. The department's approach will take at least 3-5 years to begin implementation. Staff believes this timeframe could be reduced significantly with a more modest and targeted approach.

Staff Recommendation: *Staff recommends approval of $100,000 (General Fund), for three years, for the department to purchase software, to provide immediate management of data that can be made available to public and private agencies.*

STAFF COMMENTS

Staff concurs with the Senate analysis. Additionally the Governor's Spring Finance Letter requests $300,000 (Abandoned Mine Reclamation and Minerals Fund) to be used for activities involved with remediation and closure of hazardous abandoned mines on California Public lands. Staff recommends approving both proposals with the following budget bill language: Of the amount appropriated in this item, $300,000 shall be approved as a baseline increase and $100,000 shall be approved, annually, through 2017-18, for the purchase of software and immediate management of data that can be made available to public and private agencies, for the purpose of mapping mine data.

Staff Recommendation: Conform with Senate action by approving both proposals with the following budget bill language: Of the amount appropriated in this item, $300,000 shall be approved as a baseline increase and $100,000 (General Fund) shall be approved, annually, through 2017-18, for the purchase of software and immediate management of data that can be made available to public and private agencies, for the purpose of mapping mine data.

ISSUE 2: SURFACE MINING REGULATION

The Governor's Budget proposes to address the Surface Mining and Reclamation Account (SMARA) structural deficit by requesting a baseline appropriation increase of $1.5 million to SMARA and accompanying baseline reductions of $500,000 from the Bosco-Keene Renewable Resources Investment Fund (RRIF) and a $1,000,000 from the Mine Reclamation Account (MRA). The RRIF and MRA funds are structurally imbalanced with baseline appropriations greater than their revenues. This proposal will bring the RRIF and MRA appropriations in line with their levels of revenue and increase SMARA revenue to address the structural deficit.

BACKGROUND

The Surface Mining and Reclamation Act of 1975 (the act) establishes the state's regulations for surface mining operations. Under the act, surface mining operators are required to have a mining permit, an approved reclamation plan, and secured financial assurances. (Financial assurances are used to pay for any mine reclamation costs in the event that a mine operator defaults on its obligation to reclaim the mine at the end of its useful life.) The act is administered by the Department of Conservation's Office (DOC) of Mine Reclamation (OMR) and the State Mining and Geology Board (SMGB), which is also located within DOC. However, local entities—such as cities and counties—typically operate as the lead agencies in regulating mines within their jurisdictions.

The SMGB is the policy advising and appeal body for the act. Under the act, the SMGB also generally assumes the role of the lead agency if the local entity is not adequately performing its duties under the act. The OMR provides technical assistance to lead agencies and mine operators in the development of reclamation plans and financial assurances. The OMR also works with lead agencies to ensure that mining operations are conducted in accordance with their approved reclamation plans, as well as collects and analyzes data submitted by agencies and mine operators to monitor compliance.

The DOC's regulatory activities related to the act are currently supported by three special funds:

- **Surface Mining and Reclamation Account (SMARA).** The federal government provides states a portion of royalties collected from mining activities on federal land. Under state law, the first $2 million provided to California is deposited in the SMARA, to be used to administer the Act. The remaining federal mining revenues provided to California—estimated to be $93 million in 2015–16—are used to fund K–14 education.

- **Bosco–Keene Renewable Resources Investment Fund (RRIF).** The RRIF receives 30 percent—$1.2 million in 2015–16—of the royalties provided to the state from geothermal leases on federal lands. The remaining federal royalties go to local agencies (40 percent) and the California Energy Commission (30 percent), generally to support geothermal related activities, including exploration, research, and development activities.

- **Mine Reclamation Account (MRA).** The MRA receives revenue from two sources: (1) a $14 daily fee paid by mines in cities and counties where the SMGB acts as the lead agency and (2) annual regulatory fees paid by mine operators (reporting fees). Total annual revenue from the daily fee is about $180,000. For the reporting fees, DOC is required to adopt a fee schedule designed to cover its cost in carrying out the act, including reclamation plan and financial assurance review, mine inspection, and enforcement. However, existing law

establishes annual caps on reporting fees for both an individual mine operator (about $5,000 in 2014–15) and total reporting fee revenue (about $4.5 million in 2014–15). Individual mine reporting fees are based on the total value of the minerals extracted. Both caps are adjusted annually for inflation. In 2015–16 total mine reporting fee revenue is expected be $3.5 million, roughly $1 million less than the cap.

Funding for Regulatory Activities Is Structurally Imbalanced. Funding for the department's regulatory activities is structurally imbalanced. While revenues have remained relatively constant over the last few years, a variety of factors have increased costs, including increases in employee compensation and health costs and payments for general statewide administrative costs. Total revenues deposited into the three funds is projected to be about $6.8 million—roughly $2 million less than current costs. In recent years, this deficit was covered by reserves. The deficit is expected to continue, and potentially grow, in future years. Without any changes, these funds are projected to be insolvent in 2016–17.

LAO COMMENTS AND RECOMMENDATIONS

The LAO raises several concerns about the Governor's proposal. First, they acknowledge that there are several options available to the Legislature for addressing the structural deficit including: (1) reducing spending; (2) increasing SMARA revenue; (3) increase RRIF revenue; and, (4) increase MRA revenues. Each of these options results in tradeoffs to and policy decisions.

Further, the LAO suggests that MRA is the most appropriate funding source to address the deficit. Specifically, the LAO states:

> ***MRA Is Most Appropriate Funding Source to Address Deficit.*** *In our view, state regulatory activities should generally be funded with revenues from fees paid by the regulated industry. The MRA is funded from reporting fees paid by mine operations and these funds must be used to administer the state's mining regulations, including reclamation plan and financial assurance review, mine inspection, and enforcement. Therefore, in our view, the mine reporting fees are the most appropriate funding source for funding the department's regulatory activities related to the Act.*
>
> ***Relying on MRA Would Require Raising Caps.*** *Currently, nearly all mine operators are paying the maximum individual reporting fee. Therefore, in order to generate a significant amount of additional revenue, the Legislature would need to raise or eliminate the maximum individual reporting fee. However, the existing cap on total revenue would only allow the department to collect an additional $1 million in revenue—less than what is needed to fully address the $2 million deficit.*
>
> *If the Legislature wishes to use MRA funds to fully address the deficit, it would also need to increase or eliminate the cap on total reporting fee revenue. Increasing mine reporting fees to address the entire structural deficit would increase the total amount of fee revenue by more than 50 percent—almost all of which would likely be paid by mine operators who are currently paying the maximum individual reporting fee (currently $5,000). The effect on any individual mine operator would depend on two main factors: (1) how much the Legislature increased the cap and*

(2) the details of how the department adjusted the fee schedule for individual mine operators.

