

AGENDA**ASSEMBLY BUDGET SUBCOMMITTEE NO. 3
ON CLIMATE CRISIS, RESOURCES, ENERGY, AND TRANSPORTATION****ASSEMBLYMEMBER STEVE BENNETT, CHAIR****WEDNESDAY, APRIL 26, 2023
9:30 A.M. – STATE CAPITOL, ROOM 447****VOTE-ONLY CALENDAR**

ITEM	DESCRIPTION	PAGE
0555	SECRETARY FOR ENVIRONMENTAL PROTECTION	4
VOTE-ONLY ISSUE 1	CALEPA GEOGRAPHIC INFORMATION OFFICER	4
VOTE-ONLY ISSUE 2	CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY BOND AND TECHNICAL ADJUSTMENTS (SFL)	4
VOTE-ONLY ISSUE 3	CALIFORNIA ENVIRONMENTAL REPORTING SYSTEM PROJECT	4
VOTE-ONLY ISSUE 4	INFORMATION TECHNOLOGY SECURITY POSTURE	5
VOTE-ONLY ISSUE 5	PROJECT MANAGEMENT OFFICE AND IT GOVERNANCE POSITIONS	5
VOTE-ONLY ISSUE 6	CALIFORNIA UNIFIED PROGRAM, ACCIDENTAL RELEASE PREVENTION (CALARP), AND HAZARDOUS MATERIALS BUSINESS PLAN (HMBP) PROGRAM SUPPORT AND TRAILER BILL	5
3930	DEPARTMENT OF PESTICIDE REGULATION	6
VOTE-ONLY ISSUE 7	CALIFORNIA PESTICIDE ELECTRONIC SUBMISSION TRACKING (CALPEST) PROJECT	6
VOTE-ONLY ISSUE 8	TECHNICAL ADJUSTMENTS: REAPPROPRIATION OF TRANSITION TO SAFER, SUSTAINABLE PEST MANAGEMENT FUNDS	6
3960	DEPARTMENT OF TOXIC SUBSTANCES CONTROL	7
VOTE-ONLY ISSUE 9	BRAKE FRICTION MATERIALS EXTENSION REQUEST SUPPORT	7
VOTE-ONLY ISSUE 10	NATIONAL PRIORITIES LIST AND STATE ORPHAN SITES	7
VOTE-ONLY ISSUE 11	SAN GABRIEL VALLEY SUPERFUND SITES TEAM	7
VOTE-ONLY ISSUE 12	STAFF SUPPORT FOR EXPEDITED CLEANUP OF CALIFORNIA NATIONAL PRIORITIES LIST (NPL) SITES	8
VOTE-ONLY ISSUE 13	STRINGFELLOW SUPERFUND HAZARDOUS WASTE SITE REMOVAL AND REMEDIAL ACTION	8
3970	DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY (CALRECYCLE)	9
VOTE-ONLY ISSUE 14	BATTERY EMBEDDED WASTE: IMPLEMENTATION (SB 1215)	9
VOTE-ONLY ISSUE 15	BEVERAGE CONTAINER RECYCLING: IMPLEMENTATION (SB 1013)	9
VOTE-ONLY ISSUE 16	CALRECYCLE INTEGRATED INFORMATION SYSTEM (CRIIS)	10

VOTE- ONLY ISSUE17	CALRECYCLE INTEGRATED INFORMATION SYSTEM (CRIIS) (SFL)	10
VOTE-ONLY ISSUE 18	LEE VINING BURN DUMP SITE REMEDIATION	10
VOTE-ONLY ISSUE 19	RESPONSIBLE BATTERY RECYCLING ACT OF 2022: IMPLEMENTATION (AB 2440)	11
VOTE-ONLY ISSUE 20	WILDFIRE DEBRIS CLEANUP AND REMOVAL CONTRACTS: IMPLEMENTATION (SB 978)	11
VOTE-ONLY ISSUE 21	PHARMACEUTICAL AND SHARPS STEWARDSHIP FUND TRAILER BILL	11
VOTE-ONLY ISSUE 22	DEVELOPMENT OF A STATEWIDE ZERO WASTE PLAN	12
3900	CALIFORNIA AIR RESOURCES BOARD	12
VOTE-ONLY ISSUE 23	TRANSPORTATION ELECTRIFICATION: ELECTRICAL DISTRIBUTION GRID UPGRADES (AB 2700)	12
VOTE-ONLY ISSUE 24	ZERO-EMISSIONS PORTFOLIO FOR IMPLEMENTATION OF THE PROPOSED ADVANCED CLEAN FLEETS REGULATION	12
VOTE-ONLY ISSUE 25	IMPLEMENTATION OF ZERO-EMISSION SPACE AND WATER HEATER MEASURE SFL	13
VOTE-ONLY ISSUE 26	POLICY AND TECHNICAL SUPPORT FOR CALIFORNIA CLIMATE INVESTMENT PROGRAMS SFL	13
3980	OFFICE OF ENVIRONMENTAL HEALTH HAZARD ASSESSMENT	14
VOTE-ONLY ISSUE 27	DEVELOPING A STATEWIDE EXTREME HEAT RANKING SYSTEM (AB 2238)	14
3900 3480 3940	CALIFORNIA AIR RESOURCES BOARD CALIFORNIA DEPARTMENT OF CONSERVATION STATE WATER RESOURCES CONTROL BOARD	14
VOTE-ONLY ISSUE 28	SB 1137 IMPLEMENTATION: HEALTH PROTECTION ZONES	14

NON-PRESENTATION CALENDAR

ITEM	DESCRIPTION	PAGE
3540	DEPARTMENT OF FORESTRY AND FIRE PROTECTION	15
ISSUE 1	AVIATION PROGRAM CONTRACTS (SFL)	15
ISSUE 2	BIEBER FOREST FIRE STATION/HELITACK BASE: RELOCATE FACILITY (SFL)	15
ISSUE 3	OFFICE OF THE STATE FIRE MARSHAL, FIRE AND LIFE SAFETY (SFL)	16
0540 3125	CALIFORNIA NATURAL RESOURCES AGENCY CALIFORNIA TAHOE CONSERVANCY	16
ISSUE 4	LAKE TAHOE SCIENCE AND LAKE IMPROVEMENT ACCOUNT REALIGNMENT (SFL)	16
3790	DEPARTMENT OF PARKS AND RECREATION	17
ISSUE 5	HUMBOLDT REDWOODS STATE PARK: FOUNDERS GROVE PARKING LOT & RESTROOM REPLACEMENT (SFL)	17
3355	OFFICE OF ENERGY INFRASTRUCTURE SAFETY	17
ISSUE 6	OFFICE OF ENERGY INFRASTRUCTURE SAFETY – INFORMATION TECHNOLOGY TRANSITION SERVICES AND SUPPORT (SFL)	17

3720	CALIFORNIA COASTAL COMMISSION	18
ISSUE 7	ESSENTIAL ENFORCEMENT PROGRAM SUPPORT (SFL)	18
0540	CALIFORNIA NATURAL RESOURCES AGENCY	18
ISSUE 8	NATURAL RESOURCES AGENCY BOND AND TECHNICAL PROPOSALS (SFL)	18
3940	STATE WATER RESOURCES CONTROL BOARD	19
ISSUE 9	AUGMENTATION TO THE UNDERGROUND STORAGE TANK CLEANUP FUND AND THE ORPHAN SITE CLEANUP FUND	19
ISSUE 10	CONTINUATION OF THE CANNABIS CULTIVATION PROGRAM	20
ISSUE 11	DIVISION OF ADMINISTRATIVE SERVICES SUPPORT (SFL)	20
ISSUE 12	LEAD AND COPPER RULE REVISION REGULATION IMPLEMENTATION AND DATABASE (SFL)	21
ISSUE 13	LEVIATHAN CREEK DIVERSION CHANNEL RELINING (SFL)	21
ISSUE 14	WATER RIGHTS MODERNIZATION CONTINUATION	21
3940 3860 3600	STATE WATER RESOURCES CONTROL BOARD DEPARTMENT OF WATER RESOURCES DEPARTMENT OF FISH AND WILDLIFE	22
ISSUE 15	HIGH PRIORITY STREAM GAGES (SB 19)	22
3860	DEPARTMENT OF WATER RESOURCES	22
ISSUE 16	CENTRAL VALLEY FLOOD PROTECTION BOARD: LOCAL MAINTENANCE AGENCY ASSISTANCE PROGRAM	22
ISSUE 17	FEDERAL REHABILITATION OF HIGH HAZARD POTENTIAL DAMS	23
ISSUE 18	FLOOD MAINTENANCE AND OPERATIONS SUPPORT	23
ISSUE 19	JOINT OPERATIONS CENTER RELOCATION	23
ISSUE 20	POSITIONS FOR WATER AND DROUGHT PACKAGE IMPLEMENTATION	24
ISSUE 21	SALTON SEA ACCELERATED RESTORATION (SFL)	24
ISSUE 22	STATE WATER PROJECT ACCOUNTING AND BUSINESS SUPPORT	25
ISSUE 23	URBAN WATER USE OBJECTIVES (SB 1157)	25
ISSUE 24	YOLO BYPASS-CACHE SLOUGH MASTER PLAN AND COMPREHENSIVE STUDY	25
ISSUE 25	DAM SAFETY AND FLOOD MANAGEMENT GRANT PROGRAM TRAILER BILL	26
3885	DELTA STEWARDSHIP COUNCIL	27
ISSUE 26	DELTA PLAN IMPLEMENTATION	27
3900 3480 3940	CALIFORNIA AIR RESOURCES BOARD CALIFORNIA DEPARTMENT OF CONSERVATION STATE WATER RESOURCES CONTROL BOARD	27
ISSUE 27	CARBON CAPTURE, REMOVAL, UTILIZATION AND STORAGE PROGRAM (SB 905) (SFL)	27

ITEMS TO BE HEARD		
ITEM	DESCRIPTION	PAGE
	VARIOUS	29
ISSUE 1	DROUGHT AND WATER RESILIENCE UPDATE AND GENERAL FUND SOLUTIONS	29
3860	DEPARTMENT OF WATER RESOURCES	41
ISSUE 2	VARIOUS PROPOSALS	41
ISSUE 3	DAM SAFETY ENFORCEMENT AND DESIGN OVERSIGHT AND DIVISION OF SAFETY OF DAMS FEES TRAILER BILL	59
3940	STATE WATER RESOURCES CONTROL BOARD	61
ISSUE 4	WATER SUPPLY STRATEGY IMPLEMENTATION AND WATER RECYCLING PROJECT FEES TBL	61
ISSUE 5	WATER ARREARAGES IMPLEMENTATION UPDATE	63

Public Comment

The public may attend this hearing in person or participate by phone. This hearing can be viewed via live stream on the Assembly's website at <https://assembly.ca.gov/todaysevents>.

We encourage the public to provide written testimony before the hearing. Please send your written testimony to: BudgetSub3@asm.ca.gov. Please note that any written testimony submitted to the committee is considered public comment and may be read into the record or reprinted.

*A moderated telephone line will be available to assist with public participation. The public may provide comment by calling the following toll-free number: **877-692-8957 / Access Code: 131 54 47.***

VOTE ONLY ITEMS

0555 SECRETARY FOR ENVIRONMENTAL PROTECTION

VOTE- ONLY ISSUE 1: CALEPA GEOGRAPHIC INFORMATION OFFICER

The Governor's budget requests \$268,000 in permanent funding from the CalEPA Reimbursements account and 1.0 new permanent civil service position (PY) to administer CalEPA's Geographic Information Systems (GIS) environment and develop strategies, policies, and common GIS frameworks for CalEPA's Boards Divisions and Offices. Additionally, this request includes approximately \$40,000 of permanent annual funding for licensing CalEPA's GIS software tools and services.

Staff Recommendation: Approve as budgeted.

VOTE- ONLY ISSUE 2: CALIFORNIA ENVIRONMENTAL PROTECTION AGENCY BOND AND TECHNICAL ADJUSTMENTS (SFL)

The Governor's budget requests various technical adjustments and re-appropriations. The list can be found in the April 19th agenda.

Staff Recommendation: Approve as budgeted.

VOTE- ONLY ISSUE 3: CALIFORNIA ENVIRONMENTAL REPORTING SYSTEM PROJECT

The Governor's budget requests \$4.3 million from the Unified Program Account in 2023-24 to implement a technology refresh on the California Environmental Reporting System (CERS). This includes continued funding for the five (5.0) permanent positions approved in the 2022 Budget Act. The project will update the technical platform, improve data quality and the processes supporting data quality, address inefficient input and interactions, and make identified enhancements to CERS.

STAFF COMMENTS

This is an ongoing data system upgrade that is resubmitted annually for approval.

Staff Recommendation: Approve as budgeted.

VOTE- ONLY ISSUE 4: INFORMATION TECHNOLOGY SECURITY POSTURE

The Governor's budget \$605,000 General Fund in 2023-24, and \$555,000 General Fund in 2024-25 and ongoing to monitor and protect its information technology (IT) network, computer systems, and system components against cyberthreats and attacks on its IT assets. Cybersecurity monitoring is a detection strategy that uses tools and automation to continuously scan IT network systems for control weaknesses, suspicious activities, and alerting the CalEPA to mitigate information security risks before they lead to data breaches and resulting in public services disruption, data loss, financial losses, reputational damage, and/or loss of public trust.

Staff Recommendation: Approve as budgeted.

VOTE- ONLY ISSUE 5: PROJECT MANAGEMENT OFFICE AND IT GOVERNANCE POSITIONS

The Governor's budget requests permanent funding in the amount of \$1.0 million from the CalEPA Reimbursements account and 2.0 permanent civil service positions, resources, technology services, and software licenses to manage the planning and delivery of CalEPA's growing technology project portfolio, develop and promote standardization of processes and technology, drive CalEPA's delivery and use of technology towards constant improvements, and provide oversight of the agency's delegated projects. Additionally, CalEPA requests \$300,000 to acquire Project Portfolio Management (PPM) software tools in 2023-24.

Staff Recommendation: Approve as budgeted.

VOTE- ONLY ISSUE 6: CALIFORNIA UNIFIED PROGRAM, ACCIDENTAL RELEASE PREVENTION (CALARP), AND HAZARDOUS MATERIALS BUSINESS PLAN (HMBP) PROGRAM SUPPORT AND TRAILER BILL

The Governor's Budget requests \$719,000 from the Unified Program Account and 4.0 permanent positions in 2023-24 to support growing legal need in the Unified Hazardous Waste and Hazardous Materials Regulatory Program (Unified Program) and to support inspection and enforcement authority of the Hazardous Materials Business Plan (HMBP) and Accidental Release Prevention (CalARP) programs. CalEPA is requesting 1 permanent Senior Staff Attorney position to fully support its administration of the Unified Program, the HMBP and the CalARP programs, and Refinery Safety implementation. CalEPA is also requesting 1 permanent Hazardous Substances Engineer position, and 2 permanent Environmental Scientist positions to fully support the proposed addition of inspection and enforcement authority and the continued implementation of the HMBP and CalARP programs. These programs have greater legal and regulatory needs than the CalEPA legal and regulatory teams have historically had the resources to provide, and those needs have grown as the result of a transfer of related programmatic responsibilities to CalEPA from the Governor's Office of Emergency Services (Cal OES) in July 2021.

Additionally, CalEPA is requesting Trailer Bill Language to give the Secretary new enforcement authority for the HMBP and CalARP programs. CUPAs implement and enforce at the local level, but if they fail to adequately execute their duties, this trailer bill authorizes the Secretary to task an authorized state agency to take the appropriate enforcement action. The trailer bill language can be found here: <https://esd.dof.ca.gov/trailer-bill/public/trailerBill/pdf/773>

Staff Recommendation: Approve as budgeted and the associated trailer bill.

3930 DEPARTMENT OF PESTICIDE REGULATION

VOTE- ONLY ISSUE 7: CALIFORNIA PESTICIDE ELECTRONIC SUBMISSION TRACKING (CALPEST) PROJECT

The Governor's budget requests \$3.3 million DPR Fund for 2023-24: \$2.9 million in one-time funding with an extended encumbrance period to June 30, 2027, and \$371,000 ongoing funding for 2.0 permanent CalPEST staff at the Information Technology Specialist I level to continue the CalPEST design, development, and implementation.

This is an ongoing database technology upgrade that is resubmitted annually for approval and the next phase. The total approved project cost was \$22,788,151. DPR received \$4.4 million in the 2022 Budget Act to continue the CalPEST system development.

Full system implementation is estimated for October 2024.

Staff Recommendation: Approve as budgeted.

VOTE- ONLY ISSUE 8: TECHNICAL ADJUSTMENTS: REAPPROPRIATION OF TRANSITION TO SAFER, SUSTAINABLE PEST MANAGEMENT FUNDS

The Governor's budget requests a one year extension to the liquidation periods of various General Fund appropriations to continue implementation of previously authorized projects.