The LAO recommends rejecting the Governor's proposal and instead recommends the use of MRA to address the deficit.

The Department response to LAO comments and recommendations:

The timing of the unspecified fee increase would not work because the State Mining and Geology Board sets the MRA fee schedule in the spring and the fees are payable by operators by July 1st. If a fee increase were adopted in the budget rather than the proposed fund shift, revenues would not be available in time to address the shortfall in 2015/16. Without the proposed fund shift, the Department would not have sufficient funds to cover administrative cost increases, employee compensation increases, section 3.60 retirement adjustments, and funds necessary to cover litigation at the State Mining and Geology Board.

Additionally, the LAO does not specify to what level the mine reporting fees should be increased. The Department notes that changes to the fee would require considerations such as equity among fee payers and the basis for the fee. For example, the fee could be based on production, disturbed acreage, a combination of these and other variables to maximize equity amongst fee payers. The current statute authorizes the State Mining and Geology Board to consider such factors when adopting a fee structure, but the LAO correctly notes that the current cap on fees limits their ability to do so. This is demonstrated by the fact that most mines pay the highest amount allowable under the existing cap, which results in a fee structure that is not progressive. If the legislature were to adopt the LAOs proposal to raise the total amount that can be collected from all mines and raise total amount that each mine can pay the mining board would have more flexibility to adopt a progressive fee structure. The Administration is currently engaged in a weekly stakeholder meeting process with mining industry representatives, environmental organizations, local governments, and legislative staff. There are three Surface Mining and Reclamation Act bills pending in the legislature including SB 209 by Pavley, AB 1142 by Gray, and AB 1034 by Obernolte. Staff from each of the author's offices has been participating in the stakeholder process. Part of the discussion will include how fees should be calculated and how much they should be increased. Given the timing issues, the Administration's proposal could be seen as a "stop gap" measure while stakeholders develop consensus on a fee.

STAFF COMMENTS

Staff agrees that the structural deficit must be addressed. However, this proposal is meant as a "stop gap" while attempts are made to increase the fee revenues through the legislative process. There are currently three bills that deal with modifying SMARA and all of the authors are engaged in a SMARA working group that meets weekly in the Governor's office. The goal is to have the issue of inadequate fee revenue resolved in legislation.

Staff Recommendation: Approve as Budgeted

3600 DEPARTMENT OF FISH AND WILDLIFE

ISSUE 1: AUGMENTATION TO ENHANCE FISH AND WILDLIFE DEDICATED PROGRAMS (SFL)

The Governor requests $1.27 million for Hatcheries and Inland Fisheries, annually for three years, for the purpose of meeting fish production and Heritage and Wild Trout (HWT) Program monitoring and management requirements:

- $800,000 from the Hatcheries and Inland Fisheries Fund (HIFF) for support of the Department's thirteen trout hatcheries.
- $200,000 from HIFF for the support of the Heritage and Wild Trout (HWT) Program.
- $270,000 ongoing from the Native Species Conservation and Enhancement Account within the Fish and Game Preservation Fund for the Lands Visitor Pass Fee Recovery Program, to implement and maintain the expansion of the existing visitor pass program

BACKGROUND

California's trout hatcheries play a major role in supporting sport fisheries and local economies by producing eggs and raising fish to be stocked in approximately 1,200 bodies of waters in California. The Department has successfully operated fish hatcheries throughout California since the late 1800s. Recreational anglers in California purchase approximately two million sport-fishing licenses annually. Each year the Department's thirteen trout hatcheries produce fingerling and catchable sized trout that provide both recreational value and support for California's economy.

HIFF is funded 100% by the sale of recreational fishing licenses and is the primary funding source of the Department's trout production hatcheries and the HWT program. Fish production costs have increased in several areas including fish feed, transportation, pumping water (cost of water and cost of electricity), water quality monitoring and reporting per the Clean Water Act, invasive species monitoring and reporting, analysis and avoidance of potential effects to threatened and endangered species (as per California and Federal endangered species acts), the production of sterile (triploid) trout and salmon for recreational fishing activities.

Lands Visitor Pass Fee Recovery Program. Effective January 1, 2015, Fish and Game Code (FGC) §1745 authorizes the Department to issue entry permits for non-consumptive uses of Department managed lands. In order to fully implement this statute, the Department must substantively revise and expand the existing day and annual wildlife pass program which was developed during the 1990s. There are no positions that are dedicated to this program and many Department properties do not include the infrastructure to support expanded visitor programs.

FGC §1745 requires that money generated from this section shall be deposited in the Native Species Conservation and Enhancement Account within the Fish and Game Preservation Fund (0213) and shall be available, upon appropriation by the legislature, to the Department for the management and operation of its lands.

STAFF COMMENTS

The Department has failed to meet the production goals and wild trout management needs outlined in Senate Bill 1148 (Chapter 565, Statutes of 2011). The Department is also delinquent in maintaining hatchery facilities needed for trout production. The proposed resources will improve the Department's ability to raise the number of fish for stocking, ensure better compliance with state and federal laws (including health and safety) and ensure activities that are necessary to assess and monitor the HWT fish populations using best available science.

Staff Recommendation: Approve SFL

ISSUE 2: AUGMENTATION TO EXPAND THE DEPARTMENT'S SCIENTIFIC PROGRAMS (SFL)

The Governor requests, annually for three years, $4.8 million in reimbursement authority and $300,000 in federal authority. Additionally the Department is requesting 32 limited-term positions for three years to address Regulatory Review and Permitting ($3.1 million in reimbursement and 19 positions); Scientific Laboratory Program Services ($1.4 million in reimbursement and 10 positions); Bay Delta Conservation Plan - Interagency Ecological Program ($300,000 in federal; $300,000 in reimbursement; and 3 positions) respond to:

- An increased number of planning projects requiring regulatory review and permitting within the regions;
- Continue uninterrupted operation of the Department's Water Pollution Control Laboratory (WPCL), a laboratory dedicated to the scientific investigation and identification of pollutants affecting California's aquatic resources;
- Analyze, synthesize, and model scientific data for State and Federal Water Projects;
- Adequately address and respond to the increasing number of Renewable Energy (RE) projects and multiple High Speed Rail (HSR) segments requiring regulatory review and permitting; and
- Meet the current regulatory program workload, meet timelines required by the Fish and Game Code and deliver HSR permits.