Staff Recommendation: Approve as budgeted.

3960 DEPARTMENT OF TOXIC SUBSTANCES CONTROL

VOTE- ONLY ISSUE 9: BRAKE FRICTION MATERIALS EXTENSION REQUEST SUPPORT

The Governor's budget requests \$593,000 in 2023-24 and \$590,000 ongoing from the Toxic Substances Control Account and 3.0 permanent positions to manage the extension request process and to ensure manufacturer compliance with the motor vehicle brake friction materials law. DTSC's request includes \$30,000 from the Toxic Substances Control Account per year to fund the purchase, sampling and analysis of brake pads to ensure compliance with the law (Stats. 2010, Ch. 307, Sec. 2). Costs will be partially offset by fees paid by manufacturers submitting extension requests.

Staff Recommendation: Approve as budgeted.

VOTE- ONLY ISSUE 10: NATIONAL PRIORITIES LIST AND STATE ORPHAN SITES

The Governor's budget requests a transfer of \$13.7 million from the Toxic Substances Control Account to the Site Remediation Account and \$13.7 million expenditure authority from the Site Remediation Account in 2023-24 to fund the state's National Priorities List obligations and state orphan sites with Priorities 1A, 1B, 2, 3, and statewide service contracts.

Staff Recommendation: Approve as budgeted.

VOTE- ONLY ISSUE 11: SAN GABRIEL VALLEY SUPERFUND SITES TEAM

The Governor's budget requests 7.0 permanent positions and \$1.5 million from the Toxic Substances Control Account in 2023-24 and annually thereafter to provide adequate staff for oversight of the San Gabriel Valley Superfund Sites Cleanup (SGVSS).

The SGVSS is one of the largest contaminated groundwater cleanup projects in the state of California. According to US EPA's May 2021 San Gabriel Valley Superfund Sites Progress Update, these systems have treated over 200 billion gallons of VOC contaminated water in the Basin and removed over 100,000 pounds of industrial chemical contamination at a total cost of \$470 million. However, much more cleanup work is needed. It is anticipated that it will take decades for groundwater contamination in the San Gabriel Basin to be fully cleaned up, at an additional cost of at least another \$500 million.

Staff Recommendation: Approve as budgeted.

VOTE- ONLY ISSUE 12: STAFF SUPPORT FOR EXPEDITED CLEANUP OF CALIFORNIA NATIONAL PRIORITIES LIST (NPL) SITES

The Governor's budget requests 6.0 permanent positions and \$1.4 million in 2023-24 and annually thereafter to implement needed oversight of 22 NPL projects during the investigation, remedy construction, and long-term Operation and Maintenance (O&M). The positions will be funded by the Toxic Substances Control Account (TSCA), and DTSC will seek federal reimbursement for these costs through the MultiSite Cooperative Agreement (MSCA) federal grant fund.

For 2022-23, US EPA Region 9 will use pipeline monies—funding appropriated on an annual basis— to prioritize the following eight sites to move them into remedy design and construction and eligible for BIL Funds:

- Argonaut Mine
- Blue Ledge Mine
- Brown and Bryant, Arvin
- Industrial Waste Processing
- Klau/Buena Vista Mercury Mine
- Lava Cap Mine
- Modesto Groundwater Contamination
- Sulphur Bank Mercury Mine

STAFF COMMENTS

Additional staffing would allow the state to secure additional federal funding and reduce state cost pressures. For example, the State would save approximately \$10 million as a result of the 10 percent cost share waiver at two of the eight sites based on US EPA Region 9's preliminary construction cost estimates for those sites.

Staff Recommendation: Approve as budgeted.

VOTE- ONLY ISSUE 13: STRINGFELLOW SUPERFUND HAZARDOUS WASTE SITE REMOVAL AND REMEDIAL ACTION

The Governor's budget requests \$7.0 million General Fund over five fiscal years; \$1.2 million in 2023-24, \$1.7 million in 2024-25, \$1.5 million in 2025-26, \$1.2 million in 2026-27, and \$1.4 million in 2027-28 for United States Environmental Protection Agency-mandated removal and remedial action to continue characterization of the Stringfellow Superfund Hazardous Waste Site.

The State is the sole responsible party for the hazardous substances contained in and emanating from the site. The absence of adequate resources for DTSC as the agent for the state to

complete the characterization may result in violation of the 2014 Agreement with U.S. EPA. The Governor and the Legislature affirmed the commitment to fulfilling the state's obligations at this site by enacting Section 25351.8 of the Health & Safety Code. Additionally, the Governor and the Legislature have approved General Funds for the Site's RRA and O&M activities since 2003.

Staff Recommendation: Approve as budgeted.

3970 DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY (CALRECYCLE)

VOTE- ONLY ISSUE 14: BATTERY EMBEDDED WASTE: IMPLEMENTATION (SB 1215)

The Governor's budget requests 14.0 permanent ongoing positions (PY) to be phased in over three fiscal years (FY) to implement Senate Bill (SB) 1215 (Chapter 370, Statutes of 2022). This request includes 12.0 PYs to begin in 2023-24 with annual costs of \$2 million from the Covered Battery-Embedded Waste Recycling Fee Subaccount (Subaccount) in 2023-24, and 2024-25, with an additional 2.0 PYs to start in 2025-26 with ongoing costs of \$2.2 million for all 14.0 positions. In addition, CalRecycle requests budget bill language to provide loan authority of \$6.2 million in 2023-24 from the Electronic Waste Recovery and Recycling Account (EWRRA) to the Subaccount to ensure that adequate cash is available to implement SB 1215 and support all direct appropriations drawing from the fund. This loan authority is necessary until CalRecycle can collect the battery-embedded waste recycling fee in 2025-26, as authorized by SB 1215.

Staff Recommendation: Approve as budgeted.

VOTE- ONLY ISSUE 15: BEVERAGE CONTAINER RECYCLING: IMPLEMENTATION (SB 1013)

The Governor's budget requests 44 permanent ongoing positions (PY) phased in over two years, and 15 two-year limited term positions (LT PY) with costs of \$6.9 million in 2023-24, \$8.1 million in 2024-25, and \$6.3 million ongoing from the Beverage Container Recycling Fund (BCRF) to implement Senate Bill (SB) 1013 (Ch. 610, Statutes of 2022). CalRecycle also requests an additional \$450,000 from BCRF for one-time contract funds in 2023-24 to update the Division of Recycling Integrated Information System (DORIIS) to accommodate the associated operational changes to the BCRP.

Staff Recommendation: Approve as budgeted.

VOTE- ONLY ISSUE 16: CALRECYCLE INTEGRATED INFORMATION SYSTEM (CRIIS)

The Governor's budget requests \$2.3 million in continued project funding in 2023-24 for the CalRecycle Integrated Information System (CRIIS) project and to make the four (4) temporary positions approved in 2022-23 permanent ongoing positions with ongoing costs of \$780,000 from the Beverage Container Recycling Fund (BCRF). CRIIS will be an extensive ongoing initiative to migrate the Beverage Container Recycling Program (BCRP)'s current application, the Division of Recycling Integrated Information System (DORIIS), into a modern, extensible solution. The new solution will be developed with the goal of consolidating all recycled material programs into a single enterprise solution more easily supported by the department.

Staff Recommendation: Approve as budgeted.

VOTE- ONLY ISSUE 17: CALRECYCLE INTEGRATED INFORMATION SYSTEM (CRIIS) (SFL)

A Spring Finance Letter requests \$6,185,000 in one-time costs from the Beverage Container Recycling Fund (BCRF) in Fiscal Year (FY) 2023-24 for the implementation of the CalRecycle Integrated Information System (CRIIS) per California Department of Technology (CDT) Project Approval Lifecycle (PAL) Stage 2 Market Research. CRIIS is an extensive ongoing initiative to migrate the Beverage Container Recycling Program (BCRP) currently administered via a Commercial-Off-The-Shelf (COTS) application, called Division of Recycling Integrated Information System (DORIIS), into a modern, extensible cloud-based solution. The new solution will be developed with the goal of consolidating administration of all CalRecycle's material programs into a single enterprise solution more easily supported by the department.

Staff Recommendation: Approve as budgeted.

VOTE- ONLY ISSUE 18: LEE VINING BURN DUMP SITE REMEDIATION

The Governor's budget requests a one-time funding increase in the amount of \$2,649,000 from the Solid Waste Disposal Site Cleanup Trust Fund for 2023-24 to complete required site restoration work on the Lee Vining Burn Dump.

Staff Recommendation: Approve as budgeted.

VOTE- ONLY ISSUE 19: RESPONSIBLE BATTERY RECYCLING ACT OF 2022: IMPLEMENTATION (AB 2440)

The Governor's budget requests 18.0 permanent ongoing positions to be phased in over two fiscal years (11.0 positions in 2023-24 and 7.0 positions in 2024-25) with total ongoing costs of \$2,995,000 from the Covered Battery Recycling Fund (CBRF). In addition, CalRecycle requests budget bill language to provide loan authority of \$2,001,000 in 2023-24, \$2,995,000 in 2024-25 and 2025-26 from the Electronic Waste Recovery and Recycling Account (EWRRA) to the CBRF to ensure that adequate cash is available to implement AB 2440 and support all direct appropriations drawing from the fund.

Staff Recommendation: Approve as budgeted.

VOTE- ONLY ISSUE 20: WILDFIRE DEBRIS CLEANUP AND REMOVAL CONTRACTS: IMPLEMENTATION (SB 978)

The Governor's budget requests 3.0 permanent, fulltime positions and \$400,000 General Fund in 2023-24 and ongoing to implement the prequalified bidder requirements under Senate Bill (SB) 978 (Chapter 472, Statutes of 2022) for Disaster, Debris Removal for wildfires.

Staff Recommendation: Approve as budgeted.

VOTE- ONLY ISSUE 21: PHARMACEUTICAL AND SHARPS STEWARDSHIP FUND TRAILER BILL

The Governor's budget requests trailer bill language to amend Public Resources Code Section 42034.2 (SB 212, Jackson, Statutes of 2018) to reduce fee collection from quarterly to biannually and to ensure the fees collected do not exceed the full cost of implementing the Pharmaceutical and Sharps Stewardship Program.

The language can be found here: <https://esd.dof.ca.gov/trailer-bill/public/trailerBill/pdf/842>

Staff Recommendation: Approve trailer bill.

VOTE- ONLY ISSUE 22: DEVELOPMENT OF A STATEWIDE ZERO WASTE PLAN

The Governor's Budget requests \$2.3 million from various special funds including \$2 million in contract funding in 2023-24, and 2 permanent positions with ongoing costs of \$301,000 from multiple funds to conduct analyses—including new data collection, workshops, and assessments to develop the findings needed for: (1) a report of recommendations for zero waste; and, (2) a statewide zero waste plan. The analyses will identify opportunities to build on and streamline existing waste reduction and recycling strategies and programs and may identify existing gaps to address.

Staff Recommendation: Approve as budgeted.

3900 CALIFORNIA AIR RESOURCES BOARD

VOTE- ONLY ISSUE 23: TRANSPORTATION ELECTRIFICATION: ELECTRICAL DISTRIBUTION GRID UPGRADES (AB 2700)

The Governor's budget requests \$211,000 in ongoing funding from the Greenhouse Gas Reduction Fund and 1.0 permanent position to implement Chapter 354, Statutes of 2022 (Assembly Bill 2700). The requested position would perform the new duties associated with the requirements in Assembly Bill (AB) 2700 that enlist CARB's experience and expertise with medium-and heavy-duty vehicles, fleet regulations and the associated data to be collected.

Staff Recommendation: Approve as budgeted.

VOTE- ONLY ISSUE 24: ZERO-EMISSIONS PORTFOLIO FOR IMPLEMENTATION OF THE PROPOSED ADVANCED CLEAN FLEETS REGULATION

The Governor's budget requests \$7.6 million in 2023-24 from the Air Pollution Control Fund for 32.5 three-year limited term positions to comply with the proposed Advanced Clean Fleets Regulation. This request includes \$2 million in one-time funding to modify two separate reporting systems to handle reporting for the new regulations to verify and track compliance as the requirements are phased in. In 2024-25 and 2025-26, CARB is requesting \$400,000 in funding for maintenance and ongoing fees to run the two systems.

Staff Recommendation: Approve as budgeted.

VOTE- ONLY ISSUE 25: IMPLEMENTATION OF ZERO-EMISSION SPACE AND WATER HEATER MEASURE SFL

A Spring Finance Letter requests \$1.2 million in ongoing funds from the Cost of Implementation Account (COIA) for 4.0 permanent positions (\$909,000) and \$250,000 annually for contract funding to develop and implement a zero-emission space and water heater measure identified in the 2022 Scoping Plan Update that will be needed for the State to meet its long-term greenhouse gas goals, and the 2022 State SIP Strategy, as necessary to meet federal air quality standards because of its significant air quality co-benefits.

Staff Recommendation: Approve as budgeted.

VOTE- ONLY ISSUE 26: POLICY AND TECHNICAL SUPPORT FOR CALIFORNIA CLIMATE INVESTMENT PROGRAMS SFL

A Spring Finance Letter requests \$629,000 in ongoing funds from the Greenhouse Gas Reduction Fund (GGRF) for 3.0 permanent positions to undertake statutorily required duties providing policy and technical support to agencies administering ten new California Climate Investments programs established through the 2022 Budget Act along with other duties regarding the oversight and administration of California Climate Investments.

STAFF COMMENTS

This proposal requests permanent staff for one time reporting requirements. Staff is concerned with a trend of the administration requesting permanent staff for temporary work and recommends that these positions be approved as temporary.

Staff Recommendation: Approve as term limited 3 year positions with GGRF funding ending at the end of the 2025-2026 fiscal year.

3980 OFFICE OF ENVIRONMENTAL HEALTH HAZARD ASSESSMENT

VOTE- ONLY ISSUE 27: DEVELOPING A STATEWIDE EXTREME HEAT RANKING SYSTEM (AB 2238)

The Governor's budget requests \$2.2 million General Fund and 4.0 permanent positions in 2023-24 and \$2.4 million General Fund and an additional 1.0 permanent position in 2024-25 to develop and maintain the statewide extreme heat ranking system and to develop a mobile phone application for the ranking system. Beginning in 2025-26, \$1.2 million General Fund ongoing, which includes 5.0 permanent positions and \$200,000 in contract funding is requested. OEHHHA also anticipates providing consultation to the Integrated Climate Adaptation and Resiliency Program in implementing the provisions of the bill with which it is tasked.

Staff Recommendation: Approve as budgeted.

3900 CALIFORNIA AIR RESOURCES BOARD
3480 CALIFORNIA DEPARTMENT OF CONSERVATION
3940 STATE WATER RESOURCES CONTROL BOARD

VOTE- ONLY ISSUE 28: SB 1137 IMPLEMENTATION: HEALTH PROTECTION ZONES

A Spring Finance Letter requests to withdrawal the request in the Governor's Budget for fifty-nine (59.0) permanent positions and an appropriation increase of \$14,609,000 in fiscal year 2023-24, ninety-three (93.0) positions and \$19,977,000 in fiscal year 2024-25, and \$19,573,000 in fiscal year 2025-26 and ongoing from the Oil, Gas and Geothermal Administrative Fund (3046) to implement SB 1137: Oil and Gas Setback Law Implementation.

Staff Recommendation: Approve withdrawal.

NON-PRESENTATION ITEMS

3540 DEPARTMENT OF FORESTRY AND FIRE PROTECTION

ISSUE 1: AVIATION PROGRAM CONTRACTS (SFL)

A spring finance letter requests \$1.88 million General Fund in 2023-24, \$2.38 million in 2024-25, \$2.93 million in 2025-26, \$7.02 million in 2026-27, and \$11.52 million in 2027-28 to support three firm years and two optional years of the increased contractual costs of a follow-on aviation parts and logistics contract. Due to the timing differences between the procurement and budget processes, the amounts requested for the aviation parts and logistics contract in this proposal are needed to bridge the best estimates from the 2023-24 Governor's Budget proposal and the Intent to Award issued by CAL FIRE to the winning bidder on January 6, 2023.

STAFF COMMENTS

This is in addition to the amounts in the Governor's Budget (January) \$4.29 million in 2023-24, \$4.50 million in 2024-25, \$4.73 million in 2025-26, \$4.96 million in 2026-27, and \$5.21 million in 2027-28.

Staff Recommendation: Hold Open.

ISSUE 2: BIEBER FOREST FIRE STATION/HELITACK BASE: RELOCATE FACILITY (SFL)

A spring finance letter requests an additional \$5,044,000 Public Buildings Construction Fund for the construction phase of the Bieber Forest Fire Station/Helitack Base: Relocate Facility project, located in Lassen County. This is a continuing project. The total estimated project costs are \$34,722,000.

Staff Recommendation: Absent member questions or input from the public at this hearing, staff recommends this item be approved as budgeted when the Subcommittee takes action.

ISSUE 3: OFFICE OF THE STATE FIRE MARSHAL, FIRE AND LIFE SAFETY (SFL)

A spring finance letter requests \$3.2 million (\$2.9 million Reimbursements, \$262,000 General Fund, and \$13,000 Special Funds) and 13.0 permanent positions starting in fiscal year 2023-24, and \$2.8 million (\$2.6 million Reimbursements, \$259,000 General Fund, and \$13,000 Special Funds) in 2024-25 and ongoing to support the Office of the State Fire Marshal's (OSFM) Fire and Life safety (FLS) Division. These resources are necessary to support increased workload related to plan review and construction inspection for current and planned state infrastructure improvement projects; required periodic inspections of state-owned buildings, specified state-occupied buildings, and other specified building types; and reviewing the University of California (UC) campus' adherence to the Designated Campus Fire Marshal (DCFM) Memorandum of Understanding (MOU) entered into as allowed by Health and Safety Code (HSC) section 13146.

CalFIRE is also requesting 4 fully loaded vehicles that will not be zero-emission vehicles and \$10,000 for out of state travel to attend conferences.

Staff Recommendation: Absent member questions or input from the public at this hearing, staff recommends this item be approved as budgeted when the Subcommittee takes action.

**0540 CALIFORNIA NATURAL RESOURCES AGENCY
3125 CALIFORNIA TAHOE CONSERVANCY**

ISSUE 4: LAKE TAHOE SCIENCE AND LAKE IMPROVEMENT ACCOUNT REALIGNMENT (SFL)

A spring finance letter requests \$290,000 ongoing Lake Tahoe Science and Lake Improvement Account and 0.5 permanent position to support the Tahoe Science Advisory Council and aquatic invasive species control and public access projects at Lake Tahoe, consistent with legislative mandates. This request includes \$110,000 ongoing for CNRA and \$180,000 (\$150,000 state operations and \$30,000 local assistance) and 0.5 position ongoing for the Conservancy.

Staff Recommendation: Absent member questions or input from the public at this hearing, staff recommends this item be approved as budgeted when the Subcommittee takes action.

3790 DEPARTMENT OF PARKS AND RECREATION

ISSUE 5: HUMBOLDT REDWOODS STATE PARK: FOUNDERS GROVE PARKING LOT & RESTROOM REPLACEMENT (SFL)

A spring finance letter requests an increase of \$1,347,000 from the State Park Contingent Fund for the construction phase of the Humboldt Redwoods State Park: Founders Grove Parking Lot & Restroom Replacement. This is the result of additional donated funds for the construction phase of this project. This increase in donated funds should decrease the amount of bond funds needed for construction of this project. The Department continues to seek donations to cover project costs and will use all donated funds prior to expending available bond funds. Once the construction contract is awarded, the Department plans to request to have any unused bond funds reverted.

Staff Recommendation: Absent member questions or input from the public at this hearing, staff recommends this item be approved as budgeted when the Subcommittee takes action.

3355 OFFICE OF ENERGY INFRASTRUCTURE SAFETY

ISSUE 6: OFFICE OF ENERGY INFRASTRUCTURE SAFETY – INFORMATION TECHNOLOGY TRANSITION SERVICES AND SUPPORT (SFL)

A spring finance letter requests \$717,000 and 1.0 permanent position starting in fiscal year 2023-24 (\$552,000 from Public Utilities Commission Utilities Reimbursement Account (PUCURA) and \$165,000 from Safe Energy Infrastructure and Excavation Fund (SEIEF)), and \$250,000 (\$192,000 (PUCURA) and \$58,000 (SEIEF)) ongoing. This proposal will allow Energy Safety to transition onto its own Microsoft Tenant and establish its own Tier 2 and Tier 3 support services.

Staff Recommendation: Absent member questions or input from the public at this hearing, staff recommends this item be approved as budgeted when the Subcommittee takes action.

3720 CALIFORNIA COASTAL COMMISSION

ISSUE 7: ESSENTIAL ENFORCEMENT PROGRAM SUPPORT (SFL)

A spring finance letter requests \$463,000 annually ongoing from the State Coastal Conservancy Fund, Violation Remediation Account to continue and reclassify 2.0 Headquarters Enforcement Program positions to speed the resolution of California Coastal Act violation cases.

Staff Recommendation: Absent member questions or input from the public at this hearing, staff recommends this item be approved as budgeted when the Subcommittee takes action.

0540 CALIFORNIA NATURAL RESOURCES AGENCY

ISSUE 8: NATURAL RESOURCES AGENCY BOND AND TECHNICAL PROPOSALS (SFL)

A spring finance letter requests various technical adjustments that will be provided in a chart that will be posted on the subcommittee's website.

Staff Recommendation: Absent member questions or input from the public at this hearing, staff recommends this item be approved as budgeted when the Subcommittee takes action.

3940 STATE WATER RESOURCES CONTROL BOARD

ISSUE 9: AUGMENTATION TO THE UNDERGROUND STORAGE TANK CLEANUP FUND AND THE ORPHAN SITE CLEANUP FUND

The Governor's budget requests:

(1) An additional \$300 million in 2023-24 from the Underground Storage Tank Cleanup Fund (USTF) for reimbursing costs associated with the cleanup of contamination from leaking petroleum underground storage tanks. The request will provide a total of \$380 million for this purpose in 2023-24.

(2) A one-time transfer of \$30 million from the Underground Storage Tank Cleanup Fund to the Orphan Site Cleanup Fund (OSCF) for reimbursing costs associated with the cleanup of contaminated leaking petroleum underground storage tanks where there is no financial responsible party, and the applicant is not eligible for the Underground Storage Tank Cleanup Fund program.

As part of this request for items 1 and 2 listed above, the State Water Board requests extended availability of funding (3 years to encumber and 3 years to liquidate) to align with administrative and programmatic needs.

BACKGROUND

The Barry Keene Underground Storage Tank Cleanup Trust Fund Act of 1989 (Act) created the USTCF to help owners and operators of petroleum Underground Storage Tanks (USTs) satisfy federal and state financial responsibility requirements. The USTCF is available to assist UST owners and operators with the costs to clean up contaminated soil and groundwater caused by leaking petroleum tanks. The USTCF requires every owner of a petroleum UST that is subject to regulation under the Health and Safety Code to pay a per gallon fee to the USTCF. This fee, which began on January 1, 1991, has increased over time, and recently has generated approximately \$300 million annually at a fee of \$0.02 per gallon stored.

The USTCF has approximately 4,200 active claims generating reimbursement requests for cleanup costs. The projected amount of these remaining reimbursement costs averages \$400,000 per claim.

The 2022-23 Budget Act included approximately \$280 million for paying claims and included an encumbrance period of 3 years and a liquidation period of 3 years. This significant change allows the USTCF to encumber funds for a longer period and reduces year after year reversions and allows payments to claimants to occur faster.

Staff Recommendation: Absent member questions or input from the public at this hearing, staff recommends this item be approved as budgeted when the Subcommittee takes action.

ISSUE 10: CONTINUATION OF THE CANNABIS CULTIVATION PROGRAM

The Governor's budget requests ongoing funding phased in over three years to support 94 positions to continue the Cannabis Cultivation Program. The request by fiscal year is as follows:

In 2023-24: \$12 million various funds (\$5,227,000 Waste Discharge Permit Fund, \$6,396,000 Cannabis Control Fund, and \$432,000 Water Rights Fund) to support 58 existing and 4 new positions.

In 2024-25: \$19.1 million various funds (\$5,578,000 Waste Discharge Permit Fund, \$13,100,000 Cannabis Tax Fund, and \$432,000 Water Rights Fund) to support 62 existing and 30 new positions as well as aerial imagery and related tools.

In 2025-26: \$19.7 million various funds (\$6,150,000 Waste Discharge Permit Fund, \$13,100,000 Cannabis Tax Fund; and \$432,000 Water Rights Fund) to support 92 existing and 2 new positions as well as aerial imagery and related tools.

The funding and positions described herein will provide ongoing funding for the Cannabis Cultivation Program, allowing the State Water Board and Regional Water Quality Control Boards to fulfill statutory mandates to address water quality and instream flow-related impacts of cannabis cultivation and associated water diversions, under the Medicinal and Adult-Use Cannabis Regulatory and Safety.

Staff Recommendation: Absent member questions or input from the public at this hearing, staff recommends this item be approved as budgeted when the Subcommittee takes action.

ISSUE 11: DIVISION OF ADMINISTRATIVE SERVICES SUPPORT (SFL)

A spring finance letter requests 15.0 permanent positions and \$2.3 million ongoing from various special funds (Waste Discharge Permit; Safe Drinking Water Account; Underground Storage Tank Clean Up; State Water Quality Control Fund; Federal Trust Fund; Water Rights Fund; Safe and Affordable Drinking Water Fund; and the Cannabis Tax Fund). These resources will be used to address increased administrative workload due to rapid and evolving program growth, increased resource management and tracking workload, and reporting requirements for the Division of Administrative Services.

Staff Recommendation: Absent member questions or input from the public at this hearing, staff recommends this item be approved as budgeted when the Subcommittee takes action.

ISSUE 12: LEAD AND COPPER RULE REVISION REGULATION IMPLEMENTATION AND DATABASE (SFL)

A spring finance letter requests \$16.22 million Federal Trust Fund in 2023-24 (\$2.84 million in ongoing funding for 14.0 new positions and 2.0 existing positions previously funded by the Safe Drinking Water Account and \$13.38 million in contract funding). An additional \$18.33 million in contract funding over 4 years (\$7.8 million in 2024-25, \$7 million in 2025-26, \$2 million in 2026-27, and \$1.5 million in 207-28) is requested to support the development of a database to intake lead and copper data in compliance with the federal revised Lead and Copper Rule Revision (LCRR). The 14.0 new positions will create an LCRR unit and provide five field section staff that will ensure successful implementation of the new regulation. Funding will come from the Drinking Water State Revolving Fund set-aside for state program management provided by the Federal Bipartisan Infrastructure Law.

Staff Recommendation: Absent member questions or input from the public at this hearing, staff recommends this item be approved as budgeted when the Subcommittee takes action.

ISSUE 13: LEVIATHAN CREEK DIVERSION CHANNEL RELINING (SFL)

A spring finance letter requests \$5,163,000 one-time General Fund in 2023-24 for the repair of critical infrastructure at Leviathan Mine (the Leviathan Creek Channel Diversion), a federally listed Superfund Site owned by the State of California.

Staff Recommendation: Absent member questions or input from the public at this hearing, staff recommends this item be approved as budgeted when the Subcommittee takes action.

ISSUE 14: WATER RIGHTS MODERNIZATION CONTINUATION

The Governor's budget requests \$31.5 million General Fund in 2023-24 for the Updating Water Rights Data for California (UPWARD) modernization project, which is a foundational piece of California's broader water rights modernization effort. This request for one-time contract funds will allow the UPWARD project to be completed on time and with adequate functionality.

STAFF COMMENTS

\$20 million was allocated for this purpose over the past two fiscal years.

Staff Recommendation: Hold open.

**3940 STATE WATER RESOURCES CONTROL BOARD
3860 DEPARTMENT OF WATER RESOURCES
DEPARTMENT OF FISH AND WILDLIFE**

ISSUE 15: HIGH PRIORITY STREAM GAGES (SB 19)

The Governor's budget requests \$4,675,000 General Fund over two years, starting in fiscal year 2023- 24, to begin implementing recommendations outlined in Statutes of 2019, Chapter 361 (Senate Bill 19), focusing on the reactivation of historical stream gages. SB 19 directed the Department of Water Resources and State Water Resources Control Board to develop a plan to deploy a network of stream gages in consultation with the Department of Fish and Wildlife, Department of Conservation, Central Valley Flood Protection Board, and interested stakeholders. The SB 19 Stream Gaging Prioritization Plan was completed in 2022.

The DWR, Water Board, DFW, and DOC request \$1.864 million in fiscal year (FY) 2023-24, and \$2.811 million in FY 2024-25. The two-year total request is \$4.675 million.

This proposal provides the needed resources to reactivate up to 50 stream gages.

Staff Recommendation: Absent member questions or input from the public at this hearing, staff recommends this item be approved as budgeted when the Subcommittee takes action.

3860 DEPARTMENT OF WATER RESOURCES

ISSUE 16: CENTRAL VALLEY FLOOD PROTECTION BOARD: LOCAL MAINTENANCE AGENCY ASSISTANCE PROGRAM

The Governor's budget requests \$623,000 in General Fund for three Engineer positions dedicated to noncompliant encroachments in the flood control system. The Deferred Encroachment Compliance Program's (DECP) primary goal is to retain or regain compliance with the United State Army Corp of Engineer's (USACE) PL 84-99 Rehabilitation Program for the Central Valley levee systems and protect the lives and properties from flooding. The Board is the only agency with regulatory authorities (through enforcement and permitting) to address the noncompliant, unauthorized encroachments within State Plan of Flood Control (SPFC).

Staff Recommendation: Absent member questions or input from the public at this hearing, staff recommends this item be approved as budgeted when the Subcommittee takes action.

ISSUE 17: FEDERAL REHABILITATION OF HIGH HAZARD POTENTIAL DAMS

The Governor's budget requests a total of \$50 million (\$10 million per year for 5 years) of additional federal reimbursement authority for the Federal Emergency Management Agency's (FEMA) Federal Rehabilitation of High Hazard Potential Dams (HHPD) Grant Program. The purpose of FEMA's HHPD program is to provide eligible dam owners with resources to revitalize and reduce dam risk in the state's interest.

Staff Recommendation: Absent member questions or input from the public at this hearing, staff recommends this item be approved as budgeted when the Subcommittee takes action.

ISSUE 18: FLOOD MAINTENANCE AND OPERATIONS SUPPORT

The Governor's budget requests \$655,000 ongoing General Fund and position authority of two full-time permanent positions to address increased workload and to continue providing critical flood maintenance and operations support.

Staff Recommendation: Absent member questions or input from the public at this hearing, staff recommends this item be approved as budgeted when the Subcommittee takes action.

ISSUE 19: JOINT OPERATIONS CENTER RELOCATION

The Governor's budget requests \$4,773,000 in General Fund in Fiscal Year (FY) 2023-24 for one-time costs for Department of General Services (DGS) expenses related to the relocation of the state/federal Joint Operations Center (JOC) from the current location on El Camino Avenue to a new facility. This request is specific to the Division of Flood Management's shared portion of the project costs. The facility will be shared with the State Water Project (SWP) who will provide their own share of funding.

Staff Recommendation: Hold open.

ISSUE 20: POSITIONS FOR WATER AND DROUGHT PACKAGE IMPLEMENTATION

The Governor's budget requests 6 new positions for its Financial Assistance Branch to successfully deliver approximately \$800 million in grants for Emergency Drought Relief and Sustainable Groundwater Management Act Implementation funding, provided in both the FY 2021-22 and 2022-23 Budget Acts. The Financial Assistance Branch received \$500 million in urban and groundwater funding in the 2021 Budget and also received over \$300 million for urban drought, urban water conservation, turf replacement and groundwater recharge in the 2022 Budget. This is a positions-only request—no additional funding is being requested.

Staff Recommendation: Absent member questions or input from the public at this hearing, staff recommends this item be approved as budgeted when the Subcommittee takes action.

ISSUE 21: SALTON SEA ACCELERATED RESTORATION (SFL)

A spring finance letter requests \$20 million of Federal Reimbursement Authority for fiscal year (FY) 2023-24 to be reimbursed from the Department of Interior's funding provided by the Inflation Reduction Act; Public Law 117-169. This money will support the construction of up to 8,000 acres of wetland habitat and up to 5,000 acres of vegetation enhancement projects as dictated under the State Water Resources Control Board (SWRCB) Stipulated Order 2017-0134.

Under the agreement, the Interior Department's Bureau of Reclamation will provide \$20 million in new funding through the Inflation Reduction Act in fiscal year 2023 to implement projects at the Sea, support staffing at the Torres Martinez Desert Cahuilla Indian Tribe, and conduct scientific research and management that contributes to project implementation. This \$20 million investment from the Inflation Reduction Act will complement the \$583 million in state funding committed to date.

Staff Recommendation: Absent member questions or input from the public at this hearing, staff recommends this item be approved as budgeted when the Subcommittee takes action.

ISSUE 22: STATE WATER PROJECT ACCOUNTING AND BUSINESS SUPPORT

The Governor's budget requests 5 new permanent full-time positions to enhance the financial stability of the State Water Project (SWP) while improving transparency and providing knowledge transfer to internal and external stakeholders. The increased staffing will support the functional business and technical business requirements (IT Specialist II) of the SAP systems, Portfolio and Project Management/Resource Management (PPM/RM) and Cost Allocation and Billing (CAB).

Staff Recommendation: Absent member questions or input from the public at this hearing, staff recommends this item be approved as budgeted when the Subcommittee takes action.