BACKGROUND

Regulatory Review and Permitting. The Department requests $3.1 million and 19 limited-term positions to provide staffing for the new reimbursable contracts with fourteen entities. The purpose of this request is to provide additional resources to the Department's regional programs to address and respond to the ever increasing demands associated with large-scale project regulatory review and permitting, and mitigation compliance monitoring. The positions would be distributed amongst the regions based on the location of the entities and the amount of workload within each area. The proposal includes positions to focus on the following entities' projects:

- City of Santee
- Southern California Edison
- Aera Energy
- Department of Water Resources
- California Department of Transportation
- Pacific Gas and Electric Company
- San Bernardino County Department of Public Works
- Metropolitan Water District
- Southern California Gas Company
- Butte County Association of Governments (BCAG)
- County of Placer
- San Diego Gas and Electric (SDG&E)
- High Speed Rail Projects (HSRP)
- Renewable Energy Projects (RE)

The entities are seeking support for streamlined and efficient permitting services for Lake and Streambed Alteration (LSA) Agreements, California Endangered Species Act (CESA) permits, Multiple Species Habitat Conservation Plan (MSHCP) compliance review, Natural Community Conservation Plan (NCCP) development and implementation, and CEQA review for multiple projects within the public agency/private party sector. Such projects include new water works, new large-scale green energy infrastructure, new and existing oil and gas exploration, new transportation facilities, community planning and development; flood control projects, and long-term repair and maintenance of proposed and existing facilities.

The entities' long standing capital and maintenance projects are now budgeted and in various stages of planning and environmental review. According to the Administration, without additional staff, project delivery of critical infrastructure and services will be delayed; and current long-term monitoring efforts will continue to be understaffed to adequately monitor the long-term conservation of the resources impacted by the existing and additional projects. The projects have been in the planning stages for years and have reached the point where the entities believe it is the best use of their resources to fund the new positions to facilitate and expedite the delivery of the critical infrastructure and services to the entities' clients and the public.

Scientific Laboratory Program Services. The Department requests $1.4 million and 10 positions for a new reimbursement contract with the State Water Resources Control Board (Water Board) to continue the uninterrupted operations of the Department's Water Pollution Control Laboratory (WPCL). This laboratory is dedicated to the scientific investigation and identification of pollutants affecting California's aquatic resources.

This proposal brings the laboratory activities completely in-house. According to the Administration, this will build the Department's scientific capacity in a subject area of growing concern to the state, such as monitoring and assessment of aquatic resources given the states heightened interest in water dependent ecosystems and water allocations in the context of the State's changing climate. This will be a net benefit to the Laboratory Program's other external clients because it simplifies the program's personnel structure and stabilizes the workforce experience and expertise.

Currently, contract employees provide services for the WPCL, including administrative, data management, and quality assurance. Having these duties performed directly by Department employees will insure that the Department develops knowledge and expertise in house in this field.

The redirection of Water Board funding from contract positions to state scientist positions will increase the Department's workload within the WPCL by the amount currently provided by contract staff.

STAFF COMMENTS

Staff has no concerns with this proposal. According to the Administration, the requests for funding and positions to support the Bay Delta Conservation Plan (BDCP) - Interagency Ecological Program ($300,000 in federal; $300,000 in reimbursement; and 3 positions) is still needed, despite the Governor's change in course away from BDCP to the new EcoRestore proposal. The workload contained in this proposal relates to the collection of important fish data needed for the continued operation of the State Water Project.

Staff Recommendation: Approve as Budgeted

ISSUE 3: RESTORATION OF CLEAR LAKE

BACKGROUND

Clear Lake, located in Lake County, is the largest natural freshwater lake in California, with 68 miles of surface area. Lakes have existed at the site of Clear Lake for at least 2.5 million years, making it possibly the oldest lake in the nation. Clear Lake supports large fish populations including bass, crappie, bluegill carp and catfish. In addition to fish, there are year round populations of ducks, pelicans, gerbes, blue herons, egrets, osprey and bald eagles. The lake basin also supports deer, bear, mountain lions, and other animals. Finally, Clear Lake is also the source of drinking water for nearby, disadvantaged communities.

Clear Lake has a number of serious problems that threaten populations of fish and wildlife, reduce the quality of drinking water sourced from the lake, and diminish lake recreational opportunities that are crucial to the county's economy. These problems include excess phosphorous flowing into and upsetting the chemical balance of the lake; periodic explosions of algae blooms creating unsightly slicks, odors, and harmful toxins; invasion of non-native species such as Quagga and Zebra mussels; and contamination by heavy metals such as mercury.

In recent years, Clear Lake has lost 79% of the wetlands that have historically surrounded the lake. In turn, the lake has lost an important means of trapping nutrients that feed the algae blooms, which leads to multiple other problems. The problems besetting Clear Lake has resulted in the State Water Resources Control Board listing the lake as impaired and stating that the lake needs a great deal of work to restore it to a healthy and balanced body of water. As these problems persist, property values and retail sales are negatively impacted, which ultimately adversely impacts state and local government tax revenues.

Over the years, Lake County has launched a number of efforts to address the lake's problems, but as a rural county, lacks the necessary resources to effectively eradicate them. Problems affecting the lake are quickly growing worse. The invasion of non-native species are crowding out native species of fish and threaten the aquatic diversity of the lake. Deteriorating water quality is increasing the cost of treating drinking water supplies at the same time water service providers are facing higher treatment costs for meeting other water quality standards such as Hexavalant Chromium. Rapidly rising treatment costs threaten the ability of nearby residents to afford their water bills and stay hooked up to local water service.

STAFF COMMENT

Clear Lake is a valuable state and local resource. To help prevent the lake's problems from getting beyond control, the Subcommittee may wish to consider an appropriation of a minimum amount of funds to help Lake County begin the important task of resolving the lake's problems. Staff recommends a one-time appropriation of $1 million from the Fish and Game Preservation Fund (FGPF) for the purposes of restoring Clear Lake wetlands, maintaining lake water quality, and preventing the spread of invasive species throughout the lake.

While staff acknowledges that the FGPF has a structural deficit, the fund currently has a $25 million surplus. Further, the Administration acknowledges that it plans to put forth a proposal in the next budget to address the Fund's structural issues. Finally, Staff hopes that this relatively small appropriation buys some time while the County can pursue other funding sources, such as wetlands and ecosystem restoration grant programs funded by Proposition 1.

Staff Recommendation: Appropriate $1 million (Fish and Game Preservation Fund) to Lake County for the purposes of restoring Clear Lake wetlands, maintaining lake water quality, and preventing the spread of invasive species throughout the lake.