ISSUE 23: URBAN WATER USE OBJECTIVES (SB 1157)

The Governor's budget requests \$7 million in General Fund to support State Operations over four years, beginning in FY 2023-24, to implement the legislative requirements established by Senate Bill 1157 (Statutes 2022, Chapter 679, Hertzberg). SB 1157 directs DWR to conduct studies quantifying benefits and impacts associated with the new reduced indoor residential water use standards.

Staff Recommendation: Absent member questions or input from the public at this hearing, staff recommends this item be approved as budgeted when the Subcommittee takes action.

ISSUE 24: YOLO BYPASS-CACHE SLOUGH MASTER PLAN AND COMPREHENSIVE STUDY

The Governor's budget requests \$3.35 million one-time General Fund for the State cost-share of the US Army Corps of Engineers (USACE) Yolo Bypass Comprehensive Study and continued development of the Yolo Bypass-Cache Slough Master Plan.

Staff Recommendation: Absent member questions or input from the public at this hearing, staff recommends this item be approved as budgeted when the Subcommittee takes action.

ISSUE 25: DAM SAFETY AND FLOOD MANAGEMENT GRANT PROGRAM TRAILER BILL

The Governor's budget requests statutory trailer bill language to establish programmatic guidance for the \$100 million that was including in last year's budget agreement with \$75 million appropriated this year and \$25 million appropriated next year.

The trailer bill authorizes expenditures for the repairs, rehabilitation, enhancements, and other dam safety projects at existing state jurisdictional dams and associated facilities.

The type of projects eligible for funding include, but are not limited to:

- Dam repairs to allow water storage to full capacity.
- New spillway and spillway repair projects at existing dams.
- Dam and reservoir seismic retrofit projects.
- Enhancement of water supply and downstream flood risk reduction such as implementation of Forecast-Informed Reservoir Operations.
- One-time projects to remove sediment resulting from wildfires or extraordinary storm events.

The funds would be awarded based on the following priority:

- (1) Protection of public safety.
- (2) Restoration of water storage.
- (3) Flood risk reduction.
- (4) Enhancement of water supply reliability.
- (5) Enhancement, protection, or restoration of habitat for fish and wildlife.
- (6) Protection of water quality.

The Department of Water Resources would be required to adopt guidelines before disbursing grants, and this trailer bill provides an Administrative Procedure Act exemption.

The trailer bill requires at least a 50 percent match, but allows other government funds to provide the match.

The language can be found here: <https://esd.dof.ca.gov/trailer-bill/public/trailerBill/pdf/843>.

STAFF COMMENTS

This Subcommittee may want to strike the "including but not limited to" in the list of eligible projects and clarify that existing dams means those in service prior to January 1, 2023.

Staff Recommendation: Hold open.

3885 DELTA STEWARDSHIP COUNCIL

ISSUE 26: DELTA PLAN IMPLEMENTATION

The Governor's budget requests \$373,000 ongoing General Fund for 2.0 permanent positions to provide technical support for mandated Delta Plan implementation efforts. These two positions were previously approved as limited-term positions for a period of three years for FY 20/21.

Staff Recommendation: Absent member questions or input from the public at this hearing, staff recommends this item be approved as budgeted when the Subcommittee takes action.

**3900 CALIFORNIA AIR RESOURCES BOARD
3480 CALIFORNIA DEPARTMENT OF CONSERVATION
3940 STATE WATER RESOURCES CONTROL BOARD**

ISSUE 27: CARBON CAPTURE, REMOVAL, UTILIZATION AND STORAGE PROGRAM (SB 905) (SFL)

A Spring Finance Letter requests the following funds by department:

- The Air Resources Board (CARB or Board) requests \$5.5 million from the Cost of Implementation Account, Air Pollution Control Fund (COIA) and 18.0 permanent positions in 2023-24 and \$4.5 million ongoing to implement the requirements established by SB 905 (CITE). SB 905 requires that CARB establish a Carbon Capture, Removal, Utilization, and Storage Program (Program) to evaluate carbon capture, utilization, or storage (CCUS) technologies and carbon dioxide removal (CDR) technologies and facilitate the capture and sequestration of carbon dioxide from those technologies (as required in Health & Safety Code section 39741). Included in the request is \$1,700,000 in ongoing contract funds: \$700,000 to establish an electronic unified permit submittal system for carbon sequestration project operators pursuing permits to operate in California, and \$1 million in ongoing contract funds to perform evaluations of new and emerging CCUS and CDR technology. This work supports California's proposed 2022 Climate Scoping Plan and the California Climate Crisis Act to achieve carbon neutrality by 2045.
- The Department of Conservation requests \$3,682,000 from the Cost of Implementation Account, Air Pollution Control Fund (COIA) and 4 permanent positions to create a Geologic Carbon Sequestration Group (Group) to support the statutory mandate set forth in Senate Bill 905 (SB 905). The Group will provide support to CARB in the development of the regulatory framework and prioritize locations across the state to evaluate the suitability of geologic carbon sequestration, removal, and associated induced seismic and geologic hazard potential. The Group will also support the Secretary of the Natural Resources (Secretary) in preparing the legal framework for governing agreements

regarding ownership of geologic storage reservoirs and overlying lands with multiple owners.

- The State Water Resources Control Board (State Water Board) requests 1.0 permanent position and \$280,000 ongoing from the COIA to collaborate with CARB to develop and implement a unified permit application process for the construction and operation of CCUS projects and to provide technical expertise to ensure these projects are protective of groundwater resources.

BACKGROUND

CARB workload assumptions assume:

1. Three regulatory actions, for 6-12 PYs plus contract funding, annually.
2. At least 12 different CCUS and CDR technology reviews each year, for 6 – 12 PYs annually.
3. At least 3-6 applications submitted annually CCS project permanence, with a higher number submitted later in the decade, for an estimated 6-12 PYs annually.
4. Biennial legislative reporting, 0.5- 1 PY per year.

STAFF COMMENTS

Staff believes that it is difficult to accurately predict permanent workload of a new program for technologies that have not yet been brought to scale in this State. Given this uncertainty, this Subcommittee may wish to phase in the positions or make them limited term positions to provide the Legislature a chance to revisit the workload levels in the future.

Staff Recommendation: Hold Open.

DISCUSSION ITEMS

VARIOUS

ISSUE 1: DROUGHT AND WATER RESILIENCE UPDATE AND GENERAL FUND SOLUTIONS

Recent budgets have committed a combined \$8.8 billion over five years to various departments for emergency drought response and water resilience activities.

Of the total, \$6.9 billion was appropriated in 2021-22 and 2022-23, while \$1.8 billion is intended for 2023-24 through 2025-26.

The specific allocations can be found on pages 30-32.

Cuts and Funding Delays:

To address the 2023 budget deficit, the Governor proposes to reduce these agreements by \$194 million and delays spending by \$300 million until 2024-25, yielding combined General Fund budget solutions of \$494 million in 2023-24. For the department in the agenda today this includes:

- **Water Recycling.** The proposal reduces \$40 million General Fund from planned 2023-24 funding for water recycling programs administered by SWRCB. Recent budgets committed a total of \$800 million for both water recycling (\$725 million) and groundwater cleanup (\$75 million). The proposal retains \$685 million for water recycling and the original \$75 million for groundwater cleanup.
- **Per- and Polyfluoroalkyl Substances (PFAs) Support.** The proposed budget reduces planned 2023-24 spending by \$70 million and delays an additional \$30 million until 2024-25. On net, the proposal retains \$130 million of the \$200 million for PFAs support.
- **Aqueduct Solar Panel Pilot Study.** The proposal reduces spending by \$15 million in 2021-22 for DWR to support pilot studies on installing solar panels over aqueducts to generate energy and reduce evaporation. The proposal retains \$20 million for this purpose.
- **Water Refilling Stations at Schools.** The proposal eliminates all \$5 million in 2022-23 funding for SWRCB to support water refilling stations at schools.

PANEL

- Amanda Martin, Deputy Assistant Secretary for Administration & Finance, California Natural Resources Agency
- Joaquin Esquivel, Board Chair, State Water Resources Control Board
- Lizzie Urie, Staff Finance Budget Analyst, Department of Finance

- Sonja Petek, Principal Fiscal & Policy Analyst, Legislative Analyst's Office

LAO COMMENTS

Recent Budgets Committed \$8.8 Billion for Drought and Water Resilience Activities. As shown in Figure 10, recent budgets have committed a combined \$8.8 billion (\$8.3 billion from the General Fund and \$440 million from other funds) over five years to various departments for emergency drought response and water resilience activities. Of the total, \$6.9 billion was appropriated in 2021-22 and 2022-23, while \$1.8 billion is intended for 2023-24 through 2025-26. Nearly half of the funding targets activities related to drinking water, water recycling and groundwater cleanup, water supply, and flood management. About \$1.4 billion supports immediate drought response activities, such as for the State Water Resources Control Board (SWRCB) and California Department of Fish and Wildlife (CDFW) to oversee and enforce regulatory restrictions on water diversions and fishing in certain streams. The remaining funding supports habitat restoration, water quality, and conservation activities.

Figure 10

Recent and Planned Drought Response and Water Resilience Augmentations

*Highlighted Rows Indicate Programs Governor Proposes for Budget Solutions
General Fund, Unless Otherwise Noted ^a (In Millions)*

Program	Department	2021-22	2022-23	2023-24	2024-25	2025-26	Totals
Drinking Water, Water Supply, Flood		\$2,498	\$529	\$473	\$25	\$500	\$4,025
Drinking water, wastewater projects	SWRCB	\$1,700	—	—	—	—	\$1,700
Water recycling, groundwater cleanup	SWRCB	300	\$190	\$310	—	—	800
Flood and dam safety	DWR	313	237	163	\$25	—	738 ^b
Water conveyance, water storage	DWR	100	100	—	—	\$500	700
Aqueduct solar panel pilot study	DWR	35	—	—	—	—	35
Watershed climate studies	DWR	25	—	—	—	—	25
Water storage tanks	DWR	21	—	—	—	—	21
Flood planning	DWR	4	2	—	—	—	6
Immediate Drought Response		\$1,250	\$84	\$26	\$26	\$26	\$1,411
Community drought relief	DWR	\$800	—	—	—	—	\$800

Data, forecasting, communications	Various	144	—	\$17	\$17	\$17	194
Drought contingency control section	Various	96	—	—	—	—	96
Save Our Water campaign	DWR		\$75	—	—	—	75
Drinking water emergencies	SWRCB	62	—	—	—	—	62
Water rights activities	SWRCB, CDFW	88	4	9	9	9	119 ^b
Drought salinity barrier	DWR	27	—	—	—	—	27
Drought food assistance	CDSS	23	—	—	—	—	23
Conservation technical assistance	DWR	10	—	—	—	—	10 ^b
Water refilling stations at schools	SWRCB	—	5	—	—	—	5
Habitat/Nature-Based Activities		\$643	\$292	\$160	\$82	\$32	\$1,208
Fish and wildlife protection/study	Various	\$300	\$47	—	—	—	\$347
Watershed climate resilience	WCB	16	158	\$96	\$50	\$14	334
Watershed climate resilience	DWR	10	67	48	25	11	161
Aquatic/large-scale habitat projects	Various	122	7	7	7	7	149
MWD resilience projects	DWR	50	—	—	—	—	50
River restoration activities	DWR	15	14	9	—	—	37 ^b
Spending from various bonds	WCB, DWR	105	—	—	—	—	105
State land and bird habitat projects	CDFW, DWR	25	—	—	—	—	25
Water Quality and Ecosystem Restoration		\$391	\$420	\$380	—	—	\$1,191
Water resilience projects	CNRA	\$165 ^b	\$100	\$180	—	—	\$445
Streamflow enhancement program	WCB	100	150	—	—	—	250
Salton Sea	DWR	40	100	80	—	—	220
PFA's support	SWRCB	30	50	120	—	—	200
Urban streams and border rivers	Various	50	20	—	—	—	70
Clear Lake	CNRA	6	—	—	—	—	6
Conservation/Agriculture		\$726	\$110	\$80	—	—	\$916

SGMA implementation	DWR	\$236	\$60	\$60	—	—	\$356
SWEEP	CDFA	110	50	—	—	—	160
Multi-benefit land repurposing	DOC	90	—	20	—	—	110
Water conservation programs	DWR	180	—	—	—	—	180
Agricultural conservation	DWR, CDFA	110	—	—	—	—	110
Totals		\$5,508	\$1,435	\$1,119	\$133	\$558	\$8,752

^aIn total, \$440 million is from a variety of non-General Fund sources, including bond funds, federal funds, special funds, and reimbursements.

^bIncludes funding from sources other than General Fund.

SWRCB = State Water Resources Control Board; DWR = Department of Water Resources; CDFW = California Department of Fish and Wildlife; CDSS = California Department of Social Services; WCB = Wildlife Conservation Board; MWD = Metropolitan Water District; CNRA = California Natural Resources Agency; PFAs = per- and polyfluoroalkyl substances; SGMA = Sustainable Groundwater Management Act; SWEEP = State Water Efficiency and Enhancement Program; CDFA = California Department of Food and Agriculture; and DOC = Department of Conservation.

State Investments for These Types of Activities Historically Supported Primarily Through Bonds. The vast majority of total spending on water systems—including drinking water and wastewater systems, water delivery, and flood management—comes from local water utilities, which are funded by local water charges and taxes. According to [data compiled by the Public Policy Institute of California](#), from 2016 through 2018, local sources contributed 84 percent of total spending on water in California, with much smaller shares coming from the state (13 percent)—primarily via bond funds—and federal (3 percent) governments. State bond funding historically has filled important gaps, such as by supporting infrastructure improvements in areas that lacked local and/or long-term funding streams. The General Fund traditionally has supported emergency drought response, but in recent years also has funded more expanded types of drought response activities, such as projects to upgrade community water systems.

Governor's Proposals

Proposes Some Modest Changes, but Retains Vast Majority of Water-Related Funding. Figure 11 displays the Governor's proposed changes to water and drought spending. As shown, the proposal reduces spending by \$194 million and delays spending by \$300 million until 2024-25, yielding combined General Fund budget solutions of \$494 million in 2023-24. This approach retains \$8.6 billion of \$8.8 billion planned for water-related activities over the five years. The proposal retains nearly all of the funding appropriated or planned for immediate drought response and instead focuses most of the funding reductions in other categories. (In addition, the Governor's budget proposes \$139 million in new one-time General Fund spending for flood management projects, which the Legislative Analyst's Office discusses in more detail in a separate publication.)

- **Water Recycling.** The proposal reduces \$40 million General Fund from planned 2023-24 funding for water recycling programs administered by SWRCB. Recent budgets committed a total of \$800 million for both water recycling (\$725 million) and groundwater

cleanup (\$75 million). The proposal retains \$685 million for water recycling and the original \$75 million for groundwater cleanup.

- ***Watershed Climate Resilience.*** Recent budgets committed \$495 million over five years to DWR and the Wildlife Conservation Board (WCB) to support increased climate resilience at a watershed level. WCB plans to use funding to provide grants through existing programs. DWR has formed a Watershed Resilience Work Group and plans to complete climate risk and preparedness assessments; develop a watershed resilience planning framework, toolkit, and performance metrics; and support four to six pilot studies. The proposal reduces 2022-23 funding and planned 2023-24 funding by \$24 million and delays an additional \$270 million until 2024-25. On net, the proposal retains \$471 million for watershed climate resilience activities.
- ***Per- and Polyfluoroalkyl Substances (PFAs) Support.*** Recent budgets committed \$200 million over three years for various activities to address PFAs. These are long-lasting chemicals that are hard to break down and have been used in a variety of consumer and industrial products to create, for example, nonstick surfaces and water- and stain-resistant fabrics. The proposed budget reduces planned 2023-24 spending by \$70 million and delays an additional \$30 million until 2024-25. On net, the proposal retains \$130 million for PFAs support.
- ***State Water Efficiency and Enhancement Program (SWEEP).*** The proposal reduces funding for the SWEEP program by \$40 million in 2022-23, retaining \$120 million over 2021-22 and 2022-23. This program, administered by the California Department of Food and Agriculture (CDFA), provides farmers with financial assistance to make improvements to their irrigation systems that would result in using less water and/or energy.
- ***Aqueduct Solar Panel Pilot Study.*** The proposal reduces spending by \$15 million in 2021-22 for DWR to support pilot studies on installing solar panels over aqueducts to generate energy and reduce evaporation. The proposal retains \$20 million for this purpose.
- ***Water Refilling Stations at Schools.*** The proposal eliminates all \$5 million in 2022-23 funding for SWRCB to support water refilling stations at schools.

Figure 11

Governor's Proposed Drought Response and Water Resilience Budget Solutions*(In Millions)*

Program	Total Augmentations	Proposed Changes			Net Reductions	New Proposed Amounts
		2021-22 and 2022-23	2023-24	2024-25		
Programs Proposed for Solutions						
Water recycling, groundwater cleanup	\$800	—	-\$40	—	-\$40	\$760
Watershed climate resilience (WCB)	334	-\$158	-64	\$198 ^a	-24	310
Watershed climate resilience (DWR)	161	-42	-30	72 ^a	—	161
PFAs support	200	—	-100	30 ^a	-70	130
SWEEP	160	-40	—	—	-40	120
Aqueduct solar panel pilot study	35	-15	—	—	-15	20
Water refilling stations at schools	5	-5	—	—	-5	—
Subtotals	(\$1,695)	(-\$260)	(-\$234)	(\$300)	(-\$194)	(\$1,501)
All Other Drought Response and Water Resilience Funding	\$7,057	—	—	—	—	\$7,057
Totals	\$8,752	-\$260	-\$234	\$300	-\$194	\$8,558

^aReflects funding delayed from a prior year.

WCB = Wildlife Conservation Board; DWR = Department of Water Resources; PFAs = per- and polyfluoroalkyl substances; and SWEEP = State Water Efficiency and Enhancement Program.

Assessment

Some Drought and Water Resilience Activities Remain Important. While the Legislative Analyst's Office generally finds identifying budget solutions among the many recent one-time augmentations appropriate, the Legislative Analyst's Office thinks retaining funding for the most critical activities should remain a priority. For example, maintaining funding to address drinking water emergencies and to support SWRCB's modernization and enforcement of water rights are key to the state's ability to effectively manage drought conditions. Recent storms also demonstrated the importance of flood and dam management. The Legislative Analyst's Office

finds the Governor's proposed approach to leave funding for these efforts untouched to be prudent.

Proposed Reductions Appear Reasonable. Overall, the individual reductions the Governor proposes appear reasonable—they do not take funding away from the most urgent needs and, in some cases, federal funding is available for similar purposes. In addition, based on our assessment, these reductions will not lead to major disruptions in the programs. Specifically:

- **Water Recycling—Significant State and Federal Funding Still Available for This Purpose.** SWRCB indicates that even with the Governor's proposed \$40 million reduction for water recycling, it expects the remaining \$685 million would be sufficient to provide the maximum grant amount to all eligible projects based on current demand. In addition, SWRCB receives federal funding through the Clean Water State Revolving Fund (CWSRF), which can be used for water recycling projects. (The CWSRF provides low-cost financing and forgivable loans for water projects.) On top of the regular annual amount of federal CWSRF funds the state receives (roughly \$54 million), IIJA is providing CWSRF with a significant increase (roughly \$850 million over five years from 2022 through 2026).
- **SWEEP—Reduction Would Maintain Program at Historical Levels.** Recent budgets provided the SWEEP program with \$110 million General Fund in 2021-22 and \$50 million General Fund in 2022-23. Even with the proposed \$40 million reduction, it would still receive \$10 million General Fund in 2022-23, which is more in line with historical average annual allocations. (From 2013-14 through 2019-20, SWEEP received an average of \$18 million annually from GGFR or bond funds; it did not receive funding in 2019-20 or 2020-21.) Because this is a grant program, reducing funding likely would mean fewer grants to farmers.
- **Aqueduct Solar Panel Pilot Study—State Could Wait for Study Results Before Expanding.** DWR awarded 2021-22 funding (\$20 million General Fund) to Turlock Irrigation District in February 2022 to install and study solar panels over several sections of its irrigation canals. The district anticipates starting construction in early 2023 and completing it in 2024. The Governor's proposal to reduce the \$15 million for similar demonstration projects would give the state time to see whether the Turlock project has the desired results before it decides whether to fund additional pilots or expand solar panels over canals more broadly in the future.
- **Water Refilling Stations at Schools—Funding Reduction Would Not Cause Major Disruptions.** While the proposed \$5 million reduction would decrease funding explicitly for new water refilling stations at schools, SWRCB's broader Drinking Water for Schools Program, which also supports water refilling stations, would continue. This program was established in 2016 and has provided two rounds of grant funding to schools totaling \$16.3 million to increase access to and/or improve the quality of their drinking water. SWRCB indicates that demand for this funding has been modest and that it has other services and funding available depending on schools' needs. In addition, schools could

choose to use their general purpose funding and federal COVID-19-related funding for water refilling stations.

Legislature Could Consider Converting Governor’s Proposed Delays to Reductions Instead. In light of the state’s budget condition, the Legislature could consider reducing rather than delaying funding—as the Governor proposes—for watershed climate resilience and PFAs support. The Legislature could then revisit whether to provide more funding for these programs in 2024-25 or a future year.

- **Watershed Climate Resilience.** Reducing this funding would result in an overall decline from \$495 million to \$201 million for watershed climate resilience. For WCB, this would mean providing fewer and/or smaller grants. For DWR, this could mean conducting fewer or no pilot studies over the five-year window and perhaps scaling back some of its planning and assessment activities. Should it decide to make these reductions, the Legislature also could consider redirecting more of the remaining funds from WCB to DWR. The activities DWR is undertaking—climate risk assessments; development of frameworks, toolkits, and performance metrics; and pilot studies—could be used to inform more effective and strategic spending on projects in the future.
- **PFAs Support.** Reducing this funding would result in an overall decline from \$200 million to \$100 million for PFAs support. Another funding source is available, however. The IJA is providing California with supplemental funds of about \$330 million over five years through the Drinking Water State Revolving Fund (DWSRF) specifically to address “emerging contaminants,” including PFAs.

Legislature Could Consider Additional Reductions. As the Legislature weighs additional budget solutions in response to a potentially worsening revenue picture, some programs it could consider reducing—or reducing further—include:

- **Water Resilience Projects (California Natural Resources Agency, CNRA).** Recent budgets have provided a total of \$445 million to CNRA over three years, including \$180 million General Fund planned for 2023-24, for water resilience projects in the Delta. This program is new and was created with the funding provided in 2021-22. It allows the administration to select projects to implement voluntary agreements with water users. The purpose is to improve conditions for native fish species and maximize water for human purposes, without necessitating stricter regulatory flow requirements. CNRA was given significant discretion over how to use these funds with few statutory parameters or reporting requirements. The Legislature could reduce or eliminate the 2023-24 amount and instead request reporting and evaluation of the use of funds to date before providing additional funds.
- **Drinking Water (SWRCB).** Recent budgets provided \$1.7 billion General Fund to SWRCB for drinking water projects. This includes providing financial assistance to small and/or disadvantaged communities that had projects underway to repair, upgrade, or consolidate drinking water or wastewater systems. SWRCB thus far has committed about \$265 million of the \$1.7 billion and indicates it should reserve \$400 million to meet state

matching requirements for federal DWSRF funds. However, this leaves up to about \$1 billion that could be reduced. While the activities funded by this program are important—for example, they help increase equitable access to safe, clean, and affordable drinking water within vulnerable communities—an unprecedented amount of federal funding currently is available for these purposes. This includes more than \$2.5 billion from IIJA over five years, on top of historical grant levels, for DWSRF programs (including the aforementioned \$330 million to address emerging contaminants). In addition, state statute requires an annual GGRF appropriation (through 2030) to SWRCB of \$130 million to provide more flexible funding and grants to support these types of projects. As such, the state could continue to pursue its goals and focus on the needs of disadvantaged communities even with a reduction in General Fund support.

- ***Multi-Benefit Land Repurposing (Department of Conservation, DOC).*** Recent budgets provided DOC with \$90 million in 2021-22 and planned \$20 million in 2023-24 for a new grant program to support repurposing agricultural land for other beneficial uses. Such uses might include dry farming, wildlife habitat, or groundwater capture. The program is not needed to respond to immediate and urgent drought impacts and it is too early in its implementation to know how effective it is at addressing longer-term land transition goals. As such, the Legislature could consider reducing or eliminating the \$20 million in 2023-24 and collecting information about program design, demand, and outcomes before making any future funding decisions.
- ***Additional Water Recycling Reductions (SWRCB).*** Given the influx of federal IIJA dollars to the state's CWSRF (which can be used for a variety of purposes, including water recycling projects), the Legislature could consider reducing the amount planned for 2023-24 (\$310 million) by more than the proposed \$40 million. While this could mean that SWRCB might be unable to fully meet current demand for the program using state funds, federal funds could help make up for some of that gap.

State Could Use Coordinated Approach in Seeking Reductions Within Habitat Programs That Support Similar and Complementary Efforts. Recent state budgets have included and planned for numerous augmentations to support ecosystem health, habitat restoration, and fish and wildlife protection and resilience. Such programs were funded in both the water and drought packages displayed in Figure 10, as well as the nature-based activities package discussed in more detail later in this report. Many of these programs have similar types of objectives, even if their specific areas of focus may differ somewhat. The Legislature could look across these various programs and consider them together when deciding where to make needed reductions. While decreasing funding levels for some of these programs likely would mean completing fewer total projects, taking a holistic approach about where to cut and where to preserve funding could allow the state to maintain complementary efforts and continue to pursue its overall habitat and ecosystem goals in a more coordinated way. For example, programs could be categorized thematically by their overarching goal, such as protecting native fish/salmon populations. The state could then maintain funding for one or two of the programs that would most effectively achieve that goal, while potentially reducing funding for others. Figure 12 describes the various programs included in recent funding packages that support similar and complementary habitat restoration and wildlife protection efforts.

Figure 12

Habitat Restoration and Wildlife Protection Programs Funded in Recent Budgets

General Fund, Unless Otherwise Noted (In Millions)

Program	Department	Description	Funding Provided and Planned (2021-22 Through 2023-24)
Water resilience projects (DRWR package)	CNRA	New program supporting projects to implement voluntary agreements with water users in the Sacramento-San Joaquin Delta, improve conditions for native fish, and maximize water for human purposes without using flow regulations.	\$445 ^a
Protect fish and wildlife from changing climate conditions (NBA package)	WCB	Fish and wildlife protection projects, including land acquisition and restoration, invasive plants and species control, and wildlife corridors development.	353
Streamflow enhancement program (DRWR package)	WCB	Grant program for projects to benefit fish and wildlife by changing the amount, timing, or quality of stream flows, including by purchasing water or water rights.	250
Various WCB programs (NBA package)	WCB	Support for planning, acquisition, and restoration projects on natural and working lands.	245
Habitat restoration (NBA package)	DWR	Multi-benefit habitat projects supporting efforts to reach voluntary agreements on species protections and water flows in the Delta.	200
Aquatic habitat and drought resilience (DRWR package)	DWR	Programs and projects, such as habitat restoration projects, promoting recovery of native fish in the Sacramento-San Joaquin watershed.	122
Resilience projects for fish and wildlife (DRWR package) ^b	WCB	Projects to construct, repair, modify, or remove infrastructure to improve fish and wildlife passage.	105
Salmon protection (DRWR package) ^b	CDFW	Projects to protect, restore, and enhance riparian and aquatic salmon habitat, including restoring river channels and reconnecting flood plains.	100
Fish and wildlife protection (DRWR package) ^b	CDFW	Support to rehabilitate and shelter fish and wildlife at risk from drought conditions.	75
Climate change impacts on wildlife (NBA package)	CDFW	Projects to benefit fish and wildlife by protecting instream flows, purchasing water, and building conservation projects.	50
Fisheries and wildlife support (DRWR package) ^b	CDFW	Support for fish and wildlife at-risk during drought, including fish hatchery improvements and terrestrial and fish species monitoring and rescue.	33
Climate induced hatchery upgrades (DRWR package) ^b	CDFW	Support for an assessment of existing fish hatcheries to inform future planning and development efforts.	17

Program	Department	Description	Funding Provided and Planned (2021-22 Through 2023-24)
Salmon study, tribal co-management (DRWR package) ^b	DWR, CDFW	Support to study the reintroduction of salmon on the North Fork Feather River and for CDFW to work with tribal nations on fish passage above large dams.	7

^aIncludes \$125 from Proposition 68 (2018) bond funds.

^bIncluded as part of the “Fish and wildlife protection/study” item in Figure 10.

DRWR package = funded in one of the Drought Response and Water Resilience packages; CNRA = California Natural Resources Agency; NBA package = funded in the Nature-Based Activities package; WCB = Wildlife Conservation Board; DWR = Department of Water Resources; and CDFW = California Department of Fish and Wildlife.

Recommendations

Modify Governor’s Proposals to Reflect Legislative Priorities. Overall, the Legislative Analyst’s Office finds the Governor’s proposed reductions for water and drought programs to be reasonable and therefore recommend the Legislature give them careful consideration. The proposals do not take funding away from the most urgent needs (such as responding to drinking water emergencies or supporting water rights enforcement) and, in some cases, federal funding is available for similar purposes. Should the Legislature wish to seek alternative or additional reductions, some of the particular modifications the Legislative Analyst’s Office recommends it consider include: (1) reducing rather than delaying funding for watershed and PFAs support programs; (2) reducing or further reducing programs receiving federal IIJA funding, such as drinking water and water recycling; (3) reducing or eliminating 2023-24 funding for new programs such as DOC’s multi-benefit land repurposing program and CNRA’s water resilience activities; and (4) taking a coordinated approach to reducing funding for wildlife habitat programs with similar activities and goals.

Consider Requiring Reporting and Assessment for New Programs. The Legislature could require the administration to provide reporting and assessment of newer programs, such as DOC’s multi-benefit land repurposing, CNRA’s water resilience activities, DWR’s aqueduct pilot, and DWR’s watershed climate resilience planning and assessments. Particularly if it were to reduce funding for these programs, the various evaluations and information would enable the Legislature to make more effective funding decisions in the future.

STAFF COMMENTS

While the water package included funding for departments outside of the State Water Resources Control Board and the Department of Water Resources, those other departments have already appeared before this Subcommittee.

The Subcommittee may wish to ask the following questions to better assess the proposed cuts, future funding that has already been committed, and status of implementation:

- Some of the drought package that was previously approved was for immediate drought relief, given that the state is currently facing flooding, has the administration reassessed the need for some of these direct drought response dollars?
- Can you please provide an update on the status of implementing these funds?
- When do you expect all the funding for the Drinking Water/Wastewater Infrastructure program to be committed? As of January, there was still a billion dollars uncommitted. What is the demand for this program?
- What federal funds are available to offset the proposed reductions?
- How much of the federal emerging contaminants money do you anticipate being used for PFAs versus other contaminants? What are the other emerging contaminants?
- What funding has been provided and what efforts has the state undertaken to encourage groundwater recharge?

Staff Recommendation: Hold Open.

3860 DEPARTMENT OF WATER RESOURCES

ISSUE 2: VARIOUS PROPOSALS

The Department of Water Resources has requested the following resources:

Sustainable Groundwater Management Act Implementation:

1. **Sustainable Groundwater Management Act - Program Delivery:** \$14 million ongoing General Fund (GF) to fund 11 new positions and the support for 29 existing positions to address the emerging needs associated with Sustainable Groundwater Management Act (SGMA) implementation. This request will support meeting all obligations under SGMA, while also supporting the State's drought response efforts. DWR also requests \$900,000 one-time General Fund in FY 23-24 to support two existing positions that will develop an implementation plan for addressing actions identified in the California Water Commission's white paper published in May 2022 titled, "A State Role in Supporting Groundwater Trading with Safeguards for Vulnerable Users: Findings and Next Steps."
2. **San Joaquin River Basin Groundwater Recharge: Water Availability Analysis and Technical Assistance:** A onetime appropriation from the General Fund of \$2.5 million in fiscal year (FY) 2023-24 and \$600,000 annually in FYs 2024-25 through 2027-28 (a total of \$4.9 million) for State Operations to enable Groundwater Sustainability Agencies (GSA) and local public agencies to complete water rights applications for groundwater recharge.
 - Most GSAs and local public agencies do not have water rights for winter season diversion when most high flows occur. If a GSA or local public agency would like to divert flows in the winter, they will need a new water right. Many GSAs and local public agencies have indicated conducting water availability and downstream impacts analyses required for new water rights permits are resource and cost prohibitive. As a result, many GSAs and local public entities have not pursued new water rights for groundwater recharge projects. This proposal supports GSAs and local public agencies by providing additional State resources for these analyses to increase the ability of local entities to get approved water rights permits and implement groundwater recharge projects.

Flood Prevention and Infrastructure Proposals:

3. **2027 Central Valley Flood Protection Plan:** \$36.91 million in General Fund State Operations in the following fiscal years (FY): \$4.41 million (\$3.998 million for DWR and \$0.412 million for Central Valley Flood Protection Board (CVFPB) for FY 2023-24; \$11 million in FY 2024-25; \$11.5 million in FY 2025-26, and \$10 million in FY 2026-27. The requested funding would support the development of the 2027

Update to the Central Valley Flood Protection Plan and Conservation Strategy as required by California Water Code (WC) Sections 9600-9616.