3790 DEPARTMENT OF PARKS AND RECREATION

ISSUE 1: PROP 40 URBAN PARKS AND RECREATION YOUTH SOCCER

The Governor's Budget requests $200,000 in Proposition 40 funds ($100,000 in fiscal year (FY) 2015-16 and $100,000 in FY 2016-17) to fund planning and public workshops for a new competitive $26.46 million Proposition 40 California Youth Soccer Program. Grants from this program will improve active recreational facilities throughout the state, a cost-effective means of reducing crime and promoting healthy lifestyles and communities. Due to lower than expected lifetime statewide bond costs, additional Proposition 40 funds are now available to the Department. As provided for by the voter-approved bond act, the Department proposes to consolidate these savings and other amounts that reverted to those allocations – totaling $26.46 million -- to fund a viable competitive grant program consistent with voter intent.

BACKGROUND

Outdoor Environmental Experiences Enhance Learning and Motivation: AB 1330 (Simitian), Chapter 633, Statutes of 2003, established the Outdoor Environmental Education Program, administered by the CDE, to support outdoor environmental programs serving primarily at-risk youth. The program involved participation in outdoor environmental activities, including service learning and community outreach components. The program was in effect for one year, sunset on January 1, 2005, and was repealed on January 1, 2006.

AB 1330 called for an independent study of the benefits of the program. The study was performed by the American Institutes for Research and focused on 255 sixth-grade students from four elementary schools who attended three outdoor education programs in Tulare, Los Angeles, and San Diego Counties in 2004. The study found that, among other things, the science test scores of children who participated in these programs were raised by 27%. The children also exhibited measurable improvements in conflict resolution and problem solving, self-esteem, and learning motivation. Children who attended the outdoor science programs showed statistically significant positive gains in all eight constructs on which they were rated. Also of note, 56% of the participants reported that the outdoor school experience represented the first time they had spent time in a natural setting. The study did note that due to the small sample size, "findings cannot be generalized to all students attending outdoor education programs in California, particularly because of the range of programs that exist. However, this research indicates a large number of positive outcomes for at-risk children who attend resident outdoor science schools certified by the California Department of Education."

DPR Grant Administration Experience: DPR has a long history of administering grant programs, many of which have been temporary programs funded with state bond funds. Some of those programs have included a recreational program component, though most of them have been for acquisition or development of park lands or facilities used for outdoor recreation rather than for funding of the programmatic costs themselves. These grant programs are administered by DPR's Office of Grants and Loans, and are dependent largely on availability of bond funding. Since 2000, over 90% of the grant funds administered by DPR have come from bond acts approved by the voters. The most recent of these was Proposition 84, which, among other things, made $368 million available for a statewide park program emphasizing creation of park space for underserved communities. Those funds have all been awarded at this point. DPR

indicates that over 900 applications were received requesting over $3 billion in funding for the $368 million available.

DPR also administers several outdoor education and recreation programs funded entirely with outside private donations. For example, DPR's Office of Community Involvement administers a youth leadership program entitled "Outdoor Youth Connection" which trains youth leaders to conduct outdoor recreational outings, DPR's FamCamp® Program which introduces families from low income urban communities to camping, and an Outdoor Recreational Leadership Training program that trains community leaders of other organizations to lead their own outdoor recreational activities. DPR indicates that over the past four years these programs collectively have been funded through an average of $125,000 received annually in donations from private sources. While these programs have been well received by participants, they have been limited in scope and capacity due to the limited nature of the funding.

Finally, DPR's Division of Interpretation and Education offers a summer learning program for urban schools funded through a grant from the Packard Foundation and the California State Parks Foundation, and administers a distance learning videoconferencing program known as PORTS which brings park interpretation to kids in K-12 public school classrooms through their computers.

Other state Environmental Education Programs: While there are other existing state programs related to environmental education, few if any of these are focused specifically on providing grant funding for actual development and implementation of outdoor environmental education programs serving at-risk youth. In addition to the programs mentioned above, the CDE develops curricula for use by educators in the classroom, and the Office of Environment and Education in the Department of Resources Recycling and Recovery coordinates the development of model environmental education curricula. However, neither of these offices provides grants for actual development and implementation of outdoor environmental education programs. Some county offices of education and local school districts operate outdoor environmental education resident science programs. However, these programs are generally operated as fee for service programs, which not all schools can afford, and are not available statewide.

STAFF COMMENTS

Staff recommends reassessing the Governor's Budget request which places the entire focus on the California Youth Soccer Program. Along with the competitive grant program for soccer fields, the voters intended to fund grants specifically for outdoor environmental education programs. $25 million was allocated to the State Urban Parks and Healthy Communities (SUPHCA) fund, one-third of which should have been spent on outdoor education programs consistent with PRC 5095.4. In accordance with the original intent of the voters, and the stated means of reducing crime and promoting healthy lifestyles and communities, staff recommends that $10 million of the $26.46 million, ultimately be allocated to fund outdoor environmental education and recreation programs. Additionally, staff recommends allocating $200,000 in Proposition 40 funds ($100,000 in fiscal year (FY) 2015-16 and $100,000 in FY 2016-17) to fund outdoor and environmental education and recreation programs.

Staff Recommendation: Approve as Budgeted. Add trailer bill language that stipulates $10 million of the $26.46 million (Prop 40) funds be directed towards outdoor environmental education and recreation programs. Additionally, appropriate $200,000 in Proposition 40 funds ($100,000 in fiscal year (FY) 2015-16 and $100,000 in FY 2016-17) to fund outdoor and environmental education and recreation programs.

ISSUE 2: SPRING FISCAL LETTERS

The Department of Finance has issued two April 1 Spring Fiscal Letters that contains three issues related to the Department of Parks and Recreation and five issues related to capital projects.

BACKGROUND

The Department of Parks and Recreation has two issues in an April 1 Spring Fiscal Letter. These issues are:

- **Reappropriation of Proposition 84 Funds for Hearst Castle.** The Spring Fiscal Letter proposes provisional Budget Bill Language that will allow for the reappropiations of funds that have already been allocated for the Neptune Pool and Casa Grande roof. The administration reports both projects are behind schedule.
- **Treasure Island Marina.** The Spring Fiscal Letter proposes $2 million in increased federal fund authority to reflect the extension of a federal Boating Infrastructure Grant to construct a marina at the former Treasure Island Naval Station site. The project has been delayed because of delays in the transfer of the property from the US Navy to the City and County of San Francisco.
- **Oynx Ranch.** The Spring Fiscal Letter requests $70,000 in Off-Road Highway Vehicle Account funds to the full year cost of implementation activities for the Oynx Ranch project.
- State Park Capital Projects. An April 1 Spring Fiscal Letter requests the following capital five capital project related requests:
    - **Leo Carrillo State Park Steelhead Trout Barrier Removal Project Fund Shift.** This request would change the source of funds from federal funds to reimbursements, reflecting the size of the expected federal grant. The Administration expects the remaining $351,000 costs of the $751,000 will be funded by the Santa Monica Bay Restoration Commission.
    - **Cancellation of the Bidwell-Sacramento River State Park Irvine Fitch Ramp Repair and Replacement Project.** This request removes $53,000 from the budget that was allocated for working drawings for the project. The Administration had determined that construction costs for this project would be prohibitively expensive.
    - **DGS Evaluation Services for "No Cost" Park Acquisition.** This proposal would create a new fund that Parks could use for a State Park System Acquisition Program. The proposal includes $700,000 of bond funding for this activity and provisional language to allow reversion of unencumbered Proposition 40 funds for acquisition.
    - **Hollister Hills State Vehicular Recreation Area Waterline Expansion Project.** This project was previously budgeted in the 2014 Budget Act for working drawings and construction phases of the project. Since that time, preliminary planning has increased the estimated project costs by