4. **Delta Levee System Integrity and Habitat Restoration Program:** \$13.2 million one-time General Fund (\$11.2 million State Operations; \$2 million Local Assistance) and \$27.4 million in Proposition 1 (Local Assistance). The Program has inadequate funding beyond State fiscal year (FY) 2022-23 to support activities including State Operations and Local Assistance for levee maintenance, repairs, improvement, habitat mitigation and enhancement projects in the Sacramento-San Joaquin Delta.
5. **Systemwide Flood Risk Reduction Paradise Cut and Yolo Bypass Projects:** \$25 million in fiscal year (FY) 2023-24 in Capital Outlay (CO) from General Fund. This request will support work and contracts needed to carry out the Paradise Cut Multi-Benefit Project and Yolo Bypass Fix-In-Place Projects. These projects improve climate resilience by reducing the risk of flooding while contributing to ecosystem restoration and other societal benefits such as agricultural sustainability.
6. **(Central Valley) Urban Flood Risk Reduction:** \$135.5 million in General Fund, including \$90 million to support state cost-share of critical United States Army Corps of Engineers (USACE) projects and Urban Flood Risk Reduction (UFRR) projects and \$10 million for State Operations to support and manage USACE and UFRR projects during the FY 2023-24, and \$35 million General Fund in FY 2024-25. DWR requests a five-year extended encumbrance and two-year liquidation period for the \$125 million project funds, and a one-year encumbrance and two-year liquidation period for \$10 million for the State Operations support efforts. These funds are for specific projects in the Central Valley: American River Common Features – Natomas, West Sacramento, Lower Cache Creek, Lower San Joaquin, Marysville Ring Levee, Yolo Bypass, RD-17, Smith Canal Gate, and Mossdale Tract Multi-benefit.
7. **South Delta Permanent Operable Gates (SFL):** \$43,713,000 from Proposition 13, Safe Drinking Water, Clean Water, Watershed Protection, and Flood Protection Act, and Proposition 50, Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002, for the State's share of costs for the implementation of the South Delta Permanent Operable Gates (SDPOG) project. SDPOG is a key project that has been identified under the CALFED Bay-Delta program for improving the State's water supply reliability. The SDPOG project includes the construction/installation of three permanent barriers, equipped with operable gates, in three South Delta channels. Project is estimated to be completed by 2029. The total project cost is \$130 million.

PANEL

- Chris Lief, Executive Officer, Department of Water Resources
- Kris Tjernell, Deputy Director, Department of Water Resources
- Paul Gosselin, Deputy Director, Department of Water Resources
- Cindy Messer, Lead Deputy Director, Department of Water Resources
- Krystal Acierto, Principal Program Budget Analyst, Department of Finance
- Meghan Larson, Junior Staff Analyst, Department of Finance
- Sonja Petek, Principal Fiscal & Policy Analyst, Legislative Analyst's Office

LAO COMMENTS

The comments below highlight key points from a report that can be found here: <https://www.lao.ca.gov/Publications/Report/4725>

Governor Proposes \$175 Million in 2023-24 for Flood Management. The Governor's budget proposes \$119 million from the General Fund in 2023-24 to support numerous Central Valley flood projects and studies, most of which would be conducted in collaboration with the federal government. It proposes another \$41 million for Delta levee projects and \$16 million for flood management activities. Because the state currently is experiencing a budget problem, the Legislature will need to weigh the importance and value of proposed new activities against those to which it has already committed. In this context, the Legislative Analyst's Office thinks the Legislature might want to consider approving the Governor's proposed flood-related spending because it would (1) help protect public safety and important water supplies, (2) help the state draw down federal funding, and (3) allow key projects that are already in progress to continue. Nearly all of the requests are one time in nature, even those for continuing projects, which would provide the Legislature with the flexibility to consider associated future spending within the context of a given year's budget and available revenues.

California Faces Significant and Increasing Flood Risk. Estimates from a 2013 comprehensive statewide report, *California's Flood Future*, suggest 7.3 million people (one-in-five Californians), structures valued at \$575 billion, and crops valued at \$7.5 billion are located in areas that have at least a 1-in-500 probability of flooding in any given year. According to a recent study by scientists at the University of California, Los Angeles, climate change has already doubled the likelihood of an extreme storm bringing catastrophic flooding in California, and this risk will continue to increase. Moreover, recent data reported in the *2022 Central Valley Flood Protection Plan* (CVFPP) suggest that more than 1.3 million people and structures valued at more than \$223 billion in the Central Valley region are at risk from flooding. These data suggest that without adequate investments in flood systems, annual deaths could more than double in the Sacramento River Basin and quadruple in the San Joaquin River Basin over a 50-year period (2022 through 2072). The plan also estimates that failing to adequately prepare could cause annual economic damages to double in the Sacramento River Basin and more than quadruple in the San Joaquin River Basin.

State Has Special Responsibility for Flood Management in the Central Valley. California gave assurances to the federal government that it would oversee and maintain the State Plan of Flood Control (SPFC) along the main stem and certain tributaries of the Sacramento and San Joaquin Rivers, including parts of the Sacramento-San Joaquin Delta. The SPFC includes 1,600 miles of levees, four dams, and seven flood bypasses. DWR is the state's lead agency in flood-related activities, while the Central Valley Flood Protection Board (an independent body housed administratively within DWR) has responsibility for overseeing the SPFC on behalf of the state. For most segments of SPFC levees, the state has developed formal agreements with local government entities (primarily local reclamation and levee districts) to handle regular operations and maintenance responsibilities. A court decision in 2003 found that the state was ultimately financially responsible for the failure of SPFC facilities, even when they had been maintained by local entities. State statute requires DWR to prepare, and the Central Valley Flood Protection Board to adopt, an update to the CVFPP every five years. The first version was adopted in 2012. The CVFPP guides flood management activities and funding for the SPFC and Central Valley region.

Many Levees Are at Risk of Failing. In addition to providing flood protection, levees located in the Delta region also are essential components of the state and federal water systems that convey water from the northern part of the state to Central and Southern California. As such, levee failures could put public health and safety as well as water supplies at risk. Given such importance, the current condition of statewide levees is concerning. Nearly 90 percent of Central Valley levee systems currently fail to meet federal performance standards, increasing the risk that they might fail. Reclamation districts' recent five-year plans (which assess current conditions and lay out plans for rehabilitation) have identified 500 miles on 75 Delta islands in need of improvement, with an estimated associated cost of \$1.4 billion.

State Also Helps Ensure Delta Levees Remain Functional. Within the 1,100 miles of levees in the Delta, only 380 miles are part of the SPFC. The majority—730 miles—are instead privately or locally owned. Because of their importance, however, the state provides some funding to local agencies to support both SPFC and non-SPFC Delta levees, generally through DWR's Delta Levee System Integrity Program. This program, historically funded with Proposition 1E (2006) and Proposition 84 (2006) bond funds, includes two subprograms through which it allocates funds:

- **Maintenance Subventions Program.** This program provides an annual grant to local agencies, reimbursing them for up to 75 percent of their costs to maintain levees. DWR anticipates that claims will be higher this year due to recent storms.
- **Special Flood Control Projects Program.** This program provides grants to local agencies for projects that protect water conveyance systems (including roads and utilities) and water quality from flood hazards.

Recent State Budgets Have Committed Significant Funding for Flood Management. Over the past couple of decades, voter-approved general obligation bond funding has been the primary funding source for flood projects—including levee repair and maintenance—and related state operations support. However, after several years of significant expenditures, the state has

now expended most of the flood-related bond funding that voters have authorized. Recent budget surpluses helped facilitate an unusually high level of General Fund support to help supplement the expiring bond funds. Specifically, recent budgets committed approximately \$600 million General Fund from 2021-22 through 2024-25 to support numerous flood capital outlay projects, flood management activities, and dam safety projects. (An additional \$140 million in bond funding was committed for these purposes over this same period.) This funding has provided support to numerous flood projects. For example, nearly all of the roughly \$300 million in combined General Fund and bond funds appropriated in 2021-22 has been committed to 14 different Central Valley flood or Delta levee projects in various stages of planning, development, or construction.

Federal Government Also Builds Capital Projects to Reduce Flood Risk and Helps Support Flood Emergency Response and Recovery. The federal government supports flood projects in California in two main ways.

- ***U.S. Army Corps of Engineers (USACE).*** USACE authorizes and undertakes capital flood protection projects when authorized by Congress, generally in partnership with state and local agencies. USACE inspects federally constructed levees for compliance with federal standards, provides planning and assistance during flood events, provides funding to repair flood-damaged levees, and establishes flood storage and release standards for certain reservoirs.
- ***Federal Emergency Management Agency (FEMA).*** FEMA operates the National Flood Insurance Program, which includes developing flood hazard maps that define flood risk, establishing floodplain management standards, and offering federally backed insurance policies. It also provides coordination, assistance, and funding for federally declared flood disasters.

Federal Funds Will Help Pay For Damage From Recent Storms. State and local agencies can apply for FEMA reimbursement for eligible emergency-related costs (such as debris removal) and repair or replacement of facilities damaged by the storms. Generally, FEMA reimburses at least 75 percent of eligible costs until funding is exhausted. The extent of the December 2022 and January 2023 storm damage is still being assessed and the timing for when public agencies will receive reimbursement is still unknown.

Governor's Proposals

The Governor proposes funding for both flood management projects and studies as well as operational support.

Proposes \$119 Million General Fund in 2023-24 for Central Valley Flood Projects (\$114 Million) and Studies (\$5 Million). The Governor's budget proposes \$119 million General Fund in 2023-24 and \$35 million General Fund in 2024-25 for various flood projects in the Central Valley. As noted in Figure 2, the funding would support five projects and two studies conducted in collaboration with USACE. It also would support two projects as part of the Urban Flood Risk Reduction (UFRR) Program. (UFRR projects are consistent with USACE feasibility

studies, but can be conducted on a faster time line by the state. Additionally, USACE typically requires the state to contribute a share of the costs of undertaking federal projects in California, and UFRF expenditures can be credited toward these requirements on future USACE projects.) Finally, funding would support two additional state projects and one study.

Figure 2

Governor's 2023-24 Flood Project and Study Proposals

General Fund, Unless Otherwise Noted (In Millions)

Activity	Proposed Funding		Estimated Total Project Cost	Estimated Future State Funding Needed	Estimated Completion Date
	2023-24	2024-25			
Flood Management Projects	\$114	\$35	\$4,647	\$577	
Mossdale Tract Multibenefit Project ^a	\$40	\$35	\$100	—	2025
West Sacramento Project ^b	25	—	1,130	\$70	2030
American River Common Features Project ^b	20	—	1,230	61	2026
Yolo Bypass Fix-in-Place Projects	15	—	40	45	2027/Ongoing
Paradise Cut Bypass Expansion and Ecosystem Enhancement Project	10	—	300	180	2030
Lower Cache Creek Project ^b	1	—	323	77	2036
Lower San Joaquin Project ^b	1	—	1,240	135	2032
Marysville Ring Levee Project ^b	1	—	193 ^c	10	2030
Smith Canal Gate Project ^a	1	—	91 ^d	—	2023
Flood Management Studies^e	\$5	—	\$22	\$8	
Yolo Bypass-Cache Slough Master Plan and Comprehensive Study	\$3	—	\$9	\$6	2027
Yolo Bypass comprehensive study ^b	1	—	8	1	2027
Reclamation District-17 feasibility study ^b	1	—	5	1	2027
Various Delta Levee Projects	\$41	—	—	—	
Delta levee special projects and state operations support	\$41 ^f	—	—	Unknown	Ongoing
Totals	\$159	\$35	\$4,669	\$585	

^aUrban Flood Risk Reduction project. Project consistent with U.S. Army Corps of Engineers (USACE) feasibility study. Expenditures can serve as state cost share for a future USACE project.

^bUSACE project. Figure reflects state share of cost.

^cPreliminary estimate that could change based on the USACE Post Authorization Change Report, which will be completed by 2027.

^dConstruction is still ongoing and could result in additional cost increases.

^eFigure reflects costs to complete each study; subsequent projects will result in additional and more significant costs to complete.

^fIncludes \$27 million from Proposition 1 (2014) bond funds.

Proposes \$41 Million in 2023-24 for Delta Levees. Also shown in Figure 2, the Governor's budget proposes \$41 million for Delta levee special projects and state operations support. Specifically, it includes \$27 million from Proposition 1 (2014) bond funds for local grants supporting multi-benefit levee projects through the Special Flood Control Projects Program. In addition, it includes \$11 million from the General Fund to backfill bond funding for state operations (to oversee and manage the Delta Levee System Integrity Program), as these funds will run out at the end of the current fiscal year. Finally, it includes \$2 million from the General Fund for real estate acquisition and planning for previously funded projects to satisfy regulatory requirements.

Proposes \$15.7 Million General Fund in 2023-24 for State Operations Support and Several Related Activities. As shown in Figure 3, the Governor proposes \$15.7 million General Fund in 2023-24 for state operations support and other flood management activities. Some of these activities would have multiyear or ongoing costs, resulting in a four-year funding commitment of \$52 million through 2026-27. The proposals include:

- **State Operations Support for Urban Flood Projects (\$10 Million One Time).** This proposed funding would support DWR staff management costs for USACE/UFRR projects, which could include support on the specific projects displayed in Figure 2 as well as activities such as land acquisition, construction management, or closeout activities on previous USACE/UFRR projects. Funding would be available for expenditure until June 30, 2028.
- **Preparation of Next Iteration of the CVFPP (\$4.4 Million in 2023-24; \$36.9 Million Total Over Four Years).** The Governor proposes providing \$4.4 million in 2023-24, \$11 million in 2024-25, \$11.5 million in 2025-26, and \$10 million in 2026-27 to prepare the next version of the CVFPP, which is due in 2027. Activities would include developing the main document, updating the status of all components of the SPFC system, conducting technical analyses of climate change impacts to the system, preparing a conservation strategy update for species recovery, developing a 30-year investment strategy, conducting public engagement, and ensuring compliance with the California Environmental Quality Act and tribal policies.
- **State Flood Maintenance and Operations Support (\$655,000 Ongoing).** The Governor's budget proposes funding and authority for two environmental

scientist positions to support ongoing flood maintenance and operations. These positions would be located at the two DWR maintenance yards to handle environmental permitting and tribal consultations. Funding also would support associated baseline costs, including consulting and professional services.

- **Three Flood Board Engineer Positions (\$623,000 Ongoing).** The Governor's budget proposes funding and authority for three new engineer positions at the Central Valley Flood Protection Board. These positions would be dedicated to addressing noncompliant levee encroachments (which are structures or features, such as landscaping, piping, or fencing, that cut into a levee). The purpose of this work is to help Central Valley levees retain or attain compliance with federal USACE standards.

Figure 3

Governor's 2023-24 Flood Management Operations and Related Proposals

General Fund (In Millions)

Proposal	2023-24	Totals:	Term
		2023-24 Through 2026-27	
State operations support for urban flood projects	\$10.0	\$10.0	One time
2027 Central Valley Flood Protection Plan	4.4	36.9	Through 2026-27
State flood maintenance and operations support	0.7	2.6	Ongoing
Central Valley Flood Protection Board engineer positions	0.6	2.5	Ongoing
Totals	\$15.7	\$52.0	

Assessment

Higher Bar for Approving New Proposals Given General Fund Condition. The Governor's new flood-related proposals would commit the state to significant discretionary General Fund expenditures in 2023-24. Importantly, the state currently is experiencing a budget problem, where General Fund revenues already are insufficient to fund existing commitments. In this context, every dollar of new spending in the budget year comes at the expense of a previously identified priority and requires finding a commensurate level of solution somewhere within the budget. The Governor "makes room" for proposed new spending on flood projects by making reductions to funds committed for other programs, including many in the climate and natural resources areas. The Legislative Analyst's Office thinks the Legislature will want to apply a higher bar to its review of new spending proposals such as these than it might in a year in which the General Fund had more capacity to support new commitments, as it will need to weigh the importance and value of the proposed new activities against the activities to which it has already committed. Essentially, it will want to consider whether it wants to make reductions—either those proposed by the Governor or equivalent alternatives—to free up resources for these flood projects.

Flood and Levee Proposals Might Meet That Higher Bar. In our view, several reasons make the case for the Governor’s flood-related proposals potentially meeting this high threshold for justifying new spending. These proposals would (1) respond to various critical flood protection and risk management needs, (2) help the state draw down federal funding, and (3) allow key projects that are already in progress to continue. Additionally, although many of the proposals do support continuing projects, nearly all of the current requests are one time in nature. This structure provides the state with the flexibility to consider associated future spending within the context of a given year’s budget and available revenues.

Central Valley Flood and Delta Levee Projects Are Important Part of State’s Flood Management System. The Governor’s flood proposals focus on the Central Valley and the Delta. This makes sense because the state has particular responsibility for maintaining the SPFC and given that the reliability of Delta levees is essential for the continued operation of statewide water conveyance systems. Taking steps now to mitigate existing flood risk—as well as the increasing hazards expected to result from climate change—could prevent both significant and costly damage as well as threats to public safety in future years.

Share of Flood Project Funding Would Help State Draw Down Federal Support. The Governor’s proposed spending on flood management would not only help mitigate flood risk, but also would help the state generate significant federal support. Of the proposed \$119 million for flood projects and studies, \$50 million reflects the state’s required cost share for USACE projects. In addition, the two projects that are part of the UFRR program could generate credits toward state spending requirements for future USACE projects. Nearly all of these projects are already in progress and the proposed funding would allow the next phase to be completed. Therefore, the proposed \$10 million to support state staff associated with oversight and management of these and other USACE/UFRR projects also merits consideration.

Funding for Delta Levees Would Prioritize the Most Critical Areas. The Legislative Analyst’s Office also finds merit in the Governor’s proposed spending on Delta levee programs. The proposal would support multi-benefit projects to improve levees and restore habitat in the Delta, providing flood protection benefits to the SWP. In addition, the General Fund portion of the request would backfill expiring bond funding for state operations and satisfy regulatory requirements for previously funded projects. Finally, although the proposed project funding (\$27.4 million Proposition 1 bond funds) would only partially address what reclamation districts have identified as a \$1.4 billion need for Delta levees, DWR indicates it would prioritize the funds for the most urgent projects. Specifically, it would first allocate funding to those projects on Delta islands or tracts deemed as “very high priority” in risk assessments developed by the Delta Stewardship Council. (The council used new levee geometry, hydraulic data, and projected impacts on vulnerable populations to develop these assessments.)

CVFPP Costs Appear Reasonable, in Line With Previous Iterations of the Plan. Average annual costs to prepare the CVFPP have been about \$8.5 million since development of the first version, which was released in 2012. The current request, which would average \$9.2 million annually for four years, is thus in line with historical costs. These costs may seem high for the development of a plan—especially one that is an update of several previous iterations. Generally

this is because these updates involve detailed, comprehensive, and technical analyses, including modeling the potential impacts of climate change and related adaptation activities. Although the time and staffing resources to prepare the next plan seem reasonable, the Legislature might wish to ask if any of these activities or processes—such as modeling climate impacts—could be more streamlined or automated given that this plan has to be updated every five years.

Recommendation

Consider Approving Funding for Flood Management Projects, State Operations, and Related Activities. Approving General Fund for these proposals requires identifying commensurate reductions from other existing spending commitments, which the Governor does through his package of budget solutions. However, this funding would support important activities that help protect public health and safety by lowering risks to flood prone areas and protecting key water conveyance infrastructure. To help avoid the potential losses to life and property that can result from serious flood events, the Legislature might want to consider approving the funding despite the associated budget trade-offs. The proposed funding would help draw down federal support for many of the projects and, because nearly all of it is one time in nature, the state could consider out-year spending within the context of future fiscal conditions.

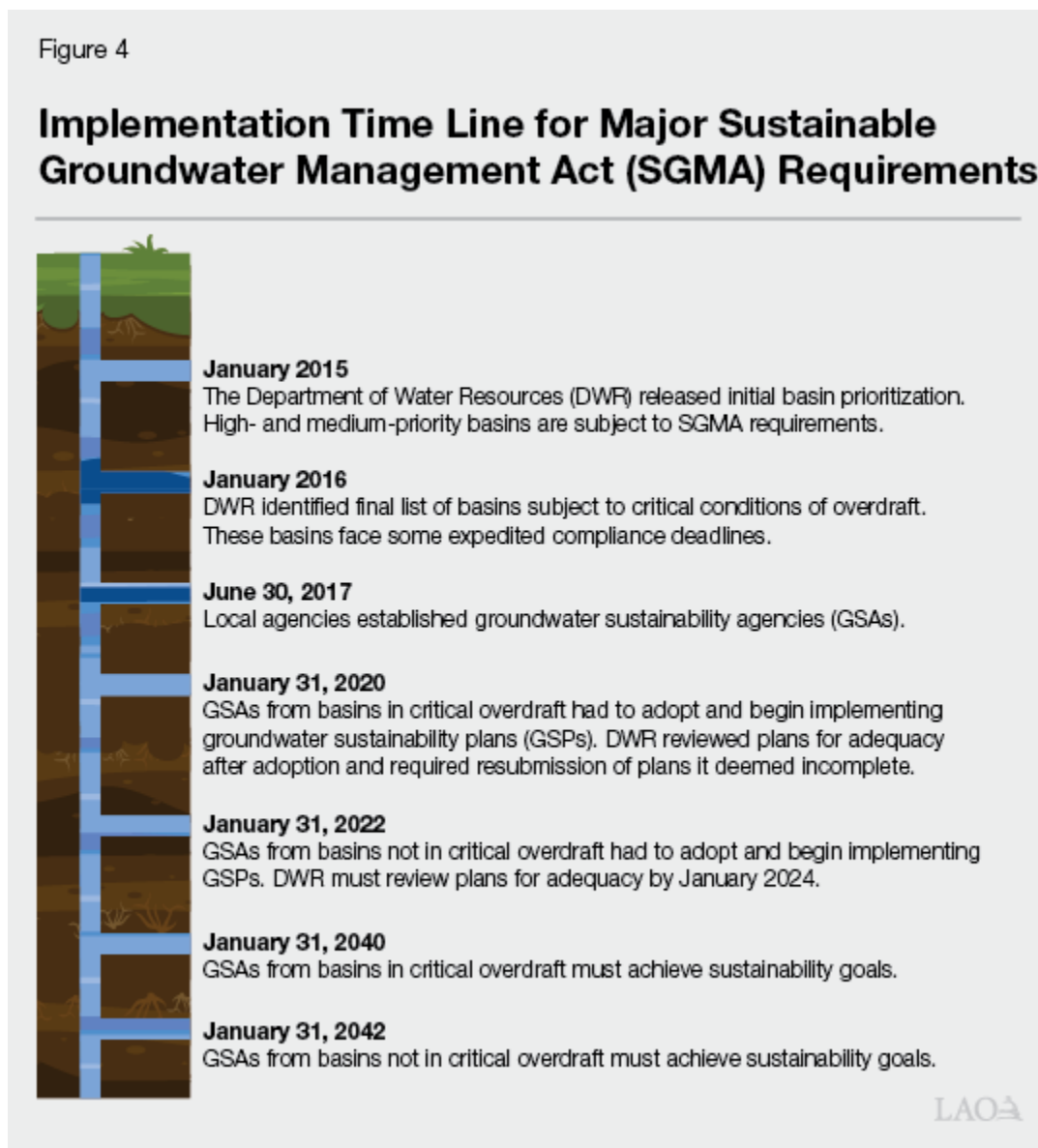
Sustainable Groundwater Management Act Implementation

Background

Groundwater Depletion Is Escalating. Groundwater is a key component of the state's water supply. Water users rely less on groundwater in wet years—when surface water is more abundant—and more in dry years. In some smaller and more vulnerable communities that lack access to surface water, groundwater provides up to 100 percent of drinking water supplies. Overall, California uses more groundwater than is restored through natural or artificial means. This imbalance is leading to depletion (known as “overdraft”), failed wells, water quality problems, permanent collapse of underground basins, and land subsidence. The current drought has heightened the urgent need for sustainable groundwater management. And while recent storms may have helped recharge some shallow groundwater basins, years of overdraft in deeper basins mean it could take months or years to recharge groundwater in some areas.

State Passed Major Legislation to Regulate Groundwater in 2014. In 2014, the Legislature passed and the Governor signed three new laws—Chapters 346 (SB 1168, Pavley), 347 (AB 1739, Dickinson), and 348 (SB 1319, Pavley)—collectively known as SGMA. With the goal of achieving long-term groundwater resource sustainability beginning in 2040, the legislation represents the first comprehensive statewide requirement to monitor and operate groundwater basins to avoid overdraft. The act's requirements apply to 94 of the state's 515 groundwater basins that DWR has found to be “high and medium priority” based on various factors, including overlying population and irrigated acreage, number of wells, and reliance on groundwater. (The remaining 421 basins ranked as being lower in priority—generally smaller and more remote—are encouraged but not required to adhere to SGMA.) While comprising less than one-fifth of the groundwater basins in California, the 94 high- and medium-priority basins account for 98 percent

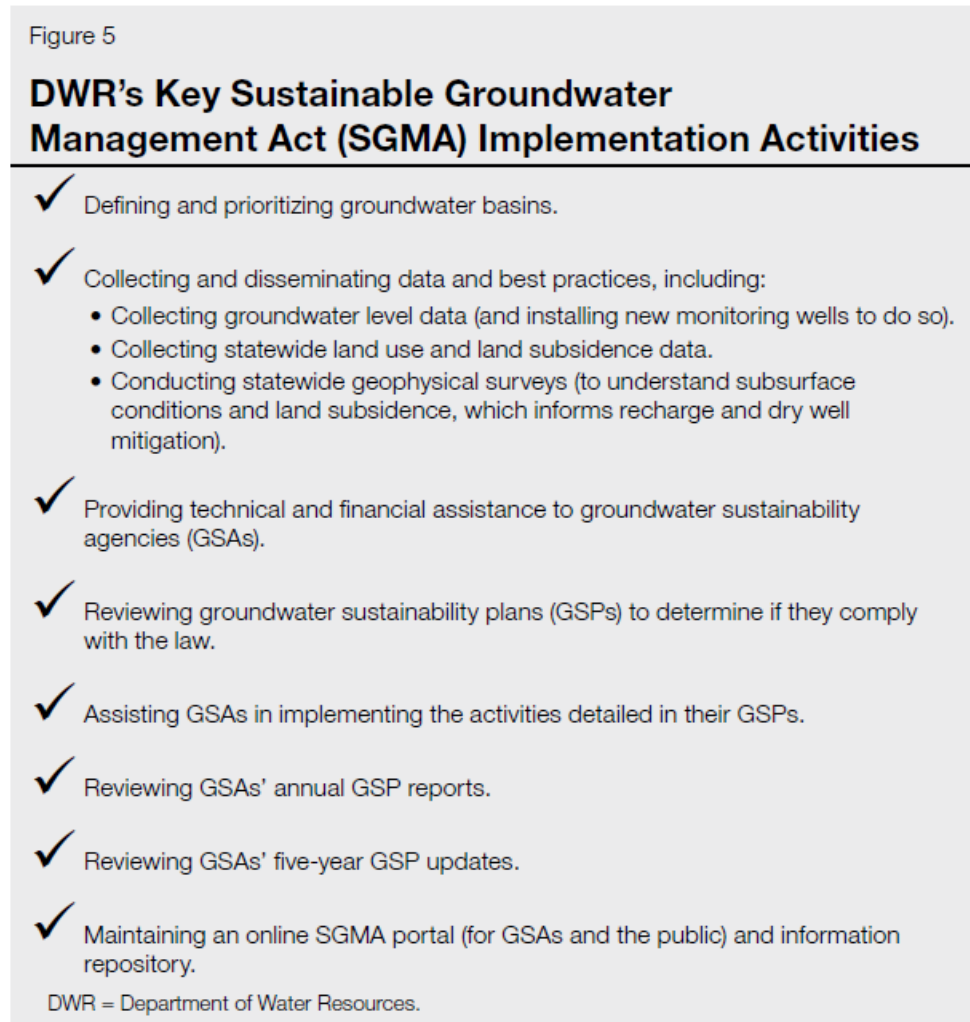
of California's annual groundwater pumping. Figure 4 displays the time line for meeting SGMA's key requirements.



SGMA Required Local Agencies to Submit Groundwater Sustainability Plans (GSPs). SGMA assigns primary responsibility for ongoing groundwater management to local entities, through the required formation of groundwater sustainability agencies (GSAs). SGMA requires GSAs to develop and implement long-term GSPs. These plans define the specific guidelines and practices that govern the use of individual groundwater basins, including potentially limiting extractions from these basins. Among the 94 high- and medium-priority basins, DWR identified 21 as being “critically overdrafted,” which it defines as a condition where a “continuation of present water management practices would probably result in significant adverse overdraft-related environmental, social, or economic impacts.” The GSAs managing groundwater in those basins were required to submit their GSPs to DWR for review by

January 2020, while GSPs for the remaining basins were due by January 2022. SGMA allows DWR two years to review GSPs. Among the critically overdrafted basins, DWR deemed GSPs for 12 basins to be incomplete and required that they be resubmitted in July 2022. DWR continues to review new and resubmitted GSPs.

DWR Undertaking Numerous Key Activities. SGMA tasked DWR with several key responsibilities in the initial phases of the act's implementation. As GSAs developed and have begun to implement their GSPs, DWR's role has continued to grow. Figure 5 displays some of DWR's key SGMA activities.



The State Water Resources Control Board (SWRCB) also has certain responsibilities in implementing SGMA, such as to intervene when local entities do not follow the law's requirements. If any basins ultimately fail to comply with SGMA, SWRCB is charged with taking over their management.

State Has Provided Significant Funding to Implement SGMA. As shown in Figure 6, the state has provided more than \$800 million since 2014-15 for SGMA implementation activities. This includes:

- **State Operations.** DWR has received \$314 million (\$84 million from Proposition 68 bond funds and \$229 million from the General Fund) to support state management of the SGMA program.
- **Local Planning Grants.** The state has provided \$93 million in Proposition 1 bond funds for planning grants, which supported local agencies as they formed GSAs and developed their GSPs.
- **Local Implementation Grants.** The state has provided \$430 million (\$134 million from Proposition 68 bond funds and \$296 million from the General Fund) for local implementation grants. Examples of grant-funded activities include developing ways to inject surface water into aquifers, expanding conveyance infrastructure to increase recharge, installing monitoring wells, and developing or upgrading infrastructure to increase the use of recycled water.

Figure 6

Sustainable Groundwater Management Act Resource History

(In Millions)

	2014-15 Through 2021-22			2022-23		Totals
	Proposition 1	Proposition 68	General Fund	Proposition 68	General Fund	
State operations	—	\$68	\$203	\$16	\$27	\$314
Planning grants	\$93	—	—	—	—	93
Implementation grants	—	134	180	—	116	430
Totals	\$93	\$202	\$383	\$16	\$143	\$837

About 125 DWR Staff Currently Support SGMA Program. Currently, the SGMA program has authority for 69 positions. In addition, staff from other DWR programs are sometimes assigned to the SGMA program and typically are funded on a limited-term basis. Currently, about 56 positions are on loan from other DWR programs. Of the 125 staff currently supporting SGMA, 31 are funded with Proposition 68 bond funds, while 94 are funded by the General Fund.

Governor's Proposals

Proposes \$14 Million in Ongoing General Fund to Support 40 Positions, 11 of Which Are New. The Governor's budget proposes \$14 million General Fund on an ongoing basis and authority for 11 new positions to support SGMA implementation activities. In addition to supporting the new positions, this funding would backfill expiring Proposition 68 funds in order

to continue funding 29 existing positions. Overall, the proposal would sustain roughly the same current number of positions in the SGMA program, as most of the 11 new positions would backfill some of the current staff who were temporarily assigned to SMGA work but will be transitioning back to their other DWR responsibilities beginning in 2024-25. The 11 new positions would be conducting:

- **Enhanced Data Collection.** DWR plans to increase the frequency at which it collects data from existing and new monitoring wells, particularly in high-priority areas, such as areas in which vulnerable communities rely on domestic wells, areas identified for recharge projects, and areas where land is actively subsiding and dry well mitigation measures are taking place.
- **Enhanced Basin Characterization.** DWR plans to conduct higher resolution aerial and ground-based geophysical surveys of groundwater basins. These surveys will benefit recharge projects by providing information about ideal recharge pathways and subsurface layers and land subsidence. They will also inform placement of additional groundwater monitoring stations.
- **Enhanced Reporting.** DWR plans to continue sharing information online, to aid in data-informed decision making. In addition, it will more frequently update dry-well susceptibility analyses and provide this information to all levels of government for drought, flood, and recharge planning and response.

Proposes \$900,000 in One-Time General Fund Support to Develop Groundwater Trading Implementation Plan. The budget proposes \$900,000 General Fund on a one-time basis to develop an implementation plan for groundwater trading that considers vulnerable users. The funding would support two DWR positions and engage consulting services to help complete the plan. The plan would be developed based on recommendations in the California Water Commission's white paper, [A State Role in Supporting Groundwater Trading with Safeguards for Vulnerable Users: Findings and Next Steps](#). This one-time planning effort would include interagency coordination among DWR, Department of Fish and Wildlife, Department of Food and Agriculture, and SWRCB. It would consider impacts on disadvantaged communities, small and medium farmers, and the environment.