$676,000 resulting in a total project cost of $1.4 million. This proposal would appropriate the entire $1.4 million Off Road Highway Account Funds in the 2015 budget act to allow the project to move forward. This proposal includes provisional language to allow for the reappropriation of unspent project funding.

- **Reappropriation Language.** The Spring Fiscal Letter requests language for five existing projects. These projects are the San Elijo State Beach Main Lifeguard Tower, Carnegie State Vehicle Recreation Area Road Reconstruction, Old Town San Diego Building Demolition, Fort Ord Dunes State Park Campground and Beach Access, and the El Capitan State Beach New Lifeguard Operations Facility.

STAFF COMMENTS

Staff has no concerns with these proposals. However, concern has been raised about the request to use $700,000 of bond funding for "no cost" acquisitions. According to the Administration, the proposal covers costs to the state to accept property donations. For example, the Department of General Services (DGS) must conduct extensive due diligence on behalf of the State Public Works Board to ensure the donated property title is clean and there are no environmental issues/conditions. The DGS charges for these services, plus escrow and title fees, can range up to $100,000 for large, complex acquisitions.

Examples of these donations include several strategic inholdings, which are properties that share multiple boundaries with an existing state park and would help reduce operational pressures, namely patrol efforts and incompatible activities. As another example, this funding would enable the state to accept property being donated within the Sacramento Railyards currently leased by the state to house its extensive train collection and restoration equipment. If not acquired, the state could be forced to relocate this operation at an estimated cost of $25 million. While the state is not accepting new properties for the purpose of expanding the park system at this time, this funding will allow the state to accept a small number of strategic property donations that will help improve operational efficiencies and/or protect existing programs.

Staff Recommendation: Adopt Spring Fiscal Letters

3900 AIR RESOURCES BOARD

ISSUE 1: LCFS ENFORCEMENT AND OPTIONS FOR FUEL PRODUCERS (SFL)

The Governor's Budget requests $700,000 annually from the Cost of Implementation (COI) Account for four positions to strengthen the monitoring and oversight of the information reported under the Low Carbon Fuel Standard (LCFS) Program.

BACKGROUND

The LCFS is a key part of a comprehensive set of programs to reduce greenhouse gas (GHG) emissions from the transportation sector, which accounts for 40 percent of all GHG emissions in California. Among other features, the LCFS establishes a credit market in which fuel transactions generate credits and deficits. The LCFS program has been successful in enticing clean fuels into California. According to the Administration, without proper market monitoring and enforcement of the LCFS, there may be adverse implications to the California fuels market, such as higher compliance cost for regulated parties and higher fuel prices for consumers.

The success of the LCFS Program in bringing cleaner, lower-carbon transportation fuels to California has created significantly more work in certifying, tracking, monitoring, and enforcing these fuels and the LCFS Program credits that they generate. The federal Renewable Fuels Standard program has experienced episodes of fraud that have highlighted the need for enhanced monitoring of the LCFS Program. The ARB is currently re-adopting the program due to legal challenge. Further, at the request of stakeholders, ARB has committed to an expedited review of the program in the 2017 timeframe (moved up from an initially proposed review in 2019). Current staff resources for this LCFS Program are fully engaged in implementing various aspects of this regulation and are unable to verify the fuel and credit data sets reported in a timely manner.

These four additional positions would provide significant support to substantiating the fuel volumes reported, the carbon intensity (CI) assigned to the fuel by the reporting parties, and for verification of the credits that are associated to the reported fuel, all essential factors in measuring program success over time.

To adequately monitor and enforce this Program, ARB proposes four additional positions to aid in the following tasks:

- Provide daily review of increased credit transactions reported in the LCFS reporting tool.
- Review submitted fuel and emissions data, including corroborating LCFS fuel data with fuel data reported under the mandatory reporting regulation, the U.S. EPA Renewable Fuels Program, and fuel sales reported to the Board of Equalization.
- Develop and deploy market surveillance routines to monitor LCFS credit trade strategies; and
- Develop enforcement cases, as appropriate.

STAFF COMMENTS

This proposal provided adequate workload justification and will ensure adequate resources to provide daily monitoring of the program on an ongoing basis. These resources also will conduct periodic Fuel Production Facility Information reviews including complete chain of custody requirements from source to destination. Funding this proposal will provide more effective oversight of the LCFS program and to safeguard the California fuels market from manipulation.

Staff Recommendation: Approve as Budgeted

ISSUE 2: EXPANDING GHG MONITORING CAPABILITIES TO VERIFY/MONITOR THE IMPACTS OF AB 32 (SFL)

The Governor requests funds to improve the existing ambient monitoring network for tracking GHG emissions and trends in California, and identify missing and underestimated sources of GHG emissions to support the successful implementation of AB 32 programs. The Administration states that this capability is especially essential to improve information necessary to inform efforts aimed at addressing short-lived climate pollutants where emission reductions have the greatest potential for near-term climate benefits. This proposal is consistent with efforts identified as needed in the 2014 Scoping Plan update. The proposed ARB GHG network will dovetail with and complement other GHG monitoring efforts being undertaken by federal agencies, including the Megacities Carbon Project initiated in 2012 in the Los Angeles Basin, as well as NASA's recent launch of a carbon dioxide monitoring satellite (the Orbiting Carbon Observatory).

The proposal requests a one-time allocation for $810,000 (Cost of Implementation Account, Air Pollution Control Fund) for equipment purchase, an additional $172,000 annually for leasing space and equipment maintenance, and $175,000 annually for one position for operation of the network.