Assessment

Successful Implementation of SGMA Is Vital to State's Water Supply, Community Drinking Water, and Agricultural Sector. The state relies heavily on groundwater, both for drinking water—particularly for small, vulnerable communities dependent on wells—and agricultural irrigation. As it grapples with periods of prolonged drought and a resulting lack of consistently adequate amounts of surface water, the importance of groundwater continues to grow. Successful implementation of SGMA's requirements will help ensure that the goals envisioned by the Legislature are achieved and remain a priority. The past decade has included a number of key SGMA implementation milestones, including definition and prioritization of groundwater basins; formation of GSAs; data collection; and development, submission, and review of GSPs. The state has entered the next period of SGMA implementation—

undertaking the activities articulated in the GSPs that will eventually lead to basin sustainability. DWR plays an important role in ensuring these activities are successful, and the proposed increase in SGMA program funding and position authority could help the department better carry out its responsibilities.

Having DWR Collect and Disseminate Key Data Makes Sense. DWR has taken on more responsibility for collecting and reporting groundwater data statewide than was originally envisioned. This seems appropriate, in that it leverages DWR's economies of scale relative to having each local agency collect and report data. Moreover, having DWR collect key information, such as data about groundwater levels and land subsidence, not only ensures that the data and measurements are consistent across groundwater basins statewide, but that data are collected on a regular and frequent basis.

Expanding Role of DWR Would Benefit From Increased General Fund Support. Although SGMA implementation continues to move from planning to execution, DWR still has workload associated with reviewing GSPs and providing technical assistance to GSAs on their plans. DWR also will have ongoing workload associated with reviewing GSAs' annual reports and regular five-year GSP updates. Because Proposition 68 funds have mostly all been expended, DWR would not be able to continue these existing activities at the same level without more support. In addition, DWR is taking on an expanded role that should help facilitate better decision-making and inform recharge, dry well mitigation, and flood projects.

Ongoing Legislative Oversight of SGMA Implementation Is Important. Given the state's reliance on groundwater and the importance of SGMA to ensuring the sustainability of groundwater basins, ongoing oversight by the Legislature can help ensure implementation remains on pace and legislative priorities are being met. Legislative oversight also can help ensure that GSPs adequately account for equity concerns and that inequities are not exacerbated. For example, legislative oversight can shine a light on whether enough is being done in vulnerable communities that rely on domestic wells for their drinking water and where reports of dry wells have been increasing. The success of SGMA ultimately is not about whether deadlines are being met—although deadlines can help ensure progress—but whether groundwater use, banking, and recharge allow the state to actually reach sustainability.

Recommendations

Consider Approving Ongoing and One-Time Funding and Positions. As discussed earlier, in the context of the state's budget problem, the Legislative Analyst's Office recommends the Legislature employ a higher threshold when considering new General Fund spending proposals, given that they necessitate making reductions to existing spending commitments. The Legislative Analyst's Office finds that the proposed funding and position authority for SGMA implementation activities could meet this higher bar, despite the associated trade-offs. They would allow DWR to continue implementing SGMA activities that the Legislature has previously indicated are among its high priorities. Moreover, ensuring sustainable groundwater management is key not only to future water supplies and the state's agricultural sector, but also to protecting drinking water for many vulnerable communities. The proposed funding would support DWR activities that are important to the success of local agencies in achieving statewide

groundwater sustainability, and would allow the state to take advantage of economies of scale by supporting centralized data collection. The Legislative Analyst's Office recommends the Legislature consider approving the Governor's proposals.

Continue to Monitor Successes and Challenges of SGMA Implementation. Given its importance in overall statewide water resource management and protecting vulnerable communities, the Legislative Analyst's Office recommends the Legislature continue to conduct robust oversight of ongoing SGMA implementation. The Legislature could do this through a number of ways, including requesting updates at annual budget subcommittee hearings, conducting oversight hearings, or requesting additional reporting when warranted. For example, the Legislature could consider holding oversight hearings or requesting additional reporting at particular milestones, such as the completion of the groundwater trading implementation plan, DWR's final determinations on all GSPs, or at the five-year mark when GSAs must submit GSP updates.

STAFF COMMENTS

This Subcommittee may wish to ask the following questions:

Sustainable Groundwater Management Act (SGMA):

- Please provide a quick update on SGMA progress: how many plans have been approved, how many are not in compliance, how many are forwarded to the SWRCB?
- For SWRCB, what is the timeline for getting plans developed for probationary basins? What is the oversight mechanism for the interim period?
- Now that the GSPs are final, have you discovered any data gaps that are common among GSAs?
- How many GSAs have adopted a fee structure? What is the range?
 - There are roughly a dozen very-small GSAs throughout the state that pump small amounts of water and have mostly low-income rural residents. These GSAs are in danger of needing to charge extremely high pumping fees since their number of pumpers is so low.
 - What can the state do to bring these costs down? Fee reimbursement?
 - Why has the department not allowed SGMA dollars to cover administration and reporting costs for small groundwater sustainability agencies (GSAs)?
- The State Water Board is mostly supported by fees on regulated parties. Why is the State Water Board not able to collect fees until 2025 for its activities? Does that mean the General Fund is covering these plans?

- Now that SGMA is in place and the GSPs are mostly final, the state is seeing an increase in the number of adjudications. According to Section 2001 of the water code, judges can reach out to the Water Boards for technical assistance during the adjudication process. Why has Water Boards opted to not weigh in when judges have reached out for assistance?
- What is the process for adding new aquifers under SGMA? Especially the Fenner Aquifer that underlies the Mojave Desert.
 - What is the process for regulating overpumping that is not regulated under SGMA?
- Can you please explain the state's role in water bottling permitting? Can you provide a written response of how much water is pumped for this purpose and by which entities?

Groundwater Recharge:

The Governor issued EO (N-4-23) on March 10, 2023 that waives a number of environmental laws (CEQA, LSAA, water rights, etc.) to expedite groundwater recharge projects.

- How is implementation of the EO going?
- How many projects have taken advantage of it?
- How much water does the Administration estimate has been recharged so far?
- Does the Administration anticipate making recommendations for a permanent program?
- What about flood liability? How does the Administration intend to address this?

Flooding in the Tulare Basin:

- What is the current status of flooding in this region?
- How many communities have been flooded?
- How many people have been evacuated, if any?
- What does the next few months look like in the region and what steps is the Administration taking to address potential flooding in the region?
- Is the Administration structuring any flood funding for Tulare to ensure the State does not expand its responsibility and liability for flood protection?

Flood Protection Funding:

- The Governor's budget eliminates \$40 million that was approved in the budget last year for floodplain restoration in the San Joaquin Valley to prevent flooding and recharge aquifers. Given the winter the state had, is the administration planning to restore this funding in the May Revise?

Colorado River:

- Do you anticipate or are you relying on federal funding to address cuts in diversions from the Colorado River?
- How does State funding fit into the plan for responding to the crisis?
- Is there any State funding for those who have agreed to take the cuts up to 400,000 acre-feet?

Delta Conveyance Costs:

- Does the Delta Stewardship Council BCP cover additional Council costs for hearing an appeal on your decision for Delta conveyance?
- Is the administration developing a financing plan for building the Delta tunnel?

Staff Recommendation: Hold open.

ISSUE 3: DAM SAFETY ENFORCEMENT AND DESIGN OVERSIGHT AND DIVISION OF SAFETY OF DAMS FEES TRAILER BILL

The Governor's budget proposes \$3.178 million in ongoing funding from the Dam Safety Fund to support 12 new positions in Fiscal Year (FY) 2023-24 for the implementation of an Enforcement Program (6 positions/\$1.594 million) for new statutory authorities provided by Senate Bill 92 (2017) and to address workload increases related to new dam construction projects, enlargements, repairs/remediations, and removals (6 positions/\$1.584 million). The Dam Safety Program is funded by annual and application fees paid by dam owners. Revenue to support this request would be collected through annual fees and offset through the modernization of a circa 1991 application filing fee schedule to better align revenue collected with DWR's regulatory costs for its oversight of application work.

The existing and proposed fees are outlined below:

Table 5: Comparison of Current to Proposed Application Fee Schedule

Current Application Fee Schedule		Proposed Application Fee Schedule	
Estimated Project Costs	Fee based on Estimated Project Costs	Estimated Project Costs	Fee based on Estimated Project Costs
For the first \$300,000	3.00%	For the first \$1,000,000	3.25%
For the next \$700,000	2.00%	For the next \$4,000,000	2.50%
For the next \$1,000,000	1.50%	For the next \$15,000,000	2.00%
For the next \$1,000,000	1.25%	For the next \$30,000,000	1.75%
For the next \$2,000,000	1.00%	For the next \$100,000,000	1.25%
For the next \$2,000,000	0.75%	For the next \$350,000,000	0.75%
For all costs in excess of \$7,000,000	0.50%	For all costs in excess of \$500,000,000	0.50%
In no case, however, shall the minimum fee be less than \$300.		In no case, however, shall the minimum fee be less than \$1,000.	

Table 6: Comparison of Application Fees by Project

Project Size	Project Type	Estimated Cost	Current Fee	Proposed Fee
Small	Valve replacement	\$5 million	\$70,500	\$132,500
Medium	Spillway remediation	\$50 million	\$300,500	\$957,500
Large	New dam (>100 ft)	\$250 million	\$1,300,500	\$2,957,500

The trailer bill allows the Department to ask the Attorney General to seek injunctive relief, penalties, fees, costs, or any other remedies in superior court.

The language also allows the Department to promulgate regulations to adjust the application fee schedule to ensure the filing fees collected reasonably cover the department's costs of application work.

The language can be found here: <https://esd.dof.ca.gov/trailer-bill/public/trailerBill/pdf/840>.

BACKGROUND

The application fee schedule is fixed in statute (section 6300 of the Water Code) and has not been adjusted since circa 1991. Only dam owners who are required to do work on their dams or owners who modify their dams for operational needs are required to submit an application and filing fees to DSOD. The application fee schedule is a tiered structure based on a project's estimated costs. For projects ranging from \$1 million to over \$100 million, the average fee rate varies from 2.30 percent to 0.50 percent of the estimated project cost, respectively. For instance, a \$1 million dollar project would have an application fee of \$23,000, whereas a \$100 million project would have an application fee of \$550,500.

On average annually, \$2.5 million in applications fees are used to supplement annual fees in covering the costs of the Dam Safety Program. DSOD's application work comprises about 36 percent of its budget and revenue collected from the current application fee schedule supports about 14 percent of DSOD's budget.

According to the Bureau of Labor Statistics, prices in 2022 are 118 percent higher than 1991 (average inflation rate of 2.5 percent a year). Most moderate-sized dam projects exceed the maximum tiered costs of \$7 million, which results in a significant portion of the application fees for a project being based on the minimum rate of 0.50 percent.

Depending upon a project's cost, DSOD estimates that the proposed application fee schedule will generate two to three times more revenue than current application fee schedule. Assuming an average factor of 2.5, this equates to an additional \$3.75 million in annual earned revenue for a total of \$6.25 million annually. The proposed fee schedule was set to align with DSOD's application oversight costs while not overly burdening or deterring any specific demographic or geographic dam owner groups. Given that dam owners typically submit application fees in payments over the course of the project's design phase, which can range from 1 year to 10 years, by FY 2032-33, annual fees adjustments initially needed to fund this request of 12 new positions will practically be offset. Additionally, application and annual fees will be better aligned in covering costs incurred by the regulated community on the Dam Safety Program.

PANEL

- Sharon Tapia, Division Manager, Department of Water Resources
- Krystal Acierto, Principal Program Budget Analyst, Department of Finance
- Meghan Larson, Junior Staff Analyst, Department of Finance
- Sonja Petek, Principal Fiscal & Policy Analyst, Legislative Analyst's Office

STAFF COMMENTS

Staff has no concerns with this proposal as the fees have not been adjusted since 1991 and the workload has increased and will continue to increase. This Subcommittee may wish to automatically increase the fee based on inflation.

Staff Recommendation: Hold open.

3940 STATE WATER RESOURCES CONTROL BOARD**ISSUE 4: WATER SUPPLY STRATEGY IMPLEMENTATION AND WATER RECYCLING PROJECT FEES TBL**

The Governor's budget requests:

- Nineteen (19.0) permanent positions and \$4,730,000 (\$4,230,000 and 19 positions and \$500,000 in one-time contract funding from the Waste Discharge Permit Fund), in fiscal year 2023-24.
- Starting fiscal Year 2024-25, an additional nine (9.0) permanent positions and \$2,333,000 (\$1,425,000 and 7.0 positions and \$500,000 in one-time contract funding from the Waste Discharge Permit Fund, and \$408,000 and 2.0 positions from the Safe Drinking Water Account). This will provide total resources for fiscal year 2024-25 in the amount of 28.0 positions and \$6,563,000 (\$5,655,000 and 26.0 positions and \$500,000 one-time contract funding from the Waste Discharge Permit Fund, and 2.0 positions and \$408,000 from the Safe Drinking Water Account).
- Starting fiscal year 2025-26, an ongoing spending authority of \$6,063,000 (\$5,655,000 Waste Discharge Permit Fund and \$408,000 Safe Drinking Water Account) to continue the support of 28.0 permanent positions.

Resources will be used to permit new recycled water projects, including potable reuse, develop plans and permits to increase the supply and number of brackish groundwater and seawater desalination facilities, and identify incentives to increase stormwater capture and use.

This proposal includes Trailer Bill language to modify Water Code sections 13260 and 13523 (waste discharge permits) to authorize the Water Boards to assess annual fees for recycled water permits.

The language can be found here: <https://esd.dof.ca.gov/trailer-bill/public/trailerBill/pdf/781>.

PANEL

- Joaquin Esquivel, Board Chair, State Water Resources Control Board
- Karen Mogus, Deputy Director, State Water Resources Control Board
- Krystal Acierto, Principal Program Budget Analyst, Department of Finance
- Lizzie Urie, Staff Finance Budget Analyst, Department of Finance
- Sonja Petek, Principal Fiscal & Policy Analyst, Legislative Analyst's Office

BACKGROUND

Subject to a stakeholder process, the Board anticipates proposing two new categories of annual fees:

- 1) A new fee on Water Reclamation Requirement (WRR) permittees similar to that of existing fees for similar projects. The Board anticipates this new fee may be assessed on the 34 existing entities who do not currently pay fees and will be variably based on complexity and could range from \$3,300-\$174,000 per year.
- 2) A surcharge would be assessed on the 186 existing waste discharge requirements (WDR) and National Pollutant Discharge Elimination System (NPDES) permittees. The Board anticipates fees ranging from \$500-\$60,000 per year based on complexity.

STAFF COMMENTS

This Subcommittee should opine on their comfortability with assessing new annual fees on recycled water based on project complexity to fund adequate staff to review these projects and provide ongoing oversight.

Staff Recommendation: Hold open.

ISSUE 5: WATER ARREARAGES IMPLEMENTATION UPDATE

The 2021 Budget Act appropriated \$1 billion for water and wastewater bill debt, known as arrearages, for debt accrued from March 4, 2020 through June 15, 2021 (as a result of the COVID 19 pandemic closures).

\$255 million was paid out for Drinking Water Arrearages, \$124 million for Wastewater Arrearages, and \$15 million for administrative costs.

In the 2022 budget, \$200 million was transferred to Department of Community Services and Development (CSD) for this purpose, so the Water Board staff could focus on implementing drought programs. This program has customers apply for debt relief as opposed to water agencies under the SWRCB program.

\$406 million remains.

However, Control Section 11.96 of the 2022 Budget Act provides the Department of Finance the authority to initiate a reversion of unspent funds from the Coronavirus Fiscal Recovery Fund of 2021 (which include Water Board's water arrearages program) to be allocated for direct disaster and response costs subject to a notification to the Legislature. At this point Finance has not reverted any water board water arrearages funding pursuant to this control section.

PANEL

- Joaquin Esquivel, Board Chair, State Water Resources Control Board
- Krystal Acierto, Principal Program Budget Analyst, Department of Finance
- Lizzie Urie, Staff Finance Budget Analyst, Department of Finance
- Sonja Petek, Principal Fiscal & Policy Analyst, Legislative Analyst's Office

STAFF COMMENTS

Water agencies have asked for an amendment to the trailer bill that created the water and waste water arrearages program to extend the date of covered arrearages to as late as February of this year to enable them to pay down the remaining \$406 million that was originally allocated.

While this funding is not currently proposed for any specific end use, it could be used for other direct disaster and response costs under federal law.

This Subcommittee may wish to opine on if they would like to extend the statutory timeline for arrearages debt to enable more of the funds to be spent on arrearages and if they believe redirecting Water Board staff from their ongoing workload is preferred over the existing CSD program.

If this Subcommittee prefers Water Board to implement the program, the statute could be narrowed to reduce prescriptive requirements including outreach to water agencies to reduce staff workload.

Staff Recommendation: Hold Open.

This agenda and other publications are available on the Assembly Budget Committee's website at: <https://abgt.assembly.ca.gov/sub3hearingagendas>. You may contact the Committee at (916) 319-2099. This agenda was prepared by Shy Forbes.