BACKGROUND

AB 32 charged the ARB with "… monitoring and regulating sources of emissions of greenhouse gases that cause global warming in order to reduce emissions of greenhouse gases". AB 32 requires the monitoring of GHG emissions in the state, rigorous and consistent accounting of emissions, and monitoring compliance with any rule, regulation, order, emission limitation, emissions reduction measure, or market-based compliance mechanism. In order to support the requirements set forth by AB 32 and to meet the commitments stated in the First Update to the Scoping Plan, which was approved at the Board meeting on May 22, 2014, ARB is proposing to expand and improve its existing monitoring capabilities for measuring ambient concentrations of GHG in California.

Since 2010, ARB has been operating seven monitoring sites in California measuring ambient concentrations of methane (CH4), carbon dioxide (CO2), and nitrous oxide (N2O). Although the current GHG monitoring program was rolled out as a pilot project primarily to support research efforts, these measurements, combined with analytical tools, have been helpful in verifying ARB's statewide GHG emissions inventory estimates.

Although the tools have been helpful, the design of ARB's monitoring network makes it difficult to verify specific sources of GHGs due to the regional nature of the monitoring network. Although ARB's current GHG monitoring network has provided useful research results, additional upgrades are needed to meet ARB's long-term AB 32 program needs and guide development of future climate policy. Finally, because of the lack of dedicated resources, ARB's existing GHG monitoring network piggybacked on existing ground level criteria pollutant monitoring stations and borrowed staff from other program areas to collect and analyze GHG data. An expansion of these efforts is needed to gain a deeper understanding of emission sources, and to evaluate the emissions trends in the state. There is also a present need for adding hydrofluorocarbons (HFCs) measurements to the statewide monitoring program to

effectively monitor the long-term trends in HFC emissions throughout the state, and track the progress of HFC regulations in the state.

The current GHG monitoring network shares some of the same infrastructure as the ambient air quality monitoring network. At five of the seven sites, GHG monitoring instruments are housed in the same shelter as ozone instruments. The two networks are different in that GHG monitoring employs different analytical instrumentation, specifically for measuring carbon dioxide, methane, and nitrous oxide. Short Lived Climate Pollutants (SLCP) are defined as methane, hydrofluorocarbons (HFC), and black carbon. The two auto gas chromatographs identified in the request will be used to measure different HFC species, which can be linked to specific source categories, like refrigeration, electronics industry, etc. (All HFCs are manmade.) The two chromatographs also can measure methane and other hydrocarbons which can be used to deconstruct the sources of methane and indicate if the measured methane came from oil and gas extraction, natural gas distribution, dairies, or wetlands.

Since GHG programs are in the early stages, it is important to gain a thorough understanding of the GHG emissions sources, and identify possible underestimated or missing GHG emission sources. These objectives require an expansion of the current monitoring network. This expansion includes completing the GHG monitoring network by installing two additional N2O analyzers in the remaining towers, equipping sites with ceilometers to measure atmospheric mixing height to better determine the contribution of upwind sources of GHGs, and adding gas chromatographs to assist in identifying unique emission signatures of various GHG sources including short-lived climate pollutants.

STAFF COMMENTS

Data collected by this effort will be used for tracking GHG trends in California and identifying missing and underestimated sources of GHG emissions to support the successful implementation of AB 32 programs. ARB's current GHG monitoring network was largely rolled out as a pilot project and, in order to save resources, these stations were located at existing criteria pollutant monitoring sites where sampling inlets are typically only 10 meters above ground level. However, for a regional monitoring network, the ideal sites for measuring GHGs are away from local sources and at least 100 meters above ground level to effectively capture a larger region-wide measurement 'footprint'. Therefore, it is important to transition all the existing ARB GHG monitoring stations to radio towers and other tall structures, consistent with the recommendations of other GHG monitoring agencies such as NASA and the National Atmospheric and Oceanographic Administration (NOAA).

This program will provide useful information necessary for the effective development and implementation of regulatory actions, and will also assist in key research applications, as mentioned above.

Staff Recommendation: Approve as Budgeted

8660 PUBLIC UTILITIES COMMISSION

ISSUE 1: BASELINE BUDGET OVERSIGHT

The following is an excerpt from the Senate Subcommittee No. 2 agenda on April 23, 2014:

> ***"Criminal Probes Launched****. In recent months, state and federal investigators have launched criminal investigations into the CPUC's conduct, with particular regard for management's relationships with investor-owned utilities. According to several sources, the CPUC has allegedly engaged in "judge-shopping," quid pro quo arrangements, and other ex-parte misconduct over several years.*
>
> *The CPUC, in response, has contracted to retain a criminal attorney. Under the scope of this contract, the contracted law firm will represent the CPUC in "criminal, civil, and administrative proceedings undertaken by any federal, state, or local agency" involving "any allegations of inappropriate interactions by CPUC personnel with Pacific Gas & Electric, and any other utility, from 2009-2014 regarding the CPUC's compliance with its rules, regulations, policies and procedures governing CPUC proceedings, including but not limited to, the assignment of Administrative Law Judges and the processing of various matters before the Commission."*
>
> *The contract, initially estimated to cost less than $100,000, has now been approved by the Department of General Services for amounts up to $5 million. According to CPUC staff, the contract could not be executed by the state's Attorney General because they are currently investigating the CPUC for misconduct. Funding for the contract is from general ratepayer funds. When asked if this would result in a reduction to any programs, the CPUC was unclear what the impact would be on programs or funds.*
>
> *This committee received communications from both the U.S. Department of Transportation and members of congress concerned that federal funding would be used for a criminal defense of the commission. The agency has confirmed that federal grant funds for the Pipeline Hazardous Materials Safety Administration may not be used for this purpose.*
>
> ***Staff Comments****. Recently, Michael Picker, president of the California Public Utilities Commission, stated, "The question may not be whether PG&E is too big to fail, but instead, 'Is the company too big to succeed?'" Perhaps the question should be turned upon the CPUC. "Is the commission too big to succeed?"*
>
> *Staff has concerns that, as seemingly every rock is overturned at the CPUC, audits and investigations find that the commission is not able to manage its basic functions of general ratemaking and public safety. At the same time, the CPUC has consistently been able to find funding for numerous extra-curricular activities such as establishing nonprofit organizations (the Legislature enacted statute to prohibit that practice after an investigation two years ago), to contract for various management structure reforms, and, most recently, contracting for outside counsel to represent the commission in the criminal investigations.*

Change is very necessary at the CPUC, and there are a number of options available to the Legislature to achieve this. Specifically, the subcommittee may wish to consider the following:

- *Require the Department of General Services to contract with an outside entity, at the CPUC expense, to examine the core mission of the CPUC as specified in statute, the constitutionally required activities of the CPUC, and to recommend reductions that limit the CPUC activities to only those required by law.*

- *Require the Administration to return with a plan to restructure the CPUC by separating telecommunications activities from energy and water ratemaking into new and separate entities, as well as relocating those transportation activities not required by ratemaking to another state agency. The plan should also identify any other activities that are more appropriately undertaken by another state agency, such as the Energy Commission or water boards.*

- *Require the commission to reduce its funding by a minimum of $5 million and maximum of 25 percent, in order to focus the commission's work on only those activities with the highest priority by law.*

- *Require the commission to disclose to the public all requests by any state or federal investigators, in order to provide transparency."*

STAFF COMMENTS

Given the myriad of troubles at the CPUC, the Senate agenda highlights some important issues that the Subcommittee may wish to consider. "Is the Commission too big to succeed," as the Senate analysis questions?

The Senate agenda also discusses concerns raised at the Assembly Subcommittee's April 15th regarding the CPUC's Executive Director initiating a $5 million contract with a criminal attorney for "*allegations of inappropriate interactions by CPUC personnel with Pacific Gas & Electric, and any other utility, from 2009-2014."* The Subcommittee raised questions about the Executive Director's authority to execute such a contract without prior Commission or Legislative approval and questioned where the funds came from. As the Senate agenda notes, "*When asked if this would result in a reduction to any programs, the CPUC was unclear what the impact would be on programs or funds."*

Staff shares the concern that - *"as seemingly every rock is overturned at the CPUC, audits and investigations find that the commission is not able to manage its basic functions of general ratemaking and public safety. At the same time, the CPUC has consistently been able to find funding for numerous extra-curricular activities such as establishing nonprofit organizations…to contract for various management structure reforms, and, most recently, contracting for outside counsel to represent the commission in the criminal investigations."*

In order to get a better control of CPUC discretionary spending, this Subcommittee may wish to consider the Senate Staff recommendation to reduce CPUC budget by $5 million. Further, to ensure that funding and positions allocated by the Legislature are used for the intended purposes, the Subcommittee may wish to consider requiring the CPUC to provide written

notification to the Joint Legislative Budget Committee semi-annually of any redirection of funding and positions, including loaning staff other departments.

Finally, the Subcommittee should consider initiating a review of the make-up of the Commission to ensure that it is the best governmental entity to direct, regulate and oversee energy, communications, transportation and utility safety enforcement and water. Such a review would help to ensure that other governmental entities aren't duplicating these functions or are not better positioned to oversee and regulate them.

To that end, as to the CPUC's duties pertaining to energy, communications, transportation and utility safety enforcement and water, staff recommends the Subcommittee direct the California Research Bureau, in consultation with other appropriate state entities, do all of the following:

- Make recommendations as to which state and or local agencies are best suited to regulate and oversee these activities;
- Make recommendations for improving oversight, regulation, and efficiency of these divisions to best serve California's ratepayers, businesses and utilities; and,
- Estimate any costs associated with the implementation of its recommendations.

Staff Recommendation: Reduce CPUC's State Operations budget by $5 million. Adopt trailer bill language requiring the CPUC to notify the JLBC semi-annually of any redirection of funding and/or positions. Direct the California Research Bureau, in consultation with appropriate state entities, using CPUC funds, to make recommendations (outlined above) related to improving oversight, regulation and efficiency of CPUC's duties with regard to energy, communications, transportation and utility safety enforcement and water.

ISSUE 2: AUDIT POSITIONS (PREVIOUSLY HELD OPEN) & INTERNAL AUDIT POSITIONS (SFL)

On April 15th, the Subcommittee heard and held open four Budget proposals requesting positions and funding related to CPUC auditing activities:

1) **Fiscal Audits.** The Governor requests $81,482 (various Special Funds) and one position to audit submitted User Fee Statements against utilities' financial records to ensure utilities are remitting correct fees in relation to their revenue.
2) **Internal Audits.** The Budget proposes $178,000 for one position to provide a detailed work plan based on a charter, initial risk assessment, and other foundational documents to support and justify the role and overall resource needs for a newly-created internal audit function within the Executive Division of the CPUC.
3) **Review of Balancing Accounts.** The Governor requests two three-year limited term positions in the Energy Division and $224,944 from the Public Utilities Commission Utilities Reimbursement Account (PURA) to conduct in-depth reviews of entries in utility balancing accounts in light of a March 2014 State Auditor findings.
4) **Regulatory Audits.** The Budget proposes seven additional audit positions (three-year limited term) within the small water and energy audit sections and $754,768 from PURA to enhance the CPUC's regulatory audit capacity in light of criticism from recent audits and analysis of internal risks.

Additionally, the Administration submitted a Spring Fiscal Letter requesting $612,000 for five positions (Public Utilities Commission Reimbursement Account) to staff an Internal Audit Unit in the CPUC. The audit unit will conduct independent audits of internal CPUC programs, processes, and administrative responsibilities.

STAFF COMMENTS

All of the requested positions relate back to various audit recommendations. As stated in the April 15th agenda, due to the inadequacy of the ZBB submitted by CPUC, staff reluctantly supports the above requests for funding and positions. Staff greatly hopes that approval of these 16 positions and $1.8 million to support various audit functions within the CPUC will adequately address many of the criticisms of the CPUC's fiscal mismanagement and lay the foundation for ensuring greater fiscal integrity going forward. The Subcommittee may wish to prohibit the CPUC from redirecting any of these positions and any existing base positions in these audit areas.

Staff Recommendation: Approve all requested audit positions. Adopt budget bill language that prohibits the CPUC from redirecting any of these positions and any existing base positions in these audit areas. Require the CPUC to report back to the Subcommittee during the 2016 Spring Budget process on the outcomes of the various audits.

ISSUE 3: 2014 LEGISLATION IMPLEMENTATION (PREVIOUSLY HELD OPEN) & SFL PROPOSALS

On April 15th, the Subcommittee also heard and held open three Budget proposals requesting positions and funding for various new statutory requirements as follows:

1) **Gas Leak Abatement.** The Budget proposes $550,000 from the Public Utilities Commission Reimbursement Account (PURA) and three limited term positions and one permanent position to implement SB 1371, Chapter 525, Statutes of 2014, which relates to procedures governing the leak management of gas pipeline facilities.
2) **Electrical Grid Security.** The Budget proposes $551,000 from PURA for three limited term positions and one permanent position to implement SB 699, Chapter 550 (Statutes of 2014), which relates to developing rules and procedures to assess security measures at electric companies.
3) **Modified Limousine Regulation.** The Governor requests $227,000 from the Public Utilities Transportation Reimbursement Account for three, two-year limited term positions to implement SB 611, Chapter 860 (Statutes of 2014), which relates to surveying 12,000 carriers and annually developing a list of modified limousines and transmiting to the California Highway Patrol (CHP).

Additionally, the Governor's Spring Letters request:

1) **Mobile Prepaid Fee Collection**. The Governor requests $2.1 million (California High-Cost Fund A Administrative Committee Fund; California High-Cost Fund B Administrative Committee Fund; Universal Lifeline Telephone Service Trust Administrative Committee Fund; Deaf and Disabled Telecommunications Program Administrative Committee Fund; California Teleconnect Fund Administrative Committee Fund; California Advanced Services Fund; Public Utilities Commission Utilities Reimbursement Account), and eight positions, to implement AB 1717 (Perea), Chapter 885, Statutes of 2014. AB 1717 establishes a new statewide retail point-of-sale mechanism for collecting taxes and fees from prepaid wireless consumers, in conjunction with the Board of Equalization. AB 1717 also sets forth various new rules and procedures for the CPUC to perform, including annually calculating reimbursement fees and universal service surcharges for prepaid mobile telephony services (MTS), tracking prepaid MTS fees paid to determine if any over-collection or under-collection is occurring, and proposing adjustment so that prepaid MTS fees and surcharges are not disproportionate with fees/surcharges for postpaid services.
2) **Demand Response**. The Governor requests $486,000 (PURA) and four limited-term positions to implement SB 1414 (Wolk), Chapter 627, Statutes of 2014. SB 1414 requires the commission to develop and implement consumer protection rules for residential customers who participate in demand response programs.
3) **Electric System Modeling**. The budget requests $600,000 (reimbursements) to implement AB 2362 (Dahle), Chapter 610, Statutes of 2014. AB 2363 requires the commission to collect reimbursements for consulting services to develop an integration cost methodology for determining expenses resulting from integrating and operating eligible renewable energy resources in utility electric supply portfolios.
4) **San Joaquin Valley**. The budget requests $950,000 (PURA), and three limited-term positions to implement AB 2672 (Perea), Chapter 616, Statutes of 2014. AB 2672 requires the commission to initiate a proceeding, identify disadvantaged communities in the San Joaquin Valley, identify potential funding sources to extend natural gas pipelines to these communities, increase electrical rate subsidies, and consider alternatives to

increase access to affordable energy in the San Joaquin Valley. Staff notes that LAO suggest that the Legislature reduce the total amount of consultant funding from $500,000 to $250,000 (in both 2015-16 and 2016-17). According to the Administration, there was error in the amount of consultant funding needed to conduct a feasibility study of potential affordable, cost-effective energy options for disadvantaged communities in the San Joaquin Valley.

STAFF COMMENTS

Staff has no concerns with these proposals. The funding and positions requested seem to comport with new statutory requirements.

Staff Recommendation: Approve as Budgeted 1-3. Reduce the total amount of consultant funding from $500,000 to $250,000 (in both 2015-16 and 2016-17) for the San Joaquin Valley item (4).

ISSUE 4: RISK ASSESSMENT (SFL)

The Governor requests an increase of $405,000 (Public Utilities Commission Reimbursement Account [PURA]) and three positions in the Risk Assessment Unit in the Safety and Enforcement Division. The Commission requests the positions to ensure that investor-owned energy utilities have adequate risk management protocols and are investing in safety. The CPUC has about 40 positions between the energy risk assessment unit and the gas safety units. The additional resources are requested in order to analyze energy utility general rate case applications for safety-related investments, track utility performance to ensure that money is not being improperly reallocated by utilities after approval. In recent years, this work, has been executed by a reimbursable consultant contract in the amount of $1.2 million, which is proposed for reduction.

STAFF COMMENTS

The CPUC is charged with ensuring the safety of service from investor-owned utilities including natural gas, rail, and electric services. Staff concurs that safety and monitoring are core functions of the CPUC, and that rail safety is a key function of the CPUC.

Questions for the Commission.

- The Commission's core functions are ratemaking and public safety. Why is this not currently being conducted by Commission staff on a regular and ongoing basis as part of the baseline workload for the Commission?

- Has the Commission filled all of its recently-approved safety-related positions, including the seven rail positions? What is the turn-over rate?

- Is the Commission prioritizing bridge inspections for those bridges near population areas?

Staff Recommendation: Approve as Budgeted

ISSUE 5: OFFICE OF RATEPAYER ADVOCATES (ORA) (SFLS)

The Governor's Budget also requests a number of other augmentations as follows:

- **Safety Utility Engineers.** The Governor's Budget includes $383,782 for three Utility Engineer positions for ORA to analyze investor-owned utilities risk assessments and expenditures related to new, expanded and ongoing safety-related programs and proposals.

- **Rate Design & California Solar Initiative Analysts**. The Governor's Budget includes $184,235 for two analyst positions for ORA to perform electric rate design and distributed energy resource analysis and California Solar Initiative work associated with AB 327 (Chapter 611, Statutes of 2013) and AB 217 (Chapter 609, Statutes of 2013).

BACKGROUND

ORA is the independent consumer advocate within the CPUC with a statutory mandate (PU Code Section 309.5) to advocate for the interests of residential and small commercial customers of the investor-owned utilities. Those interests are primarily for affordable, safe, and reliable services for electricity, natural gas, water and communications.

ORA primarily examines investor-owned utility costs and operations, analyzes financial and other records and documents, reviews safety-related programs and activities, to develop fact-based independent analyses of utility services. ORA then produces written testimony and recommendations for decision-makers to consider when determining future customer rates and services. ORA also advocates for consumer and environmental protections in connection with utility services.

STAFF COMMENTS

Staff has no concerns with these proposals. The funding and positions requested support ORA in achieving its statutory mandate.

Staff would also like to note that ORA was made an independent program at the CPUC in the Budget Act of 2013. As part of the Budget Act of 2013, the Legislature attempted to provide ORA with better control over its legal resources. It turns out that the statutory changes made regarding ORA's legal resources continue to add to the confusion and perception of conflict when the CPUC provides ORA with attorneys on a case by case basis. Current law provides ORA with a budget and lead attorney to be used exclusively by ORA in the performance of its duties as determined by the ORA Director. However, the CPUC attorneys used by ORA administratively report to the CPUC, not ORA. This creates a conflict of interest that is inconsistent with current law that provides that ORA shall not create a conflict of roles for any CPUC employee. In order for ORA to achieve its statutory mandate that it be a strong advocate for the ratepayer, further action is needed so that ORA can more efficiently use its legal resources provided to it in the State Budget.

Staff Recommendation: Approve positions as Budgeted. Adopt TBL to provide that ORA's legal resources within its existing budget be used for attorneys that administratively report to ORA.